

The Vodacom Transaction Unlocking value for shareholders



Forward looking statement

Shareholders in certain jurisdictions outside of South Africa may not be entitled to receive any Vodacom shares that Telkom unbundles if such receipt would require registration or approval under local securities laws. A mechanism is intended to be put in place so that shareholders in such jurisdictions outside of South Africa may receive cash instead of the Unbundling Shares if such receipt would require registration or approval under relevant local securities laws.

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SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

All of the statements contained herein, as well as oral statements that may be made by Telkom or Vodacom, or by officers, directors or employees acting on their behalf related to such subject matter, that are not statements of historical facts constitute or are based on forward-looking statements within the meaning of the US Private Securities Litigation Reform Act of 1995, specifically Section 27A of the US Securities Act of 1933, as amended, and Section 21E of the US Securities Exchange Act of 1934, as amended. These forward-looking statements involve a number of known and unknown risks, uncertainties and other factors that could cause Telkom's or Vodacom's actual results and outcomes to be materially different from historical results or from any future results expressed or implied by such forward-looking statements. Among the factors that could cause Telkom's or Vodacom's actual results or outcomes to differ materially from their expectations are those risks identified in Item 3. "Key Information-Risk Factors" contained in Telkom's most recent Annual Report on Form 20-F filed with the US Securities and Exchange Commission (SEC) and its other filings and submissions with the SEC which are available on Telkom's website at www.telkom.co.za/ir, including, but not limited to, our ability to consummate the Vodacom transaction, our ability to successfully implement our mobile strategy, increased competition in the South African fixed-line, mobile and data communications markets; our ability to implement our strategy of transforming from basic voice and data connectivity to fully converged solutions, developments in the regulatory environment; continued mobile growth and reductions in Vodacom's and Telkom's net interconnect margins; Telkom's and Vodacom's ability to expand their operations and make investments and acquisitions in other African countries and the general economic, political, social and legal conditions in South Africa and in other countries where Telkom and Vodacom invest; our ability to improve and maintain our management information and other systems; our ability to attract and retain key personnel and partners; our inability to appoint a majority of Vodacom's directors and the consensus approval rights at Vodacom may limit our flexibility and ability to implement our preferred strategies; Vodacom's continued payment of dividends or distributions to us; our negative working capital; changes in technology and delays in the implementation of new technologies; our ability to reduce theft, vandalism, network and payphone fraud and lost revenue to non-licensed operators; the amount of damages Telkom is ultimately required to pay to Telcordia Technologies Incorporated; the outcome of regulatory, legal and arbitration proceedings, including tariff approvals, and the outcome of Telkom's hearings before the Competition Commission and others; any requirements that we unbundle the local loop, our ability to negotiate favorable terms, rates and conditions for the provision of interconnection services and facilities leasing services or if ICASA finds that we or Vodacom have significant market power or otherwise imposes unfavorable terms and conditions on us; our ability to implement and recover the substantial capital and operational costs associated with carrier preselection, number portability and the monitoring, interception and customer registration requirements contained in the South African Regulation of Interception of Communications and Provisions of Communication-Related Information Act and the impact of these requirements on our business; Telkom's ability to comply with the South African Public Finance Management Act and South African Public Audit Act and the impact of the Municipal Property Rates Act and the impact of these requirements on our business; fluctuations in the value of the Rand and inflation rates; the impact of unemployment, poverty, crime, HIV infection, labor laws and labor relations, exchange control restrictions and power outages in South Africa; and other matters not yet known to us or not currently considered material by us.

Furthermore, the targets, estimates, forecasts, projections and pro forma financial information included herein have been prepared based upon a number of assumptions and estimates that, while presented with numerical specificity and considered reasonable by us, are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control, and upon assumptions with respect to future economic activity and business decisions which are subject to change. In addition, targets, estimates, forecasts, projections and pro forma financial information in a transforming industry such as Telkom's are inherently risky, particular in later years. As a result, we cannot provide any assurance that these results will be realized. The prospective and pro forma financial information presented herein may vary substantially from actual results. We make no representation that these results will be achieved.

