

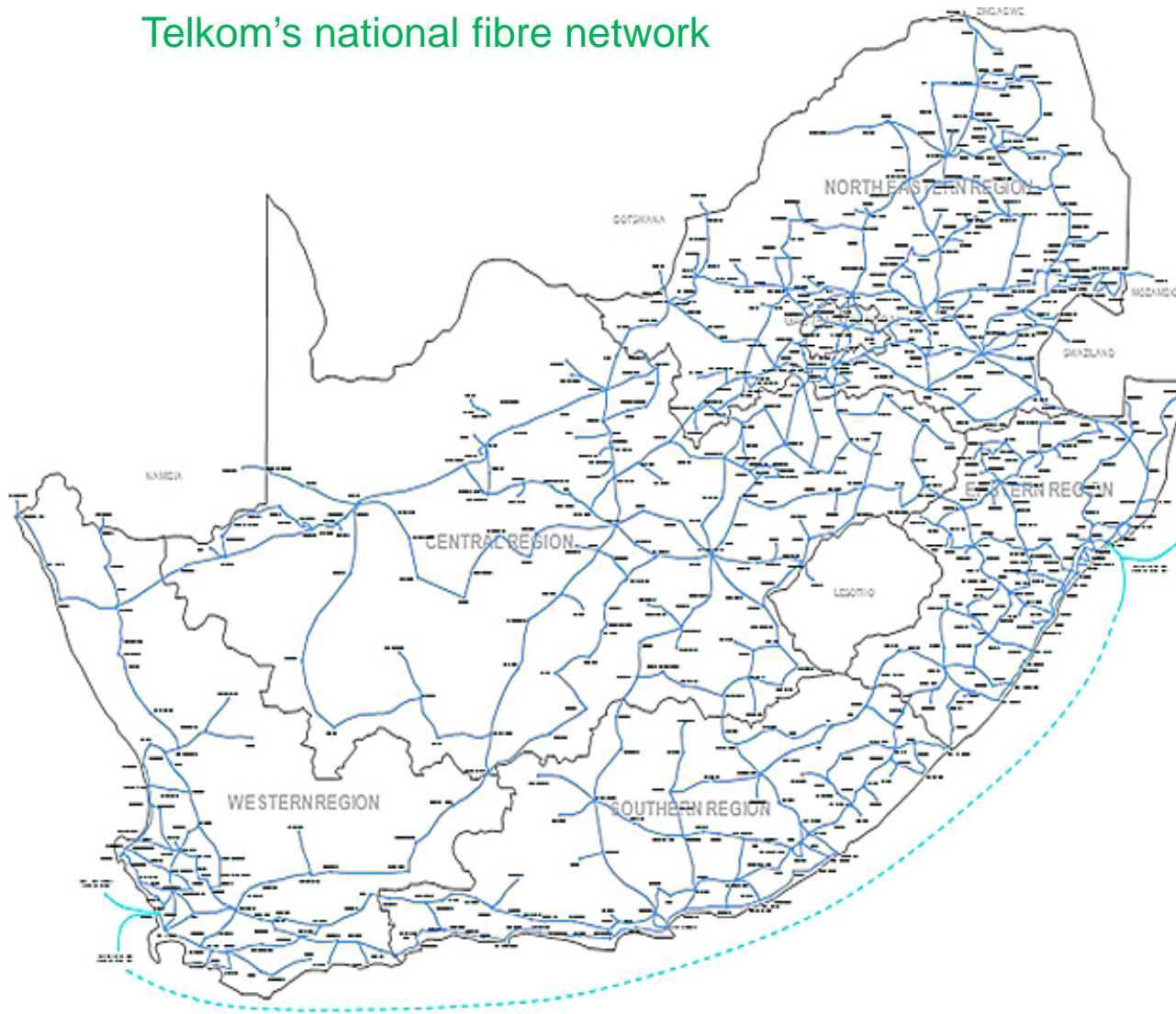
Telkom SA SOC Limited Group Annual Results

for the year ended 31 March 2013



We have a unique, unrivalled fixed line network

Telkom's national fibre network



- Largest footprint in SA
 - › 80% of total fibre – over 147,000 km
- Network upgrade funded through cash from operations
- Upgrade will yield speeds of up to 40Mbps and reduced fault rates
- Enable true converged offering
- Commercially-led national broadband rollout

