

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

Initial trading statement for the year ended 31 May 2020

In terms of the Listings Requirements of the JSE Limited, companies are required to publish a trading statement as soon as they become reasonably certain that the financial results for the current year to be reported on will differ by at least 20% from those reported in the previous corresponding year.

Shareholders are advised that basic, headline and core headline earnings per share for the financial year ended 31 May 2020 are expected to increase by more than 20% in comparison to the year ended 31 May 2019, in which reported losses on basic, headline and core headline per share equated to 727.81 cents, 312.49 cents and 304.77 cents respectively.

The predominant negative contributions to the May 2019 basic, headline and core headline earnings per share were attributable to:

- Cell C's trading losses, impairment of its property, plant and equipment, the impact of a derecognition of its deferred tax asset and the consequent impairment of Blue Label's total investment therein.
- Fair value downward adjustments of the complete exposure relating to SPV1 and SPV2 (the structure of which was detailed in the trading statement published on SENS on 22 February 2019).
- A fair value downward adjustment of Glozell Distribution, attributable to the impact of unfavourable wholesale trading conditions therein.
- An Impairment of Blue Label's total investment in the Oxigen India group, including 2Dfine Holdings Mauritius, as well as providing for loan impairments and guarantees payable thereon.
- Partial impairments of goodwill relating to Viamedia and Blue Label Connect and a partial impairment of the investment in the SupaPesa joint venture.

The above factors are the primary contributors to the expected growth in earnings for the year ended 31 May 2020. These however, will be offset by a negative impact on the closure of the WiConnect retail stores as a result of perpetuating losses incurred on a monthly basis.

Whilst management had implemented a turnaround strategy at WiConnect, which incorporated the strengthening of the retail management team, a refocus of product sales as well as negotiating additional rebates from the network operators and original equipment manufacturers, Covid-19 had a significant negative impact on the retail operations of WiConnect. These included increased costs of inventories as a result of a weaker Rand, periods of non-trading as a result of the nationwide lockdown and consumers foregoing discretionary purchases.

Given the uncertainty of the tenure of the pandemic and the resultant losses attributable thereto impacting on its financial feasibility, a decision was made to cease the operations of the WiConnect retail stores. This will result in a negative impact of approximately R330 million on the group's basic earnings for the 12 months ended 31 May 2020. The actual cash outflow required for the closure of the stores, which is included in the R330 million, will however be confined to approximately R30 million, in that the balance of such negative earnings represents all trading losses which have been expended, impairments to property plant and equipment and goodwill.

Furthermore, exposure to the Edcon group amounting to R49 million has been provided for in full. Of this amount, R21 million relates to the retail stores and is included in the R330 million above.

The Blue Label Group however, generated positive cash flows from its trading operations for the year ended 31 May 2020. This, together with the proceeds received from the disposals of the 3G handset division and the Blue Label Mobile Group, have been applied to reduce interest-bearing debt and in turn the strengthening of the Group's balance sheet.

A further trading statement will be issued, once there is a reasonable degree of certainty as to the likely range within which the Group's basic, headline and core headline earnings per share, are expected to increase by.

The financial information on which this trading statement is based, has not been reviewed or audited by the Group's auditors.

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6 July 2020

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