BLUE LABEL

TELECOMS

NOTICE OF ANNUAL GENERAL MEETING 2016

Highlights

for the year ended 31 May 2016

Headline earnings per share
22%
to 100.35 cents

Core headline earnings per share
21%
to 102.85 cents

Earnings per share
20%
to 103.85 cents

Dividend declared
16%
to 36 cents per share

Revenue
19%
to R26.2 billion

Gross profit
11%
to R1.8 billion

EBITDA
15%
to R1.2 billion

Contents

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 2016.

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.

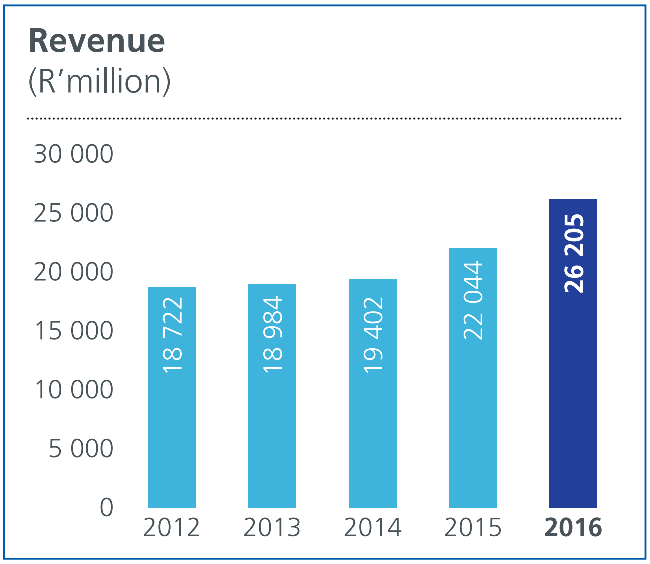
We trust you will find this booklet and our 2016 integrated annual report on our website both informative and of value.

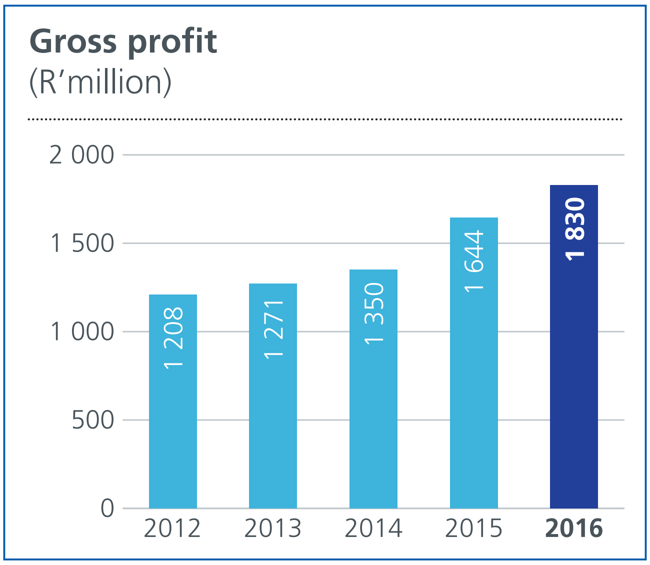
Larry Nestadt

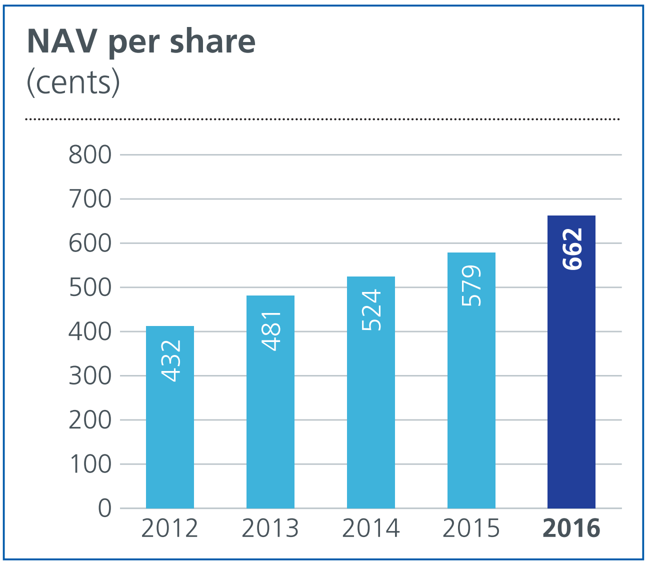
Chairman

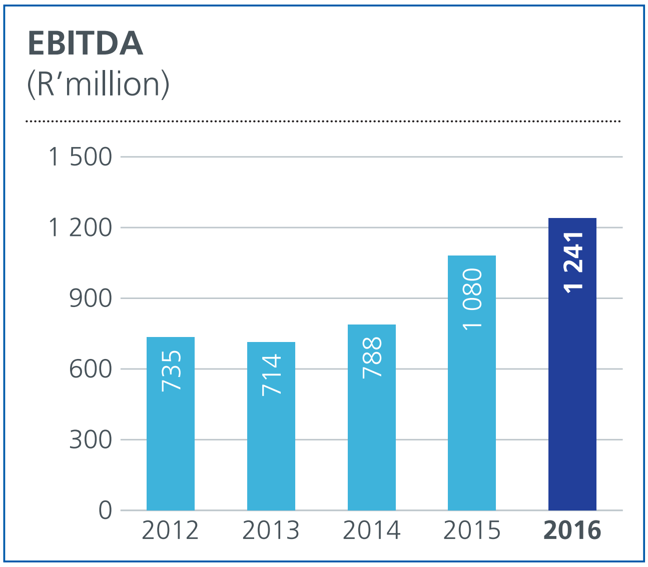
9 November 2016

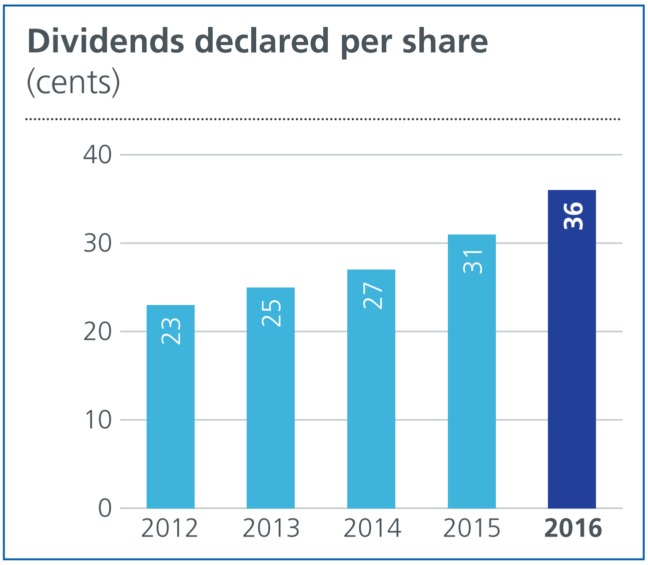
Financial performance











Commentary

OVERVIEW

The momentum of growth in Group earnings continued, resulting in headline earnings increasing by 22% to R668 million. This equated to an increase in headline earnings per share from 82.26 cents to 100.35 cents. After adjusting for the amortisation of intangible asset write-offs, net of taxation and non-controlling interests as a consequence of purchase price allocations, the resultant core headline earnings per share increased by 21% to 102.85 cents. Growth in earnings was predominantly achieved through increases in revenue of 19%, gross profit of 11% and EBITDA of 15%.

