
SALIENT FEATURES

The following information is only a summary of the more detailed information contained in the main body of this Pre-Listing Statement and it may not contain all the information that investors should consider before deciding to invest in the Blue Label Telecom Shares. Investors should read the entire Pre-Listing Statement, including the "Risk Factors" included in Part E to this Pre-Listing Statement, the financial information sections and other information about Blue Label Telecoms contained herein.

The definitions and interpretation set out on pages 13 to 17 of this Pre-Listing Statement apply *mutatis mutandis* to the salient features presented below.

OVERVIEW

The Blue Label Group produces and distributes a wide variety of prepaid secure electronic tokens of value and transactional services. The Group's prepaid products and service offerings include prepaid airtime, prepaid electricity, bill payment, electronic funds transfer, gift vouchers, loyalty programmes, stored value cards, location based services and other prepaid tokens of value (both physical and virtual) that are allied to the telecoms, utilities, insurance, financial services and transport industries.

The Blue Label Group is one of the leading distributors of prepaid airtime in South Africa. The Group's distribution channels extend to supplying the foremost retailers, petroleum forecourts, independent retailers, wholesalers and directly to end-users.

The success of the Blue Label Group within South Africa led to its expansion offshore and the implementation of its business model in other emerging market economies in both Africa and India.

The Blue Label Group's extensive distribution network in South Africa embraces over 100 000 points of presence to which prepaid product is supplied on a daily, weekly or monthly basis, determined with reference to product type, market demand and the geographic locality of the point of sale.

| The Blue Label Group has five key focus areas: | |
|---|---|
| Telecommunications distribution | Distribution of physical and virtual prepaid airtime of the South African Mobile Network Operators and Telkom, and the distribution of starter packs in South Africa |
| International telecommunications distribution | International distribution of physical and virtual prepaid airtime in India and Africa |
| Technology platforms | Technological innovation, development and support for the operations of the Blue Label Group |
| Call centres | Outbound and inbound call centres to service companies within the Blue Label Group and to sell Blue Label Group and third party products |
| Other related services | Other related services of the Blue Label Group, leveraging off its existing products and distribution network as well as the development of new mobile services to take to market |

KEY STRENGTHS

An experienced entrepreneurial management team with a proven track record

The co-founders of the Blue Label Group, Brett Marlon Levy and Mark Steven Levy, are an integral component of the existing management team. The Blue Label Group management team has extensive experience in the prepaid and related markets.

Established distribution footprint

The Blue Label Group is one of the leading distributors of prepaid airtime in South Africa and distributes its prepaid products to more than 100 000 points of presence within South Africa.

Key agreements and licenses with South African telecommunication network operators

The Blue Label Group has specific distribution and WASP agreements with the South African Mobile Network Operators and Telkom.

Strong growth potential through exposure to developing economies

The Blue Label Group has established distribution footprints in India and Africa. The Blue Label Group is well-positioned to take advantage of the forecast growth in these emerging mobile markets.

Proven financial performance and stable cash flows

TPC, the main operating subsidiary of the Blue Label Group, has a proven track record of over 6 years. The Blue Label Group has achieved an average annual compound growth rate from 2003 to 2007 in net income after tax and turnover of 57% and 53% respectively.

PROSPECTS FOR THE BLUE LABEL GROUP

The Blue Label Group has experienced substantial increases in revenue and profitability over the past 6 years, has expanded its distribution network through organic growth and strategic acquisitions and has consolidated and secured its supply chain. These developments are expected to continue in the near term.

The Blue Label Group has benefited from strong economic growth in South Africa in recent years. Improved economic fundamentals and relaxed fiscal policies have resulted in an increase in average disposable income and employment levels in South Africa. Over the last 5 years cell phone penetration has increased from 38% to 82%, as at June 2007. Currently, South Africa has in excess of 41 million mobile phone subscribers. Approximately 85% of the mobile phone market is prepaid mobile phone users. The positive economic growth is expected to continue in anticipation of continued global economic growth, which should result in a further improvement in cell phone penetration in South Africa. The demand for cell phone airtime is also fairly inelastic and a decrease in consumer demand for general products in South Africa, as a result of a tightening in monetary policy, should not have a significant effect on the demand for prepaid airtime.

