Net1 reiterates call for withdrawal of AIDC report; AIDC analysis overstates reported contract revenue by more than ZAR 800 million

Johannesburg, 24 November 2017 - Net1 has been made aware of a further statement dated 21 November 2017, prepared by the Alternative Information and Development Centre ("AIDC"), to Net1's response dated 20 November 2017, under which AIDC drew further invalid conclusions and presented additional flawed arguments.

As a result of the ongoing errors and misinterpretations made by the AIDC and Forslund, Net1 reiterates its call for Forslund to withdraw his report and AIDC, BLT and CALS to retract their public announcements and statements related to his 19 November 2017 report.

We wish to respond to the AIDC's insistence that it's report dated 19 November 2017 is correct, despite the information provided subsequently by Net1.

Forslund's fundamental calculation error is reflected in his own statements:

"Thus, Table 1 in our Critical Review only accounts for the three months at the last quarter of the 2012 financial year. We could not do otherwise since there were only three months of grant distribution business in that year. Even if the SASSA contract had lasted only one month in 2012 we would still have used what Net1 says in its ARs regarding CPS' revenue as a share of Net1's revenue in the 2012 financial year, namely and to quote: "approximately… 41%" of Net1's total revenue 2012 was "derived… from CPS' social welfare grant distribution business. Nothing more needs to be added, unless<u>Net1 is suggesting that CPS started to distribute social grants in SA (and sent bills to the government for this) before it had a government contract."</u> (<u>emphasis added</u>)"

It is common knowledge that CPS provided payment services to SASSA for many years prior to the 2012 national contract award. For the nine months of fiscal 2012, prior to the commencement of the national contract on 1 April 2012, CPS provided a grant payment service in five provinces and invoiced SASSA accordingly during this nine-month period. The distinction between the two periods in fiscal 2012 is clearly described in several sections of the same 2012 annual report:

Page 36 of Net1's 2012 Annual Report states:

"On January 17, 2012, SASSA awarded us a tender to provide payment services for social grants in all of South Africa's nine provinces for a period of five years. On February 3, 2012, we entered into a new contract, together with a related service level agreement, with SASSA pursuant to which we pay, on behalf of SASSA, social grants to all persons nationally who are entitled to receive such grants, for a firm price of ZAR16.44 per beneficiary paid, or ZAR 14.42 net of VAT. ***The new pricing terms became effective on April 1, 2012, upon the March 31, 2012 expiration of our then-existing contract with SASSA to provide social grant distribution in five provinces.*** Thus, ***<u>our fiscal 2012</u> <u>results of operations include three quarters of operations under the</u>***

prior contract, which contained a standard pricing formula for all five provinces based on a transaction fee per beneficiary paid, regardless of the number or amount of grants paid per beneficiary, calculated on a guaranteed minimum number of beneficiaries per month." (emphasis added)

And

Page F-48 states "For the year ended June 30, 2012, there was one such customer, providing 41% of total revenue (2011: one such customer, providing 47% of total revenue; 2010: one such customer, providing 66% of total revenue)." CPS provided a service from April 1, 2012 to SASSA under the February 2012 contract, and CPS's subsidiaries provided a service up until March 31, 2012 that was outside the contract signed in February 2012.

It is therefore clear that Mr. Forslund should have excluded the nine months from 1 July 2011 to 31 March 2012 from his calculation, but did not, and that his calculation is for a 69 month period, not the 60 months as required by the court. Should AIDC still dispute this fact, we suggest referring the calculation to an independent audit firm.

Using the information available in the 2012 annual report, Forslund should have attributed approximately R400 million (9.2 million recipients x R14.42 x 3 months), rather than the R1.2 billion included in his calculation attributed to fiscal 2012, which results in an overstatement in the Forslund calculation of R800 million. An error of this magnitude, coupled with Forslund's acceptance that the R41 million bonus payment was in fact not included in the CPS statement as he had originally claimed, clearly demonstrates that the report is fundamentally flawed and results in an opposite result to Forslund's claimed understatement of profits. We again call on AIDC to admit that the report contains a significant calculation error and to withdraw the report.

Regarding the BEE charge, we are not "hiding behind" the applicable IFRS standard - we chose to follow, and not ignore, the prescriptions of the standard as we describe in Note 1:

"The Statement has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards applicable to the preparation of the Statement and the requirements of the contract for the payment of social grants entered into by and between SASSA and CPS. The Statement is prepared on the historical cost basis, with the exception of the charge for the empowerment transaction which is recognised at fair value as described below."

There can be no other interpretation of IFRS2 other than the way in which we accounted for the BEE expense.

Ends

About Net1 (www.net1.com)

Net1 is a leading provider of alternative payment systems that leverage its Universal Electronic Payment System ("UEPS") or utilize its proprietary mobile technologies. The Company operates market-leading payment processors in South Africa and the Republic of Korea. Through Transact24, Net1 offers debit, credit and prepaid processing and issuing services for Visa, MasterCard and ChinaUnionPay in China and other territories across Asia-Pacific, Europe and Africa, and the United States. Through Masterpayment, Net1 provides payment processing and enables working capital financing in Europe.

UEPS permits the Company to facilitate biometrically secure, real-time electronic transaction processing to unbanked and under-banked populations of developing economies around the world in an online or offline environment. Net1's UEPS/EMV solution is interoperable with global EMV standards that seamlessly enable access to all the UEPS functionality in a traditional EMV environment. In addition to payments, UEPS can be used for banking, healthcare management, payroll, remittances, voting and identification.

Net1's mobile technologies include its proprietary mobile payments solution - MVC, which offers secure mobile-based payments, as well as mobile banking and prepaid value-added services in developed and emerging countries.

Net1 has a primary listing on the NASDAQ and a secondary listing on the Johannesburg Stock Exchange.

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