Blue Label Telecoms Limited
(Incorporated in the Republic of South Africa)
(Registration number 2006/022679/06)
Share code: BLU
ISIN: ZAE000109088
("Blue Label")

ANNOUNCEMENT REGARDING THE RECAPITALISATION OF CELL C LIMITED ("Cell C")

1. INTRODUCTION

Shareholders are advised that Blue Label (together with various subsidiaries) has concluded binding long-form agreements ("**Umbrella Restructure LFA's**") with Cell C and various Cell C financial stakeholders (including certain shareholders and creditors of Cell C) with the deal being unconditional and all conditions precedent having been fulfilled, waived or deferred.

In terms of the Umbrella Restructure LFA's, Cell C will be restructured and refinanced (the **"Transaction"**) with the purpose of deleveraging its balance sheet, providing it with liquidity with which to operate and grow its businesses and to position itself to achieve long term success for the benefit of its customers, employees, creditors, shareholders and its other stakeholders.

2. RATIONALE FOR THE TRANSACTION

Cell C has implemented a turnaround strategy, focusing on operational efficiencies, reducing operational expenditure and optimising traffic. This includes a significant reduction in capital expenditure and a conversion of a fixed cost infrastructure-based network to a variable operational expenditure model. This, together with the recapitalisation of the current debt structure, will result in a significant improvement of its liquidity and ensure the long-term sustainability of Cell C.

From a Blue Label perspective, the recapitalisation of Cell C, together with the benefits to be derived from Cell C's turnaround strategy and its sustainability, will enhance the value of its investment therein and in turn restore its shareholder value.

3. SALIENT TERMS OF THE TRANSACTION

The salient terms of the Transaction pertaining to Blue Label and its subsidiaries are set out below –

Capital and debt restructure:
In order to facilitate the restructuring of Cell C's debt owing to certain secured lenders totaling **c.ZAR7.3 billion**, with such amount being fixed as at November 2019, The Prepaid Company Proprietary Limited, a wholly-owned subsidiary of Blue Label, ("**TPC**") shall lend an amount of **ZAR1.03 billion** to Cell C, which is the amount required by Cell C to affect a compromise offer made by Cell C to certain of its secured lenders ("**TPC Debt Funding**"). It was initially contemplated that the amount to be provided by TPC would have been **ZAR1.46 billion**, however the final amount to be provided by TPC is only **ZAR1.03 billion**.

The TPC Debt Funding will be provided by TPC to Cell C in the form of a secured loan. Cell C will utilise the TPC Debt Funding to settle the claims of secured lenders by paying an amount of 20c to the ZAR.

Certain secured lenders have elected to remain invested in Cell C. These secured lenders will be entitled to loan an amount equal to the 20c received, back to Cell C under a new loan arrangement ("**Reinvestment Instrument**"). The Reinvestment Instrument, which will be interest bearing and secured, will have an aggregate capital face value equal to 2,75 times of the amount advanced. In addition, the participating lenders will be entitled to share pro-rata in a fresh issue of ordinary shares in Cell C at a nominal value. All shareholders of Cell C will dilute proportionately to enable the issuance of these ordinary shares to the participating lenders.

Simultaneously but separately with the issuance of the Reinvestment Instrument, Cell C will, pursuant to a rights issue at nominal value, allot and issue shares to TPC. Following such issue and various other issues of shares to be made by Cell C to third parties at nominal value pursuant to the Transaction, TPC will hold 49.53% of the shares in Cell C, inclusive of those shares which TPC will be entitled to, pursuant to the Reinvestment Instrument.

In addition, Comm Equipment Company Proprietary Limited (a wholly owned subsidiary of TPC) will defer an amount of **ZAR1.1 billion** owed by Cell C and some of its subsidiaries to it on the date the conditions precedent to the Transaction are fulfilled or waived ("**the Effective Date**"), which amount will be repaid in equal monthly installments over 60 months commencing from the Effective Date.

Cell C working capital requirements:
In order to further assist Cell C with its working capital requirements, TPC shall –

- purchase Cell C pre-paid airtime for a purchase price of **ZAR1.2 billion** (inclusive of VAT) on the Effective Date; and
- purchase, by way of four further quarterly payments of **ZAR300 million** (inclusive of VAT), additional pre-paid airtime, with each such quarterly payment payable at the beginning of each calendar quarter. The first such quarterly payment will be made at the beginning of the 13th month following the recapitalisation of Cell C and subsequent payments will be made at the commencement of each quarter thereafter.

Furthermore, in conjunction with other third parties, TPC shall undertake to purchase certain minimum levels of pre-paid airtime from Cell C in accordance with an agreed monthly schedule or otherwise in accordance with market requirements.

