BLUE LABEL TELECOMS

NOTICE OF ANNUAL GENERAL MEETING 2017

Blue Label is a **magnet for foot traffic** with over **half a million touch points** globally

a magnet for foot traffic

Highlights

For the year ended 31 May 2017

INCREASE IN REVENUE TO

R26.3 billion

INCREASE IN GROSS PROFIT OF 19% TO

R2.2 billion

INCREASE IN EBITDA OF 7% TO

R1.3 billion

INCREASE IN EARNINGS PER SHARE OF 14% TO

117.92 cents

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INCREASE IN HEADLINE EARNINGS PER SHARE OF 18% TO

117.98 cents

INCREASE IN CORE HEADLINE EARNINGS PER SHARE OF 17% TO

120.09 cents

INCREASE IN DIVIDEND PER SHARE OF 11% TO

40 cents

NET ASSET VALUE PER SHARE AMOUNTED TO

R7.32

INCREASE IN CASH AND CASH EQUIVALENTS BY R762 MILLION TO

R1.35 billion

Message from the Chairman

Dear Stakeholders

This booklet provides shareholders with a summarised version of Blue Label Telecoms' annual results and performance for the year ended 31 May 2017.

This summary is in compliance with the South African Companies Act and JSE requirements.

The traditional integrated annual report is available for viewing and downloading on our website www.bluelabeltelecoms.co.za.

Blue Label's notice of Annual General Meeting and proxy form relating thereto is also provided herein.

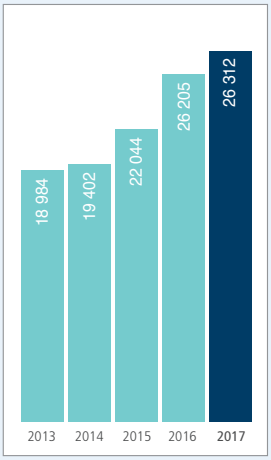
We trust you will find this booklet and our 2017 integrated annual report on our website both informative and of value.

Larry Nestadt
Chairman

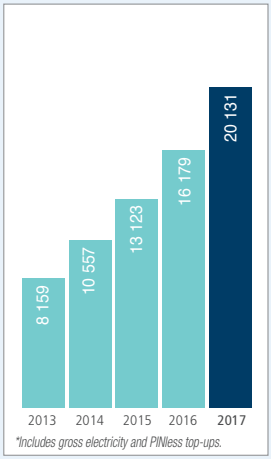
23 November 2017

Financial performance

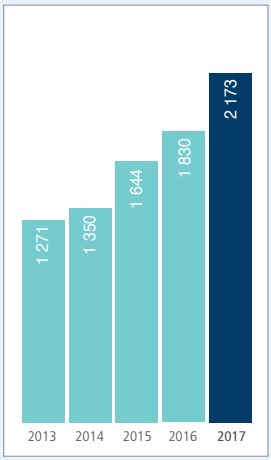
Revenue
(R'million)



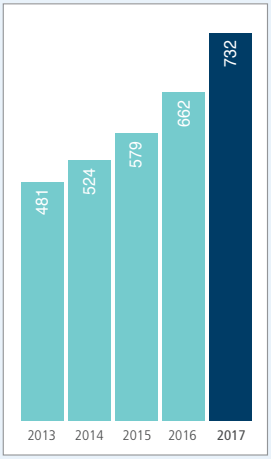
Gross PINless transactional values* (R'million)



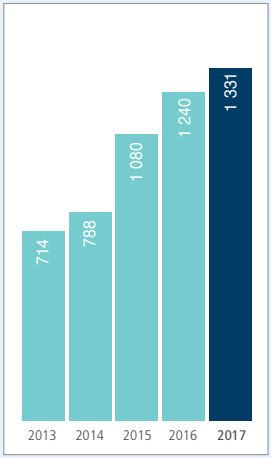
Gross profit
(R'million)



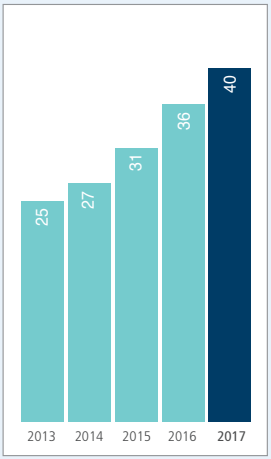
NAV per share
(cents)



EBITDA
(R'million)



Dividends declared per share
(cents)



Commentary

Overview

Group earnings continued to increase organically primarily attributable to South Africa Distribution increasing its contribution to Group core headline earnings by 19%.

Although Blue Label Mexico ("BLM") incurred losses, its losses continued to decline, with the Group's share thereof reducing by 42%, from R63 million to R37 million.

The continuous shift in consumer buying patterns from traditional purchasing of airtime to that of "PINless top-ups", resulted in limited growth in Group revenue. Only the gross profit earned thereon is accounted for in Group revenue as opposed to the gross amount generated from transactions of this nature. On imputing such amounts, the effective growth would have equated to 7%.

Gross profit increased by R343 million (19%) to R2.2 billion congruent with an increase in margins from 6.98% to 8.26%.

After accounting for a negative turnaround in foreign exchange movements of R125.7 million, a net negative movement of R37.9 million relating to a release of a contingent portion of deferred purchase considerations and an increase in overheads of R90 million, the resultant EBITDA increased by R91 million (7%) to R1.33 billion.

The investments in Oxigen Services India, Oxigen Online Services India, collectively ("Oxigen Services India"), and 2DFine Holdings Mauritius ("2DFine") were historically accounted for as investments in associates and joint venture, applying the equity method up until 30 November 2016. From that date these entities are accounted for as venture capital investments, which, in accordance with IAS 28 – *Investments in Associates and Joint Ventures*, have been accounted for at fair value. The differential between the carrying value of the investments and their fair value is reflected as a gain on associates and joint venture measured at fair value.

A fair value gain of R160 million and the Group's share of losses for the year under review of R125 million, equated to a net positive contribution of R35 million to Group earnings. On exclusion of this positive contribution, headline earnings would have amounted to R752 million and core headline earnings to R766 million, equating to 112.74 cents and 114.85 cents per share respectively.

Capital and reserves accumulated to R5 billion, net of accumulated dividends paid to date totalling R1.16 billion, further strengthening the Group's balance sheet. The net asset value increased by 11% to R7.32 per share.

Commentary continued

Segmental report

South African Distribution

	May 2017 R'000	May 2016 R'000	Growth R'000	Growth %
Revenue	**25 786 396**	25 722 540	63 856	0%
Gross profit	**1 917 023**	1 582 743	334 280	21%
EBITDA	**1 388 296**	1 133 433	254 863	22%
Core net profit	**893 106**	750 951	142 155	19%
Core headline earnings	**893 128**	751 086	142 042	19%
Gross profit margin	**7.43%**	6.15%		
EBITDA margin	**5.38%**	4.41%		

Revenue remained consistent with that of the prior year. However, revenue generated on "PINless top-ups" increased by R2 billion from R4.1 billion to R6.1 billion, equating to effective growth in South African Distribution revenue of 7%, in that only the commission earned thereon is recognised.

Net commissions earned on the distribution of prepaid electricity continued to increase, escalating by R18 million to R215 million on a value of R14 billion generated on behalf of the utilities.

Gross profit margins improved from 6.15% to 7.43%, resulting in an increase in gross profit of R334 million (21%) from R1.58 billion to R1.92 billion. The improvement in margins was attributable to a hybrid of additional discounts received on early settlement payments and compounded annuity revenue. The increase in gross profit was partially negated by additional net finance costs, congruent with applying excess funds and facilities on a piecemeal basis to early settlement discounts.

EBITDA increased by 22% to R1.39 billion equating to an EBITDA margin of 5.38%.

Contribution to Group core headline earnings increased by R142 million (19%) to R893 million.

International

	May 2017 R'000	May 2016 R'000	Growth R'000	Growth %
EBITDA	**(31 792)**	44 152	(75 944)	(172%)
Gain on associate measured at fair value	**160 200**	—	160 200	
Share of (losses)/profits from associates and joint ventures	**(162 218)**	(70 283)	(91 935)	(131%)
– Oxigen Services India	**(119 831)**	(27 672)	(92 159)	(333%)
– Blue Label Mexico	**(36 978)**	(63 293)	26 315	42%
– 2DFine Holdings Mauritius	**(5 409)**	19 734	(25 143)	(127%)
– Mpower	**—**	948	(948)	(100%)
Core net loss	**(17 213)**	(29 352)	12 139	41%
Core headline loss	**(16 874)**	(59 327)	42 453	72%

The decline in EBITDA of R76 million was directly attributable to a negative turnaround in foreign exchange movements.

Commentary continued

The share of net losses from associates and joint ventures comprised the following:

Oxigen Services India and 2DFine Holdings Mauritius

The financial performance of Oxigen Services India for the six months ending November 2016 was equity accounted for, of which the Group's share of losses amounted to R120 million. The major portion of these losses was attributable to substantial expenditure incurred on the marketing of the brand and the acquisition of wallets.

The Group's share of losses in 2DFine amounted to R5.4 million for the six months ending November 2016. These losses were attributable to interest incurred on historical loans from Gold Label Investments and Blue Label. In the prior year, the Group's share of profits amounted to R19.7 million. This pertained to a gain on dilution of R30 million, being the Group's share of the increased net asset value emanating from a rights issue in Oxigen Services India, offset by a share of losses of R10.2 million relating to interest incurred on the above loans. The gain on dilution was deducted as a headline earnings adjustment, resulting in a negative contribution of R59.3 million by the International segment to core headline earnings.

With effect from 30 November 2016, Oxigen Services India and 2DFine have been accounted for as venture capital investments, and as a result thereof the investments are measured at fair value. Consequently, any further losses incurred by the above entities from that date will have no impact on Group earnings.

The differential between the carrying value of the investments and their fair value amounted to R160 million and has been accounted for in the summarised Group statement of comprehensive income as a gain on associate and joint venture measured at fair value. The fair value gain of R160 million and the Group's share of losses for the year of R125 million, equated to a net positive contribution of R35 million to Group earnings.

Blue Label Mexico

BLM's losses declined from R130 million to R74 million, of which the Group's share amounted to R37 million after the amortisation of intangible assets. In the comparative period the Group's share of losses amounted to R63 million.

The decline in losses was achieved in spite of a reduction in revenue by 23%. This decline was caused by intense competition amongst carriers, resulting in lower tariffs payable by the end user. However, in the latter half of the financial year pricing stabilised, resulting in an increase in revenue during that period.

The overall decline in revenue was compensated for by an increase in gross profit of R26.6 million (32%), underpinned by higher gross profit margins.

The increase in gross profit was primarily attributable to BLM becoming a multicarrier distributor as opposed to historically being confined to one network. This has created a more competitive environment amongst the networks to the benefit of the company.

Focus on cost efficiencies resulted in a decrease in operational expenditure by 9%. Whilst the resultant EBITDA remained negative, it increased by R42.7 million (61%).

Bill payments, credit and debit card acquiring, food vouchers and compounding annuity revenue emanating from starter pack distribution are perpetually increasing, which together with improved margins and expense containment resulted in a decline in losses.

Mobile

	May 2017 R'000	May 2016 R'000	Growth R'000	Growth %
Revenue	**347 858**	291 856	56 002	19%
Gross profit	**200 079**	182 533	17 546	10%
EBITDA	**99 101**	111 142	(12 041)	(11%)
Core net profit	**56 327**	64 273	(7 946)	(12%)
Core headline earnings	**56 289**	65 333	(9 044)	(14%)

This segment comprises Viamedia, Supa Pesa, Blue Label One, Cellfind, Panacea and Simigenix.

Although revenue increased by 19% and gross profit by 10%, a negative movement of R12 million relating to a release of a contingent portion of deferred purchase consideration resulted in negative growth in EBITDA by 11%.

On exclusion of the deferred purchase consideration adjustment, the effective contribution to core headline earnings equated to a growth of R3 million (5%).

Solutions

	May 2017 R'000	May 2016 R'000	Growth R'000	Growth %
Revenue	**177 621**	190 326	(12 705)	(7%)
Gross profit	**55 480**	64 418	(8 938)	(14%)
EBITDA	**34 020**	35 889	(1 869)	(5%)
Core net profit	**18 956**	16 116	2 840	18%
Core headline earnings	**18 956**	21 564	(2 608)	(12%)

In October 2015 Velociti was disposed of at a loss of R5.4 million. On exclusion of this capital loss from core net profit in the prior year, core headline earnings in the remaining entities declined by R2.6 million.

On omission of Velociti's historical contribution, revenue generated by the remaining entities, dominated by Blue Label Data Solutions, increased by 10%. However, margin compression resulted in static growth in gross profit, which together with an increase in overheads, which included a R4 million loan impairment, resulted in the decline in its core headline earnings of 12%.

Commentary continued

Corporate

	May 2017 R'000	May 2016 R'000	Growth R'000	Growth %
EBITDA	**(158 302)**	(84 057)	(74 245)	(88%)
Core net loss	**(150 142)**	(93 748)	(56 394)	(60%)
Core headline loss	**(150 103)**	(93 745)	(56 358)	(60%)

Of the decline in EBITDA of R74 million, R46 million pertained to a negative turnaround in foreign exchange movements and R26 million to a net negative movement relating to a release of a contingent portion of deferred purchase considerations.

Its negative contribution to Group core headline earnings increased by R56 million to R150 million.

DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES

Depreciation, amortisation and impairment charges increased by R15 million to R113 million. Of this amount, R18 million pertained to the amortisation of intangible assets resulting from purchase price allocations on historical acquisitions compared to R20.6 million in the comparative year. The balance of the increase was congruent with capital expenditure incurred during the year.

NET FINANCE COSTS

Finance costs

Finance costs totalled R303 million, of which R106 million related to interest paid on borrowed funds and R197 million to imputed IFRS interest adjustments on credit received from suppliers. On a comparative basis, interest paid on borrowed funds amounted to R48 million and the imputed IFRS interest adjustment equated to R166 million.

