Telkom SA Limited
Shawn Mckenzie, COO

Delivering on strategy
May 2003
Forward-looking safe harbour

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Group overview
Telkom at a glance

Telkom SA Limited shareholding

- Freefloat: 27.7%
- Ucingo: 3%
- Thintana: 30%
- Government: 39.3%

Group structure

Fixed-line

- Telkom Directory Services: 64.9%
- Swiftnet: 100%
- Telkom: 50%
- Vodacom: 50%

Mobile
Group financial highlights

March 2002. In ZAR millions  % change since previous year

- **Revenue**: 34,197  9%
- **EBITDA**: 9,621  (4%)
- **EBIT**: 4,213  (15%)
- **Net income**: 1,221  (25%)
- **Net debt**: 21,858  1.2%
- **Capex**: 9,004  (9%)
Group operational highlights

September 2002 % change since previous year

Fixed-line – Telkom SA Limited

- Fixed lines (000s) 4,895 (2%)
- Digitisation (%) 99.8 -
- Fixed-line employees¹ 38,009 (10%)

Mobile – 100% Vodacom²

- Mobile customers³ (000s) 7,670 32%
- SA Mobile market share (%) 59 -
- SA ARPU (ZAR) 181 (5%)

¹ Exclude subsidiaries. ² Telkom consolidates 50% of Vodacom for group financial results. ³ Include customers from Other African operations
Investment highlights

• The leading communications service provider in South Africa
• Well placed to increase efficiencies, profitability and cash flows, reduce capex, reduce indebtedness and reinstate dividend payments
• Strong growth in mobile business through Vodacom, the leading SA mobile operator
• Strong strategic investors
  ➔ SBC/Telekom Malaysia in Telkom
  ➔ Vodafone/Venfin in Vodacom
Group strategy
Focused on improving returns to shareholders

To be a world-class communications Group

- Increase shareholder value
- Increase profitability and cash flows, reduce indebtedness, reinstate dividend payments
- Maintain market leadership positions
- Position the Group for competition

- Compete effectively and grow selected markets
- Enhance operational and capital efficiencies
- Expand integrated service offerings
- Enhance employee performance
- Capitalise on growing mobile communications market

9 Focused on improving returns to shareholders
Maintaining and driving the top line

Compete effectively in our core markets and grow selected markets

- Improve customer service
- Market new services to our existing clients
- Promote increased network usage
- Manage the regulatory environment
Protecting our core revenues

- Real price reductions
- Volume discounts
- Long-term contracts
- Value-added products

- Tariffs rebalanced
- Price promotions
- Cable investments

- African hubbing
- SNO services
- New mobile interconnect

- Prepaid growth
- Value-added services
- Tariffs rebalanced
- Call packages

Year ended March 31, 2002. Fixed-line revenues (ZARm), before inter-segmental eliminations with Vodacom. ILD – International Long Distance; DLD – Domestic Long Distance.
Customer service remains top priority

- Mean time to install residential voice improved by 67% to 7 days
- Mean time to install ISDN improved by 77% to 20 days
- Mean time to repair business voice improved by 58% to 11 hours

Year ended March 31, 2000 and six months ended September 2002.
Increasing customer loyalty

- Increasing penetration of value-added services
  - Call answer
  - Forward call
  - Call waiting
  - MyRing

- Locking customers into long-term contracts

- Introducing new products
  - Telkom ADSL
Keeping prices competitive

Tariff rebalancing completed over last 5 years in preparation for competition. Ratio of local call prices to long distance now in line with best practice.

Local and long distance calls are the cheapest in the South African market.

<table>
<thead>
<tr>
<th>Year</th>
<th>Local (0-50km)</th>
<th>Long distance (&gt;50km)</th>
<th>Cellular</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Standard time</td>
<td>Callmore time</td>
<td></td>
</tr>
<tr>
<td>1997</td>
<td>R0.37/min</td>
<td>R0.14/min</td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td>R0.99/min</td>
<td>R0.50/min</td>
<td></td>
</tr>
<tr>
<td>1999</td>
<td>R1.88/min</td>
<td>R1.11/min</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>R0.37/min</td>
<td>R0.14/min</td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>R0.99/min</td>
<td>R0.50/min</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>R1.88/min</td>
<td>R1.11/min</td>
<td></td>
</tr>
</tbody>
</table>

Year ended March 31. Note: 3-minute local call to 3 minute long distance call (>200 km).
Rates as of 1 January 2003 and include VAT. 1. After 1st unit.
Telkom carries all mobile traffic, therefore the significant growth in SA mobile customers has seen excellent growth in Telkom’s mobile lease facilities revenue.

Increasing network usage through a targeted deployment of fixed-line prepaid where we have existing unutilised capacity.