The Group's performance was primarily attributable to organic growth, underpinned by an expanding multitude of distribution channels and in turn a growth in market share.

On the international front, the Group's share of losses in Blue Label Mexico (BLM) declined by 28%, from R89 million to R63 million. A negative contribution of R27.7m from Oxigen Services India (OSI) was congruent with significant expenditure incurred on the expansion of its mobile wallet subscriber base. The above losses incurred impacted negatively on Group headline earnings per share by 9.50 cents and 4.16 cents respectively.

Capital and reserves accumulated to R4.5 billion, net of accumulated dividends paid to date totalling R913 million, further strengthening the Group's balance sheet. The net asset value equated to R6.62 per share.

SEGMENTAL REPORT

South African Distribution

	2016 R'000	2015 R'000	Growth R'000	% Growth
Revenue	**25 722 540**	21 657 891	4 064 649	19%
Gross profit	**1 582 743**	1 444 730	138 013	10%
EBITDA	**1 133 433**	1 038 252	95 181	9%
Core net profit	**750 951**	684 756	66 195	10%
Core headline earnings	**751 086**	683 744	67 342	10%
Gross profit margin	**6.15%**	6.67%		
EBITDA margin	**4.41%**	4.79%		

Growth in revenue of 19% was organically achieved through increased sales by expanding distribution channels. Revenue generated on "PINless top-ups" increased by R1.4 billion from R2.7 billion to R4.1 billion, equating to effective growth in South African distribution revenue of 23%, in that only the commission earned thereon is recognised.

Net commissions earned on the distribution of prepaid electricity continued to increase, escalating by R33 million to R197 million (20%) on turnover of R12.1 billion generated on behalf of the utilities.

Although there was a contraction in gross profit margins, gross profit increased by R138 million (10%) to R1.6 billion. The decline in margins from 6.67% to 6.15% was directly attributable to revenue generated from large distributors that were afforded additional margin incentives. This in turn manifested itself in an element of the growth in revenue.

The resultant growth in EBITDA of 9% to R1.1 billion equated to an EBITDA margin of 4.41%.

Contribution to core net profit increased by R66 million to R751 million (10%).

International Distribution

	2016 R'000	2015 R'000	Growth R'000	% Growth
EBITDA	**44 152**	35 379	8 773	25%
Share of (losses)/profits from associates and joint ventures	**(70 283)**	(81 267)	10 984	14%
– Ukash	**—**	12 004	(12 004)	(100%)
– Oxigen Services India	**(27 672)**	2 621	(30 293)	(1 156%)
– Blue Label Mexico	**(63 293)**	(88 508)	25 215	28%
– 2DFine Holdings Mauritius	**19 734**	(7 574)	27 308	361%
– Mpower	**948**	190	758	399%
Core net loss	**(29 352)**	(46 958)	17 606	37%
Core headline loss	**(59 304)**	(80 025)	20 721	26%
– Equity holders of the parent	**(59 327)**	(72 337)	13 010	18%
– Non-controlling interests	**23**	(7 688)	7 711	100%

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

Ukash

Share of profits in Ukash ceased in March 2015 as the Group disposed of its interest therein.

Oxigen Services India

Since inception of the Group's investment in OSI in 2004, focus has been on expanding its offline network of retail outlets. In this regard approximately 200 000 points of presence are operative. This element of the business generated profitability of R45 million of which the Group's share equated to R25 million, in comparison to R2.6 million in the previous financial year.

In line with the dynamics of a shift in demand for online wallets, a strategic decision was made to enter this field. Although offline retail-based wallets continue to increase, penetration into the creation of wallets through online channels has the potential of compounding transactional growth through consumers being afforded the ability to transact on web-based and/or mobile applications.

The creation of these additional wallets will not only increase transactional revenue, but the wallets in themselves have an intrinsic value based on worldwide trends in this regard. In order to escalate penetration in both online and offline wallet acquisition, brand awareness is key to achieving this objective. Accordingly, during the second half of the financial year significant expenditure was incurred on the marketing of the brand and the acquisition of wallets. This resulted in the online company incurring losses of R92 million of which the Group's share equated to R53 million. The Group's net share of losses amounted to R28 million, equating to a negative turnaround of R30.3 million, after the amortisation of intangibles.

At the end of the previous financial year the total wallet subscribers amounted to 5.4 million. At the end of the current year this subscriber base has increased to 22.6 million, the bulk of which was congruent with the expenditure incurred in the second half of the financial year.

Daily money transfer deposits have grown from USD3.3 million per day as at 31 May 2015 to USD4.0 million per day as at 31 July 2016, increasing exponentially through its connectivity with the National Payment Corporation of India.

Blue Label Mexico

BLM's losses declined from R186 million to R130 million, of which the Group's share was R63.3 million after the amortisation of intangible assets.

The decline in losses was attributable to increases in revenue by 14%, gross profit by R67 million, underpinned by higher gross profit margins. Focus on cost efficiencies confined an increase in operational expenditure to 3%. The resultant EBITDA increased by R54 million (44%).

The increase in gross profit was primarily attributable to BLM becoming a multi-carrier 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.

The introduction of the distribution of starter packs that generate monthly compounded annuity income is expected to gain momentum which will result in further declines in losses going forward.

2DFine Holdings Mauritius

The Group's effective shareholding in OSI prior to March 2016 was 55.83%. Of this shareholding, 37.22% was held by Gold Label Investments (GLI), a wholly owned subsidiary of the Group and 18.61% indirectly through the Group's 50% shareholding in 2DFine Holdings Mauritius. In March 2016, a rights issue was offered by OSI for USD10.5 million. The Group exercised its rights for the entire amount through GLI congruent with 2DFine Holdings Mauritius waiving its rights. The effect of this is that GLI's shareholding has increased from 37.22% to 40.97% and its indirect shareholding of 18.61% has been diluted to 17.21%. The latter has in turn resulted in a gain of R30 million on dilution, being the Group's share of the increased net asset value emanating from the rights issue.

This gain was offset by the Group's share of losses of R10.2 million attributable to interest paid on historical loans from GLI and BLT. The Group's share of interest paid in the comparative year amounted to R7.6 million.

After deducting the gain on dilution of R30 million, the negative contribution by the international segment to core headline earnings amounted to R59.3 million.

Mobile

	2016 R'000	2015 R'000	Growth R'000	% Growth
Revenue	**291 856**	240 168	51 688	22%
Gross Profit	**182 533**	136 773	45 760	33%
EBITDA	**111 142**	51 359	59 783	116%
Core net profit	**64 273**	28 559	35 714	125%
Core headline earnings	**65 333**	28 346	36 987	130%

This segment comprises Viamedia, Supa Pesa, Blue Label One, Cellfind, Panacea and Simigenix, all of which contributed positive growth to revenue, EBITDA and core net profit.