The increase of R58 million on interest paid on borrowed funds was mainly due to applying funds to bulk inventory purchase transactions and early settlement payments attracting favourable discounts. Finance facilities were utilised on a piecemeal basis for this purpose and repaid during the current year. The additional finance costs were more than compensated for by the growth in gross profit and gross profit margins.

Finance income

Finance income totalled R242 million, of which R79 million was attributable to interest received on cash resources and R163 million to imputed IFRS interest adjustments on credit afforded to customers. In the prior year, interest received on cash resources amounted to R64 million and the imputed IFRS interest adjustment to R130 million.

The increase in interest received from cash resources was mainly attributable to growth in working capital resources, partially offset by the utilisation of funds for financing and investing activities.

STATEMENT OF FINANCIAL POSITION

Total assets increased by R1.4 billion to R8.7 billion of which current assets increased by R1.5 billion and non-current assets reduced by R76 million.

Non-current assets included increases in capital expenditure net of depreciation of R11 million, in loans receivable of R30.9 million and trade and other receivables of R13.3 million. These increases were offset by decreases of R86 million in intangible assets and goodwill and R50.6 million in investments in associates and joint ventures.

The net decrease of R50.6 million in investment in associate and joint ventures comprised the R160 million gains measured at fair value relating to Oxigen Services India and 2DFine, a capital contribution of R25.5 million to Oxigen Services India, a further equity loan granted to Lornanox of R9.3 million, the acquisition of Utilities World for R12 million, interest of R23.5 million capitalised on loans and loans granted of R14 million. These increases were offset by the Group's share of losses therein totalling R165 million inclusive of the amortisation of applicable intangible assets, a negative impact on foreign currency translation reserves of R82.4 million and unrealised foreign exchange losses on loans of R47.2 million.

The net decline of R86 million in intangible assets and goodwill mainly pertained to the amortisation of intangibles by R143 million, offset by R56 million expended on the purchase of software, internally generated software development costs and starter pack bases.

Of the increase in current assets, material movements included increases in inventories of R521 million, loans receivable of R90 million, cash resources of R762 million and trade receivables of R80 million.

The stock turn equated to 33 days compared to 25 days for the comparative year. Bulk inventory purchase opportunities at favourable discount rates validated the consequent increase in inventory. The nature of the business enables it to reduce its inventory holdings within the above number of days at any given time.

The debtors' collection period increased to 39 days compared to 38 days for the comparative year.

Net profit attributable to equity holders of R787 million, less a dividend of R243 million, resulted in retained earnings accumulating to R3.6 billion.

Trade and other payables increased by R881 million, with average credit terms increasing to 53 days compared to 40 days for the comparative year.

Commentary continued

STATEMENT OF CASH FLOWS

Cash flows generated from operating activities amounted to R1.36 billion, predominately attributable to increased trading activity, net of working capital requirements.

Cash flows applied to investing activities amounted to R320 million. Of this amount, R56 million related to the purchase of intangible assets, R57 million to capital expenditure, R25.5 million to a capital contribution to Oxigen Services India, R133 million to net loans granted, R50.7 million to earn outs relating to prior acquisitions and R7.5 million to the acquisition of Utilities World. These outflows were partially offset by R1.7 million from the sale of fixed assets and R13 million from an earn-out received emanating from the sale of Ukash.

After applying R7 million to the acquisition of treasury shares and a dividend payment of R270 million to shareholders and non-controlling interests, cash on hand at year end amounted to R1.35 billion.

FORFEITABLE SHARE SCHEME

Forfeitable shares totalling 1 376 257 (2016: 2 591 066) were issued to qualifying employees. During the year 121 226 (2016: 612 453) shares were forfeited and 2 141 673 (2016: 3 163 359) shares vested.

DIVIDEND

The Group's current dividend policy is to declare an annual dividend. On 23 August 2017 the Board approved a gross ordinary dividend (dividend number 8) of 40 cents per ordinary share (32 cents per ordinary share net of dividend withholding tax) for the year ended 31 May 2017.

The dividend of R349 803 616 inclusive of withholding tax equates to a 2.25 cover on headline earnings. The dividend for the year ended 31 May 2017 has not been recognised in the financial statements as it was declared after this date.

The dividend has been declared from income reserves. The issued share capital at the declaration date was 874 509 041. The Company's tax reference number is 9062246179. The salient dates are as follows:

Last date to trade cum dividend	Tuesday, 12 September 2017
Shares commence trading ex dividend	Wednesday, 13 September 2017
Record date	Friday, 15 September 2017
Payment of dividend	Monday, 18 September 2017

Share certificates may be dematerialised or rematerialised between Wednesday, 13 September 2017 and Friday, 15 September 2017, both days inclusive.

Before declaring the final dividend the Board applied the solvency and liquidity test on the Company and reasonably concluded that the Company will satisfy the solvency and liquidity test immediately after payment of the final dividend. The final dividend will be paid 24 days after the Directors have performed the solvency and liquidity testing.

Dividend tax is provided for at 20% of the amount of any dividend paid by Blue Label, subject to certain exemptions. The dividend tax is a tax borne by the beneficial owner of the dividend and will be withheld by either the issuer of the dividend or by regulated intermediaries.

PROSPECTS

Blue Label is one of the primary distribution channels for Cell C Proprietary Limited ("Cell C") products and services. The acquisition therein provides a compelling value proposition to the Group, to Cell C and its customers through vertical integration that will afford both companies the opportunity to realise synergies in product distribution. Cell C now has a sustainable capital structure to deliver on their strategic objectives.

3G Mobile Proprietary Limited ("3G Mobile") is one of Africa's largest distributors and financiers of mobile devices and handsets to major retailers and cellular network providers. It has distribution rights for all major tier one and tier two mobile devices and allied products from the manufacturers thereof. Through its wholly owned subsidiary, Comm Equipment Company Proprietary Limited, it provides the financing of the mobile handset component of postpaid and hybrid contracts to Cell C, with the capability of extending such services to other networks and channels. These functions supplement Blue Label's strategic objectives to provide value added services to both Cell C and its own customer base.

3G Mobile provides the ideal platform to combine Blue Label's low cost and certified pre-owned mobile handset divisions into a consolidated group. The acquisition thereof is both earnings accretive and provides a solid foundation for distribution into the burgeoning low cost smartphone market.

Blue Label Mexico is expected to provide a positive contribution to Group profitability, given their consistent growth in revenue generation at sustainable improved gross profit margins and compounding annuity revenue generated from starter packs.

"Big Data" creates the opportunity to upsell and cross sell the various bouquets of products and services that Blue Label has to offer, through its distribution channels, by intelligently understanding consumer behaviour.

Value added services, including the provision of short-term finance for products and services required by consumers, are initiatives that are currently under consideration.

Commentary continued

INDEPENDENT AUDIT

PricewaterhouseCoopers Inc.'s unqualified audit report on the Group annual financial statements for the year ended 31 May 2017 is available for inspection at the Company's registered office. This notice which sets out the annual results for Blue Label Telecoms Limited for the year ended 31 May 2017 contains "forward-looking statements", which have not been audited or reported on by the Group's auditors, with respect to the Group's financial condition, results of operations and businesses and certain of the Group's plans and objectives.

APPRECIATION

The Board of Blue Label would once again like to express its appreciation to its suppliers, customers, business partners and staff for their ongoing support and loyalty.

For and on behalf of the Board

LM Nestadt
Chairman

BM Levy and MS Levy
Joint Chief Executive Officers

DA Suntup* CA(SA)
Financial Director

23 November 2017

** Supervised the preparation of the Group financial statements.*

Summarised Group statement of financial position

as at 31 May

	2017 R'000	2016 R'000
ASSETS		
Non-current assets	**2 198 757**	2 275 161
Property, plant and equipment	**111 599**	100 434
Intangible assets	**511 164**	598 333
Goodwill	**604 590**	603 440
Investments in and loans to associates and joint ventures	**315 833**	910 567
Investments in and loans to venture capital associates and joint venture	**544 165**	—
Loans receivable	**36 851**	5 910
Starter pack assets	**5 346**	6 099
Trade and other receivables	**42 512**	29 166
Deferred taxation assets	**26 697**	21 212
Current assets	**6 491 513**	5 030 790
Inventories	**2 180 121**	1 658 860
Loans receivable	**188 229**	98 217
Starter pack assets	**1 365**	1 576
Trade and other receivables	**2 758 997**	2 679 023
Current tax assets	**12 135**	4 087
Cash and cash equivalents	**1 350 666**	589 027
Total assets	**8 690 270**	7 305 951
EQUITY AND LIABILITIES		
Capital and reserves	**5 004 442**	4 519 567
Share capital, share premium and treasury shares	**3 953 871**	3 942 512
Restructuring reserve	**(1 843 912)**	(1 843 912)
Other reserves	**107 036**	187 605
Equity compensation benefit reserve	**46 420**	42 039
Transactions with non-controlling interest reserve	**(975 302)**	(965 861)
Retained earnings	**3 649 192**	3 105 050
	4 937 305	4 467 433
Non-controlling interest	**67 137**	52 134
Non-current liabilities	**59 226**	102 954
Deferred taxation liabilities	**52 952**	62 141
Trade and other payables	**6 274**	40 813
Current liabilities	**3 626 602**	2 683 430
Trade and other payables	**3 517 673**	2 601 807
Provisions	**35 071**	24 928
Current tax liabilities	**55 832**	40 608
Borrowings	**18 026**	16 087
Total equity and liabilities	**8 690 270**	7 305 951

Summarised Group statement of comprehensive income

For the year ended 31 May

	2017 R'000	2016 R'000
Revenue	**26 311 875**	26 204 722
Other income	**16 814**	126 294
Changes in inventories of finished goods	**(24 139 293)**	(24 375 028)
Employee compensation and benefit expense	**(452 985)**	(427 116)
Depreciation, amortisation and impairment charges	**(112 851)**	(98 183)
Other expenses	**(405 088)**	(288 313)
Operating profit	**1 218 472**	1 142 376
Finance costs	**(303 027)**	(214 110)
Finance income	**242 194**	193 899
Gain on associates and joint venture measured at fair value	**160 200**	—
Share of losses from associates and joint ventures	**(164 941)**	(71 770)
Net profit before taxation	**1 152 898**	1 050 395
Taxation	**(332 037)**	(318 783)
Net profit for the year	**820 861**	731 612
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Share of other comprehensive (loss)/income of associates and joint ventures	**(82 424)**	81 544
Foreign exchange loss on translation of foreign operations	**(52)**	(15)
Other comprehensive (loss)/income for the year, net of tax	**(82 476)**	81 529
Total comprehensive income for the year	**738 385**	813 141
Net profit for the year attributable to:	**820 861**	731 612
Equity holders of the parent	**786 965**	691 590
Non-controlling interest	**33 896**	40 022
Total comprehensive income for the year attributable to:	**738 385**	813 141
Equity holders of the parent	**706 396**	770 652
Non-controlling interest	**31 989**	42 489

Share performance

For the year ended 31 May

	2017 R'000	2016 R'000
Earnings per share for profit attributable to equity holders		
Basic earnings per share (cents)	**117.92**	103.85
Diluted earnings per share (cents)*	**116.91**	102.84
Weighted average number of shares	**667 348 522**	665 950 277
Diluted weighted average number of shares	**673 162 133**	672 520 023
Number of shares in issue	**674 509 042**	674 509 042
Share performance		
Headline earnings per share (cents)	**117.98**	100.35
Diluted headline earnings per share (cents)*	**116.96**	99.37
Dividend per share (cents)	**36.00**	31.00
Reconciliation between net profit and core headline earnings for the year:		
Net profit for the year attributable to equity holders of the parent	**786 965**	691 590
Amortisation on intangible assets raised through business combinations net of tax and net of non-controlling interest	**14 069**	16 650
Core net profit for the year	**801 034**	708 240
Headline earnings adjustments	**362**	(23 329)
Core headline earnings	**801 396**	684 911
Core headline earnings per share (cents)**	**120.09**	102.85

** 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.*

*** Core headline earnings per share are 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.*

Summarised Group statement of changes in equity

	Share capital, share premium and treasury shares R'000	Retained earnings R'000	Restructuring reserve R'000
Balance as at 31 May 2015	3 943 888	2 622 558	(1 843 912)
Net profit for the year	—	691 590	—
Other comprehensive income	—	—	—
Total comprehensive income	—	691 590	—
Dividends paid	—	(209 098)	—
Treasury shares purchased	(23 052)	—	—
Equity compensation benefit scheme shares vested	21 676	—	—
Equity compensation benefit movement	—	—	—
Share of equity movement in associates	—	—	—

	R'000	R'000	R'000
Balance as at 31 May 2016	**3 942 512**	**3 105 050**	**(1 843 912)**
Net profit for the year	**—**	**786 965**	**—**
Other comprehensive income	**—**	**—**	**—**
Total comprehensive income	**—**	**786 965**	**—**
Dividends paid	**—**	**(242 823)**	**—**
Treasury shares purchased	**(7 381)**	**—**	**—**
Equity compensation benefit scheme shares vested	**18 740**	**—**	**—**
Equity compensation benefit movement	**—**	**—**	**—**
Non-controlling interest acquired	**—**	**—**	**—**
Transaction with non-controlling interest reserve movement	**—**	**—**	**—**
Balance as at 31 May 2017	**3 953 871**	**3 649 192**	**(1 843 912)**

* *Included in other reserves is the foreign currency translation reserve and the non-distributable reserve.*

** *Includes employee compensation benefit reserve.*

Other reserves* R'000	Transactions with non-controlling interest reserve R'000	Share-based payment reserve** R'000	Non-controlling interest R'000	Total equity R'000
108 543	(965 861)	39 297	13 468	3 917 981
—	—	—	40 022	731 612
79 062	—	—	2 467	81 529
79 062	—	—	42 489	813 141
—	—	—	(4 000)	(213 098)
—	—	—	—	(23 052)
—	—	(21 429)	(247)	—
—	—	23 421	424	23 845
—	—	750	—	750