Year ended March 31, ZARm

Year ended March 31, prepaid customers 000s
## Achieving operational excellence

### Efficient

Reduce operating expenses and enhance capital investment efficiencies

- Reduce employee expenses
- Reduce bad debts and maintenance costs
- Increase savings from outsourcing contracts
- Implement disciplined capital investment
Streamlining the company

**Fixed-line employee numbers**

<table>
<thead>
<tr>
<th>Year</th>
<th>Employee Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>56,840</td>
</tr>
<tr>
<td>1999</td>
<td>61,237</td>
</tr>
<tr>
<td>2000</td>
<td>49,128</td>
</tr>
<tr>
<td>2001</td>
<td>43,758</td>
</tr>
<tr>
<td>2002</td>
<td>39,444</td>
</tr>
<tr>
<td>Sep-02</td>
<td>38,009</td>
</tr>
</tbody>
</table>

**Employee losses over last 3.5 years**

- **Restructured into customer facing organisation and reskilled employees**
- **Natural attrition**: 34%
- **Outsourcing**: 12%
- **Involuntary reductions**: 7%
- **Early retirement**: 19%
- **Voluntary severance**: 28%

Three and a half years from 1 April 1999 to September 2002

1. Gross staff losses before appointments of 28,687

1. Excludes employees of Telkom Directory Services and Swiftnet.
Managing outsourcing contracts

Reduce vehicle fleet by 21% to 15,133

Year ended March 31, 2000 and six months ended September 2002.

Contained property management costs

Six months ended September. ZAR million
Strict capital discipline

Fixed-line capex to sales

- Fixed-line approved budget of R4.9bn for year ended March 2003
- 2000: 8,468 (36%)
- 2001: 8,297 (31%)
- 2002: 6,962 (25%)
- Sep-02: 1,487 (10%)

Forecast OSS capex spend

- Workforce: 18%
- Assurance: 18%
- Provisioning/Fulfilment: 30%
- Customer care: 34%

A five to six year est R4bn project - focused on improving systems to ensure competitiveness and continued cost savings

Year ended March 31.
Seizing new market opportunities

Expanding our integrated service offerings and developing new fixed-mobile products

- Increasing penetration of data services
- Develop new innovative data products
- Develop new fixed-mobile products
- Increase operational synergies with Vodacom
Data growth providing support

**Data revenue (Rm)**

- **2000**: 2,764
- **2001**: 3,328
- **2002**: 3,913
- **Sep-02**: 2,112

**Number of managed network sites**

- **2000**: 3,138
- **2001**: 4,634
- **2002**: 5,684
- **Sep-02**: 6,636

**Notes**

- Year ended March 31.
- Fixed-line data revenues before inter-segmental eliminations with Vodacom.

*Strong growth driven by leased line volumes and increased penetration of value-added services.*
Moving closer to mobile

Rationale for Vodacom synergies

- To leverage both companies strengths in the market
- To ensure optimum geographic coverage of retail synergies
- To eliminate channel conflict in business and corporate segments
- To avoid duplication of resources
- To benefit from converging fixed-mobile technologies
- To share best of class practices
- To create value for Telkom group shareholders
Creating a culture of service and savings

Foster a highly competitive culture, driving employee performance

- Implement training and skills retention programs
- Develop long-term relationships with unions
- Entrench a cost savings culture
- Entrench a competitive culture
Creating a cost conscious mindset

- A R500m targeted savings cost initiative across the company
- Savings driven by employee suggestions
- A sense of ownership
- 250 suggestions received, 111 implemented

Employee suggestions:

- Reduce staff telephone usage
- Reduce overtime
- Reduce contractors
- Reduce paper consumption
- Reduce email usage
- Optimise idle office asset use
Benefiting from mobile growth

Capitalise on the growing mobile communications market through Vodacom

- Continue mobile subscriber growth in South Africa
- Expand mobile business outside of South Africa
- Expand mobile data revenue products
- Achieve sustainable growth in profits and cash flow
Grow South African customer base

Vodacom estimates the total SA mobile market at peak penetration at 19 million or 45% penetration, current market size estimate is 14 million.

Year ended March 31

Vodacom South African customers (000s)

2000: 3,069
2001: 5,108
2002: 6,557
Sep-02: 7,130

Introduce new innovative voice products
Introduce new data products

Vodacom revenue – 6 months Sep 2002

Voice: 97.5%

Data: 2.5%

Data revenue largely from SMSs, Vodacom SMS’s grew 80% in six months to September 2002 to 653 million compared to six months to September 2001
Expand mobile beyond South Africa

- **Tanzania**
  - Official launch May 2002
  - Network rollout started Dec 2001
  - Population 52.5m¹
  - Customers at 30 Sep 2002 – 142,477

- **Democratic Republic of Congo**
  - Official launch May 2002
  - Network rollout started Dec 2001
  - Population 52.5m¹
  - Customers at 30 Sep 2002 – 142,477

- **Lesotho**
  - Launched May 1996
  - Prepaid launched this year
  - Market leader
  - Customers at 30 Sep 2002 – 91,898

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Other African revenue (ZARm)¹

Year ended March 31

- 2000: 38
- 2001: 184
- 2002: 740

¹ Based on data for 2001 as listed in ITU 2002 (June 20, 2002).
Vodacom delivering solid shareholder returns

Cash generated from operating activities (Rm)

- Year ended March 31.
- 100% of Vodacom

Return (EBIT) on net assets

- Year ended March 31.
- 1. EBIT return on total assets less non-interest liabilities at year end
Conclusion
Focused on delivering shareholder value

Margin expansion + Capex reduction = Free cash flows

- Reduce debt
- Grow earnings
- Reinstate dividend
Investor Relations
telkomir@telkom.co.za

Tel:  +27 12 311 5720
Fax: +27 12 311 5721

Ticker - JSE: TKG,  NYSE: TKG
ADR ratio 1: 4