Sipho Maseko

Group Chief Executive Officer



Telkom plays a mission critical role in South Africa

- Linking Africa to the world
 - › Submarine cables
 - › Terrestrial fibre connecting SADC countries
 - › Global VPN spans 70 countries & 700 cities
 - › 3 major satellite service stations
- Reliably transmitting mega data at high speeds
- Lifeblood to South Africa's banking sector
- Playing a vital role in the success of major events, FIFA World Cup and 2013 AFCON
- State of the art National Network Operations Centre (NNOC)
- Leading provider of communications solutions to South Africa's corporates



There are significant challenges to address

- Financial performance
 - › Declining revenue
 - › High cost structure
- Relationship with government
- Regulatory management
- Position in Mobile
- Customer service and brand perception



We have substantial assets and capabilities...

Strategic advantage

Telkom Wholesale & Networks

- Unrivalled network infrastructure
- Ability to transmit mega data at high speeds and reliably
- Data centre operations

Focus areas

- Rollout of NGN programme
- Enhance efficiencies and competitive capability
- Grow wholesale capability

Telkom Business

- Strong and trusted relationships with key enterprise customers
- Market share leaders in fixed voice and fixed internet
- Improved customer satisfaction

- Extend service beyond connectivity: Cloud services, desktop management; LAN
- Build out mobile services and leadership in convergence



...which we are leveraging

Strategic advantage

Telkom Consumer

- Fixed voice customer base
- Fixed data capability
- Mobile data capacity
- Opportunity of 4G spectrum

Focus areas

- Efficiency improvement
 - › Call centres
 - › Field force
- Developing and launching new products
- Improving customer experience
- Efficient capital deployment in mobile



Impairment 'resets the base'

Rationale

- Technological changes in favour of mobile competitors
- Share trading at significant discount to net asset value
- IP-compliant network and customer needs render legacy assets less valuable
- Inability to recover cost of legacy assets

Effect of impairment

- Non-cash flow item and does not impact business prospects
- Allows for competitive pricing
- Transition of service from old to new 'switch off legacy assets'
- Improves operational efficiency
- Reduces drag on earnings and staff morale

Non-cash impairment charge of R12bn



Turnaround required – but the firm is not broken

	2013	2012	%	
Profit after tax (Excluding impairment)	R 501m	R 179m	179.9	✓
Headline Earnings	R 444m	R 1,658m	(73.2)	✗
EBITDA	R 7,109m	R 8,546m	(16.8)	✗
Mobile EBITDA loss	R 1.7bn	R 2.2bn	22.6	✓
Capital investment	R 5,738m	R 4,783m	20.0	✓
Free Cash Flow	R 2,132m	R 1,797m	18.6	✓



Management takes accountability

- We recognise frustration among our key stakeholders
- Do not want to repeat mistakes of the past
- We have a new, well functioning board and management team in place
- Commitments to this transformation journey
 - › Turn around financial performance
 - › Restore confidence of government and our shareholders
 - › Deal with regulatory and legal issues expediently
 - › Invest in one network – all IP
 - › Mobilise our people