R'000	R'000	R'000	R'000	R'000
187 605	**(965 861)**	**42 039**	**52 134**	**4 519 567**
—	**—**	**—**	**33 896**	**820 861**
(80 569)	**—**	**—**	**(1 907)**	**(82 476)**
(80 569)	**—**	**—**	**31 989**	**738 385**
—	**—**	**—**	**(26 788)**	**(269 611)**
—	**—**	**—**	**—**	**(7 381)**
—	**—**	**(18 486)**	**(254)**	**—**
—	**—**	**22 867**	**550**	**23 417**
—	**—**	**—**	**65**	**65**
—	**(9 441)**	**—**	**9 441**	**—**
107 036	**(975 302)**	**46 420**	**67 137**	**5 004 442**

Summarised Group statement of cash flows

For the year ended 31 May

	2017 R'000	2016 R'000
Cash generated by operations	**1 753 991**	744 185
Interest received	**52 300**	42 082
Interest paid	**(105 518)**	(48 207)
Taxation paid	**(338 814)**	(305 118)
Net cash generated from operating activities	**1 361 959**	432 942
Cash flows from investing activities		
Acquisition of intangible assets and property, plant and equipment	**(113 280)**	(127 131)
Disposal of subsidiary net of cash disposed	**—**	13 219
Capital contribution to Blue Label Mexico	**—**	(42 654)
Capital contribution to Oxigen Services India	**(25 534)**	(159 425)
Equity loans advanced to Lornanox	**(5 875)**	(58 883)
Loans granted	**(117 268)**	(27 306)
Loans granted to associates and joint ventures	**(15 756)**	(1 620)
Settlement of contingent consideration	**(50 666)**	(1 931)
Contingent proceeds received	**12 839**	5 813
Other investing activities	**(4 936)**	3 585
Net cash utilised in investing activities	**(320 476)**	(396 333)
Cash flows from financing activities		
Acquisition of treasury shares	**(7 381)**	(23 052)
Dividends paid to non-controlling interest	**(26 788)**	(4 000)
Dividends paid to equity holders of the parent	**(242 823)**	(209 098)
Other financing activities	**(2 803)**	—
Net cash utilised in financing activities	**(279 795)**	(236 150)
Net increase/(decrease) in cash and cash equivalents	**761 688**	(199 541)
Cash and cash equivalents at the beginning of the year	**589 027**	788 411
Exchange gains on cash and cash equivalents	**(49)**	157
Cash and cash equivalents at the end of the year	**1 350 666**	589 027

Basis of preparation

The summarised Group financial statements for the year ended 31 May 2017 have been prepared in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), the preparation and disclosure requirements of IAS 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council ("FRSC").

The accounting policies applied in the preparation of the Group financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements as at 31 May 2016. The Group has adopted all new and amended accounting pronouncements issued by the IASB that are effective for financial years commencing 1 June 2016. None of the new or amended accounting pronouncements that are effective for the financial year commencing 1 June 2016 had a material impact on the Group.

The summarised Group annual financial statements are extracted from audited information, but are not themselves audited. The unmodified audit report of PricewaterhouseCoopers Inc., the independent auditors, on the Group annual financial statements for the year ended 31 May 2017, dated 23 November 2017, is available for inspection at the registered office of the Company and is included in the audited annual financial statements available online.

Headline earnings

For the year ended 31 May

	2017 R'000	2016 R'000
Profit attributable to equity holders of the parent	**786 965**	691 590
Net loss/(profit) on disposal of property, plant and equipment	**23**	(360)
Loss on disposal of intangible assets	**—**	3
Loss on disposal of subsidiary	**—**	5 454
Profit on dilution of joint venture	**—**	(29 975)
Impairment of intangible assets and property, plant and equipment	**339**	1 549
Headline earnings	**787 327**	668 261
Headline earnings per share (cents)	**117.98**	100.35

Segmental summary

Year ended 31 May 2017	Total R'000	South African Distribution R'000
Total segment revenue	**32 724 069**	**32 058 672**
Internal revenue	**(6 412 194)**	**(6 272 276)**
Revenue	**26 311 875**	**25 786 396**
Operating profit/(loss) before depreciation, amortisation and impairment charges	**1 331 323**	**1 388 296**
Net profit/(loss) for the year attributable to equity holders of the parent	**786 965**	**883 542**
Amortisation on intangibles raised through business combinations net of tax and non-controlling interest	**14 069**	**9 564**
Headline earnings adjustments net of non-controlling interest	**362**	**22**
Core headline earnings for the year attributable to equity holders of the parent	**801 396**	**893 128**
At 31 May 2017		
Total assets	**8 690 270**	**7 201 527**
Net operating assets/(liabilities)	**2 864 911**	**2 762 751**

Year ended 31 May 2016	R'000	R'000
Total segment revenue	32 558 421	31 934 736
Internal revenue	(6 353 699)	(6 212 196)
Revenue	26 204 722	25 722 540
Operating profit/(loss) before depreciation, amortisation and impairment charges	1 240 559	1 133 433
Net profit/(loss) for the year attributable to equity holders of the parent	691 590	739 588
Amortisation on intangibles raised through business combinations net of tax and non-controlling interest	16 650	11 363
Headline earnings adjustments net of non-controlling interest	(23 329)	135
Core headline earnings for the year attributable to equity holders of the parent	684 911	751 086
At 31 May 2016		
Total assets	7 305 951	5 787 731
Net operating assets/(liabilities)	2 347 360	2 341 780

International R'000	Mobile R'000	Solutions R'000	Corporate R'000
—	361 754	178 286	125 357
—	(13 896)	(665)	(125 357)
—	347 858	177 621	—
(31 792)	99 101	34 020	(158 302)
(19 072)	53 681	18 956	(150 142)
1 859	2 646	—	—
339	(38)	—	39
(16 874)	56 289	18 956	(150 103)
743 530	593 595	141 100	10 518
10 424	103 458	45 517	(57 239)
R'000	R'000	R'000	R'000
—	307 661	196 703	119 321
—	(15 805)	(6 377)	(119 321)
—	291 856	190 326	—
44 152	111 142	35 889	(84 057)
(31 993)	61 627	16 116	(93 748)
2 641	2 646	—	—
(29 975)	1 060	5 448	3
(59 327)	65 333	21 564	(93 745)
809 096	543 561	137 061	28 502
1 872	40 423	37 376	(74 091)

Financial instruments

For the year ended 31 May

Contingent considerations, included in trade and other payables, are level 3 financial liabilities.

Changes in level 3 instruments are as follows:

	2017 R'000	2016 R'000
Contingent consideration		
Opening balance	**83 563**	123 902
Acquisition of Reware Proprietary Limited	**1 150**	–
Acquisition of Utilities World Proprietary Limited	**4 516**	–
Settlements	**(50 666)**	(1 931)
Gains and losses recognised in profit or loss	**(5 589)**	(38 408)
Closing balance	**32 974**	83 563
Total gains or losses for the year included in profit or loss for liabilities held at the end of the reporting period, under:		
Other income	**(10 210)**	(48 120)
Finance costs	**4 621**	9 712
Unrealised gains or losses recognised in profit or loss for liabilities held at the end of the reporting period	**5 304**	9 127

The fair value of the contingent consideration is estimated by applying the income approach. The fair value is based on the discount rates applicable to the Group and management's probability assumptions on certain warranties being achieved. There have been changes in management's probability assumptions in respect of certain of the companies. The resulting changes in the fair values are accounted for in other income in the statement of comprehensive income. The discount rate has been increased in line with the increase in the prime lending rate. The resulting changes in the fair values are accounted for in finance costs in the statement of comprehensive income.

The investment in Oxigen Services India, Oxigen Online and 2DFine Mauritius are viewed as venture capital investments and accounted for at fair value, and are level 3 instruments. Refer to "Investment and loans to venture capital associates and joint venture".

The Group has not disclosed the fair values of all financial instruments measured at amortised cost, as their carrying amounts closely approximate their fair values.

Investments and loans to venture capital associates and joint venture

For the year ended 31 May

	2017 R'000
Venture capital associates and joint venture	**291 550**
Loan to venture capital associates and joint venture	**252 615**
	544 165

The exemption available in IAS 28 – *Investments in Associate and Joint Ventures* has been applied to the investment in Oxigen Services India, Oxigen Online and 2DFine Holdings Mauritius from 30 November 2016 and the investment is accounted for in accordance with IAS 39 – *Financial Instruments: Recognition and Measurement* at fair value with changes in fair value recognised in profit or loss. The differential between the carrying amount of the investment (previously equity accounted for) and the fair value at this date is reflected as a gain on associate measured at fair value in the summarised Group statement of comprehensive income. Any additional changes in the fair value between 30 November 2016 and year-end have also been recognised in the summarised Group statement of comprehensive income.

Oxigen Services India was demerged into two separate entities with effect from 1 June 2016. This was done in line with the Group's exit strategy to improve the marketability of these entities to potential investors.

Prior to 30 November 2016, the investment in Oxigen Services India was of a strategic nature as it was it was expected to emulate the business model of the South African distribution operations. The original decision to invest in this business was because it was strategically aligned with other Blue Label distribution businesses in South Africa. However, its profile has changed from that of the traditional Group business to one of generating growth in the market value of the investment with a view to unlocking the Group's share thereof. With the advent of its change in focus to financial services through wallet subscription, it is no longer strategically aligned with the other business units of the Group and is unlikely to generate profitability in the short to medium term. However, the market value of the company is expected to increase exponentially in conjunction with its growth in wallet subscribers. This in turn creates the potential to unlock the investment in value in the future and the Group is pursuing this new strategy with respect to its investment in Oxigen Services India. In line with the Group's exit strategy Oxigen Services India was demerged into two separate entities with effect from 1 June 2016. This was done to improve the marketability of these entities to potential investors.

2DFine Holdings Mauritius is an investment holding company that holds an interest in Oxigen Services India and Oxigen Online.

Consequently, management review the results and operations of Oxigen Services India, Oxigen Online and 2DFine Holdings Mauritius on a fair value basis as opposed to the profits/losses that it generates. In addition, management have established an exit strategy that looks to realise this fair value in the foreseeable future.

Accordingly Oxigen Services India, Oxigen Online and 2DFine Holdings Mauritius are viewed as a venture capital investment which, in accordance with IAS 28 – *Investments in Associates and Joint Ventures* has been accounted for at fair value through profit and loss from 30 November 2016 at which date equity accounting ceased.

Investments and loans to venture capital associates and joint venture continued

For the year ended 31 May

Fair value estimate

The fair value of the investment in our venture capital associate Oxigen Services India and Oxigen Online are not traded in an active market and is therefore determined by the use of a valuation technique. An independent third party has performed a valuation using the discounted cash flow model taking into account the current and projected performance of Oxigen Services India and Oxigen Online. These calculations use cash flow projections based on financial budgets approved by the Board of Directors for the forthcoming year and forecasts for ten years which are based on assumptions of the business, industry and economic growth. Cash flows beyond this period are extrapolated using terminal growth rates, which do not exceed the expected long-term economic growth rate.

The discount rate and terminal growth rate used in calculating the fair values are 27% and 5% respectively. Capital expenditure in Oxigen Services India and Oxigen Online is expected to range between R166 million and R311 million on an annual basis. Customer acquisition and engagement spend for Oxigen Services India and Oxigen Online increases aggressively from R103 million to R2 575 million.

The fair value of the 2DFine Group is based on its share of the fair value of Oxigen Services India and Oxigen Online less the liabilities of the 2DFine Group.

The finance department of the Group includes a team that outsources the valuations to qualified independent third party valuation specialists required for financial reporting purposes, including level 3 fair values. This team reports directly to the Financial Director (FD) and the Audit, Risk and Compliance Committee (ARCC). Discussions of valuation processes and results are held between the FD, ARCC and the valuation team at least once every six months, in line with the Group's reporting periods.

The investments in our venture capital associates and joint venture are level 3 valuations in the fair value hierarchy.

The following table summarises the quantitative information about the significant unobservable inputs used in the level 3 fair value measurement for this investment.

	Change to inputs	Movement in fair value		
		Oxigen Services India Private Limited	Oxigen Online Services Private Limited	2DFine Group[1]
Unobservable inputs	%	R'000	R'000	R'000
Discount rate	+0.5%	(16 489)	(9 938)	(10 831)
	-0.5%	17 575	10 573	11 531
Terminal growth rate	+1%	5 172	2 478	3 127
	-1%	(4 625)	(2 203)	(2 791)
Customer acquisition and engagement spend	+1%	(5 257)	(4 348)	(3 947)
	-1%	5 257	4 348	3 947
Capital expenditure	+1%	(3 000)	(292)	(1 333)
	-1%	3 000	292	1 333

[1] *2DFine Group consists of 2DFine Holdings Mauritius and 2DFine Investments Mauritius.*

Significant related party transactions and balances

For the year ended 31 May

	2017 R'000	2016 R'000
Purchases from related parties		
ZOK Cellular Proprietary Limited	**17 552**	26 001
Interest received from related parties		
2DFine Holdings Mauritius	**21 159**	19 879
Loans to related parties		
2DFine Holdings Mauritius	**218 305**	234 892
Lornanox Proprietary Limited trading as Edgars Connect	**75 209**	65 949
Oxigen Services India Private Limited	**34 310**	38 359
ZOK Cellular Proprietary Limited	**26 364**	20 881

Subsequent events

On 2 August 2017, Blue Label, through its wholly owned subsidiary, The Prepaid Company Proprietary Limited ("The Prepaid Company"), acquired 45% of the issued share capital of Cell C for a purchase consideration of R5.5 billion. In part settlement of this amount, 183 333 333 ordinary shares in Blue Label were subscribed for by third parties at an issue price of R15.00 per share, equating to R2.75 billion.

On the same date, The Prepaid Company concluded an agreement to purchase 100% of the issued share capital in 3G Mobile from its shareholders for a purchase consideration of R1.9 billion.

The acquisition has been structured in two stages, whereby 47.37% of the issued share capital was initially acquired for a purchase consideration of R900 million. The remaining 52.63% of the issued share capital will be acquired for a further R1.0 billion, subject to the fulfilment of conditions precedent. Of the initial purchase of 47.37%, 16 666 666 ordinary shares were issued to the vendors at R15.00 per share, equating to R250 million. The balance of R650 million will be payable on 28 February 2018.