We caution you not to place undue reliance on these forward-looking statements. All written and oral forward-looking statements attributable to Telkom or Vodacom, or persons acting on their behalf, are qualified in their entirety by these cautionary statements. Moreover, unless Telkom or Vodacom is required by law to update these statements, they will not necessarily update any of these statements after the date hereof, either to conform them to actual results or to changes in their expectation.

Key terms of the Vodacom transaction

Structure

- Three inter-conditional components:
 - 15% stake to be sold to Vodafone
 - Remaining 35% to be listed on the JSE and distributed to Telkom shareholders in South Africa and other eligible jurisdictions by way of an unbundling
 - 50% of post tax (CGT) proceeds declared as special dividend (net of STC)

Price

- Consideration for the 15% Vodacom stake is ZAR22.5bn less Vodacom's attributable net debt at September 30, 2008 of ZAR1.55 billion
 - paid in cash
 - subject to capital gains tax ("CGT")

Key terms (continued)

Conditions

- Telkom shareholder approvals:
 - 50% for the disposal of 15% of Vodacom to Vodafone
 - 75% for the unbundling of the remaining 35% of Vodacom to Telkom shareholders (Section 228 of Companies Act)
 - 50% for the declaration of the special dividend
- Regulatory approvals including:
 - Competition authorities
 - ICASA
 - JSE approval for the listing of Vodacom

Shareholders Agreement

- The Vodacom shareholders agreement is terminated in its entirety

Key terms (continued)

Vodacom minority shareholder protection

- Vodacom will be used as Vodafone's vehicle for expansion in sub-Saharan Africa (excluding North Africa, Kenya and Ghana)
- Vodacom to distribute all profits not needed for growth and debt repayment
- Independent, non-executive chairman and majority non-executive directors; compliance with best practice

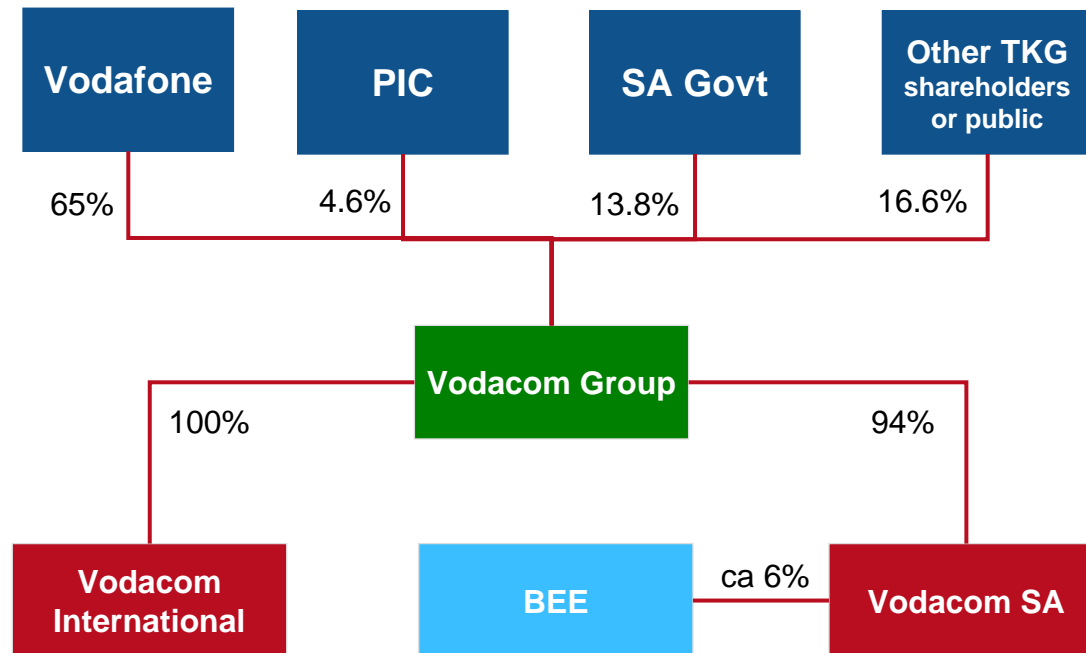
Use of proceeds

- Telkom to retain 50% of the proceeds to fund its repositioning post Vodacom
- The remainder of the proceeds will be returned to shareholders as a special dividend (less STC payable thereon)

