

BLACKSTAR GROUP SE

(Incorporated in Malta)

(Company number SE4)

(Registered as an external company with limited liability in the Republic of South Africa under registration number 2011/008274/10)

LSE Ticker: BLCK
JSE Share code: BCK
ISIN: MT0000620113

(**"Blackstar"**)

TIMES MEDIA GROUP LIMITED

(Incorporated in the Republic of South Africa)

Registration number 2008/009392/06

Share code: TMG

ISIN: ZAE 000169272

(**"TMG"**)

TISO INVESTMENT HOLDINGS PROPRIETARY LIMITED (RF)

(Incorporated in the Republic of South Africa)

Registration number

2000/027686/07

(**"TIH"**)

THE TISO FOUNDATION CHARITABLE TRUST

(Established in the Republic of South Africa)

Master's Reference No.

IT 2962/02

(**"Tiso Foundation"**)

(Collectively, **"Tiso"**)

JOINT ANNOUNCEMENT REGARDING:

- **A NON-BINDING EXPRESSION OF INTEREST ("EOI") FROM BLACKSTAR TO ACQUIRE THE ENTIRE ISSUED ORDINARY SHARE CAPITAL OF TMG ("TMG SHARES") BY WAY OF A SCHEME OF ARRANGEMENT ("SCHEME") TO BE SETTLED BY A COMBINATION OF NEW BLACKSTAR ORDINARY SHARES ("BLK SHARES") AND/OR CASH**
- **THE PROPOSED SALE BY TISO OF A 22.9% INTEREST IN KAGISO TISO HOLDINGS PROPRIETARY LIMITED ("KTH") TO BLACKSTAR FOR A COMBINATION OF NEW BLK SHARES AND CASH ("TISO TRANSACTION"), RESULTING IN A MAJOR INTEREST BEING HELD BY TISO IN BLACKSTAR**
- **THE PROPOSED RENAMING OF BLACKSTAR, AS ENLARGED AFTER THE SUCCESSFUL IMPLEMENTATION OF THE SCHEME AND THE TISO TRANSACTION, TO "TISO BLACKSTAR GROUP SE" ("TISO BLACKSTAR")**
- **THE PROPOSED TRANSFER OF BLACKSTAR'S LISTING TO THE MAIN BOARDS OF THE EXCHANGES UPON WHICH ITS SHARES ARE CURRENTLY LISTED**

INCORPORATING:

- **A RENEWAL OF TMG'S CAUTIONARY ANNOUNCEMENT; AND**
- **A NOTIFICATION OF THE TEMPORARY SUSPENSION OF TRADE IN THE BLK SHARES ON THE ALTERNATIVE INVESTMENT MARKET ("AIM") OF THE LONDON STOCK EXCHANGE ("LSE") AND THE ALTERNATIVE EXCHANGE ("ALTX") OF THE JSE LIMITED ("JSE").**

1. INTRODUCTION

1.1 Overview of the Scheme

Shareholders of Blackstar and TMG (respectively, “**BLK Shareholders**” and “**TMG Shareholders**”) are advised that Blackstar has submitted a non-binding EOI to TMG’s board of directors (“**TMG Board**”) regarding the potential acquisition by Blackstar of the entire issued ordinary share capital of TMG by way of the Scheme. The TMG Board has appointed an independent board (“**TMG Independent Board**”) to consider the EOI and the Scheme. The Blackstar board of directors and the TMG Independent Board have indicated their willingness to engage on an amicable and constructive basis regarding the negotiation of the Scheme and, should same proceed, its implementation.

The EOI envisages that Blackstar, by way of the Scheme and through its wholly-owned subsidiary, Blackstar (Cyprus) Investors Limited (“**BCIL**”), will acquire all the TMG Shares currently in issue and not already held as treasury shares by TMG subsidiaries, Blackstar or its subsidiaries. Blackstar currently owns approximately 32.5% of the TMG Shares and intends, subject to the fulfilment or waiver of certain conditions, to acquire, pursuant to the Scheme, the remaining 67.5% (approximately 85.4 million TMG Shares) of the TMG Shares (“**Scheme Shares**”) which will result in TMG becoming a wholly-owned subsidiary of Blackstar.