As part of the restructure of the debt within Cell C by third party lenders, The Prepaid Company will be required to provide liquidity support to Magnolia Cellular Investment 2 (RF) Proprietary Limited ("SPV2"), which is 100% held by 3C Telecommunications Proprietary Limited ("3C"), of up to USD80 million, which liquidity support will be provided over 24 months and will be in the form of subordinated funding to SPV2. Oger Telecoms contributed USD20 million of the aforesaid USD80 million thus reducing The Prepaid Company's obligation in this regard to a maximum of USD60 million. In addition, to the extent that certain assets of Oger Telecoms are realised within the aforesaid 24 month period, a portion of such realisation shall further reduce The Prepaid Company's obligation. In this regard, USD16 million has been realised to date, thereby reducing its current exposure to a maximum of USD44 million.

The Prepaid Company, with effect from 2 August 2017, purchased Bond notes, issued by Cedar Cellular Investments 1 Proprietary Limited ("SPV1"), which is 100% held by 3C, from Saudi Oger Limited with a capital redemption value of USD18 million and with a coupon rate of 8.625% per annum for a purchase consideration of USD18 million, of which USD6 million has been paid, USD3 million will be paid imminently and USD9 million will be payable on 30 November 2017. The Prepaid Company is entitled to assign its rights and obligations, in whole or in part, to a nominee. Accordingly, it has assigned such rights and obligations in respect of 50% of the Bond notes, which assignment has been accepted by the assignee.

The Prepaid Company concluded an agreement with Cell C on 2 August 2017 in terms of which it has undertaken to advance R1.34 billion on a piecemeal basis for the purpose of applying such funds towards capital expenditure. This advance, which is interest bearing, will be repayable in full by the end of July 2018.

Subsequent to year-end, dividend number 8 was declared and approved by the Board.

Non-IFRS information

The auditor's report does not necessarily cover all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's work they should obtain a copy of that report together with the accompanying financial information from the registered office of the Company. This announcement contains certain non-IFRS financial information which has not been audited or reported on by the Group's auditors.

Board of directors

1. LAURENCE (LARRY) NESTADT

Independent Non-Executive Chairman
Born: 1950

Larry Nestadt has a long and successful global corporate career. He is a co-founder and former executive director of Investec Bank Limited. Larry has been instrumental in the creation and strategic development of a number of listed companies including Capital Alliance Holdings Limited (Capital Alliance Life – acquired by Liberty Life; Capital Alliance Bank – now Brait), Super Group Limited, HCI Limited, SIB Holdings Limited, CorpGro Limited and Global Capital Limited. He also served as past chairman on the boards of companies. Previously, Larry sat on the boards of Softline Limited, JCI Limited and Abacus Technologies Holdings Limited. Further he has been a former chairman on a number of non-listed company boards both in South Africa and abroad including Stenham Limited (UK) and Prefsure Life Limited (AUS). Larry is the current executive chairman of Global Capital Proprietary Limited and the current chairman of Blue Label Telecoms Limited, Dis-Chem Pharmacies Limited, National Airways Corporation Proprietary Limited, the Morecorp Group, Melrose Motor Investments Proprietary Limited and SellDirect Marketing Proprietary Limited. He also serves as deputy chairman of Cell C Proprietary Limited. Larry is a life member of the World Presidents Organisation, Lloyds of London (since 1983).

Larry joined the Board on 5 October 2007. As a respected senior member of the South African business community, his strategic vision, guidance and experience contribute significantly to the Board and its deliberations.

He also chairs the Nomination Committee.

2. BRETT LEVY

Joint Chief Executive Officer
Born: 1975

Brett has an impressive entrepreneurial record of founding and operating many small businesses across a wide range of industries. These include the distribution of fast-moving consumer goods and insurance replacements for electronic goods. Brett plays a key role in refining the Group's strategy. His achievements have earned him a number of prestigious nominations, accolades and awards. These include the Absa Bank Jewish Entrepreneur of the Year Award (2003) and the Absa Jewish Business Achiever Non-Listed Company Award (2007), which he won jointly with his brother Mark. Brett was nominated as an Ernst & Young World Entrepreneur SA Finalist for 2007. In 2010 he received the Liberty Life Award for a Remarkable Success Story in the David Awards and was a finalist in the Top Young Entrepreneur category of the African Access National Business Awards. In 2011 he shared with Mark the Top Entrepreneur accolade in the African Access National Business Awards.

Brett joined the Board on 1 February 2007 and is a director of various local and global Group companies.

He is also a member of the Social, Ethics and Transformation Committee.

3. MARK LEVY

Joint Chief Executive Officer
BCompt (Unisa)
Born: 1971

Mark graduated with a BCompt from Unisa in 1993. After some years as a commodities trader, he decided to pursue a goal of becoming an entrepreneur. At Blue Label, Mark is integral in spearheading Blue Label's organic and acquisitive growth as well as expansion in international markets. His leadership stature is frequently recognised. Together with his brother Brett, Mark received the Absa Jewish Business Achiever Non-Listed Company Award (2007). He was nominated as an Ernst & Young World Entrepreneur SA finalist for 2007. In 2010 Mark was voted Top IT Personality of the year by ITWeb and was a finalist in the Top Young Entrepreneur category of the African Access National Business Awards. In 2011 he shared with Brett the Top Entrepreneur accolade in the African Access National Business Awards.

Mark joined the Board on 1 February 2007 and is a director of various local and global Group companies.

4. DEAN SUNTUP

Financial Director
BCom (Wits), Hons (Unisa), CA(SA)
Born: 1977

Dean completed his articles at PwC where he continued working after qualifying as a chartered accountant, participating in the audits of various large corporations and multinational companies. In 2003 he joined BSC Technologies, a business established by the Levy brothers, and where he later became financial director. In 2005 he transferred to The Prepaid Company in the role of Financial Director. In heading up finance at Blue Label, Dean contributes significantly to the governance and reporting systems across the Group. Dean is a member of SAICA.

Dean joined the Board on his appointment as Financial Director on 14 November 2013 and is a director of various other Group companies.

5. GARY HARLOW

Independent Non-Executive Director
BBusSci (Hons) (UCT), FCMA, CGMA, CA(SA)
Born: 1957

Gary graduated from the University of Cape Town in 1979, qualifying as a Chartered Accountant (SA) in 1982, an associate of the Chartered Institute of Management Accountants (UK) in 1983 and as a Fellow Chartered Management Accountant (UK) in 1996. His career was forged in merchant and investment banking. In the early 1990s he became an adviser to the African National Congress in developing black economic empowerment strategies and in 1992 was instrumental in the creation of Thebe Investment Corporation, South Africa's first broad-based black-owned company. Gary served as joint chief executive officer of Msele Corporate and Merchant Bank, South Africa's first black-controlled merchant bank.

In 1996, Gary was appointed group chief executive officer of Unihold Limited, where he remains executive chairman. He led its transition from an engineering conglomerate to an international IT and telecommunications group, followed by a delisting through a management buyout in 2002. Gary continues to serve on numerous private and public company boards and is chairman of Newpark Reit Limited.

Gary joined the Board on 5 October 2007 and is also chairman and/or director of various Group subsidiaries.

He chairs the Investment Committee and Remuneration Committee. Gary is also a member of the Nomination Committee as well as the Social, Ethics and Transformation Committee.

6. JERRY VILAKAZI

Independent Non-Executive Director
BA (Unisa), MA (Thames Valley), MA (London), MBA (California Coast University)
Born: 1961

Jerry is executive chairman of Palama, which he co-founded to facilitate investments in strategic private and listed companies. He is a past CEO of Business Unity South Africa, during which period he served as business representative at Nedlac and on various international business councils. Prior to this, he held various executive positions in government and in the private sector including that of managing director of the Black Management Forum where he also served on the board of the BMF investment company. In 2009 Jerry was appointed to the Presidential Broad-based Black Economic Empowerment Advisory Council and was appointed as a Commissioner of the National Planning Commission in 2010. He was appointed Public Service Commissioner in 1999 and played a role in shaping public service policies in post-1994 South Africa. Jerry was chairman of the Mpumalanga Gambling Board from 2006 to 2015 and the State Information Technology Agency (SOC) Proprietary Limited until the end of his term in 2015. He previously held the position of chairman of Netcare Limited and adviser to Citi Bank. He is non-executive director of Sibanye Gold Limited where he also chairs the social and ethics committee. He led a consortium that acquired equity and subsequently served on the board of PPC Limited in 2008.

Jerry joined the Board on 19 October 2011. He also chairs the Social, Ethics and Transformation Committee.

7. JOE MTHIMUNYE

Independent Non-Executive Director
BCompt (Hons)/CTA (Unisa), CA(SA)
Born: 1965

Joe qualified as a chartered accountant in 1993. In 1996, he co-founded Gobodo Incorporated, an accounting practice with eight other partners which in time became the largest black accounting firm in South Africa. In 1999, he led a management buyout of Gobodo Corporate Finance from the accounting firm and rebranded it AloeCap Proprietary Limited, of which he is currently executive chairman. He also serves on the board of directors of various non-listed companies in which AloeCap Private Equity is invested. Joe is a director of Dis-Chem Pharmacies Limited and Cell C Proprietary Limited. He is also chairman of Cell C's audit committee.

Joe joined the Board on 5 October 2007. He chairs the Audit, Risk and Compliance Committee and is a member of the Remuneration and Nomination Committee as well as Investment Committee.

8. KEVIN ELLERINE

Non-Executive Director
National Diploma in Company Administration
Born: 1968

Kevin joined the family business, Ellerine Holdings, in 1991. After serving in various roles, in 1993 he was appointed as property manager of Ellerine Bros. Proprietary Limited, rising to managing director of the property division in 2000, a position he still holds today. He sits on the boards of the property and private equity companies in which Ellerines is invested. He is also a director of Hyprop Investments Limited and Newpark REIT Limited. Kevin's all-round business skill and acumen contribute to Board and Committee deliberations of the Group.

Kevin joined the Board on 8 December 2009 and is a director of various other companies, including some Group subsidiaries.

He is a member of the Investment Committee as well as Social, Ethics and Transformation Committee.

9. PHUTI MAHANYELE

Independent Non-Executive Director
BA Economics (Rutgers, USA), MBA (De Montfort, UK), Executive Education Program (Harvard, USA)
Born: 1971

Phuti is Executive Chairperson of Sigma Capital, an investment holding company. She is the former CEO of Shanduka Group. Previously, she held senior positions at the Development Bank of Southern Africa, and in the North American and South African offices of Fieldstone, an international firm specialising in financing infrastructure assets. Currently, she sits on the boards of Comair Limited and Reunert Limited.

Phuti chairs the Bain Academy, which supports professionals in corporate Africa. She also participates in the Young Global Leaders initiative of the World Economic Forum. Phuti is an honorary member of the Golden Key International Honour Society and sits on the advisory board of the University of Stellenbosch.

Phuti joined the Board on 1 September 2016. She is a member of the Audit, Risk and Compliance Committee, Investment Committee as well as the Social, Ethics and Transformation Committee.

Remuneration report

Philosophy

Blue Label's remuneration philosophy is to reward employees and executives in a fair and equitable way in order to attract the best talent and ensure a culture of high performance in the execution and support of Blue Label's business strategy and vision. Rewards are set at levels that are competitive and drive performance in the short and long term, ensuring alignment with shareholder interests and simultaneously promoting an ethical culture and responsible corporate citizenship. Incentive-based rewards are earned through the attainment of demanding key performance indices and targets, consistent with shareholder growth expectations. We consult our key shareholders on any proposed changes to our remuneration and reward policy with due cognisance given to the non-binding advisory votes at the AGM.

Incentive packages, both short and long term, are aligned with best practice and benchmarked regularly where we aim to be in the top quartile of the peer review group. This review is performed from time to time, utilising the services of third-party consultants. Our goal is to profile Blue Label as an "employer of choice", enabling us to attract and retain the best skills required in a constantly evolving technology landscape, enhancing our ethos of entrepreneurship and innovation.

In the previous year we re-aligned the criteria pertaining to the forfeitable share plan as well as introducing an outperformance bonus for senior executives, further enhancing the alignment of executive remuneration with shareholder interests. The RNC strives to meet all requirements of the JSE and King IV and will take cognisance at the AGM of any vote against the remuneration and reward policy of 25% or more of the votes exercised and will, as a matter of policy, engage where necessary to ascertain the reasons thereof and where legitimate reasonable objections are raised, these will be considered by RNC.

We are pleased to report that at the 2016 AGM, votes in respect of the non-binding advisory vote on endorsement of the Group remuneration policy was 97.73% in favour, 2.24% against and 0.03% abstained.

Governance

The Board has delegated to the Remuneration and Nomination Committee (RNC) the responsibility of determining the remuneration of the Executive Directors and Senior Managers, as well as to approve the allocation of shares under the Group's forfeitable share scheme. The RNC also fulfils the functions of the Nomination Committee.

The RNC consists of three Independent Non-Executive Directors, namely Messrs GD Harlow (Chairman of the RNC), LM Nestadt (Chairman of the Nomination Agenda of the RNC), and JS Mthimunye. The chairpersons respectively report to the Board on deliberations and decisions. The Joint CEOs and the Financial Director may attend meetings of the RNC by invitation, but do not vote on decisions.

With regard to the annual salary review of staff, the Group Head of Human Resources presents recommendations for consideration by the RNC. The RNC formulates its own proposals regarding the fee structure for Non-Executive Directors and the fees payable to members of Board Committees for consideration by the Board and ultimately, for approval by shareholders.

Key duties of the RNC include:

- ensuring that the Group upholds its entrenched remuneration philosophy;
- ensuring that the combination of fixed and variable pay is appropriate when benchmarking remuneration levels;
- reviewing incentive schemes aligned to growth in shareholder value;
- reviewing incentive schemes to ensure that they are administered and implemented in terms of their rules and performance targets;
- reviewing remuneration of Executive Directors and Senior Management;
- submitting recommendations to the Board with regard to non-executive remuneration for ultimate approval by shareholders;
- managing stakeholder relations and expectations, as deemed appropriate on remuneration matters;
- ensuring that the Group continues to progress with race and gender diversity on the Board and committees; and
- ensuring that the Group has implemented succession planning at both top level management and subsidiary management level.