**Unlocking value for Telkom shareholders
Positioning Telkom for future growth**

Vodacom ownership structure post transaction

Telkom shareholders gain direct equity exposure to Vodacom



End of misaligned shareholder strategies

Expected timing

End February 2009

Circulars mailed to shareholders

April 2009

Regulatory approvals expected:

- ICASA
- Competition authorities

Mid March 2009

Shareholders vote in special general meeting

May/June 2009

Transaction closing

- Receipt of proceeds
- Special dividend declared
- Listing and unbundling of Vodacom

Transaction rationale

Value unlock

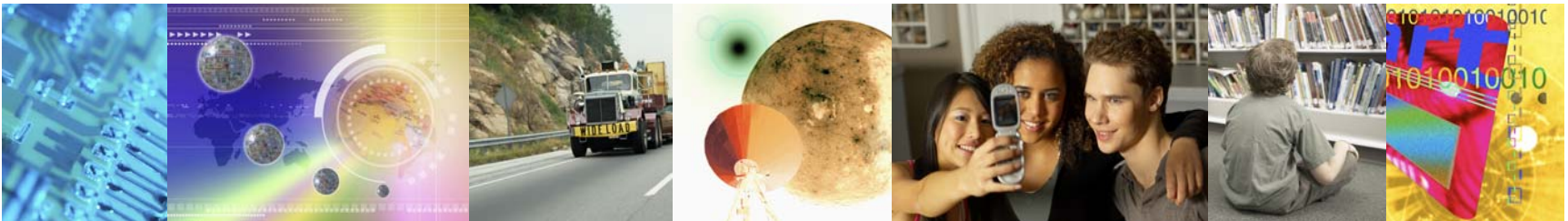
- Attractive cash consideration for 15% of Vodacom
- Telkom to retain 50% of proceeds, remainder distributed to shareholders (net of STC)
- Potential re-rating of under valued fixed-line business
- Direct equity exposure to South Africa's leading mobile operator

Remove strategic limitations

- Telkom will be able to compete in mobile markets and drive its convergence strategy

Repositioning Telkom

- Capitalise on the fixed-line strengths to become a fully integrated service provider
- Seek to become Africa's leading fixed, mobile and data service provider



Strategic limitations removed – Telkom free to compete

- Able to provide mobile services in South Africa and across Africa
- Is expected to realise the power and benefits of a fully integrated strategy
- Free from geographic limitations

Customers
want to
communicate
in any format,
over any
device,
anytime,
anywhere and
in any volume



Telkom can now offer fully converged services

Enhanced ability to compete

Maximise core fixed-line value	Top line growth	<ul style="list-style-type: none"> ▪ Strengthened ability to defend and grow revenue base ▪ Focus on converged fixed, mobile and data services opportunities
	Margin	<ul style="list-style-type: none"> ▪ Use of wireless (mobile) solutions to improve margins
	Capex	<ul style="list-style-type: none"> ▪ Telkom's strength remains its network ▪ Acceleration of infrastructure investments including NGN
International expansion		<ul style="list-style-type: none"> ▪ Cash injection for international expansion ▪ Freedom to pursue investments in any market
Convergence		<ul style="list-style-type: none"> ▪ Free to drive convergence through a complimentary mobile solution ▪ Under-serviced areas to benefit from wireless (mobile) solution ▪ Leverage the NGN and Telkom's network footprint
Strategic partnerships		<ul style="list-style-type: none"> ▪ Free to explore partnerships with other major mobile players