The purchase consideration payable for the Scheme Shares (“**Scheme Consideration**”) will comprise of cash and new BLK Shares. The maximum cash consideration that Blackstar shall make available, in aggregate, is R500 million (approximately GBP28.8 million), which equates to approximately 26.6% of the Scheme Consideration. The remaining portion of the Scheme Consideration shall be settled by the issue of new BLK Shares. Accordingly, holders of Scheme Shares (“**Scheme Participants**”) will be allowed to indicate what portion of their Scheme Consideration they want to have settled in cash (“**Cash Election**”), subject to offsetting elections by other Scheme Participants. If a Scheme Participant does not make an election, they will be deemed to have elected that their Scheme Consideration be settled entirely in cash. The total quantum of the Scheme Consideration and number of new BLK Shares to be issued pursuant to the Scheme shall be dependent on the quantum of the Cash Elections. The expected minimum and maximum number of new BLK Shares to be issued pursuant to the Scheme is 90 795 000 and 123 722 650, respectively.

If the aggregate value of the Cash Elections exceeds R500 million (approximately GBP28.8 million), Scheme Participants will have its Cash Election reduced *pro rata* in accordance with the value of its Cash Election relative to the aggregate value of the Cash Elections. This is commonly known as a “mix-and-match” election. If a Scheme Participant’s Cash Election is reduced, the number of Scheme Shares to be acquired by the issue new BLK Shares will increase accordingly.

Scheme Shares acquired for cash shall be paid an amount of R22.00 (GBP1.27) per Scheme Share (representing a premium of 10.9% to the 30 day volume weighted average price of a TMG Share as at 20 November 2014 of R19.83 (GBP1.14) (“**30 Day VWAP**”). Scheme Shares acquired with new

BLK Shares shall receive an amount equivalent in value to R24.50 (GBP1.41) (representing a premium of 23.6% to the 30 Day VWAP) per Scheme Share with each new BLK Share being allocated a value of R16.91 (GBP0.93*) per share, being equivalent to Blackstar's intrinsic net asset value per share ("**NAVPS**") as at 30 June 2014 and the issue price of the new BLK Shares to be issued to Tiso, as more fully explained and defined in paragraph 1.2 below. This results in each Scheme Share being equivalent to 1.44885 new BLK Shares in terms of the Scheme.

Furthermore, Blackstar has proposed that TMG declares a pre-acquisition dividend of 30 cents (GBP0.02) per TMG Share immediately upon the Scheme becoming unconditional but before Blackstar acquires the Scheme Shares. To the extent that the TMG Board agrees to the pre-acquisition dividend and same is incorporated into the Scheme, this will result in a 30 cent (GBP0.02) per Scheme Share increase in a Scheme Participant's return from the Scheme, thereby increasing the aggregate value received by a Scheme Participant to:

- a) R22.30 (GBP1.29) per Scheme Share (representing a premium of 12.5% to the 30 Day VWAP) acquired for cash, comprising the Scheme Consideration of R22.00 (GBP1.27) per Scheme Share and a pre-acquisition dividend of 30 cents (GBP0.02) per Scheme Share; and
- b) R24.80 (GBP1.43) per Scheme Share (representing a premium of 25.1% to the 30 Day VWAP) acquired for new BLK Shares, comprising 1.44885 new BLK Shares issued at R16.91 (GBP0.98) per share and a pre-acquisition dividend of 30 cents (GBP0.02) per TMG Share.

TMG reported attributable earnings per TMG Share of 315 cents (GBP0.18) per share and total profit attributable to TMG Shareholders of R400 million (GBP23 million) for the financial year ended 30 June 2014.

Following the successful implementation of the Scheme, Blackstar executives that fulfil managerial roles within TMG, will continue to fulfil the same managerial roles within TMG, and accordingly TMG's management structure will remain unchanged. This will ensure continuity of management and a continuation of the strategy initiated by the Blackstar executives at TMG.