In the course of deliberations, the RNC considers the views of the Joint CEOs on the remuneration and performance of other Executive Directors and Senior Management.

Remuneration report continued

From time to time, independent advice on market information and remuneration trends is provided to the RNC by external remuneration consultants. Blue Label's Human Resources Department also assists the committee by providing supporting information and documentation relating to matters for its consideration, including the assessment of proposed changes to legislation, such as determining the employer's responsibility to provide retirement funding for staff. *Ad hoc* consultations are held with key institutional shareholders for their comment and input.

Additional governance principles applicable to the composition and principal activities of the RNC are fully set out on page 37 (Governance Framework – Board Committees) of the integrated annual report.

The Remuneration and Nomination Committee concluded that the remuneration policy has achieved its desired objectives and addresses fair and reasonable remuneration for executive management in the context of employee remuneration.

The Remuneration Committee has the right to exercise its discretion from time to time in the awarding of all incentive bonuses as well as the awarding and vesting of shares pertaining to the forfeitable share scheme. The exercising of this right only occurs in exceptional circumstances in which the committee believes that a change in policy is merited.

REWARD EMPLOYEES IN FAIR AND EQUITABLE WAY
- **ENSURE A CULTURE OF HIGH PERFORMANCE**

FIXED REMUNERATION	SHORT-TERM INCENTIVES	LONG-TERM INCENTIVES	
Fixed monthly salary and benefits ▸ Median for relevant market	**Incentive bonus** ▸ Variable pay element to reward financial, strategic and personal performance	**Forfeitable share scheme** ▸ Based on percentage of total annualised fixed remuneration ▸ Rewards sustained long-term performance ▸ Aligns Executive and Senior Management interests with those of shareholders	**Outperformance bonus** ▸ Additional share allocation to Executives ▸ Linked to share price annual growth ▸ Rewards contribution to Group strategy

REMUNERATION DESIGNED TO SUPPORT BUSINESS STRATEGY AND VISION

Policy

The remuneration of employees is determined on a total cost-to-company basis, comprising four components:

The table below summarises the remuneration policy and composition for all employees and non-executives

	Fixed remuneration			
	Base salaries	**Non-Executive Directors' fees**	**Retirement benefits**	**Other benefits**
Purpose	Provides a fixed level of earnings appropriate to the requirements of the role	Remunerates non-executive directors for their Board and Board committees' responsibilities and time commitments	Provides for retirement savings	Provides benefits appropriate to the market and the role
Application dependent on employee type and level	All employees	Non-Executive Directors	All new employees since October 2016 are required to join the Group Provident Fund. This is Employee funded. All existing staff are eligible to contribute towards the provident fund	Employees earning in excess of R6 500 per month are required to belong to the approved medical aid, alternatively they may be a dependant on their spouse's medical aid
Operational and performance measures	Fixed remuneration is reviewed annually in order to ensure that Executive Directors and Senior Management, who contribute to the success of the Group, remain remunerated at appropriate levels in accordance with the remuneration philosophy Blue Label applies a discretionary approach in all remuneration reviews and there is no minimum across-the-board increase to all employees. Salary increases for the 2017 financial year ranged from 0% to 6.5% (2016: 0% to 6%). Management of each operating company were granted discretion to apply an appropriate increase, within the stipulated range, to each staff member under their control	Non-Executive Directors receive fees for their services on the Board and Board Committees, dependent on their attendance at meetings. Non-Executive Directors do not receive short-term incentives, nor do they participate in the forfeitable share plan or outperformance bonus of the Company. Historically, increases in Non-Executive Directors' fees were in line with inflation. On assessing comparative fees payable to non-executive directors of listed companies of a similar size as well as the sector in which they are quoted, adjustments have been proposed to ensure that the fees are benchmarked in the upper quartile of the peer review group, in order to ensure retention of our Non-Executive Directors and enable attraction of future directors with the necessary experience and expertise to guide the group in achievement of its strategic goals. The fees payable to the Chairman and Non-Executive Directors are recommended by the RNC to the Board which, in turn, proposes the fees for approval by the shareholders at the AGM Non-Executive Directors may be contracted to render services to the Group in addition to the foregoing services from time to time. There were no services contracted with Non-Executive Directors during the year The proposed annual capped Non-Executive Directors' remuneration for the 2018 financial year is illustrated on page 43 and will be adjusted for any non-attendance of meetings.	The Group Provident Fund is compulsory for all new staff and elective for all existing staff (employed prior to October 2016). The fund is employee funded. The minimum contribution is 5% of pensionable income increasing in increments of 2.5% to a maximum of 27.5%	The Group offers an employer funded Group Life benefit which includes a death benefit, disability benefit, severe illness benefit and a funeral benefit. The Group also acknowledges long service for 5, 10, 15 and more recently 20 years' performance

Remuneration report continued

	Short-term incentives	Long-term incentives	
	Incentive bonus	**Forfeitable share scheme**	**Outperformance bonus**
Purpose	Reward and motivate the achievement of Group and subsidiary financial targets, as well as strategic and personal performance	Reward sustained long-term performance and to align the interests of the Executive Directors and senior managers with those of shareholders	Linked to the annual growth in the share price, with the intention of recognising and rewarding their contribution to the overall performance of the Group
Application dependent on employee type and level	All Executives and senior managers – Performance based All other employee levels receive a 13th cheque	All Executives and senior managers	Executives and identified Key Senior Management
Operational and performance measures	Executives and senior managers: An annual incentive bonus structure which is based on the achievement of short-term performance targets and is measured against the achievement of financial (80% weighting) and non-financial (20% weighting) metrics The Joint CEOs may earn a maximum annual incentive bonus of up to 120% and the Financial Director of up to 70% of annualised fixed remuneration. Senior Management may earn up to 50% of their annualised fixed remuneration For senior managers the financial (80%) metrics are further split between the performance of the subsidiary (60% of the 80%) and on Group performance (20% of the 80%) The following criteria will be taken into account in determining qualification for the non-financial metrics (20%): ▶ the achievement of agreed transformation targets; ▶ progress in delivering the Group's growth strategy; ▶ the roll-out of the Group's transactional footprint; and ▶ the rate and level of progress made in respect of organisational development and succession planning, together with the application of leadership qualities, corporate governance best practices and risk mitigation.	Targets comprise retention and financial measures with the financial measures split between core headline earnings growth and shareholder returns. Allocations have been made for the 2014, 2015 and 2016 share scheme in those relative years. The 2017 share scheme was allocated in September 2017. The quantum of shares to be awarded is calculated on an annual basis, based on a percentage of the recipient's annual cost to company, on the following basis: ▶ Executive Directors 35% ▶ Senior managers 18% or 25% The financial performance criteria for the forfeitable shares allocated in 2017 to senior managers will be measured on vesting at subsidiary level as opposed to group level that was the case in 2016. The vesting criteria comprise: ▶ retention; ▶ growth in core headline earnings per share; and ▶ growth in shareholder returns over the three-year vesting period measured with reference to the compounded growth in the weighted average price per share during the month of the commencement of the allocation plus dividends over the three-year period against the weighted average share price for the month during which the vesting takes place.	This bonus, awarded in shares, is earmarked for Executives and identified Senior Management and will be based on the growth in the share price The quantum of shares to be awarded will be calculated on an annual basis at the end of each financial year and at the ruling share price at that date. 50% of the award will vest one year later and a further 50% one year thereafter, on the proviso that the recipients remain in the employ of the Company throughout the relative vesting periods

	Short-term incentives	Long-term incentives	
	Incentive bonus	**Forfeitable share scheme**	**Outperformance bonus**
Vesting Criteria	The 80% financial component is based on the achievement of core headline earnings growth in comparison to CPI. This financial element will be earned in the following percentages if core headline earnings per share is: **Executive Directors** / **Senior managers** ▶ Less than CPI: 0% / 0% ▶ Equal to CPI plus 10% (or Pro-rated as the case may be): 70% of the 80% at Group level / 70% of the 60% at subsidiary level; and 70% of the 20% at Group level ▶ Greater than CPI plus 10%: 100% of the 80% at Group level / 100% of the 60% at subsidiary level; and 100% of the 20% at Group level The 20% non-financial component is based on the achievement of criteria, as mentioned above.	The vesting criteria for the 2017 share scheme allocation, the measurement period being 1 June 2017 to 31 May 2020 are as follows: **Executive Directors** / **Senior managers** Retention (3 years from date of award): 33,33% / 40% Growth in core headline earnings per share: ▶ is 5% above CPI compounded annually over three years, then 20% of the 33.33% / 30% will vest: 6,7% / 6,0% ▶ between 5% and 10% above CPI compounded annually over three years, then 70% of the 33.33% / 30% will vest; and: 6.7% to 23.3% / 6% to 21% ▶ between 10% and 25% above CPI compounded annually over three years, then 100% of the 33.33%/ 30% will vest.: 23.3% to 33.33% / 21% to 30% Growth in shareholder return: 33.33% / 30% Refer to note 5.1 in the Group annual financial statements for the vesting criteria on the 2014, 2015 and 2016 schemes.	The percentage of annual cost to company that can be earned based on the growth in the share price is within the following ranges of share price growth: ▶ Below 15% growth: 0% ▶ Between 15% and 20% growth: Pro rata to 50% ▶ 20% or more growth: 50%

Remuneration report continued

Executive Directors' service contracts

The three-year service contracts of the following Executive Directors, which expired on 14 November 2017, have been renegotiated and extended for a further three years:

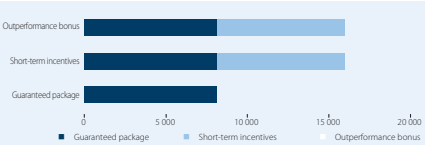
- BM Levy
- MS Levy
- DA Suntup

BM Levy and MS Levy have agreed to the tenure of their restraint of trade undertakings to endure for a period of 36 months as opposed to 12 months that was conditional in the expired contract. In return for this extension of restraint they will receive a restraint payment of R10 million each, payable in 36 equal monthly instalments commencing on 1 November 2017. These terms have been incorporated in their renewed employment contract.

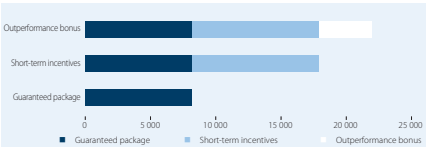
Executive Directors' composition of total remuneration

The graphs below provide an indication of remuneration outcomes for the executive directors illustrating actual value of package excluding long-term incentives compared to the potential maximum value of package.

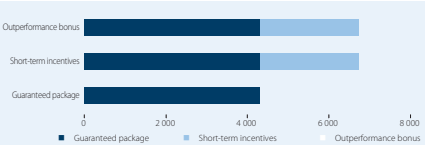
Chief Executive Officers – actual value (R'000)



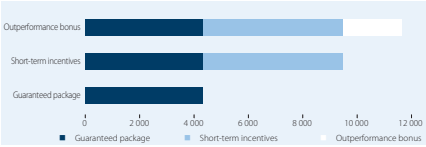
Chief Executive Officers – maximum value (R'000)



Financial Director – actual value (R'000)



Financial Director – maximum value (R'000)



The scenario charts assume:
Guaranteed package – fixed pay and benefits for the year ended 31 May 2017
Short-term incentives – short-term performance-related bonus payments
Outperformance bonus – a bonus in the form of additional share allocations linked to the current growth in the share price

Implementation report

Executive directors' remuneration for the year ended 31 May 2017:

	Fixed Remu-neration (salary, allowances, retirement and other benefits) R'000	Short-term bonus R'000	Other benefits R'000	Fair value of forfeitable shares vested during the year R'000	Total R'000
For the year ended 31 May 2017					
Executive directors					
BM Levy	**7 973**	**7 808**	**160**	**5 642**	**21 583**
MS Levy	**7 985**	**7 808**	**149**	**5 642**	**21 584**
DA Suntup	**4 159**	**2 412**	**149**	**2 460**	**9 180**
	20 117	**18 028**	**458**	**13 744**	**52 347**

Remuneration report continued

Forfeitable share scheme – granted and unvested

Employees

Directors' emoluments

	Issue date	Issue price R	Vesting date	Awards outstanding as at the beginning of the year
Forfeitable share scheme per Director For the year ended 31 May 2017				
BM Levy	2 September 2013	8.75	18 October 2016	271 883
BM Levy	3 September 2014	8.90	31 August 2017	283 339
BM Levy	1 September 2015	10.17	31 August 2018	262 834
BM Levy	18 October 2016	20.75	31 August 2019	–
				818 056
MS Levy	2 September 2013	8.75	18 October 2016	271 883
MS Levy	3 September 2014	8.90	31 August 2017	283 339
MS Levy	1 September 2015	10.17	31 August 2018	262 834
MS Levy	18 October 2016	20.75	31 August 2019	–
				818 056
DA Suntup	2 September 2013	8.75	18 October 2016	118 540
DA Suntup	3 September 2014	8.90	31 August 2017	150 067
DA Suntup	1 September 2015	10.17	31 August 2018	139 207
DA Suntup	18 October 2016	20.75	31 August 2019	–
				407 814

** The fair value is based on the closing price of R15.70 at 31 May 2017 and excludes performance criteria.*

Number of shares awarded	Awards forfeited during the year	Awards vested during the year	Balance as at the end of the year	Fair value at grant date R'000	Fair value at 31 May 2017* R'000
–	–	-271 883	–	–	–
–	–	–	283 339	2 522	4 448
	–	–	262 834	2 673	4 126
137 194	–	–	137 194	2 847	2 154
137 194	–	-271 883	683 367	8 042	10 728
–	–	-271 883	–	–	–
–	–	–	283 339	2 522	4 448
	–	–	262 834	2 673	4 126
137 194			137 194	2 847	2 154
137 194	–	-271 883	683 367	8 042	10 728
–	–	-118 540	–	–	–
–	–	–	150 067	1 336	2 356
	–	–	139 207	1 416	2 186
72 663	–	–	72 663	1 508	1 141
72 663	–	-118 540	361 937	4 260	5 683

Remuneration report continued

Short term incentive bonus

For the 2017 financial year, the Group achieved the levels required in terms of its predetermined targets for growth in core headline earnings per share. In addition, the non-financial targets set for the Executive Directors were also achieved. As a result, the Joint CEOs and Financial Director qualified to be paid their short term incentive bonuses. This equated to 120% of the annual salaries for the CEOs and 70% of the annual salary for the Financial Director. In spite of qualifying for these bonuses, as demonstrated in the table below, the remuneration committee, at their mandated discretion, determined that the above bonuses should be limited to 96% of the annual salary in the case of the joint CEOs and 56% of the annual salary in the case of the Financial Director.

