Telkom SA Limited

Group Annual Results for the year ended 31 March 2011
Special note regarding forward-looking statements

Many of the statements included in this presentation, as well as oral statements that may be made by us or by officers, directors or employees acting on behalf of us, constitute or are based on forward looking statements.

All statements, other than statements of historical facts, including, among others, statements regarding our mobile and other strategies, future financial position and plans, objectives, capital expenditures, projected costs and anticipated cost savings and financing plans, as well as projected levels of growth in the communications market, are forward looking statements. Forward looking statements can generally be identified by the use of terminology such as “may”, “will”, “should”, “expect”, “envisage”, “intend”, “plan”, “project”, “estimate”, “anticipate”, “believe”, “hope”, “can”, “is designed to” or similar phrases, although the absence of such words does not necessarily mean that a statement is not forward looking. These forward looking statements involve a number of known and unknown risks, uncertainties and other factors that could cause our 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 our actual results or outcomes to differ materially from our expectations including but not limited to those risks identified in Telkom’s most recent annual report which are available on Telkom’s website at www.telkom.co.za/ir.

We caution you not to place undue reliance on these forward looking statements. All written and oral forward looking statements attributable to us, or persons acting on our behalf, are qualified in their entirety by these cautionary statements. Moreover, unless we are required by law to update these statements, we will not necessarily update any of these statements after the date of this document, either to conform them to actual results or to changes in our expectations.
Overview

Nombulelo Moholi
Overview

- Competition and regulatory pressures increasing
- Decline in voice revenue accelerating
- Good data growth despite price decreases
- Slow down in line losses – good response to new value based packages
- Positive market response to 8-ta
- Complex IT projects taking longer than expected – delaying launch of new products
- Multi-Links – all funding stopped
- Chairman and CEO appointed
- EXCO restructured

- Telkom gearing up to provide higher broadband speeds and unmatched end-to-end quality data packages to enterprise and other value clusters
- Converged offering close to market ready
- Capex to focus on core growth areas and cost reduction
Group financial features – continuing operations

- Market share losses and intense pricing pressure depresses revenue
- Excluding mobile, gains in cost saving have been made

Financial pressure necessitates aggressive defence and further investment in differentiators
Group financial features – continuing operations

- Traffic revenue down 13.3% to R12 billion
  - Pricing pressure, limited elasticity
- Subscription package revenue increased 10.3% to R1.6 billion
  - Value-based packages vital to retain customers
  - Transition to packages must be carefully managed in order not to decimate revenue
- Data revenue grew 7.7% to R10.7 billion – remains Telkom’s strength
- Interconnection revenue decreased 35.6% to R1.7 billion
  - Will remain under pressure
  - Termination rate reduction decreased revenue by R1.2 billion
- Significant pressure on wholesale pricing

Revenue under pressure, vital to invest prudently in core growth areas and for cost efficiency
Key Priorities

• Drive broadband based Consumer services
• Market leadership in Enterprise services
• Transform the network for growth and cost efficiency
• Grow mobile business
• A true convergence player
• Wholesaler of choice
• Sustainable African business
• Employer of choice
Cost reduction

Labour
• VERPs and VSPs concluded to the value of R739 million
• Exit of 186 managers and 1,830 bargaining unit employees
• Benefits expected in FY2012
• Negotiations with unions continue re salary increases and productivity increases

Non-labour
• Continued efficiency drive in network field force and call centres
• Increased focus on removing legacy equipment
• Further investigation into managed services
• Need to invest in core business to reduce cost

Sustainable cost reduction an imperative for Telkom
Telkom mobile – 8•ta

- Total subscribers – 1,199,626

<table>
<thead>
<tr>
<th>Subscribers</th>
<th>ARPU</th>
<th>MOU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre paid – active</td>
<td>440,775</td>
<td>15.86</td>
</tr>
<tr>
<td>Post paid – active</td>
<td>32,829</td>
<td>238.57</td>
</tr>
<tr>
<td>Total/blended active</td>
<td>473,604</td>
<td>22.60</td>
</tr>
</tbody>
</table>