In accordance with the Companies Regulations 2011, the TMG Board has appointed the TMG Independent Board to evaluate the Scheme. The TMG Independent Board will appoint an independent expert acceptable to the South African Takeover Regulation Panel to provide the TMG Independent Board with external advice in regard to the Scheme, in the form of a fair and reasonable opinion, in order for the TMG Independent Board to form an opinion on the Scheme Consideration for the benefit of TMG Shareholders. The substance of the external advice and the opinion of the TMG Independent Board on the Scheme will be detailed in the Scheme circular that is expected to be sent to TMG Shareholders in due course.

1.2 Overview of the Tiso Transaction

Before submission of the EOI to the TMG Independent Board, Blackstar commenced negotiations with TIH and the Tiso Foundation to acquire their interests in KTH. Tiso collectively owns an equity interest of 22.9% in KTH, a South African incorporated investment holding company.

TIH is a co-founder of KTH, one of South Africa's leading privately held investment companies and was established in 2001. TIH is jointly owned and managed by co-founders Nkululeko Sowazi ("**Sowazi**") and David Adomakoh ("**Adomakoh**"). In July 2011, TIH agreed to merge its investment holding company with Kagiso Trust Investments Proprietary Limited to form KTH. Sowazi is Chairman of KTH and Adomakoh is Chairman of the KTH Investment and Valuation Committee. In addition to their roles at TIH and KTH, both Adomakoh and Sowazi hold positions on the boards of directors of a variety of listed and unlisted companies.

The KTH investment portfolio has an aggregate net asset value ("**NAV**") approaching R10 billion (GBP576.7 million) comprising quality blue chip companies principally in South Africa, and increasingly, other parts of the continent. These include investments in the resources, financial services, media, property and infrastructure sectors. Larger investments include Kagiso Media, MMI Holdings, Exxaro, Actom and Fidelity Bank in Ghana.

On Friday, 5 December 2014, Blackstar and Tiso entered into an agreement ("**Tiso Agreement**") in terms of which Tiso shall reverse into Blackstar its equity interest in KTH for an aggregate amount of R2.06 billion (GBP118.8 million) ("**Tiso Consideration**"), comprising, subject to minor adjustments, R485 million (GBP27.9 million) in cash and 92.8 million new BLK Shares issued at a price of R16.91 (GBP0.98) per share, being the BLK Share NAVPS as at 30 June 2014. Accordingly, the Tiso Transaction does not result in a dilution of Blackstar's NAVPS and provides Tiso with a significant interest in Tiso Blackstar, expected to be approximately 35% after the Scheme, depending on the quantum of the Cash Elections.

The Tiso Transaction is classified in accordance with the AIM Rules as a reverse takeover and represents the consolidation of two successful Africa focused investment entities as well as a significant milestone in the growth paths of Blackstar and TIH.

As a result KTH being an investment holding company, the profits attributable to its shares are not considered an appropriate measure of their value and the NAV attributable to the KTH shares to be acquired by Blackstar amounts to R2.07 billion (GBP119.3 million) as at 30 June 2014.

1.3 The Proposed Transaction

Pursuant to the Tiso Agreement, the Tiso Transaction is conditional upon the proposal and successful implementation of the Scheme upon the salient terms contained in the EOI. Similarly, the finance to be raised for purposes of funding the cash portion of the Scheme Consideration and the Tiso Consideration ("**Acquisition Finance**") is conditional upon the successful implementation of the Tiso

Transaction and the Scheme. Accordingly, the Tiso Transaction and the Scheme (collectively, the “**Proposed Transaction**”) are inter-conditional. Blackstar has already procured conditional credit approval from major South African lenders to provide debt funding in an amount sufficient to settle the cash payable pursuant to the Proposed Transaction (R1 billion) (GBP57.6 million), related costs and additional finance for purposes of future limited expansion / capital expenditure opportunities.