Long term incentive plan

The long term incentive plan related to the allocation of shares in 2013, which vested on 18 October 2016. The financial measurement was for the period 1 June 2013 to 31 May 2016.

The retention criteria of 40% was met.

Growth in core headline earnings per share over the three year period equated to 48.46%. Growth in CPI over the three year period accumulated to 17.15%, which after inclusion of the maximum growth target of 25%, equated to 42.15%. As the actual growth amounted to 48.46%, the resultant allocation of 50% was met.

In respect of growth in shareholder returns, the weighted average price per share at commencement of the allocation in September 2013 was R8.75. The required compounded growth of 10% per annum over the vesting period as at 18 October 2016 equated to a targeted share price of R11.65 inclusive of dividends paid totalling R0.83. The qualifying target equated to R10.82 net of dividends. The market price at vesting date was R20.75, thereby exceeding the minimum target requirement.

In line with the criteria being met in all respects, vesting of the 2013 share scheme allocations fell due on 18 October 2016.

Outperformance bonus

For the year ended 31 May 2017, the members of the executive committee did not qualify for an outperformance bonus due to static movement in the share price. The share price as at 31 May 2016 was R15.70 and at 31 May 2017 R15.70.

Performance metric	Target	Actual performance	Weighting	Executive Directors
Short term incentive bonus				
Financial target				
Group core headline earnings per share growth	**greater/equal to CPI + 10%**	17%	80%	14 422 000
Non-financial targets	**Varies across the Group**	Varies across the Group	20%	3 606 000
Total				18 028 000
Long term incentive plan (2013 Forfeitable share scheme vested in 2016)				
Retention	**3 years**		40%	5 497 200
Growth in core HEPS	**25% + (cumulative CPI over 3 years) = 42.15%**	48.46%	50%	6 871 500
Shareholder returns	**R10.82 market price per share**	R20.75 market price per share	10%	1 375 300
Total				13 744 000
Outperformance bonus				
Annual growth in the share price	**R18.84 market price per share**	R15.70 market price per share	0%	

Remuneration report continued

Non-executive remuneration

	Directors' fees R'000	Consulting fees R'000	Total R'000
Non-executive directors			
LM Nestadt	1 214	–	1 214
K Ellerine	439	–	439
G Harlow	1 363	–	1 363
J Mthimunye	820	–	820
JS Vilakazi	564	–	564
P Mahanyele	339	–	339
Y Mahomed[#]	339	–	339
	5 042	–	5 042

[#] *Resigned 11 January 2017.*

The proposed fees payable to Non-Executive Directors are set out below:

	Current fee 2017 R	Proposed fee 2018 R
Services as Directors		
– Chairman of the Board (per annum)	1 008 404	1 700 000
– Board members (per meeting)	46 171	–
– Board members (per annum)	–	375 000
Audit, Risk and Compliance Committee		
– Chairman (per meeting)	64 126	–
– Chairman (per annum)	–	340 000
– Member (per meeting)	38 476	–
– Member (per annum)	–	210 000
Remuneration and Nomination Committee		
– Chairman (per meeting)	51 301	–
– Chairman remuneration (per annum)	–	200 000
– Chairman nomination (per annum)	–	140 000
– Member (per meeting)	30 782	–
– Member (per annum)	–	120 000
Investment Committee		
– Chairman (per meeting)	38 476	–
– Chairman (per annum)	–	200 000
– Member (per meeting)	23 086	–
– Member (per annum)	–	120 000
Transformation, Social and Ethics Committee		
– Chairman (per meeting)	38 476	–
– Chairman (per annum)	–	120 000
– Member (per meeting)	23 086	–
– Member (per annum)	–	75 000
Ad hoc Committee		
– Chairman (per meeting)	38 476	45 000
– Member (per meeting)	23 086	27 000

The Remuneration and Nomination Committee is satisfied that the remuneration policy has been complied with for the year under review.

GD Harlow
Chairman

23 November 2017

Notice of annual general meeting

Notice is hereby given to Blue Label shareholders recorded in the Company's securities register on Friday, 24 November 2017, that the tenth Annual General Meeting of shareholders of Blue Label Telecoms Limited will be held in the boardroom, Blue Label corporate offices, 75 Grayston Drive, Sandton, on Monday, 22 January 2018 at 10:00 (South African time) (AGM), to conduct such business as may lawfully be dealt with at the AGM and to consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder in the manner required by the Companies Act 71 of 2008 (Act or Companies Act), as read with the Listings Requirements.

In terms of section 63(1) of the Act, meeting participants (including proxies) will be required to provide reasonably satisfactory identification before being entitled to participate in or vote at the AGM. Acceptable forms of identification include original and valid identity documents, driving licences and passports.

RECORD DATES, PROXIES AND VOTING

In terms of sections 59(1)(a) and (b) of the Act, the Board of the Company has set the record date for the purpose of determining which shareholders are entitled to:

- receive notice of the AGM (being the date on which a shareholder must be registered in the Company's shareholders' register in order to receive notice of the AGM) as Friday, 24 November 2017; and
- participate in and vote at the AGM (being the date on which a shareholder must be registered in the Company's shareholders' register in order to participate in and vote at the AGM) as Friday, 12 January 2018.

Certificated shareholders or own-name dematerialised shareholders may attend and vote at the AGM, or alternatively appoint a proxy to attend, speak and, in respect of the applicable resolution(s), vote in their stead by completing the attached form of proxy and returning it to the transfer secretaries at the address given in the form of proxy by no later than 09:00 on Thursday, 18 January 2018.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with own-name registration, should contact their CSDP or broker in the manner and within the time stipulated in the agreement entered into between them and their CSDP or broker: to furnish their voting instructions; or in the event that they wish to attend the AGM, to obtain the necessary letter of representation to do so.

On a show of hands, every shareholder present in person or represented by proxy and entitled to vote shall have only one vote irrespective of the number of shares such shareholder holds. On a poll, every shareholder, present in person or represented by proxy and entitled to vote, shall be entitled to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the shares held by such shareholder bears to the aggregate amount of the nominal value of all shares issued by the Company.

Certificated shareholders or own-name dematerialised shareholders who are entitled to attend and vote at the AGM are entitled to appoint a proxy to attend, participate in and vote at the AGM in their stead. A proxy need not also be a shareholder of the Company. The completion of a form of proxy will not preclude a shareholder from attending the AGM.

ELECTRONIC PARTICIPATION

The Company will provide for electronic participation in the AGM, as set out in section 63 of the Act. Please refer to the notes on page 58 at the end of this notice.

When reading the resolutions below, please refer to the explanatory notes on pages 55 to 57.

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS AND REPORTS

The audited Group and Company annual financial statements, including the external auditors', Audit, Risk and Compliance Committee's and Directors' reports for the year ended 31 May 2017, have been distributed as required and will be presented to shareholders at the AGM.

The complete set of audited Group and Company annual financial statements, together with the above mentioned reports, are set out on pages 87 to 197 of the integrated annual report. The Audit, Risk and Compliance Committee's report is set out on pages 67 to 70 of the integrated annual report.

ORDINARY RESOLUTIONS

In terms of sections 62(3)(c) and 65(7) of the Act, unless otherwise specified, in order for each of the following ordinary resolutions to be passed, each resolution must be supported by more than 50% of the voting rights exercised.

1. **Ordinary resolution number 1: Re-election of Mr KM Ellerine as a Director of the Company**
   Resolved that Mr KM Ellerine, who was first appointed to the Board on 8 December 2009, and who retires in terms of the Memorandum of Incorporation, and who is eligible and available for re-election, is re-elected as a Director of the Company with immediate effect.

   A brief biography of Mr KM Ellerine is on page 29.

2. **Ordinary resolution number 2: Re-election of Mr MS Levy as a Director of the Company**
   Resolved that Mr MS Levy, who was first appointed to the Board on 1 February 2007 and who retires in terms of the Memorandum of Incorporation, and who is eligible and available for re-election, is re-elected as a Director of the Company with immediate effect.

   A brief biography of Mr MS Levy is on page 28.

3. **Ordinary resolution number 3: Re-election of Mr DA Suntup as a Director of the Company**
   Resolved that Mr DA Suntup, who was first appointed to the Board on 14 November 2013 and who retires in terms of the Memorandum of Incorporation, and who is eligible and available for re-election, is re-elected as a Director of the Company with immediate effect.

   A brief biography of Mr DA Suntup is on page 28.

4. **Ordinary resolution number 4: Reappointment of external auditors**
   Resolved that on the recommendation of the current Audit, Risk and Compliance Committee of the Company, PricewaterhouseCoopers Incorporated, is reappointed as independent registered auditor of the Company for the ensuing year until the conclusion of the next AGM of the Company.

Notice of annual general meeting continued

5. **Ordinary resolution number 5: Election of Mr JS Mthimunye as a member and chairman of the Audit, Risk and Compliance Committee for the year ending 31 May 2018**
   Resolved that, in terms of section 94(2) of the Act, Mr JS Mthimunye, an independent non-executive director of the Company, is elected as a member of the Audit, Risk and Compliance Committee

   A brief biography of Mr JS Mthimunye is on page 29.

6. **Ordinary resolution number 6: Election of Mr GD Harlow as a member of the Audit, Risk and Compliance Committee for the year ending 31 May 2018**
   Resolved that, in terms of section 94(2) of the Act, Mr GD Harlow, an independent non-executive director of the Company, is elected as a member and Chairman of the Audit, Risk and Compliance Committee.

   A brief biography of Mr GD Harlow is on page 29.

7. **Ordinary resolution number 7: Election of Mr SJ Vilakazi as a member of the Audit, Risk and Compliance Committee for the year ending 31 May 2018**
   Resolved that, in terms of section 94(2) of the Act, Mr SJ Vilakazi, an independent non-executive director of the Company, is elected as a member of the Audit, Risk and Compliance Committee.

   A brief biography of Mr SJ Vilakazi is on page 29.

8. **Ordinary resolution number 8 : Election of Ms P Mahanyele as a member of the Audit, Risk and Compliance Committee for the year ending 31 May 2018**
   Resolved that, in terms of section 94(2) of the Act, Ms P Mahanyele, an independent non-executive director of the Company, is elected as a member of the Audit, Risk and Compliance Committee.

   A brief biography of Ms P Mahanyele is on page 29.

9. **Ordinary resolution number 9: Directors' authority to implement ordinary and special resolutions**
   Resolved that each and every Director of the Company is authorised to do all such things and sign all such documents as may be necessary for or incidental to the implementation of the ordinary and special resolutions passed at the AGM.

ADVISORY VOTE

There is no minimum percentage of voting rights required for an advisory vote to be adopted.

As a non-binding advisory vote, the Company's remuneration policy (excluding the remuneration of non-executive directors and members of Committees of the Board for their services as Directors and members of such committees) as set out on pages 30 to 43 is endorsed by shareholders.

SPECIAL RESOLUTIONS

In terms of sections 62(3)(c) and 65(9) of the Act, the minimum percentage of voting rights required for each of the following special resolutions to be passed is 75% of the voting rights exercised.

1. **Special resolution number 1: Non-executive directors' remuneration**
   Resolved that in terms of section 66(9) of the Act, the following remuneration shall be payable to the non-executive directors for their services as Directors for the period 1 June 2017 to 31 May 2018:
   The proposed fees payable to Non-Executive Directors are set out below:

	Current fee 2017 R	Proposed fee 2018 R
Services as Directors		
– Chairman of the Board (per annum)	1 008 404	1 700 000
– Board members (per meeting)	46 171	–
– Board members (per annum)	–	375 000
Audit, Risk and Compliance Committee		
– Chairman (per meeting)	64 126	–
– Chairman (per annum)	–	340 000
– Member (per meeting)	38 476	–
– Member (per annum)	–	210 000
Remuneration and Nomination Committee		
– Chairman (per meeting)	51 301	–
– Chairman remuneration (per annum)	–	200 000
– Chairman nomination (per annum)	–	140 000
– Member (per meeting)	30 782	–
– Member (per annum)	–	120 000
Investment Committee		
– Chairman (per meeting)	38 476	–
– Chairman (per annum)	–	200 000
– Member (per meeting)	23 086	–
– Member (per annum)	–	120 000
Transformation, Social and Ethics Committee		
– Chairman (per meeting)	38 476	–
– Chairman (per annum)	–	120 000
– Member (per meeting)	23 086	–
– Member (per annum)	–	75 000
Ad hoc Committee		
– Chairman (per meeting)	38 476	45 000
– Member (per meeting)	23 086	27 000

Notice of annual general meeting continued

2. **Special resolution number 2: General authority to repurchase shares**
   Resolved that pursuant to the MOI, the Company or any of its subsidiaries are hereby authorised by way of a general approval, from time to time, to acquire ordinary shares in the share capital of the Company in accordance with the Act and the Listings Requirements, provided that:
   (a) the number of its own ordinary shares acquired by the Company in any one financial year shall not exceed 20% of the ordinary shares in issue at the date on which this resolution is passed;
   (b) this authority shall lapse on the earlier of the date of the next AGM of the Company or the date 15 months after the date on which this resolution is passed;
   (c) the Board has resolved to authorise the acquisition and that the Group will satisfy the solvency and liquidity test immediately after the acquisition and that since the test there have been no material changes to the financial position of the Group;
   (d) the acquisition must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty;
   (e) the Company only appoints one agent to effect any acquisition(s) on its behalf;
   (f) the price paid per ordinary share may not be greater than 10% above the weighted average of the market value of the ordinary shares for the five business days immediately preceding the date on which an acquisition is made;
   (g) the number of shares acquired by subsidiaries of the Company shall not exceed 10% in the aggregate of the number of issued shares in the Company at the relevant times;
   (h) the acquisition of shares by the Company or its subsidiaries may not be effected during a prohibited period, as defined in the Listings Requirements; and
   (i) an announcement containing full details of such acquisitions of shares will be published as soon as the Company and/or its subsidiaries have acquired shares constituting, on a cumulative basis 3% (three percent) of the number of shares in issue at the date of the meeting at which this special resolution is considered and if approved, passed, and for each 3% in aggregate of the initial number acquired thereafter.