- Revenue: R81 million
- EBITDA: (R1,103 million)
- May 2011 blended ARPU increased to R46.23
- Distribution channels taking time to develop but good progress being made
- Distribution slows revenue growth, cost in line with budget
- EBITDA breakeven has been pushed out to FY2014 with the mobile business becoming cash flow positive in FY2015
Telkom mobile – 8·ta

- Consumer focused products launched
- Providing additional value without competing on price
- Strategic partnerships with key ICT players – Blackberry, Apple, Microsoft, etc.
- Smartphones, including Blackberry now available
- Prepaid per-minute and per-second tariff plans
- 5 Contract plans (volume based)
- 3 Saver plans (value based)
- 3 Internet contracts
- 3 Exclusive data bundles for iPad and iPad 2
- Various once-off and add-on data bundles
- Blackberry prepaid and contract options
Telkom mobile – 8·ta

• Our products are different and relevant to our market:
  - Rewards for receiving calls on prepaid – 1 second free for every 3 second received
  - 65c to landline numbers
  - Rewards for sending SMSs - 50 SMSs free for sending 5 SMSs in a day
  - Unlimited Calls to 1 Telkom Landline for Contract Customers
  - Dedicated iPad tariff and usage portal
  - 500MB free YouTube streaming for all BlackBerry subscribers
  - Unique redirect portal – prevents bill shock for data subscribers
  - Free trickle data when a contract data subscriber finishes a data bundle
  - An 8·ta branded 5GB @8tamil email, IM, online storage and online office suite free to every customer via agreement with Microsoft
Current distribution –

Our footprint is growing monthly

- 8·ta prepaid is sold at all 123 TDS stores and Post-paid at 21 stores
- 6 Stand alone flagship 8·ta stores with a further 6 planned in 2011
- 74,377 airtime points of sale
- 35,684 starter pack points of sale
- In addition, we have agreements with strategic formal and informal distributors
- Cash Incentive Card programme to reach our future customers – to make approximately 50,000 entrepreneurs
### Telkom mobile - Network

#### Network description
- National Combined Radio Access Network covering the main metropolitan areas in South Africa
- The network supports GSM, GPRS, EDGE and UMTS HSUPA/HSDPA+ in both the 1800Mhz and 2100Mhz bands
- The HSDPA network has been upgraded to support a download speed of 21Mbps and the implementation is LTE ready

#### Base stations
- 970 Base stations constructed by 31 March 2011
- At end May 2011 1012 base stations constructed
- Working through an order to build 2,000 base stations

#### Network switch on
- 8·ta has taken a measured approach to enable subscribers on the network to ensure a consistently good quality experience.
- Reliance on roaming will however reduce in those areas where the 8·ta network meets the requisite quality and coverage thresholds
Integrated fixed and mobile offering

- An integrated service will ensure that businesses and government segments have a complete ICT solution
- Our Enterprise (Government and Business) customers will have a fixed and mobile offering that is easily interchangeable providing the customer with benefits that include:
  - Access to a Next Generation Network
  - High speed mobile data network
  - IP based platform
  - Access to business development teams that will design and provide services across the mobile and fixed line platform
  - Single customer contact for ICT services and management thereof
  - Converged billing platform
  - Solutions designed according to individual customer requirements
iWayAfrica

- Revenue declined 11.2% to R413 million
- Struggling to compete with wireless in consumer segment and under sea cable in corporate
- EBITDA declined to a loss of R37 million
- Single management team in place
- Strategy aligned to focus on corporate users
- Providing multinational business solutions
- Focus VSAT solution on countries and cities that are underserved by fibre
- Expected to be profitable in FY2012
Cybernest

- Revenue – R1,240 million
- External revenue increased 92.3% to R75 million – significant market traction
- Grown to 130 external customers – can take them into Cloud Computing future
- Focussing on large corporates with customised solutions
- Addressing smaller customers with packaged offers
- Sales team being continually strengthened
- Strategic partnerships providing Cybernest with world-class solutions and innovation
- Working closely with Telkom SA Enterprise to offer customers converged solution
- Future investment focused on providing extremely high bandwidth and flexible solutions