Of the growth in EBITDA, Viamedia contributed R27 million, of which R17 million pertained to the release of a contingent portion of the acquisition price of a joint venture with Supa Pesa. The balance of the growth in EBITDA of R33 million pertained to the balance of the companies.

At core net profit level, of the positive contributions to growth, Viamedia accounted for R18 million, Blue Label One for R3 million and Cellfind, Panacea Mobile and Simigenix for R12 million. The balance of growth of R2 million was attributable to Blue Label Engage which incurred a loss in the comparative year. This company was disposed of in December 2014.

Solutions

	2016 R'000	2015 R'000	Growth R'000	% Growth
Revenue	**190 326**	146 163	44 163	30%
Gross Profit	**64 418**	62 837	1 581	3%
EBITDA	**35 889**	40 831	(4 942)	(12%)
Core net profit	**16 116**	23 975	(7 859)	(33%)
Core headline earnings	**21 564**	23 975	(2 411)	(10%)

In October 2015 Velociti was disposed of at a loss of R5.4 million. On exclusion of this capital loss as well as its historical positive contribution of R4 million to core net profit, the growth of the remaining entities increased from R20 million to R21.6 million (8%). This growth was primarily attributable to the contribution by Blue Label Data Solutions which generated revenue of R155 million and a growth in EBITDA of 12% from R33 million to R37 million. Its contribution to core headline earnings amounted to R21.4 million, equating to a growth of 12%.

Corporate

	2016 R'000	2015 R'000	Growth R'000	% Growth
EBITDA	**(84 057)**	(85 656)	1 599	2%
Core net loss	**(93 748)**	(93 754)	6	0%
Core headline loss	**(93 745)**	(97 716)	3 971	4%

In the comparative year EBITDA losses were confined to R86 million inclusive of a once-off income receipt.

The current year EBITDA includes a release of the contingent portion of the acquisition price of Viamedia amounting to R31 million, partially offset by professional fees of R22 million relating to potential acquisitions. This limited EBITDA losses to R84 million, resulting in a marginal decline of 2%.

DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES

Depreciation, amortisation and impairment charges amounted to R98 million equating to an increase of R4 million on the comparative year. Of this amount, R20.6 million pertained to the amortisation of intangible assets resulting from purchase price allocations from historical acquisitions compared to R22.3 million in the comparative year.

NET FINANCE COSTS

Finance costs

Finance costs totalled R214 million, of which R48 million related to interest paid on borrowed funds and facilities and R166 million to imputed IFRS interest adjustments on credit received from suppliers. On a comparative basis, interest paid on borrowed funds and facilities amounted to R68 million and the imputed IFRS interest adjustment equated to R165 million.

The decline of R20 million on interest paid on borrowed funds and facilities was congruent with cash generated from trading operations. This decline was net of the perpetuation of applying excess 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.

Finance income

Finance income totalled R194 million, of which R64 million was attributable to interest received on cash resources and R130 million to imputed IFRS interest adjustments on credit afforded to customers. On a comparative basis, interest received on cash resources amounted to R31 million and the imputed IFRS interest adjustment to R142 million.

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

STATEMENT OF FINANCIAL POSITION

Total assets increased by R279 million to R7.3 billion, of which growth in non-current assets accounted for R235 million and current assets for R44 million.

The movement in non-current assets included a net increase in investments in associate and joint venture companies of R362 million. These increases were offset by declines of R6 million of capital expenditure after depreciation, R53 million in intangible assets and goodwill, R24 million in loans receivable, R36 million in trade receivables relating to postpaid contracts in excess of 12 months and R8 million in other non-current assets.

The net increase in investment in associate and joint venture companies comprised additional capital contributions to BLM of R43 million and OSI of R168 million, a positive impact on foreign currency translation reserves of R82 million, a loan of R60 million granted to Edgars Connect, interest capitalised on loans of R46 million, unrealised foreign exchange gains thereon of R35 million and the gain of R30m on dilution relating to the Group's share of the increased net asset value emanating from the rights issue in OSI. These increases were partially offset by the Group's share of losses totalling R102 million inclusive of the amortisation of applicable intangible assets.

The net decline in intangible assets and goodwill mainly pertained to the amortisation of intangibles by R130 million, the decline in goodwill and intangible assets by R5 million relating to the disposal of Velociti, offset by R85 million expended on the purchase of software, development costs, starter pack bases and the expansion of distribution channels.

There was a net increase in current assets of R44 million. The material movements relate to an increase in inventories of R226 million and loans receivable of R54 million, offset by declines in cash resources of R199 million and trade receivables of R33 million.

The stock turn was 25 days. Bulk inventory purchase opportunities at favourable discounts 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 debtor's collections improved from 46 days in the comparative year to 38 days.

The net profit attributable to equity holders of R692 million, less a dividend of R209 million, resulted in retained earnings accumulating to R3.1 billion.

In spite of an increase in trading activities, trade and other payables declined by R332 million as a result of early settlement payments in return for favourable settlement discounts. Consequently, average credit terms declined from 53 days in the comparative year to 40 days.

STATEMENT OF CASH FLOWS

Cash flows from operating activities amounted to R433 million predominately attributable to increased trading activity, net of working capital requirements.

Cash flows applied to investing activities amounted to R396 million. Of this amount, R43 million related to an additional investment in BLM and R159 million to OSI. A further R59 million was applied to a loan to the associated Edgars Connect stores, R85 million to the purchase of intangible assets, R29 million to net loans granted and R42 million to capital expenditure. The above outflows were partially offset by net inflows received of R21 million of which R13 million related to the disposal of Velociti.

After applying R23 million to the acquisition of treasury shares and a dividend payment of R213 million to shareholders and non-controlling interests, cash on hand at year-end amounted to R589 million.

FORFEITABLE SHARE SCHEME

Forfeitable shares totalling 2 591 066 (2015: 2 937 836) were issued to qualifying employees. During the period 612 453 (2015: 419 998) shares were forfeited and 3 163 359 (2015: 3 819 409) shares vested.

SUBSEQUENT EVENTS

Subsequent to year-end, dividend number 7 was declared and approved by the Board.

DIVIDEND

The Group's current dividend policy is to declare an annual dividend. On 23 August 2016 the Board approved a gross ordinary dividend (dividend number 7) of 36 cents per ordinary share (30.6 cents per ordinary share net of dividend withholding tax) for the year ended 31 May 2016.

This dividend of R242 823 255 inclusive of withholding tax, equates to a 2.73 cover on headline earnings. The dividend for the year ended 31 May 2016 has not been recognised in the financial statements as it was declared after this date.

The dividend has been declared from income reserves. The number of issued shares at declaration date was 674 509 042 ordinary shares. The Company's income tax reference number is 9062246179.

Last date to trade cum dividend	Tuesday, 13 September 2016
Shares commence trading ex dividend	Wednesday, 14 September 2016
Record date	Friday, 16 September 2016
Payment of dividend	Monday, 19 September 2016

Share certificates may be dematerialised or rematerialised between Wednesday, 14 September 2016 and Friday, 16 September 2016, 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 26 days after the Directors have performed the solvency and liquidity testing.

Dividends tax is provided for at 15% of the amount of any dividend paid by Blue Label Telecoms, subject to certain exemptions. The dividends 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

The participation in the recapitalisation of Cell C Proprietary Limited (Cell C) by way of subscription of shares therein is progressing positively. Management are of the opinion that the transaction is compelling both from an investment and commercial perspective.