The pre-paid airtime to be acquired by TPC from Cell C, pursuant to the above pre-paid airtime transactions, forms part of the average monthly pre-paid airtime acquisitions by TPC of Cell C pre-paid airtime in the ordinary course of business.

Other inter-related transactions:
In addition to the conclusion of the Umbrella Restructure LFA's, the following transactions will be implemented and agreements in respect thereof have been concluded. Under these further agreements TPC:

- will acquire from certain funders to Cell C their right to reinvest in the Reinvestment Instrument for a purchase consideration of **ZAR1** from each such funder. Following such acquisition by TPC of such rights, TPC will invest an aggregate amount of **ZAR111 million** into Cell C via the Reinvestment Instrument;

- will acquire debt notes in Cedar Cellular Investment 1 (RF) Proprietary Limited, a shareholder in Cell C, for a purchase consideration of **US$500,000** plus **ZAR16 million**;
- will acquire a credit claim of **US$6 million** against Cell C for an amount of **US$4 million**, of which **US$3 million** has been settled. This claim will then be subject to a compromise as between TPC and Cell C;
- will acquire certain trade claims against Cell C, which claims shall be acquired for an aggregate amount of **ZAR12 million** plus **US$2.2 million** and which claims will then be subject to a compromise as between TPC and Cell C;
- has advanced an amount of **ZAR223 million** to K2021889191 (South Africa) Proprietary Limited ("**SPV4**"), which amount SPV4 shall utilise to acquire from the joint liquidators of Magnolia Cellular Investments 2 (RF) Proprietary Limited (in liquidation) ("**SPV2**"), shares in Cell C owned by SPV2, such shares being 5.47% of the shares in Cell C post Recapitalisation. SPV2 will use the proceeds of the aforesaid sale to compromise and settle all unsubordinated claims which lenders have against it;
- will dispose of such shares in Cell C as equates to 5% post recapitalisation equity in Cell C to SPV4 on loan account for **ZAR204 million**. The loan to SPV4 will be secured by the shares in Cell C held by SPV4;
- will loan an aggregate amount of **ZAR275 million** to K2022559963 (South Africa) Proprietary Limited ("**SPV5**") between 2024 and 2026, in return for a claim of **ZAR699 million.** SPV5 will apply the loaned amount of **ZAR275 million** to settle, in full, the above third-party claim on behalf of Cell C. In return for SPV5 undertaking such obligations on behalf of Cell C, it shall allot and issue 10% of its share capital to SPV5. Such shares shall be provided by SPV5 to TPC as security for the above loan. Following the settlement of the claim of **ZAR699 million** to TPC, TPC has a right to share in 50% of any economic benefit generated by SPV5 in excess of the aforementioned **ZAR699 million**;
- will between the Effective Date and 30 September 2023, purchase from Cell C, over and above its purchase commitments detailed above, Cell C pre-paid airtime for a purchase consideration of **ZAR198 million** (inclusive of VAT). The proceeds shall be utilised by Cell C to settle certain lease obligations compromised as part of the Transaction.

4. TPC AIRTIME PURCHASE TRANSACTIONS AND WORKING CAPITAL FACILITY

TPC has entered into agreements with Investec Bank Limited (acting through its Investment Banking Division: Corporate Solutions), FirstRand Bank Limited (acting through its Rand Merchant Bank division) and another financier ("**Lenders**"):

- pursuant to which TPC will sell Cell C pre-paid airtime, with a face value of **ZAR2.115 billion,** to the Lenders for a purchase consideration of **ZAR1.692 billion** (inclusive of VAT). TPC will have a repurchase obligation in respect of this airtime, payable in 48 equal bi-monthly instalments;
- to amend the terms of its current working capital facility ("**Facility A**"). Facility A has been increased from **ZAR1.125 billion** to **ZAR1.45 billion** and will be settled in two tranches. Tranche A will be amortised at **ZAR20 million** per month from months 13 – 24 with tranche B being settled as a bullet at the end of 24 months; and
- whereby TPC will issue to the Lenders, two classes of preference shares for a nominal consideration. The first class of preference share affords the holders of such preference shares a right to 15% of the upside realised by TPC on the TPC Debt Funding and the second class the right to all amounts (dividends and sale proceeds) received by TPC from 5% of its shareholding in Cell C.

Additionally, TPC will sell to a third-party Cell C pre-paid airtime for a purchase consideration of **ZAR250 million** (inclusive of VAT). TPC will have a repurchase obligation in respect of this airtime, payable in 18 equal monthly instalments.

Sandton
22 September 2022

Sponsor:
Investec Bank Limited

Legal Advisor to Blue Label:
Werksmans Inc