Unaudited pro forma Telkom financials

	Before	After	Comments
Revenues 08 (ZARbn)	56.3	34.5	<ul style="list-style-type: none"> Removal of 50% of Vodacom consolidated revenues
EBITDA 08 (ZARbn)	20.6	12.4	<ul style="list-style-type: none"> EBITDA from fixed-line and other businesses after transaction
Total gross debt (ZARbn)	18.4	15.2	<ul style="list-style-type: none"> Deconsolidation of 50% of Vodacom debt
Total cash (ZARbn)	1.7	10.9	<ul style="list-style-type: none"> Based on 50% of proceeds retained and distribution of the remainder (net of STC)
Net debt (ZARbn)	16.6	4.4	<ul style="list-style-type: none"> Capital structure flexibility

Proceeds invested and used to manage capital efficiently

Unaudited pro forma capital structure and use of proceeds

Before		After	
Total net debt 08	R16.6bn	Total net debt ¹	R4.4bn
EBITDA 08	R20.6bn	EBITDA 08	R12.4bn
Net debt/EBITDA	0.8x	Net debt ¹ /EBITDA	0.4x

¹ Assuming 50% of Vodacom sale proceeds are retained by Telkom

Capital structure

- Pro forma, with 50% of proceeds, implies a ND/EBITDA of 0.4x
- Three year targeted ND/EBITDA of 1.3x to retain flexibility

Current financial market turmoil

Impact on Telkom

- Currently, local funding market remains available to Telkom, but
 - 40% of Telkom's capex is foreign currency denominated
 - Rand has depreciated more than 30% since August 2008
- Management paying close attention to capex and future investments



Investors will have direct exposure to Vodacom

Direct exposure

- Valuation of Vodacom historically hidden within Telkom and Vodafone sum of the parts
- Market reference now provides clarity as to fair value of Vodacom

Pursue international growth

- Vodacom to be the expansion vehicle for Vodafone in sub-Saharan Africa (excluding North Africa, Ghana and Kenya)
- Simplified investment decision making process

Vodafone synergies

- Single controlling shareholder
- Continued access to Vodafone's product range and innovation

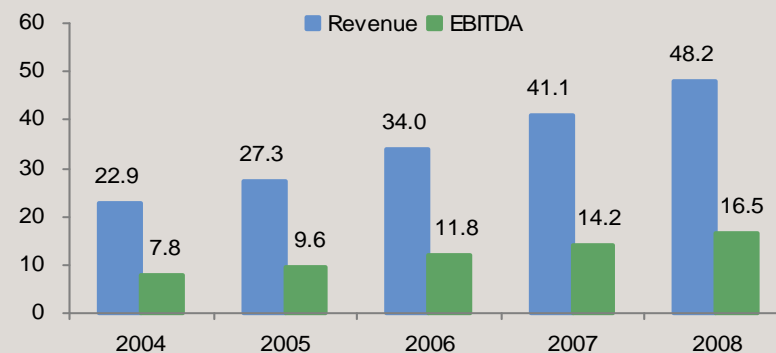
Vodacom - an attractive investment

Highlights

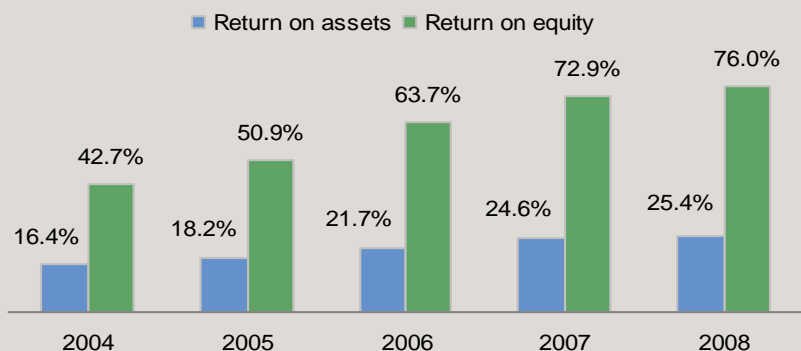
	SA	TZ	DRC	MQ	LS
Subscribers (m)	24.8	4.2	3.3	1.3	0.4
Position	1/3	1/6	1/4	2/2	1/3
Market Share	55%	52%	41%	40%	80%
Penetration	94%	20%	12%	16%	26%