Immediately upon completion of the Proposed Transaction, Blackstar, as enlarged by the Tiso Transaction and the Scheme, will change its name to Tiso Blackstar Group SE and, subject to eligibility and approval of the related regulatory documentation, proposes to migrate its listing to the main boards of the exchanges upon which its shares are currently listed (i.e. AIM and ALTX).

Tiso Blackstar’s Chief Executive Officer will be Andrew Bonamour, Blackstar’s founder. Andrew will be joined by Adomakoh and Sowazi who, pursuant to the Tiso Agreement, will assume active roles in Tiso Blackstar’s management through key Chairmanship roles within the Tiso Blackstar Group. Adomakoh will become Chairman of Tiso Blackstar (the Group’s listed holding company) and Sowazi will serve as a non-executive director of Tiso Blackstar and become Chairman of Tiso Blackstar South Africa (the Group’s primary advisory entity). Tiso Blackstar’s senior management, comprising Bonamour, Adomakoh and Sowazi, shall be supported by the Group’s existing team of investment professionals.

As a significantly enlarged investment vehicle housing the combined interests of Tiso and Blackstar, Tiso Blackstar expects to further improve its operating cost to NAV ratio, and capacity for leverage for the benefit of all stakeholders.

Service contracts for any of the proposed directors have not yet been agreed but, once agreed, the salient terms of these contracts will be published via the LSE’s Regulatory News Service at the appropriate time before Blackstar shareholders are required to vote on the Proposed Transaction.

2. RATIONALE FOR THE PROPOSED TRANSACTION

Blackstar was established in 2005 to participate in African listed and unlisted investment opportunities with the underlying themes of strategic market position, strong cash flows and the capability to extend the reach of its South African base into the African continent. Blackstar has accomplished excellent returns, in South African Rand terms, since its establishment and continues to extract value in a pro-active manner and a hands-on approach to investment management.

Since its establishment in 2001, TIH, through the Tiso Group, has developed a solid reputation amongst a wide range of stakeholders for the manner in which it has conducted its business. A strong adherence to core principles of integrity and professionalism saw the Tiso Group steadily evolve into one of South Africa’s leading black companies with high quality investments across a range of sectors, and the development of a robust network of relationships which TIH continues to enjoy. The success of TIH was meaningfully shared with the Tiso Foundation, an entity established by TIH through a donation of a significant shareholding in Tiso Group. TIH continues to be the sponsor of the

Tiso Foundation. The Tiso Foundation is today a self-sustaining public benefit organisation whose primary focus is the enablement of young South Africans through programmes designed to develop academic and leadership talent. The successful implementation of the Tiso Transaction will serve to strengthen, underpin and extend the core programmes of the Tiso Foundation as a consequence of the cash component of the proceeds received through the Tiso Transaction.

The creation of Tiso Blackstar is expected to result in:

- a) a dual listed Africa-focused diversified investment company of scale;
- b) the consolidation of complementary skills, expertise and networks of the combined management teams of Tiso and Blackstar;
- c) a company positioned to further develop a strategic and mutually beneficial relationship with KTH through co-investment and other business development opportunities; and
- d) the pursuit of a growth strategy supported by solid, cash producing assets.

Since first acquiring a significant interest in TMG during September 2012, Blackstar management has assumed key positions within the TMG management team and led numerous value augmenting initiatives to the benefit of all TMG Shareholders. Blackstar has developed significant knowledge and expertise with regards to TMG and its operations and is well positioned to extract further value in the face of challenging market conditions for the benefit of Tiso Blackstar's shareholders, including those Scheme Participants which elect to receive BLK Shares under the Scheme.

In the face of digital media and the decline of tangible media (i.e. print media), TMG currently has limited scope for future investment and therefore limited opportunity to optimise shareholder returns. As a wholly-owned subsidiary of Tiso Blackstar, TMG's future cash flows may be utilised to support Tiso Blackstar's broader strategy allowing for potential reinvestment in other value yielding sectors.