Jacques Schindehütte

Chief Financial Officer



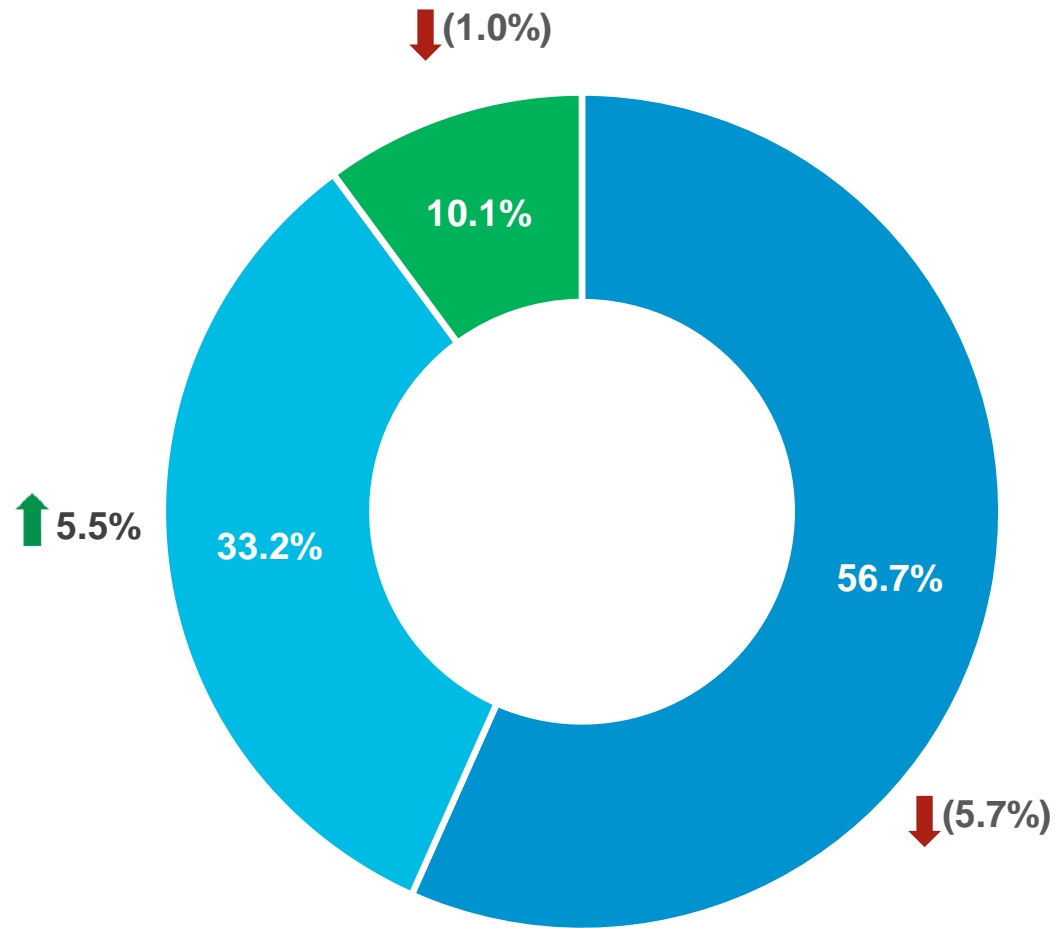
Managing declining revenue while positioning for growth

	2013	2012	%	
Operating Revenue	R 32,501m	R 33,079m	(1.7)	✘
Operating Expenses*	R 25,794m	R 25,112m	2.7	✘
EBITDA	R 7,109m	R 8,546m	(16.8)	✘
Depreciation & Impairments	R 18,156m	R 6,138m	195.8	✘
Capital Investment	R 5,738m	R 4,783m	20.0	✔
Free Cash Flow	R 2,132m	R 1,797m	18.6	✔

Excluding depreciation and impairments



Data revenues starting to lift its head



Voice and interconnection:
R18,415m – 56.7% (2012: 59.0%)

Data:
R10,801m – 33.2% (2012: 30.9%)