Legend: South Africa (SA), Tanzania (TZ) Democratic Republic of Congo (DRC), Mozambique (MQ), Lesotho (LS),

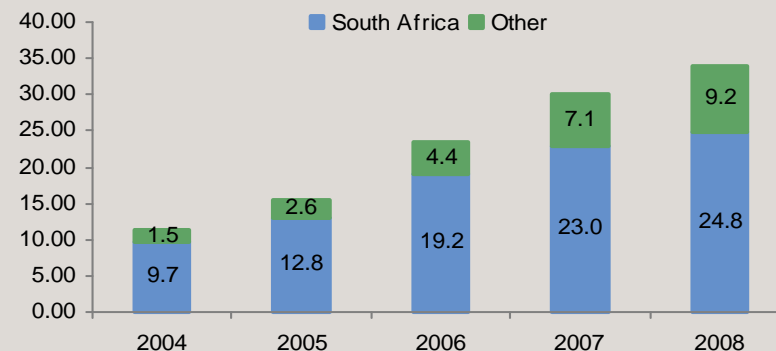
Key financials (ZARbn)



Group shareholder returns (after tax)



Subscriber growth (m)



34m subscriber base expected to grow on back of low penetration in Africa

A positive outcome for all

Telkom

- Financially strong and liberated incumbent, free to compete
- Retention of a portion of proceeds, positions Telkom for future growth
- Able to offer full convergence
- Not restricted in geographic expansion
- Under-serviced areas in SA provided for more economically

Vodacom

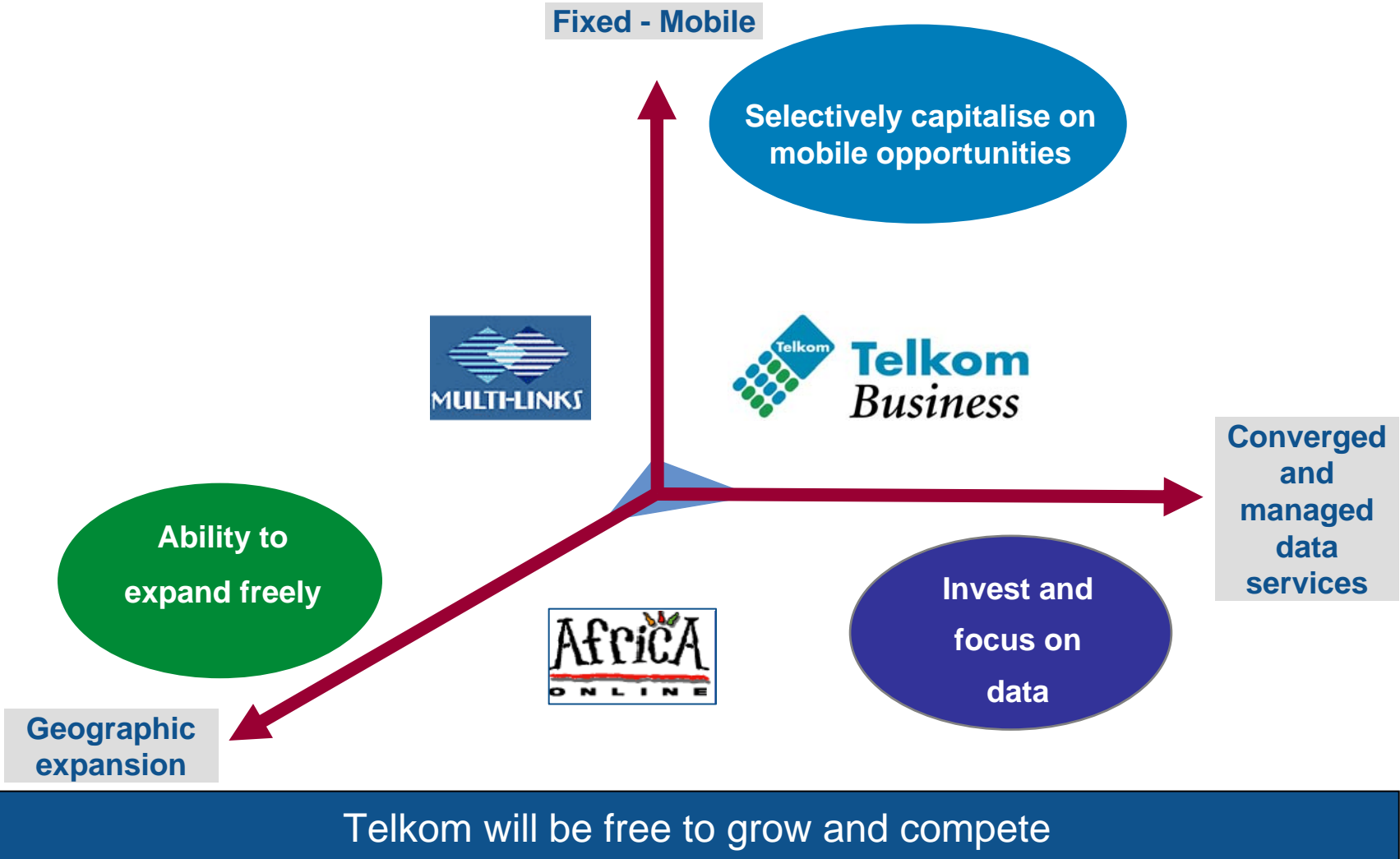
- Listed on JSE
- Vehicle for Vodafone's sub-Saharan African expansion
- African mobile player headquartered in SA
- Benefiting from Vodafone products and innovations