Further to the ultimate strategic direction and value path of Tiso Blackstar, shorter term value enhancements for Tiso Blackstar shareholders are expected to include, *inter alia*:

- i) improved liquidity in the Tiso Blackstar share (versus the BLK Shares and TMG Shares) resulting from the increased number of shares in issue and shareholders, the proposed migration to the main boards of the JSE and LSE and a reconfigured shareholder base;
- ii) upon completion of the Scheme, Tiso Blackstar is expected to have a NAV in excess of R4.6 billion (GBP234 million) and, by implication, a similarly enlarged market capitalisation. This is expected to enhance Tiso Blackstar's market visibility and potentially improving the marketability of Tiso Blackstar shares;
- iii) increased black economic empowerment ownership levels;
- iv) portfolio and head office costs will be spread over a larger base reducing their effect on the share price; and

- v) recognition of a control premium in relation to TMG, this is currently entrenched and inaccessible in TMG's existing structure.

The implementation of the Proposed Transaction is believed to represent an attractive value proposition for all future Tiso Blackstar stakeholders.

3. CONDITIONS TO THE TISO TRANSACTION

Implementation of the Tiso Transaction remains, pursuant to the Tiso Agreement, conditional upon the fulfilment or waiver, as the case may be, *inter alia*, of the following conditions precedent by no later than 30 April 2015:

- a) the procurement by Blackstar of the Acquisition Finance;
- b) all necessary regulatory approvals and clearances for the implementation of the Tiso Transaction by the JSE and the South African Reserve Bank;
- c) the KTH shareholders waiving any pre-emptive rights they may have over the Tiso's KTH shares and approving the encumbrance of these shares by Blackstar for purposes of the Acquisition Finance;
- d) TIH procuring the necessary approvals from its financiers to transfer its KTH shares to Blackstar;
- e) approval by the shareholders of Blackstar and TIH as well as the trustees of the Tiso Foundation of all resolutions required for the implementation of the Proposed Transaction pursuant to those laws, regulations and other statutory documents relevant to them;
- f) Blackstar procuring confirmation by an independent expert that the issue of the new BLK Shares has occurred at fair value; and
- g) the Scheme being proposed and becoming unconditional in accordance with its terms, save for any condition pertaining to the Tiso Transaction becoming unconditional.

4. CONDITIONS TO THE POTENTIAL OFFER AND THE SCHEME

The TMG Independent Board and Blackstar intend to conclude an implementation agreement for purposes of establishing the relationship between the parties and detailing the proposed terms and conditions of the Scheme and related processes ("**Implementation Agreement**"). The presentation of a firm offer by BCIL to acquire the Scheme Shares ("**Firm Offer**") is expected to be, at Blackstar's discretion, subject to:

- a) the execution of the Implementation Agreement, which shall not be a Firm Offer;
- b) the procurement by Blackstar of a cash confirmation acceptable to the Takeover Regulation Panel ("**TRP**") in support of the cash portion of the Scheme Consideration. In this regard, Blackstar has procured credit approved term sheets for the Acquisition Finance and is in process of contractually formalising these arrangements;

- c) TMG reaching an equitable arrangement with the holders of options under the TMG Management Incentive Plan in terms of which any requirement for Blackstar to make a comparable offer to such option holders is removed; and
- d) confirmation from the TMG Independent Board that it intends to favourably recommend the Scheme to Scheme Participants.

This announcement does not constitute a Firm Offer and in the event that a Firm Offer is presented, the Scheme would be conditional upon the fulfilment or, as the case may be, waiver of, *inter alia*, the following conditions precedent:

- i) approval of the Scheme by Scheme Participants representing 75% or more of the voting rights attached to the Scheme Shares;
- ii) approval of the Proposed Transaction by BLK Shareholders pursuant to the applicable laws and regulations;
- iii) approval of the Scheme by Blackstar and TMG's regulators including, *inter alia*, the TRP, the JSE, the South African Reserve Bank and the South African competition authorities; and
- iv) the Tiso Transaction becoming unconditional in accordance with its terms, save for any condition pertaining to the Scheme becoming unconditional.