3. **Special resolution number 3: Conversion of ordinary shares from par value to no par value**
   Resolved that, in terms of Regulation 31 of the Companies Regulations, 2011 (Regulations) issued pursuant to the Act, the share capital of the Company, comprising 1 000 000 000 (one billion) authorised ordinary shares with a par value of R0.000001 each (of which 874 509 041 ordinary shares having a par value of R0.000001 have been issued), are, without altering the substance of the specific rights and privileges associated therewith, converted into 1 000 000 000 (one billion) authorised ordinary shares having no par value (of which 874 509 041 ordinary shares with no par value have been issued) and that the Memorandum of Incorporation of the Company (MOI) is amended by the deletion of the introductory paragraph to paragraph of 5.1 of the MOI and the replacement thereof with the following paragraph:
   "The Company is authorised to issue 1 000 000 000 (one billion) ordinary shares of no par value, and of the same class, each of which ranks pari passu in respect of all rights and shall entitle the holder thereof to the following rights."

The conversion of the authorised and issued ordinary shares of the Company from par value shares to no par value shares (conversion) shall be implemented on the basis that each ordinary no par value share shall have the same value, rights and privileges as the value, rights and privileges which attached to such share immediately prior to the passing of this special resolution number 3 and that all amounts standing to the credit of the share capital account and the share premium account of the Company be transferred to the stated capital account of the Company.

The resolution of the Board of Directors of the Company (Board) and its report in terms of Regulation 31(7) is included at the end of this notice.

Reason for and effect of this resolution

In terms of Regulation 31(2), a pre-existing company may not authorise any new par value shares, or shares having a nominal par value, on or after the effective date of the Companies Act (being 1 May 2011). In order to increase the authorised share capital of the Company, the Companies Act therefore requires that the share capital, authorised and issued, of the Company, be converted from pre-existing par value shares to no par value shares. The proposed change does not and will not result in any rights of any existing shareholder being affected.

The effect of special resolution number 3 is to convert the ordinary shares in the Company's authorised and issued share capital from ordinary par value shares into ordinary shares of no par value.

4. Special resolution number 4: Increase in authorised share capital

Resolved that, subject to the adoption of special resolution number 3 and the filing of special resolution number 3 with the Companies and Intellectual Property Commission, the authorised ordinary no par value shares of the Company be increased by the creation of a further 1 000 000 000 (one billion) ordinary no par value shares, ranking pari passu in all respects with the existing no par value shares in the authorised ordinary share capital of the Company so as to result in a total of 2 000 000 000 (two billion) ordinary no par value shares in the authorised ordinary share capital of the Company and that the MOI be amended by the deletion in its entirety of the introductory paragraph to paragraph of 5.1 of the MOI (as amended in terms of special resolution number 3) that forms part of the MOI, and the substitution thereof with the following paragraph:
"The Company is authorised to issue 2 000 000 000 (two billion) ordinary shares of no par value, and of the same class, each of which ranks pari passu in respect of all rights and shall entitle the holder thereof to the following rights."

Reason for and effect of this resolution

The reason for special resolution number 4 is to increase the authorised share capital of the Company, allowing for the allotment and issue of shares in the Company for possible acquisitions or capital raisings as permitted by the MOI, but subject to the necessary consents and approvals remaining in place and/or to the extent granted in future by shareholders, the JSE or any other regulatory authorities.

Notice of annual general meeting continued

The effect of special resolution number 4 is that the Company's authorised share capital be increased to 2 000 000 000 (two billion) ordinary shares of no par value. The increased share capital will be subject to such consents and approvals as may be required in terms of the MOI or any of the Listings Requirements of the JSE (Listings Requirements) applicable to the Company.

5. Special resolution number 5: Issues of securities

Resolved that paragraph 5.6 of the MOI be deleted and replaced with the following new paragraph 5.6 and 5.6A:

"5.6 The Board may only authorise the issue of any securities to any person/s

5.6.1 in accordance with the Act and, in particular, with the approval by way of a special resolution of the shareholders of the Company, if required by section 41;

5.6.2 in accordance with the Listings Requirements;

5.6.3 in accordance with this Memorandum of Incorporation and, in particular, any rights specifically conferred on any class of issued securities;

5.6.4 if such securities, being shares, have first been offered to all existing holders of shares of that class of shares (or, if there are no shares of that class in issue, to the ordinary shareholders) in the same proportions as their existing holdings of those shares (or, if there are no shares of that class in issue, of ordinary shares) at a subscription price which (ignoring any commission payable or any discount not exceeding 10% which may be granted instead of such commission) is not higher than the subscription price at which they will be issued to that person/s; provided that the pre emptive right stipulated in this 5.6.4 shall not apply to any issue of ordinary shares in consideration of the acquisition by the Company of any assets, including any securities in another company or has otherwise been approved in terms of 5.6A. Save as provided for in this 5.6.4 or specifically included as one of the preferences, rights, limitations or other terms upon which any class of shares is issued, no shareholder shall have any pre-emptive or other similar preferential right to be offered or to subscribe for any additional securities issued by the Company.

5.6A The shareholders may in general meeting authorise the Board to issue Company securities at any time and/or grant options to subscribe for Company securities as the Directors in their discretion deem fit; provided that such transaction/s has/have been approved by the JSE and comply/ies with the JSE Listings Requirements."

Reason for and effect of this resolution

The reason for and effect of special resolution number 5 is, in line with best practice, to align the MOI with the JSE Listings Requirements and to ensure that the Company has flexibility in managing capital resources by allowing the directors to undertake pro rata issues of shares.

6. **Special resolution number 6: Fractional entitlements**
   Resolved that paragraph 9 of the MOI be deleted and replaced with the following new paragraph 9:
   "If, pursuant to any corporate action or event, including any capitalisation issue or rights issue, a holder of a security would, but for the provisions of this article 9, become entitled to fractions of securities (fractional entitlements), such fractional entitlements shall be dealt with in accordance with the Listings Requirements and any other requirements of the JSE from time to time."

Reason for and effect of this resolution
The reason for special resolution number 6 is to align the MOI with the JSE Listings Requirements in relation to fractional entitlements and the effect is to align it.

The Listings Requirements require, in terms of paragraph 11.26, the following disclosures, which appear in the integrated annual report:
Major shareholders – refer to pages 198 and 199.

Material change – there were no material changes.

Share capital of the Company – refer to page 156.

Responsibility statement – refer to page 85.

By order of the Board

J van Eden
Group Company Secretary

Sandton
23 November 2017

Notice of annual general meeting continued

REPORT OF THE BOARD OF DIRECTORS IN TERMS OF REGULATION 31(7) AND 31(8) OF THE COMPANIES REGULATIONS, 2011 (THE REGULATIONS) REGARDING THE CONVERSION OF THE COMPANY'S SHARE CAPITAL TO NO PAR VALUE SHARES

1. INTRODUCTION

1.1 The Companies Act, No 71 of 2008, as amended (the Companies Act) does not allow for new par value shares or shares with a nominal value. In terms of the Companies Act and the Companies Regulations, 2011 (the Regulations), companies that already had par value shares may not increase its authorised share capital of par value shares.

1.2 Blue Label Telecoms Limited (BLT) may be required to raise capital from its shareholders to finance acquisitions and the Board of BLT is thus of the view that it should increase its authorised ordinary share capital as only 125 490 959 shares in BLT's authorised share capital remain unissued.

1.3 In order for BLT to increase its authorised share capital it is required in terms of the Companies Act to first convert its par value shares into shares with no par value.

1.4 In terms of Regulation 31(6) of the Regulations, a company may amend its Memorandum of Incorporation (MOI) to effect a conversion of its authorised and issued par value shares to shares with no par value via a resolution proposed by the Board of Directors after the date on which the Companies Act came into effect and is approved by special resolution adopted by the holders of shares of each such class of shares and a special resolution adopted by a meeting of the members of the Company called for that purpose.

1.5 In terms of paragraph 41.1.2.8 of the MOI BLT may by a special resolution of shareholders convert par value shares into shares of no par value.

1.6 BLT's shareholders will at its 2017 annual general meeting be asked to pass a special resolution to convert BLT's authorised and issued ordinary shares of R0.000001 each into ordinary shares of no par value, on the basis that each existing share will be converted into one no par value ordinary share.

1.7 Regulation 31(7) of the Regulations requires the Board of Directors of BLT to compile a report in respect of any resolution to convert any par value shares into no par value shares and this document constitutes such report.

2. REPORT

2.1 **In terms of Regulation 31(7) of the Regulations the report is required to, at a minimum:**

2.1.1 state all information that may affect the value of BLT's securities pursuant to the proposed conversion;

2.1.2 identify the class of holders of BLT's securities affected by the proposed conversion;

2.1.3 describe the material effects that the proposed conversion will have on the rights of the holders of BLT securities that are affected by the proposed conversion; and

2.1.4 evaluate any material adverse effects of the proposed arrangement against the compensation to those persons receiving compensation as a result of the conversion.

2.2 **Information that may affect the value of the securities affected by the conversion**

2.2.1 The rights attaching to the shares after the conversion will be identical to the rights attaching to the shares prior to the conversion. Accordingly, the Directors of BLT are of the opinion that the conversion will not affect the value of shares.

2.2.2 Pertinent financial information in relation to BLT are detailed in the published financial statements of BLT for the year ended 31 May 2017.

2.2.4 The securities affected by the proposed conversion are the authorised ordinary shares in the share capital of BLT, being one billion authorised shares of R0.000001 each of which 874 509 041 shares have been issued, there being no other securities in the capital of BLT.

2.3 **Shareholders affected by the proposed conversion**

Given that all shares will be converted from par value shares of R0.000001 into shares of no par value, shareholders will be affected equally by the conversion and on the same terms and conditions.

2.4 **Material effects that the proposed conversion will have on the rights of the holders of BLT securities**

The rights attaching to BLT's no par value shares will, upon their conversion from par value shares, be identical to the rights currently attaching to BLT's par value shares. Accordingly, the conversion will not have any material effects on the rights of shareholders.

2.5 **Evaluation of material adverse effects of the proposed conversion against compensation offered**

The conversion will not have any material adverse effect on any of the BLT shareholders and no shareholders will receive any compensation pursuant to the conversion.

Notice of annual general meeting continued

3. CERTIFICATED SHAREHOLDERS

Notwithstanding the conversion of authorised ordinary of R0.000001 into authorised ordinary shares of no par value, certificated shareholders are not required to return their share certificates to BLT and may retain such share certificates which will evidence their title to the no par value shares held by them resulting from the conversion, notwithstanding that such share certificates make reference to shares having a par value. Certificated shareholders are however, reminded that they will not be able to trade such no par value shares on the JSE until these shares have been dematerialised, which may take between 1 (one) and 10 (ten) days, depending on the volumes being processed by Strate at the time.

3. GENERAL

In terms of Regulation 31(8)(b) of the Regulations, a copy of this report will be filed at the Companies and Intellectual Property Commission and at the South African Revenue Services at the same time as this report is published to the shareholders of the Company.

By order of the Board of Directors of Blue Label Telecoms Limited

23 November 2017

EXPLANATORY NOTES

Presentation of the annual financial statements

In terms of section 61(8)(a) of the Act, the Directors' report, audited Group and Company annual financial statements for the immediately preceding financial year and the Audit, Risk and Compliance Committee report is to be presented to shareholders at the AGM.

Ordinary resolution numbers 1 to 3 (inclusive): Re-election of Directors

In accordance with the MOI, one-third of the Directors are required to retire at each AGM and may offer themselves for re-election. Messrs KM Ellerine, MS Levy and DA Suntup retire by rotation at the AGM in accordance with article 25.17 of the MOI, and have offered themselves for re-election.

Brief biographies of the Directors are on pages 28 and 29.

The Board is satisfied with the performance of each of the Directors standing for re-election and that they will continue to make an effective and valuable contribution to the Company and to the Board.

The Board recommends to shareholders that they should vote in favour of each of the re-election of the Directors referred to in ordinary resolution numbers 1 to 3 (inclusive).

Ordinary resolution number 4: Reappointment of external auditors

In terms of section 90(1) of the Act, each year at its AGM, the Company must appoint an auditor meeting the requirements of section 90(2) of the Act.

PricewaterhouseCoopers (PwC) expressed its willingness to continue in office and this resolution proposes the reappointment of PwC as the Company's auditors until the next AGM. In addition, Mr D Storm is appointed as the individual registered auditor for the ensuing year as contemplated in section 90(3) of the Act.

The Audit, Risk and Compliance Committee has satisfied itself that the proposed auditors, PwC and Mr D Storm, are independent of the Company in accordance with sections 90 and 94 of the Act and the applicable rules of the International Federation of Accountants.

The Audit, Risk and Compliance Committee has recommended the reappointment of PwC as independent registered auditor of Blue Label for the 2018 financial year.

Notice of annual general meeting continued

Ordinary resolution numbers 5 to 8 (inclusive): Election of Audit, Risk and Compliance Committee members

In terms of section 94(2) of the Act, each Audit Committee member must be elected by shareholders at its AGM. King IV likewise requires shareholders of a public company to elect each member of an audit committee at an AGM.