The Blue Label Group, through its extensive distribution footprint, is well positioned to benefit from any increase in prepaid airtime demand. The Blue Label Group has an established distribution network in India that facilitates the distribution of various prepaid products and that allows for third party bill payments. The Blue Label Group had more than 40 000 prepaid terminals deployed in India at the end of May 2007. The Blue Label Group expects this deployment to grow in relation to the forecast market growth in India. Favourable economic conditions in India are resulting in a rise in per-capita income. This increased wealth, coupled with a decline in import tariffs on mobile phones and pro-mobile industry government regulations enacted by the Indian government has resulted in an increase in the mobile phone users in India. Prepaid mobile users are currently approximately 80% of the total mobile market and are expected to increase to 90% in 2011. This, together with the anticipated growth in the Indian mobile market, is expected to result in prepaid mobile users increasing to approximately 484 million in 2011.⁽¹⁾

The Blue Label Group is currently operational in Africa with business operations in Mozambique and in the Democratic Republic of Congo. The Group is constantly seeking to benefit from new partnerships in African countries. Increased demand in its current African geographies, combined with anticipated future roll-out in other African countries is expected to stimulate the performance of the Blue Label Group in Africa.

In addition, the Group has expanded its operations in recent years to include related services, linked to the telecommunications industry. Such related services include Cellfind and Datacel.

Cellfind is the market leader in location based services in South Africa. Subscribers to the Cellfind Look4Me and Look4Help services have more than doubled in each year since its inception in 2003. Cellfind is expecting its growth in subscriber numbers to continue as a result of advertising campaigns and increased market awareness of its products.

Datacel is an outbound and inbound call centre operator that services and sells Blue Label Group and third party products.

Datacel focuses on the maximisation of income generated from the databases available to it. Datacel has embarked on a strategy of acquiring and growing its own call centre operations and has acquired Velociti in addition to the current Blue Label Call Centre. This acquisition should allow for the business to expand its current product and services range.

⁽¹⁾ Overview from the Department of Telecommunications, India.

SUMMARY OF FINANCIAL INFORMATION

The unaudited *pro forma* income statement for the year ended 31 May 2007, assuming that the Restructuring was implemented from 1 June 2006, the forecast income statement for the year ended 31 May 2008 reflecting the restructure and capital raising as at the effective date of 1 November 2007 and the *pro forma* forecast income statement for the year ended 31 May 2008, which assumes that the restructure and capital raising were effective from 1 June 2007, are set out below.

This information has been extracted from the unaudited financial information for Blue Label Telecoms, disclosed in Annexure 6 and Annexure 8 to this Pre-Listing Statement.

| | Unaudited <i>pro forma</i> Year ended 31 May 2007 (R) | Unaudited forecast Year ending 31 May 2008 (R) | Unaudited <i>pro forma</i> forecast Year ending 31 May 2008 (R) |
|---|--|---|--|
| Revenue | 9 018 907 940 | 10 932 271 991 | 11 105 521 752 |
| Other income | 45 675 210 | 34 943 212 | 33 825 747 |
| Changes in inventories of finished goods | (8 540 516 503) | (10 275 501 631) | (10 403 297 563) |
| Employee compensation and benefit expense | (162 534 806) | (272 751 047) | (269 054 393) |
| Depreciation, amortisation and impairment charges | (64 654 773) | (52 258 256) | (66 933 448) |
| Other expenses | (103 060 451) | (124 605 223) | (126 582 457) |
| Operating profit | 193 816 617 | 242 099 046 | 273 479 638 |
| Finance costs – funding | (76 780 293) | (68 383 063) | (4 367 184) |
| Finance costs – accounting standards adjustment # | (58 384 327) | (72 104 589) | (72 104 589) |
| Finance income | 94 280 970 | 165 794 843 | 172 950 352 |
| Share of profit of associates | (8 495 380) | 28 983 | (3 570 114) |
| Net profit for year before taxation | 144 437 587 | 267 435 220 | 366 388 103 |
| Taxation | (55 512 097) | (99 614 002) | (115 950 040) |
| Net profit for the year | 88 925 490 | 167 821 218 | 250 438 063 |
| Attributable to: | | | |
| Equity holders | 90 452 752 | 144 199 007 | 249 787 037 |
| Minority interest | (1 527 262) | 23 622 211 | 651 026 |
| Reconciliation to core earnings | | | |
| Net profit attributable to equity holders | 90 452 752 | 144 199 007 | 249 787 037 |
| Settlement of onerous contract | – | 9 000 000 | – |
| Intangible asset amortisation (net of tax) | 33 816 761 | 24 073 130 | 33 816 761 |
| Management bonus settlement (net of tax) | – | 56 800 000 | 56 800 000 |
| Core earnings | 124 269 514 | 234 072 137 | 340 403 798 |
| EPS (cents) | 15.51 | 26.30 | 33.61 |
| HEPS (cents) | 15.51 | 26.30 | 33.61 |
| Core EPS (cents) * | 21.31 | 42.68 | 45.81 |
| Weighted average number of shares | 583 127 787 | 548 372 858 | 743 127 787 |