Shareholders realise value and gain exposure to two strengthened assets
Significant Foreign Direct Investment in South Africa

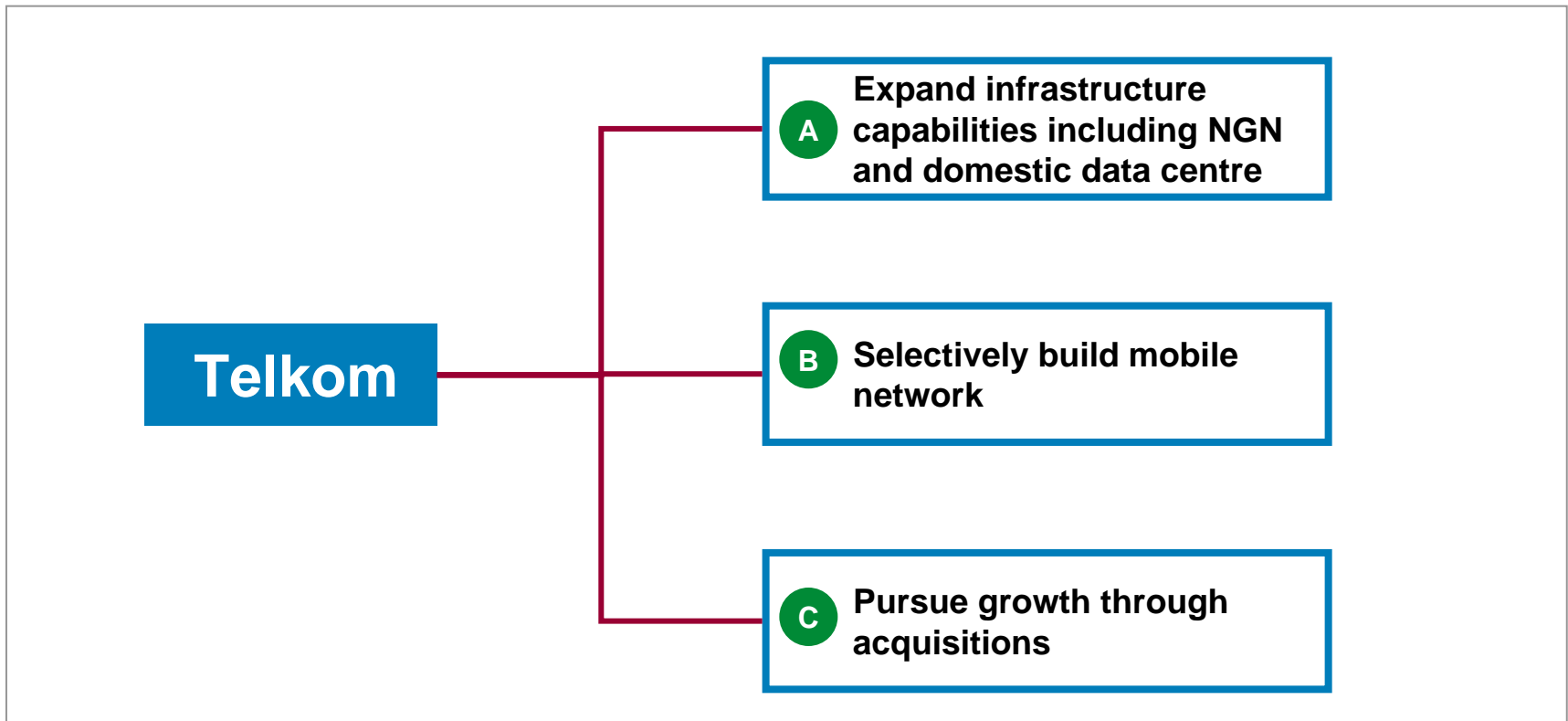


Telkom Post Vodacom

Same strategy – enhanced ability to execute



Telkom to retain 50% of the proceeds to enhance competitive positioning



Backbone provider for all mobile networks — Telkom uniquely positioned

A Acceleration of Network expansion including NGN

Strategy and rationale

- Increasing demand for capacity, new data and converged products
- Legacy network increasingly expensive to maintain, competitors rolling out NGN
- Significant switch in focus from pure cost-saving to include a sustainable revenue-generating NGN model
- Sourcing revenue not only from end-users but also from vendors
- Demand for fixed-mobile converged products accelerates need for optimised NGN

Enhances Telkom's most important strategic asset, its network, to drive defend and grow strategy

A Aggressive move up the value-added ICT chain

Strategy and rationale

- Data centre and enhanced data management capabilities aimed at:
 - Synergies/bundling of network services with IT and hosting capabilities
 - Corporates and multinationals in Africa demand international connectivity and data solutions
 - Remote IT management, hosting mission critical applications for consumers, small business and corporates
- Data centre key to ensure on-selling of NGN capabilities

Telkom expected to capture the benefits of growth in data services

B Selectively building mobile network

Strategy and rationale

- SA mobile voice market highly competitive and nearing saturation, but
 - untapped growth in fixed-mobile convergence and mobile data
 - potential pricing benefits as intra-group interconnection costs can be eliminated