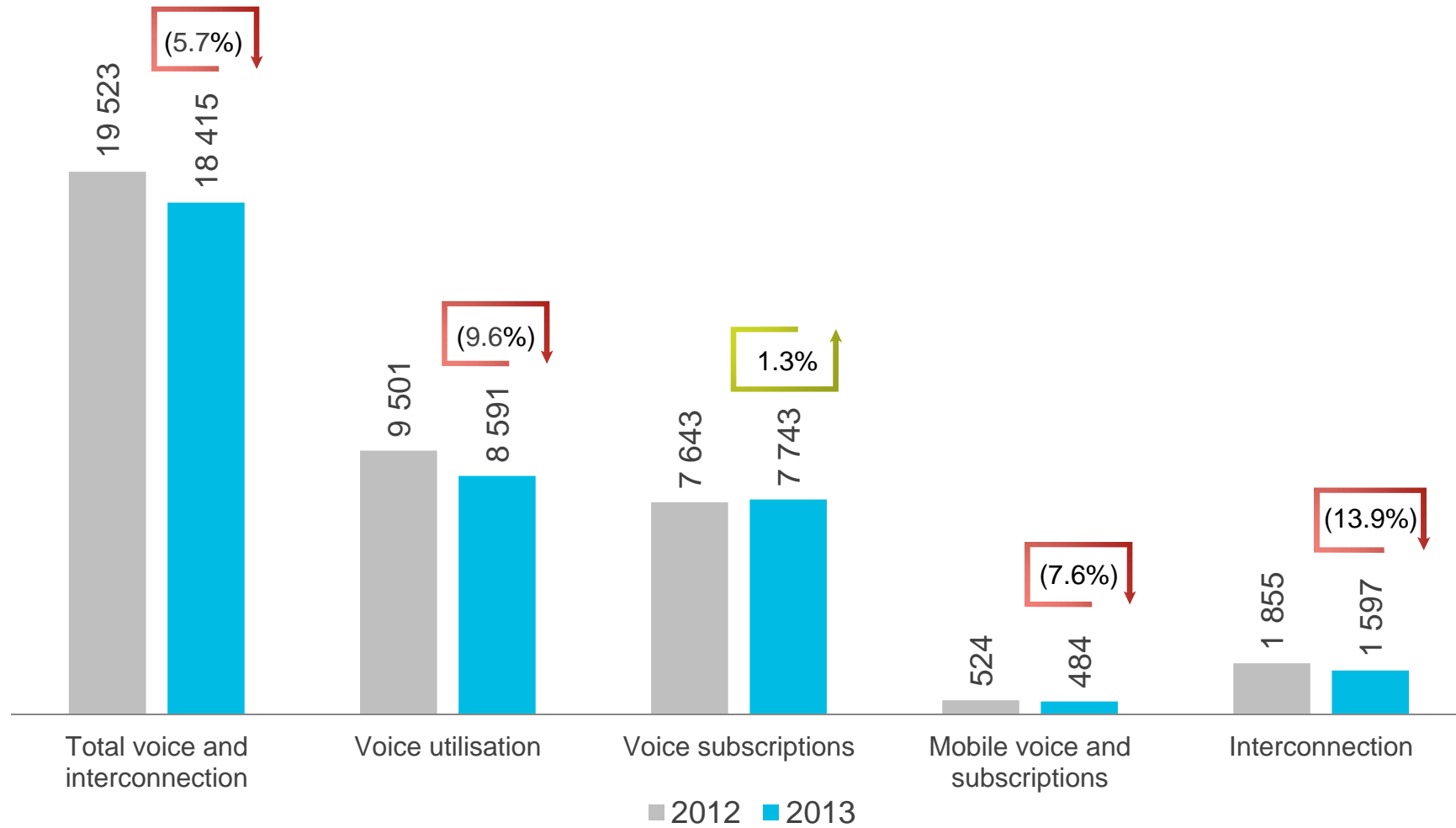
Other:
R3,285m – 10.1% (2012: 10.1%)