5. TMG SHAREHOLDER SUPPORT

TMG Shareholders holding in excess of 80% of the Scheme Shares have provided Blackstar with letters of firm support in terms of which they indicate that they intend to vote in favour of the Scheme should a Firm Offer materialise.

6. EXCLUSIVITY AND BREAK FEE ARRANGEMENT

The TMG Independent Board has agreed on an in-principle basis to a break-fee and exclusivity arrangement with Blackstar ("**Exclusivity Arrangement**") designed for the purposes of compensating the parties for costs incurred in the event that the Scheme is not proposed or fails and preventing TMG from actively soliciting a counter-offer from a third party. The EOI was unsolicited and the TMG Independent Board does not intend on soliciting an offer from a third party.

The broad terms of the Exclusivity Arrangement are expected to provide that TMG shall make payment to Blackstar an amount of R15 million (GBP0.865 million) in the event that the Scheme fails as a result of TMG or its representatives:

- a) actively soliciting another offer; or
- b) acting in a manner, other than pursuant to a fiduciary duty, regulation or law, which prejudices or frustrates the implementation of the Scheme.

Similarly, the Exclusivity Arrangement will require that, in the event that the Scheme fails as a result of similar actions by Blackstar, Tiso or their respective representatives, Blackstar shall pay to TMG an

amount of R15 million (GBP0.865 million). In addition, to the extent that the Firm Offer is not extended to TMG, Blackstar shall reimburse TMG for the costs incurred in relation to the Proposed Transaction.

The terms and conditions of the Exclusivity Arrangement shall be finalised and included in the Implementation Agreement.

7. TERMINATION OF TMG'S LISTING

Application will be made to the JSE, subject to the Scheme becoming unconditional in accordance with its terms, for the suspension and termination of the listing on the JSE of the TMG Shares.

Further details regarding the Proposed Transaction will be published on SENS in due course.

8. NOTIFICATION OF THE SUSPENSION OF BLK SHARES

The Proposed Transaction is classified as a reverse takeover in terms of the AIM Rules and its implementation would have a material effect on Blackstar securities.

In accordance with the AIM Rules, trading in BLK Shares will be suspended pending confirmation that BLK will no longer be pursuing the Proposed Transaction, the publication of an admission document or, in respect of a move to the main market of the LSE, a prospectus that constitutes an admission document. In addition, trading in BLK Shares will be suspended on the ALTX for the corresponding period.

9. RENEWAL OF CAUTIONARY ANNOUNCEMENT

TMG Shareholders are referred to TMG's cautionary announcement on 21 November 2014 and are cautioned that there is no certainty at this stage that the Firm Offer will be made or that the Scheme will be either proposed or implemented. The Firm Offer may have a material effect on the price of TMG securities. Accordingly, TMG Shareholders are advised to continue exercising caution when dealing in TMG securities until a further announcement is made.

10. RESPONSIBILITY STATEMENTS

The TMG Independent Board accepts responsibility for the information contained in this announcement insofar as it relates to TMG. To the best of its knowledge, the information contained in this announcement is true and the announcement does not omit anything likely to affect the importance of the information.

The board of directors of Blackstar accepts responsibility for the information contained in this announcement insofar as it relates to Blackstar and BCIL. To the best of their knowledge, the information contained in this announcement is true and the announcement does not omit anything likely to affect the importance of the information.

The board of directors of TIH accept responsibility for the information contained in this announcement insofar as it relates to TIH and Tiso Foundation. To the best of their knowledge, the information contained in this announcement is true and the announcement does not omit anything likely to affect the importance of the information.

Johannesburg

8 December 2014

**: All amounts quoted in British Pound Sterling (“GBP”) have been converted into from South African Rand at a rate of GBP1.00 : R17.34 being the approximate exchange rate as at 2 December 2014 with the exception of Blackstar’s NAVPS as at 30 June 2014 which was reported as GBP0.93 per share based on the prevailing exchange rate at that time.*

Sole corporate adviser to Blackstar in relation to the Scheme and transaction sponsor to Blackstar in relation to the Proposed Transaction

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