In terms of Regulation 42 of the Companies Regulations 2011, relating to the Act, at least one-third of the members of the Company's Audit, Risk and Compliance Committee at any particular time must have academic qualifications, or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management. Each of the proposed members is duly qualified, as is evident from the biographies of each member, as contained on pages 28 and 29.

Ordinary resolution number 9: Directors' authority to implement ordinary and special resolutions

The reason for ordinary resolution number 9 is to authorise any Director of the Company to do all things necessary to implement the ordinary and special resolutions passed at the AGM and to sign all such documentation required to give effect and to record the ordinary and special resolutions.

Advisory vote: Endorsement of the remuneration and reward policy

King IV requires a company to put its remuneration and reward policy for a non-binding advisory vote by shareholders at its AGM. This vote enables shareholders to endorse the remuneration policy adopted for Executive Directors. The Blue Label remuneration policy is contained on pages 32 to 35.

The advisory vote is of a non-binding nature only and therefore failure to pass this resolution will not have any legal consequences relating to existing arrangements. However, the Board will take cognisance of the outcome of the vote when considering the Company's remuneration and reward policy and the remuneration of Executive Directors. In the event that this non-binding advisory endorsement approving the Company's remuneration and reward policy is voted against by shareholders exercising 25% or more of the voting rights exercised, the Company undertakes to engage with its shareholders.

Special resolution number 1: Non-executive directors' remuneration

Special resolution number 1 is proposed to enable the Company to comply with the provisions of sections 65(11)(h), 66(8) and 66(9) of the Act, which stipulate that remuneration to Directors for their services as Directors may be paid only in accordance with a special resolution approved by shareholders.

Special resolution number 2: General authority to repurchase shares

Special resolution number 2 seeks to allow the Group, by way of a general authority, to acquire its own issued shares (reducing the total number of ordinary shares of the Company in issue in the case of an acquisition by the Company of its own shares). This resolution is required in order to allow the Company to take advantage of any opportunity that presents itself to enhance shareholder value by repurchasing shares where the Company's share price is at a level which results in a share repurchase being to the benefit of shareholders. Any decision by the Directors to use the general authority to acquire shares of the Company will be taken with regard to the prevailing market conditions, share price, cash needs of the Group, together with various other factors, and in compliance with the Act, Listings Requirements and the MOI.

Special resolution number 3: Conversion of ordinary shares from par value to no par value

The Company's authorised share capital of one billion shares is almost fully issued, with 874 509 041 shares currently being in issue. In order to have adequate authorised share capital for equity future capital raises and/or acquisitions, the Company seeks to increase its authorised shares capital in terms of special resolution number 4. In terms of Regulation 31 of the Act, a company may not increase its authorised capital until it has converted its par value shares to shares of no par value. As such, the Company seeks in terms of special resolution number 3 to convert its current par value shares into shares of no par value.

Special resolution number 4: Increase in authorised share capital

Special resolution number 4 is required in order to increase the authorised share capital of the Company, allowing for the allotment and issue of shares in the Company for possible acquisitions or capital raisings as permitted by the MOI, but subject to the necessary consents and approvals remaining in place and/or to the extent granted in future by shareholders, the JSE or any other regulatory authorities.

Special resolution number 5: Issues of securities

Special resolution number 5 is required to align the Company's MOI with best practice and with the JSE Listings Requirements and to ensure that the Company has flexibility in managing capital resources by allowing the directors to undertake pro rata issues of shares.

Notice of annual general meeting continued

Special resolution number 6: Fractional Entitlements

Special resolution number 6 is required to align the MOI with the JSE Listings Requirements in relation to fractional entitlements.

Electronic participation at the AGM

(a) Shareholders wishing to participate electronically in the AGM are required to:
   (i) deliver written notice to the Company at 75 Grayston Drive, corner Benmore Road, Morningside Extension 5, 2196 (marked for the attention of the Group Company Secretary) that they wish to participate via electronic communication at the AGM; or
   (ii) register on the Company's website at www.bluelabeltelecoms.co.za, where a link to the registration page will be placed, by no later than 09:00 on Thursday, 18 January 2018 (electronic notice).

(b) In order for the electronic notice to be valid it must contain:
   (i) where the Blue Label shareholder is an individual, a certified copy of his/her identity document and/or driving licence and/or passport;
   (ii) where the Blue Label shareholder is not an individual, a certified copy of a resolution or letter of representation by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution or signed the relevant letter of representation. The letter of representation or resolution must set out from whom the relevant entity is authorised to represent the entity at the AGM via electronic communication;
   (iii) a valid e-mail address and/or facsimile number (contact address/number); and
   (iv) by no later than 24 (twenty-four) hours before the AGM the Company shall use its reasonable endeavours to notify a shareholder at its contact address/number of the relevant details through which the shareholder can participate via electronic communication.

(c) Should a shareholder wish to participate in the AGM by way of electronic communication as aforesaid, the shareholder, or his/her/its proxy/ies, will be required to dial-in on the date and commencement time of the AGM. The dial-in facility will be linked to the venue at which the AGM will take place. The dial-in facility will enable all persons to participate electronically in the AGM in this manner (and as contemplated in section 63(2) of the Act) and to communicate concurrently with each other without an intermediary, and to participate reasonably effectively in the AGM. The costs borne by the shareholder or his/her/its proxy/ies in relation to the dial-in facility will be for his/her/its own account.

Form of proxy

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)

For use by certificated shareholders or own-name dematerialised shareholders at the Annual General Meeting of the Company to be held at 10:00 on Monday, 22 January 2018 at the registered office of Blue Label, 75 Grayston Drive, corner Benmore Road, Morningside Extension 5, Johannesburg (AGM).

If dematerialised shareholders, other than own-name dematerialised shareholders have not been contacted by their CSDP or broker with regard to how they wish to cast their vote, they should contact their CSDP or broker and instruct their CSDP or broker as to how they wish to cast their vote at the AGM in order for their CSDP or broker to vote in accordance with such instructions. If dematerialised shareholders, other than own-name dematerialised shareholders, have not been contacted by their CSDP or broker it would be advisable for them to contact their CSDP or broker, as the case may be, and furnish them with their instructions. Dematerialised shareholders who are not own-name dematerialised shareholders and who wish to attend the AGM must obtain their necessary letter of representation from their CSDP or broker, as the case may be. This must be done in terms of the agreement entered into between the dematerialised shareholder and their CSDP or broker. If the CSDP or broker, as the case may be, does not obtain instructions from such dematerialised shareholders, it will be obliged to act in terms of the mandate furnished to it, or if the mandate is silent in this regard, to abstain from voting. Such dematerialised shareholders, other than own-name dematerialised shareholders, must not complete this form of proxy and should read note 10 of the overleaf.

Full name: I/We (BLOCK LETTERS) of (address)

Telephone: (Work) (area code) Telephone: (Home) (area code)

Fax: (area code) Cell number:

being the holder(s) of Blue Label shares hereby appoint:

1. or failing him/her,

2. or failing him/her,

3. the Chairman of the AGM, as my/our proxy to vote for me/us on my/our behalf at the AGM of Blue Label shareholders to be held at 10:00 on Monday, 22 January 2018 or any adjournment thereof as follows:

Resolution	For	Against	Abstain
Ordinary resolution number 1: Re-election of Mr KM Ellerine as a Director of the Company			
Ordinary resolution number 2: Re-election of Mr MS Levy as a Director of the Company			
Ordinary resolution number 3: Re-election of Mr DA Suntup as a Director of the Company			
Ordinary resolution number 4: Reappointment of external auditors			
Ordinary resolution number 5: Election of Mr JS Mthimunye as a member and chairman of the Audit, Risk and Compliance Committee			
Ordinary resolution number 6: Election of Mr GD Harlow as a member of the Audit, Risk and Compliance Committee			
Ordinary resolution number 7: Election of Mr SJ Vilakazi as a member of the Audit, Risk and Compliance Committee			
Ordinary resolution number 8: Election of Ms P Mahanyele as a member of the Audit, Risk and Compliance Committee			
Ordinary resolution number 9: Directors' authority to implement ordinary and special resolutions			
Non-binding advisory vote: Endorsement of the remuneration and reward policy			
Special resolution number 1: Non-executive directors' remuneration			
Special resolution number 2: General authority to repurchase shares			
Special resolution number 3: Conversion of ordinary shares from par value to no par value			
Special resolution number 4: Increase in authorised share capital			
Special resolution number 5: Issues of securities			
Special resolution number 6: Fractional entitlements			

Signed at this day of 2018

Signature

Assisted by (if applicable)

Please read the notes on the reverse side hereof.
A shareholder entitled to attend and vote at the AGM may appoint one or more persons as his/her/its proxy to attend, speak or vote in his/her/its stead at the AGM. A proxy need not be a shareholder of the Company.

On a show of hands, every shareholder shall have one vote (irrespective of the number of shares held). On a poll, every shareholder shall have, for each share held by him/her/it that proportion of the total votes in the Company which the aggregate amount of the nominal value of that share held by him/her/it bears to the aggregate amount of the nominal value of all the shares issued by the Company.

Notes to the form of proxy

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of his/her/its choice in the spaces provided with or without deleting "the Chairman of the AGM", but any such deletion must be initialled by the Blue Label shareholder. The person whose name appears first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow.
2. Please insert with an "X" or insert the number of shares in the relevant spaces according to how you wish your votes to be cast. If you wish to cast your votes in respect of a lesser number of Blue Label shares exercisable by you, insert the number of Blue Label shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorise and compel the Chairman, if the Chairman is an authorised proxy, to vote in favour of the resolutions, or to authorise any other proxy to vote for or against the resolutions or abstain from voting as he/she/it deems fit, in respect of all the shareholders' votes exercisable thereat. A shareholder or his/her/its proxy is not obliged to use all the votes exercisable by the shareholder or his/her/its proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the shareholder or his/her/its proxy.
3. For administrative purposes, forms of proxy must be lodged with the transfer secretaries, at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196. (PO Box 61051, Marshalltown, 2107), to be received by no later than 09:00 on Thursday, 18 January 2018. Should the form of proxy not be delivered to the Transfer Secretaries by this time, you will be required to furnish a copy of such form of proxy to the chairperson of the meeting before the appointed proxy exercises any of their rights at the meeting.
4. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the Chairman of the AGM.
6. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
7. The Chairman of the AGM may accept or reject any form of proxy which is completed and/or received other than in accordance with these notes and instructions, provided that the Chairman is satisfied as to the manner in which the shareholder wishes to vote.
8. Where there are joint holders of shares:
   - 8.1 any such persons may vote at the AGM in respect of such joint shares as if he/she/it were solely entitled thereto;
   - 8.2 any one holder may sign this form of proxy; and
   - 8.3 if more than one such joint holders are present or represented at the AGM, the vote/s of the senior shareholder (for that purpose seniority will be determined by the order in which the names of shareholders appear in the register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder/s.
9. Own-name dematerialised shareholders will be entitled to attend the AGM in person or, if they are unable to attend and wish to be represented thereat, must complete and return the attached form of proxy to the transfer secretaries in accordance with the time specified on the form of proxy.
10. Shareholders who hold shares through a nominee should advise their nominee or, if applicable, their CSDP or broker timeously of their intention to attend and vote at the AGM or to be represented by proxy thereat in order for their nominee or, if applicable, their CSDP or broker to provide them with the necessary letter of representation to do so or should provide their nominee or, if applicable, their CSDP or broker timeously with their voting instruction should they not wish to attend the AGM in person, in order for their nominee to vote in accordance with their instruction at the AGM.
11. A vote given in terms of an instrument of proxy shall be valid in relation to the AGM notwithstanding the death of the person granting it, the transfer of the shares in respect of which the vote is given, unless an intimation in writing of such death or transfer is received by the transfer secretaries, before the commencement of the AGM.
12. Where this form of proxy is signed under power of attorney, such power of attorney must accompany this form of proxy, unless previously recorded by the transfer secretaries or unless this requirement is waived by the Chairman of the AGM.
13. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by Blue Label or the transfer secretaries.
14. Unless revoked, an appointment of a proxy pursuant to this form of proxy remains valid only until the end of the AGM or any postponement or adjournment of the AGM. This form of proxy shall be valid at any resumption of a postponed or adjourned meeting to which it relates although this form of proxy shall not be used at the resumption of the postponed or adjourned AGM if it could not be used at the AGM for any reason other than it was not lodged timeously for the AGM. This form of proxy shall, in addition to the authority conferred by the Act, except insofar as it provides otherwise, be deemed to confer the power generally to act at the meeting in question, subject to any specific direction contained in this form of proxy as to the manner of voting.

Administration

Directors
LM Nestadt (Chairman)*, BM Levy, MS Levy, KM Ellerine**, GD Harlow*, P Mahanyele* (appointed 1 September 2016), Y Mahomed* (resigned 11 January 2017), JS Mthimunye*, DA Suntup, SJ Vilakazi*
* Independent non-executive
** Non-executive

Company Secretary
J van Eden

Sponsor
Investec Bank Limited

Commercial Banker
First National Bank

External auditor
PricewaterhouseCoopers Inc.

Internal auditor
KPMG Services Proprietary Limited

American Depository Receipt (ADR) Programme
Cusip number: 095648101
Ticker name: BULBY
ADR to ordinary share: 1:10
Depository:
BNY Mellon
101 Barclay Street
New York NY 10286
USA

Blue Label Telecoms Limited
(Incorporated in the Republic of South Africa)
Registration number 2006/022679/06

Registered address: 75 Grayston Drive, Corner Benmore Road, Morningside Ext 5, Sandton, 2196
Postal address: PO Box 652261, Benmore, 2010
Contacts: +27 11 523 3000/info@blts.co.za/www.bluelabeltelecoms.co.za
LinkedIn: Blue Label Telecoms
Facebook: www.facebook.com/BlueLabelTelecoms
Twitter: @BlueLabelTeleco
Instagram: bluelabeltelecoms
Youtube: Blue Label Telecoms

JSE Share code
BLU
ISIN
ZAE000109088
(Blue Label or BLT or the Company or the Group)

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