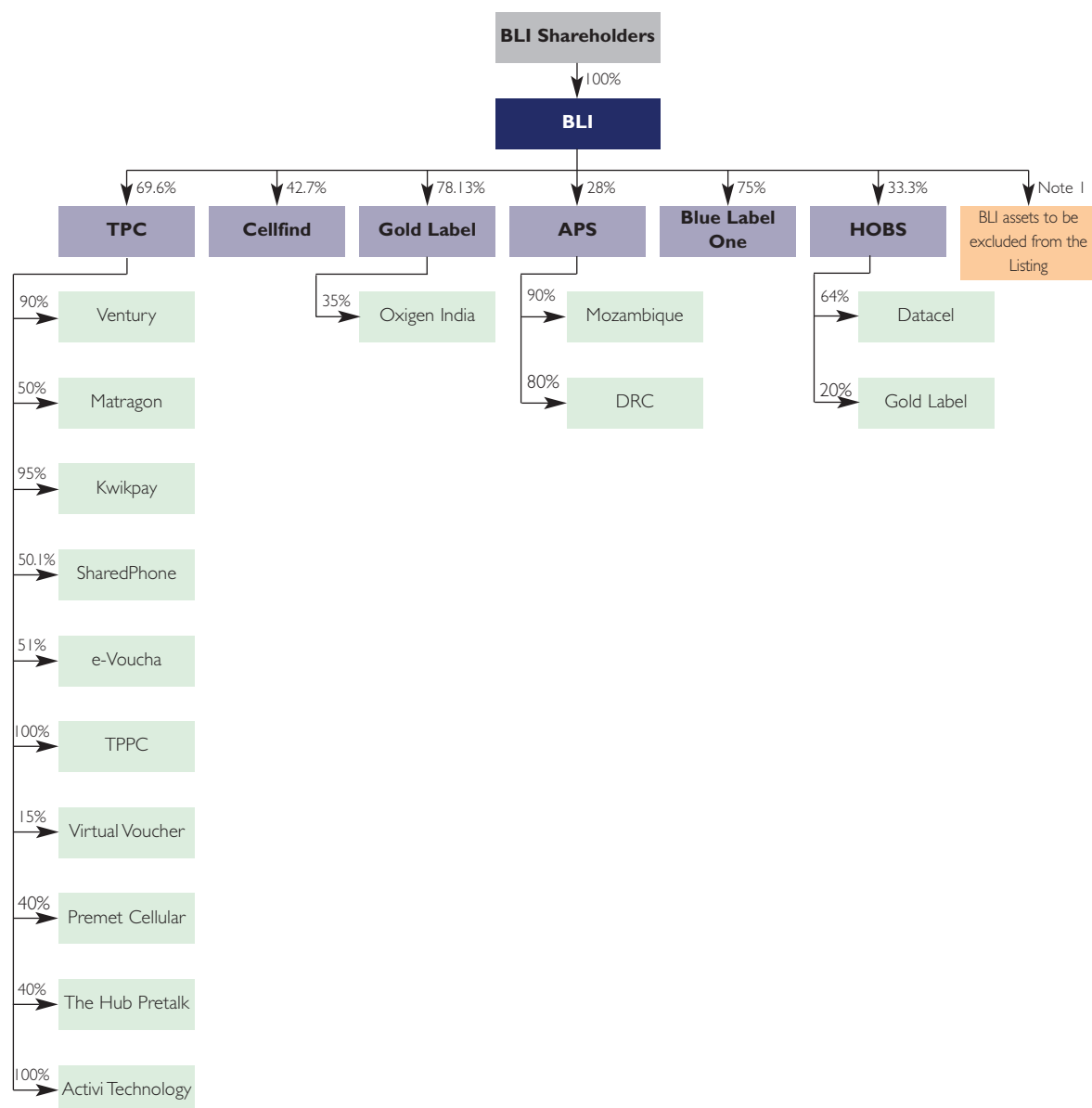


## THE RESTRUCTURING

### I. GROUP STRUCTURE BEFORE THE RESTRUCTURING

The Blue Label Group Structure prior to the Restructuring is illustrated below:



**Note I: The BLI assets that will not be part of the Listing include:**

- BLI's 73% investment in Friedshelf 649 which holds a 25.2% interest in WBSH;
- BLI's interests in the BLI Non-Core Assets.