The Group is well positioned to meet the increased demand for low cost smart phones and tablets, through its extensive distribution network in South Africa and beyond its borders.

The distribution of prepaid electricity will continue to grow, through enhanced government initiatives to roll out additional prepaid electricity meters throughout South Africa.

New initiatives at Blue Label Mexico, including the escalation of starter pack distribution, will contribute to a reduction in losses that have arisen from its aggressive roll out strategy.

OSI will focus on enhancing its mobile wallet subscriber base, with increased marketing to the vast unbanked population in India. This will result in growth in transactional revenue and the intrinsic value of the wallet subscriber base which has accumulated to 22.6 million active wallets at present.

INDEPENDENT AUDIT

PricewaterhouseCoopers Inc.'s unqualified audit reports on the Group annual financial statements and the summarised Group annual financial statements for the year ended 31 May 2016 are 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 2016 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 Telecoms 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 August 2016

** Supervised the preparation and review of the Group's audited year-end results.*

Summarised Group statement of financial position

as at 31 May

	2016 R'000	2015 R'000
ASSETS		
Non-current assets	**2 275 161**	2 040 214
Property, plant and equipment	**100 434**	106 684
Intangible assets	**598 333**	648 284
Goodwill	**603 440**	606 609
Investment in and loans to associates and joint ventures	**910 567**	548 572
Loans receivable	**5 910**	29 733
Starter pack assets	**6 099**	4 449
Trade and other receivables	**29 166**	65 085
Deferred taxation assets	**21 212**	30 798
Current assets	**5 030 790**	4 986 606
Starter pack assets	**1 576**	1 938
Inventories	**1 658 860**	1 433 104
Loans receivable	**98 217**	44 569
Trade and other receivables	**2 679 023**	2 712 165
Current tax assets	**4 087**	6 419
Cash and cash equivalents	**589 027**	788 411
Total assets	**7 305 951**	7 026 820
EQUITY AND LIABILITIES		
Capital and reserves	**4 519 567**	3 917 981
Share capital, share premium and treasury shares	**3 942 512**	3 943 888
Restructuring reserve	**(1 843 912)**	(1 843 912)
Other reserves	**187 605**	108 543
Share-based payment reserve	**42 039**	39 297
Transactions with non-controlling interest reserve	**(965 861)**	(965 861)
Retained earnings	**3 105 050**	2 622 558
Non-controlling interest	**52 134**	13 468
Non-current liabilities	**102 954**	197 673
Deferred taxation liabilities	**62 141**	54 451
Trade and other payables	**40 813**	143 222
Current liabilities	**2 683 430**	2 911 166
Trade and other payables	**2 601 807**	2 831 000
Provisions	**24 928**	21 491
Current tax liabilities	**40 608**	42 588
Borrowings	**16 087**	16 087
Total equity and liabilities	**7 305 951**	7 026 820

Summarised Group statement of comprehensive income

for the year ended 31 May

	2016 R'000	2015 R'000
Revenue	**26 204 722**	22 044 222
Other income	**126 294**	99 972
Change in inventories of finished goods	**(24 375 028)**	(20 399 882)
Employee compensation and benefit expense	**(427 116)**	(407 448)
Depreciation, amortisation and impairment charges	**(98 183)**	(94 019)
Other expenses	**(288 313)**	(256 699)
Operating profit	**1 142 376**	986 146
Finance costs	**(214 110)**	(233 165)
Finance income	**193 899**	173 047
Share of losses from associates and joint ventures	**(71 770)**	(79 338)
Net profit before taxation	**1 050 395**	846 690
Taxation	**(318 783)**	(265 497)
Net profit for the year	**731 612**	581 193
Other comprehensive income:		
Items reclassified to profit or loss		
Foreign currency translation reserve reclassified to profit or loss	**—**	(18 467)
Items that may be subsequently reclassified to profit or loss		
Foreign exchange profit/(loss) on translation of associates and joint ventures	**81 544**	(10 497)
Foreign exchange (loss)/profits on translation of foreign operations	**(15)**	5 863
Other comprehensive profit/(loss) for the year, net of tax	**81 529**	(23 101)
Total comprehensive income for the year	**813 141**	558 092
Net profit for the year attributable to:	**731 612**	581 193
Equity holders of the parent	**691 590**	577 617
Non-controlling interest	**40 022**	3 576
Total comprehensive income for the year attributable to:	**813 141**	558 092
Equity holders of the parent	**770 652**	549 691
Non-controlling interest	**42 489**	8 401

Share performance

for the year ended 31 May

	2016 R'000	2015 R'000
Earnings per share for profit attributable to equity holders (cents)		
Basic earnings per share (cents)	**103.85**	86.86
Diluted earnings per share (cents)**	**102.84**	85.03
Weighted average number of shares	**665 950 277**	665 029 849
Diluted weighted average number of shares	**672 520 023**	672 702 231
Number of shares in issue	**674 509 042**	674 509 042
Share performance		
Headline earnings per share (cents)	**100.35**	82.26
Diluted headline earnings per share (cents)**	**99.37**	80.49
Dividend per share (cents)	**31**	27
Reconciliation between net profit and core headline earnings:		
Net profit for the period attributable to equity holders of the parent	**691 590**	577 617
Amortisation on intangible assets raised through business combinations net of tax and net of non-controlling interest	**16 650**	18 961
Core net profit for the period	**708 240**	596 578
Headline earnings adjustments	**(23 329)**	(30 566)
Core headline earnings	**684 911**	566 012
Core headline earnings per share (cents)*	**102.85**	85.11

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

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

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 2014	3 945 832	2 222 685	(1 843 912)
Net profit for the year	—	577 617	—
Other comprehensive loss	—	—	—
Total comprehensive income	—	577 617	—
Dividends paid	—	(182 117)	—
Treasury shares purchased	(19 131)	—	—
Equity compensation benefit scheme shares vested	17 187	—	—
Equity compensation benefit movement	—	—	—
Share of equity movement in associates	—	—	—
Associate disposed	—	3 081	—
Non-controlling interest movement	—	1 292	—
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	**—**	**—**	**—**
Balance as at 31 May 2016	**3 942 512**	**3 105 050**	**(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
138 798	(957 230)	33 660	(15 844)	3 523 989
—	—	—	3 576	581 193
(27 926)	—	—	4 825	(23 101)
(27 926)	—	—	8 401	558 092
—	—	—	(4 874)	(186 991)
—	—	—	—	(19 131)
—	—	(16 949)	(238)	—
—	—	24 082	208	24 290
—	—	548	—	548
(2 329)	—	(752)	—	—
—	(8 631)	(1 292)	25 815	17 184
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**
187 605	**(965 861)**	**42 039**	**52 134**	**4 519 567**

Summarised Group statement of cash flows

for the year ended 31 May

	2016 R'000	2015 R'000
Cash generated by operations	**744 185**	429 806
Interest received	**42 082**	15 995
Interest paid	**(48 207)**	(67 811)
Taxation paid	**(305 118)**	(245 495)
Net cash generated from operating activities	**432 942**	132 495
Cash flows from investing activities		
Acquisition of intangible assets and property, plant and equipment	**(127 131)**	(178 684)
Acquisition of subsidiaries net of cash acquired	**—**	(157 460)
Disposal of subsidiary net of cash disposed	**13 219**	—
Proceeds on disposal of associate	**—**	94 897
Loans advanced to Blue Label Mexico*	**—**	(48 979)
Capital contribution to Blue Label Mexico	**(42 654)**	—
Capital contribution to Oxigen Services India	**(159 425)**	—
Equity loan granted to Lornanox	**(58 883)**	—
Loans granted	**(27 306)**	(10 315)
Loans granted to associates	**(1 620)**	(14 353)
Other investing activities	**7 467**	(13 857)
Net cash utilised in investing activities	**(396 333)**	(328 751)
Cash flows from financing activities		
Acquisition of treasury shares	**(23 052)**	(19 131)
Dividends paid to non-controlling interest	**(4 000)**	(4 874)
Dividends paid to equity holders of the parent	**(209 098)**	(182 117)
Other financing activities	**—**	846
Net cash utilised in financing activities	**(236 150)**	(205 276)
Net decrease in cash and cash equivalents	**(199 541)**	(401 532)
Cash and cash equivalents at the beginning of the year	**788 411**	1 184 131
Exchange gains on cash and cash equivalents	**157**	5 812
Cash and cash equivalents at the end of the year	**589 027**	788 411

** These loans were subsequently capitalised.*

BASIS OF PREPARATION

The summarised Group financial statements have been prepared in accordance with the requirements of section 8.57 of the JSE Limited Listings Requirements, the presentation and disclosure requirements of IAS 34 – *Interim Financial Reporting* and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. The summarised Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, No 71 of 2008.

These summarised Group financial statements have been prepared in accordance with the going concern principle, under the historical cost convention. The accounting policies and methods of computation are consistent with those applied in the annual financial statements for the year ended 31 May 2015 and with those applied in the previous summarised Group financial statements, with the exception of the standards that are effective for the first time in the current period. These have been disclosed in note 10 to the Group annual financial statements for the year ended 31 May 2016.

A copy of the Group financial statements can be obtained from the registered offices of the Company during office hours and on the Company's website www.bluelabeltelecoms.co.za at no charge.

Headline earnings

for the year ended 31 May

	2016 R'000	2015 R'000
Net profit attributable to equity holders of the parent	**691 590**	577 617
Net profit on disposal of property, plant and equipment	**(360)**	(1 225)
Loss on disposal of intangible assets	**3**	—
Loss/(profit) on disposal of subsidiary	**5 454**	(3 962)
Profit on disposal of associate	**—**	(28 643)
Profit on dilution of joint venture	**(29 975)**	—
Impairment of intangible assets	**1 549**	3 264
Headline earnings	**668 261**	547 051
Headline earnings per share (cents)	**100.35**	82.26

Segmental summary

Year ended	Total R'000	South African Distribution R'000
31 May 2016		
Total segment revenue	**32 439 100**	**31 934 736**
Internal revenue	**(6 234 378)**	**(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**
31 May 2015		
Total segment revenue	27 780 173	27 364 493
Internal revenue	(5 735 951)	(5 706 602)
Revenue	22 044 222	21 657 891
Operating profit/(loss) before depreciation, amortisation and impairment charges	1 080 165	1 038 252
Net profit/(loss) for the year attributable to equity holders of the parent	577 617	671 619
Amortisation on intangibles raised through business combinations net of tax and non-controlling interest	18 961	13 137
Headline earnings adjustments net of non-controlling interest	(30 566)	(1 012)
Core headline earnings for the year attributable to equity holders of the parent	566 012	683 744
At 31 May 2015		
Total assets	7 026 820	5 872 457
Net operating assets/(liabilities)	2 075 440	2 101 788

International Distribution R'000	Mobile R'000	Solutions R'000	Corporate R'000
—	**307 661**	**196 703**	**—**
—	**(15 805)**	**(6 377)**	**—**
—	**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)**
—	251 085	164 595	—
—	(10 917)	(18 432)	—
—	240 168	146 163	—
35 379	51 359	40 831	(85 656)
(50 551)	26 328	23 975	(93 754)
3 593	2 231	—	—
(25 379)	(213)	—	(3 962)
(72 337)	28 346	23 975	(97 716)
519 097	466 951	151 541	16 774
(8 946)	(19 583)	37 488	(35 307)

Financial instruments

for the year ended 31 May

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

Changes in level 3 instruments are as follows:

	2016 R'000	2015 R'000
Contingent consideration		
Opening balance	**123 902**	22 607
Acquisition of Viamedia Proprietary Limited	**—**	84 783
Acquisition of SupaPesa Africa Limited	**—**	29 851
Acquisition of Supa Pesa South Africa Proprietary Limited	**—**	100
Settlements	**(1 931)**	(19 515)
Gains and losses recognised in profit or loss	**(38 408)**	6 076
Closing balance	**83 563**	123 902
Total gains or losses for the period included in profit or loss for liabilities held at the end of the reporting period, under:		
Other income	**(48 120)**	(923)
Interest paid	**9 712**	6 999
Change in unrealised gains or losses for the period included in profit or loss for liabilities held at the end of the reporting period	**9 127**	2 052

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 no changes in management's probability assumptions. 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 income statement.

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.

Significant related party transactions and balances

for the year ended 31 May

	2016 R'000	2015 R'000
Purchases from related parties		
ZOK Cellular Proprietary Limited	**26 001**	69 946
Loans to related parties		
2DFine Holdings Mauritius	**234 892**	163 634
Lornanox Proprietary Limited	**65 949**	6 000
Oxigen Services India Private Limited	**38 359**	29 552
Stylco Proprietary Limited	**26 000**	—

Non-IFRS information

The auditor's report does not necessarily cover all of the information contained in this notice. 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 notice contains certain non-IFRS financial information which has not been audited or reported on by the Group's auditors.

Retiring directors

BRETT LEVY

Joint Chief Executive Officer

Born: 1975

Brett has an impressive entrepreneurial history having founded and operated many small businesses in the early 1990s. He has been involved across a wide range of industries, including the distribution of fast-moving consumer goods and insurance replacements for electronic goods. Brett's business 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 its establishment in 2007 and is a director of various local and global Group companies.

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 joined the Board on its establishment in 2007 and is Chairman of the Audit, Risk and Compliance Committee.

LAURENCE (LARRY) NESTADT

Independent Non-Executive Chairman
Born: 1950

Larry has over 40 years' experience in his long and successful corporate career, both in South Africa and internationally. Larry is a co-founder and former executive director of Investec Bank Limited. He assisted in the creation and strategic development of a number of listed companies such as Capital Alliance Holdings Limited, Super Group Limited, Hosken Consolidated Investments Limited, SIB Holdings Limited and Global Capital Limited. He is the past chairman on each of the boards of these companies.

Larry has also served on the board of directors of Softline Limited, JCI Limited and Abacus Technologies Holdings Limited. He was a former director of a number of non-listed companies, internationally and locally, viz, Stenham Limited (UK) and Prefsure Life Limited (Aus). Currently, Larry holds various directorships and is executive chairman of Global Capital Proprietary Limited, and chairman of Melrose Motor Investments, MoreCorp Group Proprietary Limited, SellDirect Marketing Proprietary Limited and National Airways Corporation Proprietary Limited.

Larry joined the Board on its establishment in 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.

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 Stellenbosch University.

Phuti joined the Board on 1 September 2016 and is a member of the Audit, Risk and Compliance Committee.

Remuneration report

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 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.

PHILOSOPHY

Blue Label's remuneration philosophy is to recruit and retain staff, who believe in and live the culture and values of the organisation. In turn, the remuneration policy strives to reward employees in a fair and equitable way in order to ensure a culture of high performance through employees who are motivated, engaged and who subscribe to the principle of achieving a balance between shareholder interests and appropriate remuneration packages. Remuneration is designed to support Blue Label's business strategy and vision, and to align with best practices. Total rewards are set at levels that are competitive in the context of the relevant areas of responsibility and the industry in which the Group operates, with due regard to market conditions. Total incentive-based rewards are earned through the attainment of demanding key performance indices and targets, consistent with shareholder growth expectations.

The RNC is conscious of the fact that succession planning is essential to perpetuate institutional memory and ensures that comparable alternative candidates are in place for certain identified positions.

During the year, the RNC reviewed its philosophy, while also taking cognisance of best peer practices. As a result thereof, the RNC realigned its policy with regard to the criteria pertaining to the forfeitable share plan as well as introducing an outperformance bonus for members of the Executive Committee.

GOVERNANCE

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; and
- managing stakeholder relations and expectations, as deemed appropriate on remuneration matters.

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.

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 pages 36 to 37 (Governance Framework) of the integrated annual report.

POLICY

The remuneration of Executive Directors and Senior Management is determined on a total cost-to-company basis, comprising four components:

- **Fixed remuneration** – fixed monthly salary and benefits. 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.
- **Incentive bonus** – a short-term performance-related bonus payment. The variable pay element provided by the short-term bonus plan is intended to enhance total pay opportunities, should it be merited by Group and individual performance. The purpose of the annual performance-related bonus payment is to reward and motivate the achievement of Group and subsidiary financial targets, as well as strategic and personal performance. The Joint CEOs may earn an 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.
- **Forfeitable share scheme** – a long-term performance-related incentive scheme. This incentive, in the form of forfeitable shares awarded in terms of the share plan, is based on a percentage of total annualised fixed remuneration. The intention is to reward sustained long-term performance and to align the interests of the Executive Directors and Senior Management with those of shareholders.
- **Outperformance bonus** – a bonus in the form of additional share allocations to members of the Executive Committee, linked to the annual growth in the share price, with the intention of recognising and rewarding their contribution to the overall strategy of the Group.

Fixed remuneration

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.

Details of the Directors' remuneration for the year ended 31 May 2016 appear on pages 136 and 137.

Incentive bonus plan

The Executive Directors and Senior Management participate in an annual incentive bonus structure which is based on the achievement of short-term performance targets. These targets comprise financial and non-financial components. The financial performance component is based on growth in core headline earnings per share.

The non-financial elements include the achievement of transformation targets, progress in delivering the Group's growth strategy, rolling out the Group's transactional footprint, the rate and level of progress in respect of organisational development and succession planning, together with the application of leadership qualities, corporate governance best practices and risk mitigation.

For the 2016 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 and Senior Management were also achieved. As a result, each Joint CEO was paid a bonus of 120% of annual salary and the Financial Director received a bonus of 70% of annual salary.

The bonus parameters for Executive Directors and Senior Management for the 2017 financial year have been determined as follows:

1. Executive Directors

Joint CEOs up to 120% of annual salary, Financial Director up to 70% of annual salary, of which 80% will apply to financial criteria and 20% to non-financial criteria.

- Financial (80%):
  - If growth in core headline earnings per share is less than CPI, no element of the 80% will be paid.
  - If growth in core headline earnings per share is equal to CPI plus 10%, then 70% of the 80% will be paid, either in full or pro rata, as the case may be.
  - If growth in core headline earnings per share exceeds CPI plus 10%, then an additional 30% of the 80% will be paid.

- Non-financial (20%):
  The following criteria will be taken into account in determining qualification for the 20%: the achievement of agreed transformation targets, progress in delivering the Group's growth strategy, the roll out of the Group's transactional footprint, 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.

2. Senior Management

A maximum of 50% of annual salary will be paid, of which 80% will apply to financial criteria and 20% to non-financial criteria.

The financial criteria will be split as to 60% on the performance of the subsidiary which employs the person concerned (where applicable) and 20% on Group performance.

- Financial per subsidiary (60%):
  - If growth in core headline earnings per share is less than CPI, no element of the 60% will be paid.
  - If growth in core headline earnings per share is equal to CPI plus 10%, then 70% of the 60% will be paid in full or pro rata, as the case may be.
  - If growth in core headline earnings per share exceeds CPI plus 10%, then an additional 30% of the 60% will be paid.
- Group performance (20%):
  - If growth in core headline earnings per share is less than CPI, no element of the 20% will be paid.
  - If growth in core headline earnings per share is equal to CPI plus 10%, then 70% of the 20% will be paid, either in full or pro rata, as the case may be.
  - If growth in core headline earnings per share exceeds CPI plus 10%, then an additional 30% of the 20% will be paid.
- Non-financial (20%):
  The following criteria will be taken into account in determining qualification for the 20%: the achievement of agreed transformation targets, progress in delivering its growth strategy, the roll out of its transactional footprint, 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.

Forfeitable share scheme

The forfeitable share scheme vesting criteria for the 2013 share scheme allocation was as follows:

- 40% for retention (three years from date of award);
- 60% financial (50% for growth in core headline earnings per share and 10% based on shareholder returns);
- The 50% for growth in core headline earnings per share was based on the following achievements:
  - If growth is 5% above CPI compounded annually over three years, then 20% of the 50% would vest.
  - If growth is 10% above CPI compounded annually over three years, then an additional 50% (i.e. a total of 70%) of the 50% would vest.
  - If growth is 25% above CPI compounded annually over three years, then a further 30% (i.e. a total of 100%) of the 50% would vest.

  The measurement period was from 1 June 2013 to 31 May 2016.
- The 10% for shareholder return was based on a 10% compounded growth in the share price over the three-year vesting period, measured with reference to 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.

In line with the criteria being met in all respects, vesting of the 2013 share scheme allocations fell due on 31 August 2016. The vesting of these awards was postponed due to the Company trading under a Cautionary Announcement with regard to the subscription of shares in Cell C Proprietary Limited. The cautionary was, however, withdrawn on 18 October 2016 and accordingly the 2013 share awards vested on that date.

The financial performance criteria for the forfeitable shares allocated in 2014 and 2015 to Senior Management will be measured at subsidiary level as opposed to Group level.