 - mobile capabilities important to secure opportunities in South Africa and across Africa



Selective focus on customers with enhanced product offering

B Selectively building mobile network (continued)

Strategy and rationale

- Targeting corporate customers, high-end residential and high theft / maintenance areas
- Leverage from existing network and channels
- Use wireless access where most cost efficient
- Will seek network sharing and roaming agreements with mobile operators



Selective network build; full service through roaming

B Selectively building mobile and wireless network (cont)

Benefits

- Lower churn through convergence and less fixed-mobile substitution
- Telkom to benefit from increased efficiency in rural areas
- Regulatory obligations such as payphones managed more effectively
- Quicker rollout capabilities
- Reduced losses from cable theft and high maintenance areas



Adding mobility to Telkom's bundle of services creates significant value

C Pursuing growth opportunities through acquisitions

Capabilities

- Increase the current international and ICT footprint :
- Acquire African fixed/mobile capabilities
 - Acquire IT capabilities

Defined parameters for acquisitions

- Preference for controlling stakes in strategic investments
- Acquisitions based upon strict return criteria, balancing return on investments against cost of capital
- Maintain financial flexibility
- Ensure management capacity is in place

Potential targets

- New licences to be issued on the African continent along with several Sub-Saharan privatisation opportunities
- Acquire/partner data centre operation to execute data centre strategy — various targets have already been considered/evaluated

The sale of Vodacom will enable Telkom to realise its vision

**To evolve from
South Africa's
leading fixed-line business to
the leading ICT player
in Africa**