### 2. RATIONALE FOR THE RESTRUCTURING

The Blue Label Group will restructure its operations and holdings prior to the Listing in order to:

- simplify the group structure by disposing of WBSH and the BLI Non-Core Assets and eliminating the indirect holdings within the group;
- improve the Blue Label Group's focus on its core activities;

- give the Blue Label Group control over its cash flows and operations;
- allow the Blue Label Group to extract additional synergies from being a wholly-owned group of companies; and
- align the Blue Label Group's management time and focus to its core activities.

### 3. OVERVIEW OF THE RESTRUCTURING

The Restructuring will be completed by the Restructuring Date. Please refer to Annexure 17 for a detailed summary of all the agreements and aggregate purchase prices paid in terms of the Restructuring. The Restructuring Agreements will also be open for inspection in terms of paragraph 69.

The Restructuring includes the following steps:

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#### **Step 1: Create Newco and dispose of assets not to be included in the Listing**

- The BLI Shareholders set up a new company, Newco, the shareholding of which will replicate the shareholding of BLI upon implementation of the BLI Share Sale Agreement
- BLI disposes of the BLI Non-Core Assets to Newco on loan account to the value of R46 052 445
- The shareholders of Newco will fund the repayment of the loan between BLI and Newco

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#### **Step 2: BLI to unbundle its indirect interest in WBSH**

- BLI owns 73% of Friedshelf 649
- Friedshelf 649 owns 25.2% of WBSH
- WBSH owns 100% of WBS
- Friedshelf 649 will settle its loan obligations to its shareholders in the form of WBSH shares, whereafter the remaining WBSH shares will be unbundled to the BLI shareholders and the other Friedshelf 649 shareholders.

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#### **Step 3: Blue Label Telecoms will acquire all the shares in BLI**

- Blue Label Telecoms is a newly incorporated company and will be used to facilitate the Listing of the Blue Label Group
- Blue Label Telecoms will acquire in terms of the BLI Share Sale Agreement all the shares in BLI from the BLI Shareholders on the Restructuring Date and will issue 314 623 074 Blue Label Telecoms Shares at R5.50 per share to the BLI Shareholders
- On the Restructuring Date Blue Label Telecoms will also acquire the loan claims of the BLI Shareholders in BLI to the value of R349 106 114 by issuing 63 473 839 Blue Label Telecoms Shares at R5.50 per share to the BLI Shareholders

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#### **Step 4: BLI acquires 16.8% in HOBS**

- BLI will acquire 16.8% in HOBS, being 168 HOBS shares, from the HOBS outside shareholders on loan account to the amount of R21 067 200 million
- The loan account will be settled by BLI within seven days after listing, in cash

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#### **Step 5: BLI unbundles its investments in subsidiaries to Blue Label Telecoms**

- BLI unbundles all its shares in the following companies to Blue Label Telecoms by way of a distribution *in specie*:
  - 69.6% in TPC;
  - 75% in Blue Label One;
  - 50.1% in HOBS.

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#### **Step 6: Blue Label Telecoms acquires the remaining shares in TPC**

- On the Restructuring Date, Blue Label Telecoms will acquire the 30.4% interest in TPC that it does not already own from Shotput Investments for R729 600 000 by issuing 132 654 545 Blue Label Telecoms Shares at R5.50 per share.
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**Step 7: TPC acquires the shares in the non-subsidiary companies of BLI**

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- TPC acquires all the shares held by BLI from BLI in the following associates
  - 42.7% in Cellfind for R123 830 000; and
  - 28% in APS for R23 924 292.39.
- The consideration for the acquisition of the abovementioned associates will be on loan account between TPC and BLI

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**Step 8: TPC acquires sufficient shares to increase its shareholding to more than 50% in non-subsidiary companies**

