

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”)

### Trading statement for the six months ended 30 November 2018

Shareholders are advised that the basic, headline and core headline earnings per share for the six months ended 30 November 2018 are expected to decrease by more than 20% as against the six months ended 30 November 2017. The table below illustrates the ranges anticipated against the comparative period:

	Nov 2017	Range Nov 2018		Decrease to Nov 2018	
	cents per share	cents per share		cents per share	
Earnings per share	167.43	(15.74)	- (9.44)	(183.17)	- (176.87)
Headline earnings per share	166.68	(18.78)	- (11.27)	(185.46)	- (177.95)
Core headline earnings per share	168.42	(14.23)	- (8.54)	(182.65)	- (176.96)

Although the core businesses of the Blue Label group generated positive growth, the once off underlying financial adjustments relating to Cell C had a negative impact thereon.

The financial results for the comparative six month period ended 30 November 2017 included the recognition of a deferred tax asset by Cell C, of which the group’s share equated to R864 million. This was a once- off recognition to earnings in the comparative period.

As part of the restructure of Cell C’s debt to third party lenders, The Prepaid Company (“TPC”) was obligated to purchase bond notes issued by SPV1 with a capital redemption value of USD21 million at a coupon rate of 8.625% per annum for a purchase consideration of USD9 million and to provide liquidity support to SPV2 of up to USD80 million in the form of subordinated funding. Oger Telecoms contributed USD36 million of the aforesaid USD80 million, thus confining TPC’s obligation in this regard to a maximum of USD44 million.

SPV1 and SPV2 own 11.8% and 16% of the shares issued by Cell C respectively. No other assets are held by these entities, and as such the group’s bond note and liquidity support arrangements will be settled only once the value of Cell C’s shares are realised by both SPV1 and SPV2. Blue Label has a revisionary pledge amounting to 5% of the shares issued by Cell C relating to the Group’s exposure in SPV2.

The derivatives were initially required to be recognised at fair value and thereafter to be measured at fair value through profit or loss. Although the valuation of Cell C as at 30 November 2018 of R13.4 billion was adequate to support the carrying value of the investment therein, it was not adequate enough to support the recoverability of TPC's exposure to SPV1 and SPV2. As a result thereof, a fair value downward adjustment totalling R493 million, of which R47 million related to SPV1 and R446 million to SPV2, impacted negatively on core headline earnings. The remaining values of these derivatives are R121 million for SPV1 and R102 million to SPV2.

An increase in the weighted average number of shares in issue from 806 million shares at 30 November 2017 to 926 million shares as at 30 November 2018 resulted in a further dilution in earnings per share. This increase was attributable to the issue of additional shares to facilitate part payment of the acquisitions of Cell C and 3G Mobile.

On exclusion of the financial results of Cell C and the negative impact of the SPV adjustments, the Group expects core headline earnings from the balance of the entities within the Blue Label group to be between R500 million and R521 million compared to R431 million in the prior period.

After taking into account the increase in the weighted average number of shares in issue, core headline earnings per share from the balance of the entities within the Blue Label group is expected to be between 54.01 cents and 56.28 cents for the six months ended 30 November 2018, compared to 53.45 cents in the prior period. This represents an increase of between 1.05% and 5.30% on the prior year.

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

The results are scheduled for release on Thursday, 28 February 2019.

Sandton

22 February 2019

Sponsor: Investec Bank Limited