* Core EPS is calculated after adding back amortisation of intangible assets arising as a consequence of the purchase price allocations exercised in terms of IFRS 3: Business Combinations, the costs incurred in terms of the Management Bonus Settlement Agreement and the termination of the Otter Mist Trading CC consulting agreement as explained in paragraph 20.

This represents an accounting adjustment for the discounting of purchases on credit to their present value in line with terms provided by trade creditors.

SUMMARY OF THE PRIVATE PLACING

The Private Placing comprises:

- an Offer for Subscription to Qualifying Investors of a maximum value of R1 000 000 000; and
- an Offer for Sale to Qualifying Institutions of a maximum value of R376 467 352.

The salient terms of the Offer for Subscription and the Offer for Sale are as follows:

| | Offer for Subscription | Offer for Sale |
|---|---------------------------|-------------------------|
| Private Placing Price Range | R5.75 – R6.75 | R5.75 – R6.75 |
| Maximum value to be raised | R1 000 000 000 | R376 467 352 |
| Number of shares offered | 173 913 043 – 148 148 148 | 65 472 583 – 55 772 941 |
| Minimum value to be raised | 700 000 000 | 200 000 000 |
| Number of shares offered | 121 739 130 – 103 703 704 | 34 782 608 – 29 629 629 |
| Participants | Qualifying Investors | Qualifying Institutions |
| Minimum rand value of subscription per subscriber acting as applicant | R100 000 | R100 000 |

The Listing of the Blue Label Telecoms Shares on the JSE is conditional upon the raising of a minimum amount of capital of R700 000 000, before listing expenses, in terms of the Offer for Subscription and a minimum amount of capital of R200 000 000, before listing expenses, in terms of the Offer for Sale.

JSE approval of the Listing is conditional on the attainment of a spread of shareholders acceptable to the JSE, constituting 300 public shareholders. A minimum of 20% of the Blue Label Telecoms Shares will be held by the public as required in the Listings Requirements.

SALIENT DATES AND TIMES

2007

| | |
|---|------------------------|
| Abridged Pre-Listing Statement released on SENS | Friday, 26 October |
| Pre-Listing Statement available | Monday, 29 October |
| Abridged Pre-Listing Statement published in the press | Monday, 29 October |
| Opening Date of the Private Placing (09:00) | Monday, 29 October |
| Last date for indications of interest for the purposes of the bookbuild (12:00) | Thursday, 8 November |
| Expected Closing Date of the Private Placing (12:00) | Thursday, 8 November |
| Final allocation of Blue Label Telecoms Shares | Friday, 9 November |
| Receive payment from Qualifying Investors in respect of allocations made | Monday, 12 November |
| Blue Label Telecoms Shares listed on the JSE | Wednesday, 14 November |

All references to time are to local time in South Africa. The above dates and times are subject to change. Any material change will be released on SENS and published in key South African newspapers.

COMPETITION TRIBUNAL APPROVAL

The Restructuring was approved by the Competition Tribunal on 26 September 2007 in terms of the Competition Act of 1998, as amended.

RISK FACTORS

Part E to this Pre-Listing Statement, entitled "Risk Factors", describes certain risks that should be considered, together with the remaining information in this Pre-Listing Statement, before making a decision to purchase any Blue Label Telecoms Shares. Although information has been provided in this Pre-Listing Statement in relation to the Blue Label Telecoms Shares, a prospective purchaser should use his or her own judgement and seek advice from an independent financial advisor as to the appropriate value of the Blue Label Telecoms Shares.