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- TPC acquires sufficient shares from the other shareholders in the below mentioned companies on loan account to ensure that it holds more than 50% in the share capital of those companies:

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<b>Company</b>	<b>Acquired %</b>	<b>Cash paid (R)</b>	<b>Value shares issued (R)</b>	<b>Number of shares issued</b>
Cellfind	10	29 000 000	–	–
APS	22.5	7 049 121.90	12 175 756	2 213 774*
Virtual Voucher	35.5	15 975 000	–	–
Budding Trade	1	30 000	30 000	5 455*
Matragon	1	1 940 000	–	–

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\* To be settled by the issue of Blue Label Telecoms Shares

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**Step 9: TPC unbundles all its shares held in subsidiary companies to Blue Label Telecoms**

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- TPC will unbundle its interests in the below mentioned companies to Blue Label Telecoms:
  - 90% in Ventury;
  - 51% Matragon;
  - 51% in Budding Trade;
  - 100% in Matrix;
  - 95% in Kwikpay;
  - 50.1% in SharedPhone;
  - 51% in e-Voucha;
  - 100% in TPPC;
  - 50.5% in Virtual Voucher;
  - 100% in Activi Technology;
  - 52.7% in Cellfind; and
  - 50.5% in APS.

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**Step 10: Blue Label Telecoms acquires all the remaining shares in its subsidiaries**

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- Blue Label Telecoms will acquire the remaining interests in its subsidiaries on the Restructuring Date and the consideration will be paid in a combination of Blue Label Telecoms Shares issued at R5.50 and cash (to be paid within 7 days from the Listing Date):

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<b>Company</b>	<b>Acquired %</b>	<b>Cash paid (R)</b>	<b>Value shares issued (R)</b>	<b>Number of shares issued</b>
Virtual Voucher	49.5	3 150 000	19 125 000	3 477 273
Budding Trade	49	1 470 000	1 470 000	267 273
Kwikpay	5	–	1 125 000	204 545
Matragon	49	46 560 000	48 500 000	8 818 182
Cellfind	47.3	–	137 170 000	24 940 000
APS	21.5	6 621 902	11 748 536.42	2 136 097
Blue Label One	25	–	10 000 000	1 818 182
HOBS	49.9	20 753 700	41 820 900	7 603 800
Velociti	49	4 000 000	4 000 000	727 273

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**Step 11: HOBS unbundles its investment in Datacel to Blue Label Telecoms and sells its interest in Gold Label to Blue Label Telecoms**

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- HOBS unbundles its 64% interest in Datacel to Blue Label Telecoms by way of a distribution in specie
  - HOBS sells its 20% interest in Gold Label to Blue Label Telecoms
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**Step 12: Blue Label Telecoms acquires the outside shareholders interest in Datacel**

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- Blue Label Telecoms acquires the 36% outside shareholders' interest in Datacel from the other Datacel shareholders for R54 million, R27 000 000 settled in cash and R27 000 000 settled in 4 909 091 Blue Label Telecoms Shares issued of R5.50 per share.
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**Step 13: Blue Label Telecoms acquires all the loan claims in its subsidiary companies**

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- Blue Label Telecoms acquires all the loan claims in its subsidiary companies from the former subsidiary outside shareholders.
  - The loan claims will be settled with a combination of cash (to be paid by Blue Label Telecoms within 7 days after the Listing Date) and Blue Label Telecoms shares to be issued at R5.50:
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<b>Company</b>	<b>Loan claim R</b>	<b>Cash paid R</b>	<b>Shares issued</b>
Matragon	23 275 160	23 275 160	–
APS	3 917 383	1 958 691.5	356 126

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**Step 14: BLI is voluntarily wound up**

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- BLI will be voluntarily wound up within 6 months after the restructuring Date.
  - All BLI's remaining assets will be distributed by way of a liquidation distribution to Blue Label Telecoms
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#### 4. THE RESULTANT BLUE LABEL GROUP STRUCTURE POST THE RESTRUCTURING

The resultant Blue Label Group structure, post the Restructuring, showing the net effect of the restructuring, is illustrated below:

