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BLU - Blue Label Telecoms - Trading Update And Announcement Of A Strategic Relationship In Mexico

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 UPDATE AND ANNOUNCEMENT OF A STRATEGIC RELATIONSHIP IN MEXICO

Trading update

Shareholders of Blue Label are advised that the group anticipates an increase in the following:

- earnings and headline earnings of between 20% and 30% when compared to the forecast earnings and headline earnings reported in the pre listing statement (PLS);
- pro forma earnings and headline earnings of between 7% and 12% when compared to the forecast pro forma earnings and headline earnings in the PLS.

The PLS included the following unaudited pro forma and forecast financial information:

- the unaudited forecast for the year ending 31 May 2008, which represents the group's forecast performance, taking into account the restructuring and the capital raised on listing effective 14 November 2007;
- the unaudited pro forma forecast for the year ending 31 May 2008, which represents the group's forecast performance, taking into account the restructuring and the capital raised on listing effective 1 June 2007 (being the beginning of the period, and the date from which the majority of the group's subsidiaries became wholly owned);
- the unaudited pro forma income statement for the year ended 31 May 2007, which represents the group's historical performance, taking into account the restructuring effective 1 June 2006;
- the unaudited pro forma and forecast 'basic' and 'core' financial information reflects the adjustments in respect of non-recurring expenditure arising from the listing and the amortisation of intangible assets.

The information in the underlying table illustrates the group's trading update in comparison with the unaudited pro forma and forecast financial information referred to above:

Comparison of 31 May 2008 results to 31 May 2008 forecast. (Unaudited)	31 May 2008 forecast per PLS	31 May 2008 TRADING UPDATE RANGE	% increase to 31 May 2008 forecast
Earnings and headline earnings attributable to equity holders R`millions	144	173 - 187	20% - 30%
Core earnings R`millions	234	257 - 281	10% - 20%
EPS and HEPS (cents)	26.30	29.36 - 31.74	12% - 21%
Core EPS (cents)	42.68	43.62 - 47.69	2% - 12%
Comparison of 31 May 2008 pro forma results to 31 May 2008 pro forma forecast. (Unaudited)	31 May 2008 pro forma forecast per PLS	31 May 2008 pro forma TRADING UPDATE RANGE	% increase to 31 May 2008 pro forma forecast
Earnings and headline earnings attributable to equity holders R`millions	250	267 - 280	7% - 12%
Core earnings R`millions	340	367 - 384	8% - 13%
EPS and HEPS (cents)	33.61	34.84 - 36.54	4% - 9%
Core EPS (cents)	45.81	47.89 - 50.11	5% - 10%
Comparison of 31 May 2008 pro forma results to 31 May 2007 historical pro forma. (Unaudited)	31 May 2007 pro forma per PLS	31 May 2008 pro forma TRADING UPDATE RANGE	% increase to 31 May 2007 pro forma
Earnings and headline earnings attributable to equity holders	90	267 - 280	197% - 211%

R`millions			
Core earnings	124	367 - 384	196% - 210%
R`millions			
EPS and HEPS (cents)	15.51	34.84 - 36.54	125% - 136%
Core EPS (cents)	21.31	47.89 - 50.11	125% - 135%

The increase in Blue Label`s earnings per share (EPS), headline earnings per share (HEPS) and core EPS is attributable to the following factors:

- Revenue contributed by the Telecommunication distribution segment has increased due to organic growth and an increase in consumer demand for prepaid airtime;
- Effective asset management, including the successful application of cash raised on listing and cash generated through operations has enhanced the group`s liquidity and ability to generate revenue. The group has also generated additional finance income due to the increase in interest rates; and
- The restructuring and consolidation of Blue Label`s subsidiaries has resulted in the achievement of economies of scale as well as operational and technological efficiencies.

This trading statement has not been reviewed or reported on by the group`s external auditors.

#### Pro forma reconciliation

Blue Label Telecoms` financial results for the financial year ended 31 May 2008, which are expected to be announced on or about 26 August 2008, will include a reconciliation of the group`s unaudited pro forma financial information for the year ended 31 May 2008 with the actual results for the financial year ended 31 May 2008.

#### Strategic relationship in Mexico

##### Blue Label Mexico

Shareholders are advised that Blue Label Telecoms has jointly established Blue Label Mexico, with Nadhari S.A. de C.V., a Mexican company that has expertise in the strategic and operational development of products and services within emerging markets.

Blue Label Mexico has been created to pursue opportunities which are complimentary to Blue Label`s current areas of business. The establishment of a business presence in Mexico is an important step in the group`s goal of creating a transaction based distribution network in the emerging markets of Latin America.

It is intended that Blue Label Mexico will serve as a platform for the sale and distribution of secure electronic tokens of value, including Microsoft products, services and advertisements, pursuant to the strategic relationship between Blue Label and Microsoft Corporation.

Senior members of Blue Label`s South African management and technology teams are actively involved in the introduction and implementation of Blue Label business strategies, processes and technologies in Mexico. Blue Label Mexico will commence business on 1 September 2008.

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