The vesting criteria for the forfeitable shares allocated in September 2016 to Executive Directors are as follows:

- 33.33% for retention (three years from date of award);

- 66.67% financial (33.33% for growth in core headline earnings per share and 33.33% based on shareholder returns);
- The 33.33% for growth in core headline earnings per share is based on the following achievements:
  - If growth is 5% above CPI compounded annually over three years, then 20% of the 33.33% will vest.
  - If growth is 10% above CPI compounded annually over three years, then an additional 50% (i.e. a total of 70%) of the 33.33% would vest. If growth is between 5% and 10% above CPI over the three years then the additional 50% will be reduced on a pro-rata basis.
  - If growth is 25% above CPI compounded annually over three years, then a further 30% (i.e. a total of 100%) of the 33.33% will vest. If growth is between 10% and 25% above CPI over the three years then the additional 30% will be reduced on a pro-rata basis.
- The 33.33% for shareholder return is based on a 10% compounded growth in the share price over the three-year vesting period, measured with reference to 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.

  The measurement period is from 1 June 2016 to 31 May 2019.

The vesting criteria for the forfeitable shares allocated in September 2016 to Senior Management are as follows:

- 40% for retention (three years from date of award); and
- 60% financial (30% for growth in core headline earnings per share and 30% based on shareholder returns).
- The 30% for growth in core headline earnings per share is based on the following achievements:
  - If growth is 5% above CPI compounded annually over three years, then 20% of the 30% will vest.
  - If growth is 10% above CPI compounded annually over three years, then an additional 50% (i.e. a total of 70%) of the 30% would vest. If growth is between 5% and 10% above CPI over the three years then the additional 50% will be reduced on a pro-rata basis.
  - If growth is 25% above CPI compounded annually over three years, then a further 30% (i.e. a total of 100%) of the 30% will vest. If growth is between 10% and 25% above CPI over the three years then the additional 30% will be reduced on a pro-rata basis.
- The 30% for shareholder return is based on a 10% compounded growth in the share price over the three-year vesting period, measured with reference to 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.

  The measurement period is from 1 June 2016 to 31 May 2019.

Outperformance bonus

This bonus, awarded in shares, is earmarked for members of the Executive Committee and will be based on the growth in the share price as follows:

- Should the share price increase by 20% or more, the bonus will equate to 50% of the employee's annual cost-to-company remuneration.
- Should the share price increase from between 15% and 20%, the employee will be entitled to a pro-rata share of this bonus.
- No outperformance bonus will be awarded if the growth in the share price is less than 15%.

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.

The Remuneration Committee has the right to exercise its discretion from time to time in the awarding of all of the above 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.

Executive Directors' service contracts

The three-year service contracts of the Executive Directors expire as follows:

- Messrs BM Levy and MS Levy, Joint CEOs – 14 November 2017.
- Mr DA Suntup, FD – 14 November 2017.

Each contract includes a restraint of trade undertaking applicable for a period of 12 months from the date from which the Executive leaves the employment from the Company on his own accord. The restraint of trade is not enforceable in the event that the employment contract is not renewed by the Company, or if the Executive's employment is illegitimately terminated by the Company.

Non-executive remuneration

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. 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 aforegoing services from time to time. There were no services contracted with Non-Executive Directors during the year, as is reflected on pages 136 and 137 of the integrated annual report.

The Board resolved at its meeting held on 28 June 2016 that Non-Executive Directors' remuneration be increased for the 2017 financial year by 6.5%, subject to the approval of shareholders.

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

Services as Directors	Current fee	Proposed fee
– Chairman of the Board (per annum)	R946 858	R1 008 404
– Board members (per meeting)	R43 353	R46 171
Audit, Risk and Compliance Committee (per meeting)		
– Chairman	R60 212	R64 126
– Member	R36 128	R38 476
Remuneration and Nomination Committee (per meeting)		
– Chairman	R48 170	R51 301
– Member	R28 903	R30 782
Investment Committee (per meeting)		
– Chairman	R36 128	R38 476
– Member	R21 677	R23 086
Transformation, Social and Ethics Committee (per meeting)		
– Chairman	R36 128	R38 476
– Member	R21 677	R23 086
Ad hoc Committee (per meeting)		
– Chairman	R36 128	R38 476
– Member	R21 677	R23 086

On behalf of the Remuneration Committee:

GD Harlow

Chairman

9 November 2016

Notice of annual general meeting

Notice is hereby given to Blue Label shareholders recorded in the Company's securities register on Friday, 4 November 2016, that the ninth 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 Thursday, 8 December 2016 at 09:00 (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, 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, 4 November 2016; 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, 2 December 2016.

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 Tuesday, 6 December 2016.

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 35 at the end of this notice.

When reading the resolutions below, please refer to the explanatory notes on pages 35 to 37.

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 2016, 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 81 to 179 of the integrated annual report. The Audit, Risk and Compliance Committee's report is set out on pages 58 to 60 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: Election of Ms P Mahanyele as a Director of the Company

Resolved that Ms P Mahanyele, who was first appointed to the Board on 1 September 2016, be and is hereby elected as a Director of the Company with immediate effect.

A brief biography of Ms P Mahanyele is on page 23.

2. Ordinary resolution number 2: Re-election of Mr BM Levy as a Director of the Company

Resolved that Mr BM 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 BM Levy is on page 22.

3. Ordinary resolution number 3: Re-election of Mr JS Mthimunye as a Director of the Company

Resolved that Mr JS Mthimunye, who was first appointed to the Board on 5 October 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 JS Mthimunye is on page 22.

4. Ordinary resolution number 4: Re-election of Mr LM Nestadt as a Director of the Company

Resolved that Mr LM Nestadt, who was first appointed to the Board on 5 October 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 LM Nestadt is on page 23.

5. Ordinary resolution number 5: 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.

6. Ordinary resolution number 6: Election of Mr JS Mthimunye as a member and chairman of the Audit, Risk and Compliance Committee for the year ending 31 May 2017

Resolved that, in terms of section 94(2) of the Act, but subject to his re-election as a Director of the Company in terms of resolution number 3, Mr JS Mthimunye, an independent non-executive director of the Company, is elected as a member and the chairman of the Audit, Risk and Compliance Committee.

A brief biography of Mr JS Mthimunye is on page 22.

7. Ordinary resolution number 7: Election of Mr GD Harlow as a member of the Audit, Risk and Compliance Committee for the year ending 31 May 2017

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 of the Audit, Risk and Compliance Committee.

A brief biography of Mr GD Harlow is on page 19 of the integrated annual report.

8. Ordinary resolution number 8: Election of Mr SJ Vilakazi as a member of the Audit, Risk and Compliance Committee for the year ending 31 May 2017

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 20 of the integrated annual report.

9. Ordinary resolution number 9: Election of Ms P Mahanyele as a member of the Audit, Risk and Compliance Committee for the year ending 31 May 2017

Resolved that, in terms of section 94(2) of the Act, but subject to her election as a Director of the Company in terms of resolution number 1, 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 23.

10. Ordinary resolution number 10: 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 24 to 28 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 2016 to 31 May 2017:

Services as Directors	Current fee	Proposed fee
– Chairman of the Board (per annum)	R946 858	R1 008 404
– Board members (per meeting)	R43 353	R46 171
Audit, Risk and Compliance Committee		
(per meeting)		
– Chairman	R60 212	R64 126
– Member	R36 128	R38 476
Remuneration and Nomination Committee		
(per meeting)		
– Chairman	R48 170	R51 301
– Member	R28 903	R30 782
Investment Committee		
(per meeting)		
– Chairman	R36 128	R38 476
– Member	R21 677	R23 086
Social, Ethics and Transformation Committee		
(per meeting)		
– Chairman	R36 128	R38 476
– Member	R21 677	R23 086
Ad hoc Committee		
(per meeting)		
– Chairman	R36 128	R38 476
– Member	R21 677	R23 086

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.