↑ Year on year revenue increase

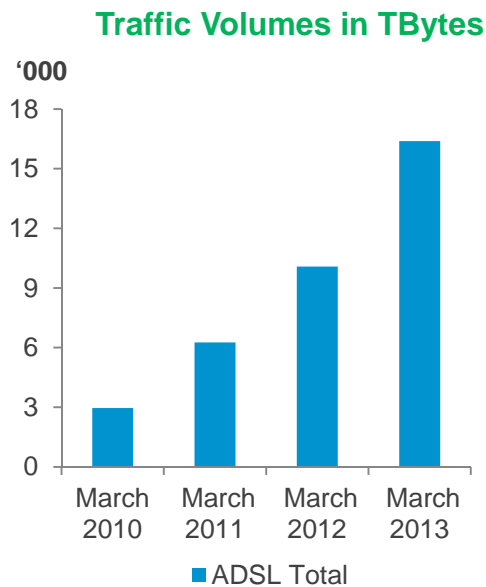
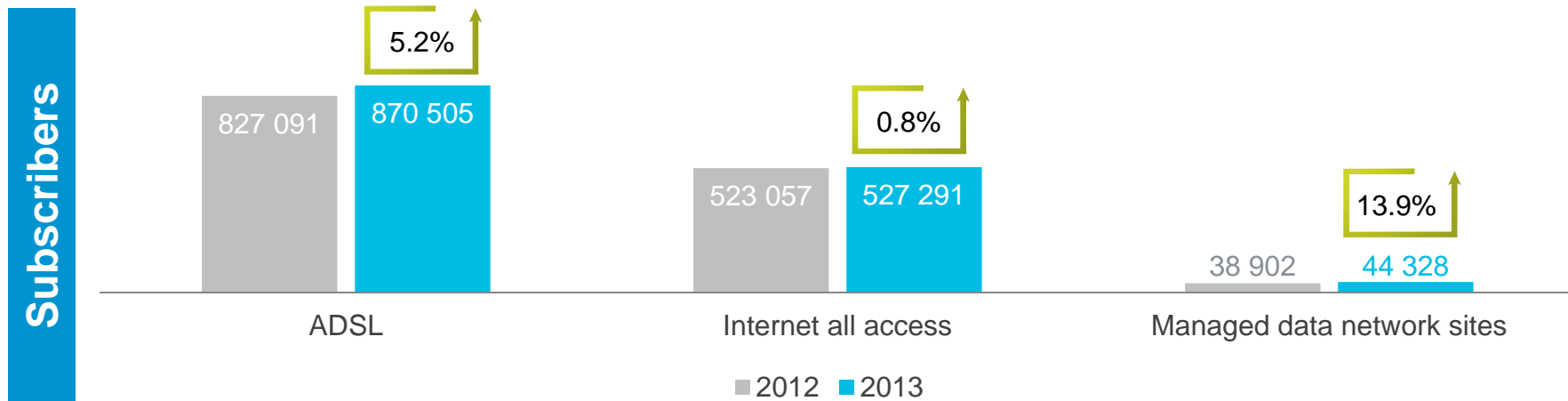
↓ Year on year revenue decline



Voice revenue under pressure



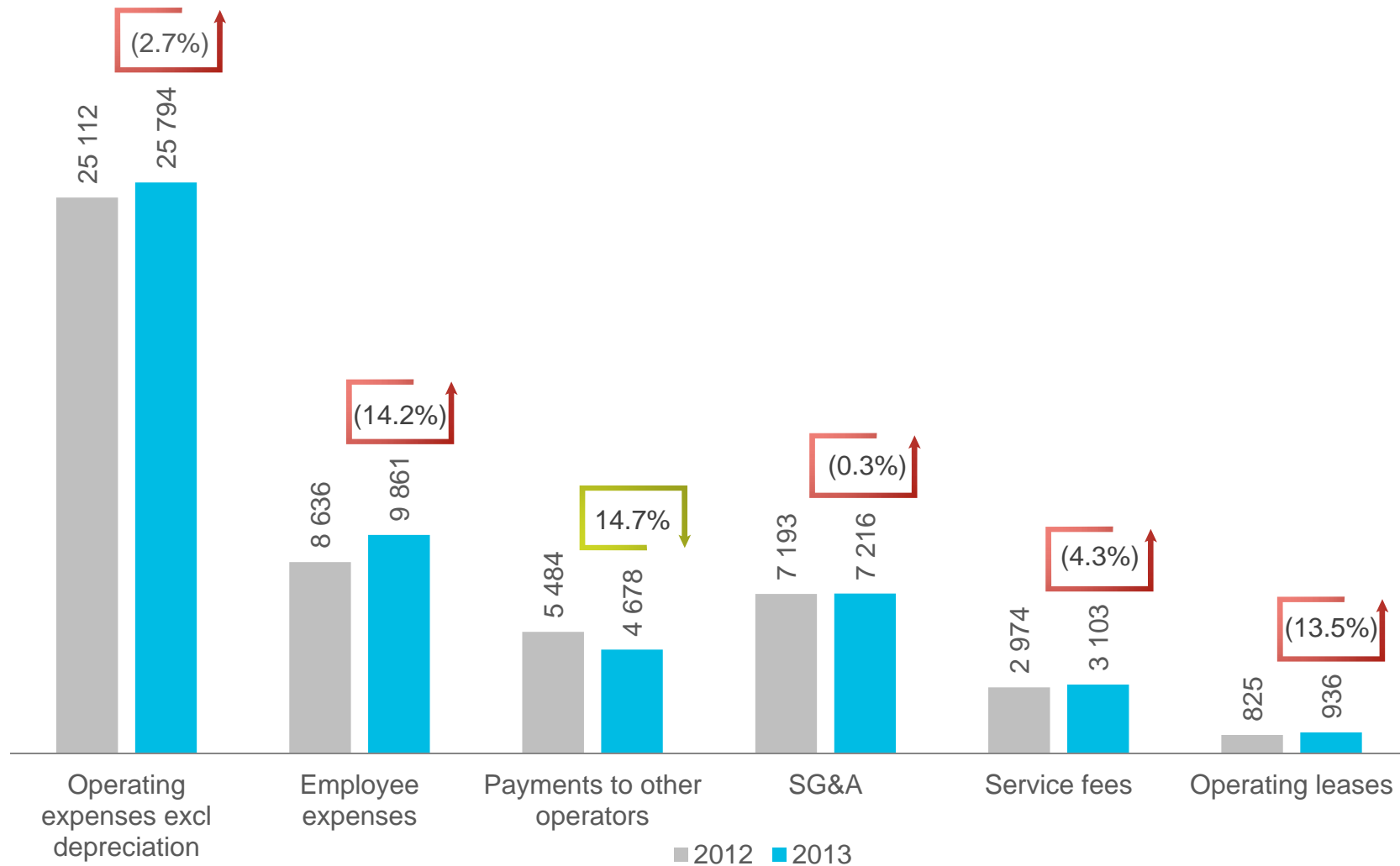
Data usage grows strongly and lifts revenue modestly



ZAR million	2013	2012	%
Data connectivity	5,595	5,339	4.8
Leased line facilities	1,963	2,051	(4.3)
Internet access & related services	1,617	1,649	(1.9)
Managed data network services	1,005	899	11.8
Cybernest	205	84	144.0
Multi-media services	52	52	-
Mobile data	364	163	123.3
Total	10,801	10,237	5.5



Group operating expenses



Includes the effect of voluntary severance packages of R434m and the provision for the Competition Tribunal fine



Cash flow fundamentals remain sound

	2013	2012	%
Cash flow from operating activities	R 7,651m	R 6,704m	14.1
Dividends	(R 177m)	(R 812m)	(78.2)
Investment activities	(R 5,519m)	(R 4,907m)	12.5
Reduction in term debt	(R 731m)	(R 1,586m)	(53.9)
Cash at end of year	R 2,384m	R 1,165m	104.6
Discretionary investments	R 4,707m	R 4,491m	4.8



Sipho Maseko

Group Chief Executive Officer



Combination of performance improvement and strategic planning will help deliver the financial results

Performance Improvement

Focus on operational efficiencies

- Maximising NGN efficiencies and returns
- Effective management of 3rd party spend
- Customer service effectiveness, integration and innovation
- HR optimisation and capacity building

Strategic Focus Areas

Focus on future operating model

- Defining mid to long term strategy and plan
- Wholesale/ Retail structural options
- Participation in the National Broadband Plan
- Effective management of regulatory and policy framework
- Mobile/ consumer business options
- Telkom Business (Government and SMME Value propositions)

We are taking bold action to improve the business

- Conservative financial management
- Investing to secure future of business
- Raising the metabolic rate of the firm through short-term interventions
- Eliminating loss-making services and improving operational efficiency
- Focusing on profitable segments and services
- M & A activity to unlock value for shareholders



Thank you