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 180 and 181.
- Material change – there were no material changes.
- Share capital of the Company – refer to page 140.
- Responsibility statement – refer to page 75.

3. Special resolution number 3: Approval to grant financial assistance in terms of sections 44 and 45 of the Act

Resolved that the Board may, subject to the Act and the MoI, authorise the Company to provide direct or indirect financial assistance:

- by way of a loan, guarantee, the provision of security or otherwise to any person for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company, as contemplated in section 44 of the Act, at any time during a period commencing on the date of passing of this special resolution and ending at the expiry of two years from the date of the adoption of this special resolution number 3; and/or
- to a Director of the Company or of a related or inter-related company, or to a related or inter-related company or corporation, or to a member of a related or inter-related corporation, or to a person related to any such company, corporation, director, prescribed officer or member, as contemplated in section 45 of the Act, at any time during a period commencing on the date of passing of this special resolution and ending at the expiry of two years from the date of the adoption of this special resolution number 3.

4. Special resolution number 4: Amendment to Memorandum of Incorporation – Fraction of shares

Resolved that in terms of section 16(1)(c) of the Companies Act, the MoI of the Company be hereby amended by substituting clause 9 with the following new wording, effective from the date of filing of the relevant notice of amendment with the Companies and Intellectual Property Commission:

"9. Subject to the provisions of the Listings Requirements, all allocations of Securities will be rounded down, based on standard rounding convention (i.e. allocations will be rounded down to the nearest whole number if they are less than 0,5 (zero comma five), resulting in allocations of whole Securities and no fractional entitlements. Securities Holders shall be compensated for the lost fraction by way of a cash payment based on the 30 day weighted average traded price of Securities for the 30 days preceding the issue in question."

By order of the Board

J van Eden
Group Company Secretary

Sandton
9 November 2016

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 number 1: Election of Director

The Company's MoI states that, any person appointed to fill a casual vacancy or as an addition to the Board shall retain office until the following AGM of the Company and shall then retire and be eligible for election. Ms P Mahanyele retires from the Board in accordance with article 25.5 of the Company's MoI. Ms P Mahanyele was appointed to the Board and Audit, Risk and Compliance Committee on 1 September 2016.

The Board recommends to shareholders that they should vote in favour of the election of the Director referred to in ordinary resolution number 1.

Ordinary resolution numbers 2 to 4 (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 BM Levy, JS Mthimunye and LM Nestadt 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 22 and 23.

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 2 to 4 (inclusive).

Ordinary resolution number 5: 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.

PwC has 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 2017 financial year.

Ordinary resolution numbers 6 to 9 (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 III 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 in the integrated annual report.

Ordinary resolution number 10: Directors' authority to implement Ordinary and Special resolutions

The reason for ordinary resolution number 10 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 III requires a company to put its remuneration 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 24 to 28.

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 policy and the remuneration of Executive Directors.

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 1 thus requires shareholders to approve the fees payable to the Company's non-executive directors for the period 1 June 2016 to 31 May 2017.

Full particulars of all remuneration paid to non-executive directors for their services as Directors, are contained in the integrated annual report.

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). 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.

The Directors are of the opinion that the renewal of this general authority is in the best interests of the Company as it allows the Group to repurchase the securities issued by the Company through the order book of the JSE should market conditions and price justify such action.

Special resolution number 3: Approval to grant financial assistance in terms of sections 44 and 45 of the Act

The existing authority granted by shareholders at the annual general meeting held on 28 November 2014 was valid for a two-year period and will expire at the AGM unless renewed.

In the ordinary course of the Company business, it needs to provide financial assistance to certain of its subsidiaries, associates and joint ventures in accordance with section 45 of the Act, and furthermore it may be necessary for the Company to provide financial assistance in the circumstances contemplated in section 44 of the Act.

Notwithstanding the title of section 45 of the Act, being "Loans or other financial assistance to directors", on a proper interpretation thereof, the body of the section also applies to financial assistance provided by a company to any related or inter-related company or corporation, a member of a related or inter-related corporation, and to a person related to any such company, corporation or member.

Furthermore, section 44 of the Act may also apply to the financial assistance so provided by a company to any related or inter-related company or corporation, a member of a related or inter-related corporation, or a person related to any such company, corporation or member, in the event that the financial assistance is provided for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company.

Both sections 44 and 45 of the Act provide, inter alia, that the particular financial assistance may only be provided:

- pursuant to a special resolution of shareholders, adopted within the previous 2 (two) years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category; and
- the Board is satisfied that
  - immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test (as contemplated in the Act); and
  - the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

Special resolution number 4: Amendment to Memorandum of Incorporation – Fraction of shares

The reason for and effect of special resolution number 4 is to amend the MoI, dealing with the manner in which fractional entitlement to shares is to be treated by the Company, by aligning it with the new provisions of the Listings Requirement that became effective on 22 February 2016.

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 Tuesday, 6 December 2016 (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 09:00 on Thursday, 8 December 2016 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 and submit same to the transfer secretaries, Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), to be received by no later than 09:00, on Tuesday, 6 December 2016. Any hand deliveries made after 28 November 2016, should be made to Computershare's new address, Rosebank Towers, Biermann Avenue, Rosebank, 2196. 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 09:00 on Thursday, 8 December 2016 or any adjournment thereof as follows:

Resolution	For	Against	Abstain
Ordinary resolution number 1: Election of Ms P Mahanyele as a Director of the Company			
Ordinary resolution number 2: Re-election of Mr BM Levy as a Director of the Company			
Ordinary resolution number 3: Re-election of Mr JS Mthimunye as a Director of the Company			
Ordinary resolution number 4: Re-election of Mr LM Nestadt as a Director of the Company			
Ordinary resolution number 5: Reappointment of external auditors			
Ordinary resolution number 6: Election of Mr JS Mthimunye as a member and chairman of the Audit, Risk and Compliance Committee			
Ordinary resolution number 7: Election of Mr GD Harlow as a member of the Audit, Risk and Compliance Committee			
Ordinary resolution number 8: Election of Mr SJ Vilakazi as a member of the Audit, Risk and Compliance Committee			
Ordinary resolution number 9: Election of Ms P Mahanyele as a member of the Audit, Risk and Compliance Committee			
Ordinary resolution number 10: 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: Approval to grant financial assistance in terms of section 44 and 45 of the Act			
Special resolution number 4: Amendment to Memorandum of Incorporation – Fraction of shares			

Signed at this day of 2016

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. Forms of proxy must be lodged with the transfer secretaries, at 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), to be received by no later than 09:00 on Tuesday, 6 December 2016. Any hand deliveries made after 28 November 2016, should be made to Computershare's new address, Rosebank Towers, Biermann Avenue, Rosebank, 2196.
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*, Y Mahomed*, 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 No: 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

JSE SHARE CODE

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