World class facility – 9,700 square metres
Multi-Links

- Transaction with Visafone subject to conditions precedent
- Certain conditions precedent have not been met
- Therefore transaction will not proceed
- Telkom Board resolved to stop all funding to Multi-Links
Undersea cables

- 2010 Soccer World Cup – 90% of global broadcasting was done via the upgraded SAT3/SAFE cables
- Three gateways (YFN; MLK; MZN) & three key cables (WACS; S3WS & EASSy) position Telkom to provide ultimate reliability, diversity and availability on international services
- With 143,000 cable kms of domestic fibre, Telkom is the best positioned SA operator to extend the high capacity from the undersea cables to SA Enterprise & consumers
- For customers with important international business application that cannot afford outage
Enterprise: Some Operational Highlights

• Restructured business around customer segments; new management team in place
• Improvement in Customer Satisfaction across all segments
• Significant improvement (4% Y-o-Y) in Reputation amongst business customers
• 100% of complex projects completed on- or ahead of schedule
• Consolidating market leadership position in Managed Data Network Services – especially strong in Financial Services
• Turnaround in fixed-to-mobile call volumes
• Service Management: 80% “top-2 box” score in customer satisfaction
• Two independent external benchmarks rated Telkom with Global Service Providers of Managed Network Services
  - compare very favourably in terms of price, and
  - “can measure against some of the best-in-class SLA’s of Global Service Providers.”
Enterprise business unit – Improve the business

- **Product Leadership**
- **Flawless Service**
- **Market Leadership**
- **Leadership & Organisation effectiveness**

**“Concept to Market” Process**
- Product House consolidation
- Portfolio strategy
- Product Time to Market
- Product performance
- Pricing
- Bundling

**“Order to Cash” process**
- Assurance Process
- Just-in-time capacity
- Touch point performance
- Customer Communication

**“Lead-to-Order” process**
- Brand and promotion
- Segmental focus and structure
- Relationship management
- Strategic opportunity development
- Bid & order management

**Leadership & Organisation culture**
- Organisation and structure
- Profit orientation
- Sustainability
- Measures, dashboards & tracking
Enterprise business unit – Create the future

Our Four Product Journeys

- Fixed-Line Telephony
- Data Connectivity
- Broadband + ISP
- Hosting

Converged personal communication
Unbounded connected systems
Personal IT as a service
Cloud Computing & software as a service

Core Competencies

- Infrastructure Trio: Peerless Fixed State-of-the-art Mobile Leading DCO
- Agile Systems
- Integrated Business Processes

Underpinning Enabler

Evolve our skills
Consumer business unit - grow broadband and mobile

• Grow broadband - increase available capacity, speeds and bandwidth in key market areas
• Increase Retail focus for fixed as well as mobile services – own stores, new platforms, self-service and partnerships
• Drive fixed mobile opportunities in voice and data e.g. Telkom Simple, Telkom Mix, etc
• Improve customer service experience – fulfilment and assurance
• Manage customer value and retention – grow ARPU, retain voice revenues
• Improve operational efficiencies and grow profitability
Consumer Business Unit - Telkom’s first integrated fixed mobile bundle

FREE
BLACKBERRY®
LANDLINE CALLS
MOBILE AIRTIME

Introducing Telkom Mix

FOR ONLY R399
x 24 months

• One account from Telkom
• Free evening, weekend and fixed-line calls
• R250 8·ta airtime
• Free calls from Telkom to 8·ta number
• BlackBerry Curve with BlackBerry Internet Service
• First month's subscription free
Wholesale and networks business unit

Wettest season in a decade

- Dealt with a bruising strike
- Delivered a successful FIFA Soccer World Cup 2010
- Completed crucial steps in modernising our IT systems - new BSS suite
Wholesale and networks business unit – improve customer service

- Build on our strengths ... consolidate and improve on our good service delivery areas
- Gauteng turnaround – weakest service region
- Do Quality: mind-sets and behaviours, network rehabilitation, refined dispatch-management
- Broadband service improvement
- IT Service improvement
- Commercially-led network investment
  - Fibre pre-provisioning
  - OSS/BSS SOA
  - VoIP / SIP capability
  - Broadband improvement

...Given the intrusive nature of these initiatives, a tough period ahead is anticipated....
Network transformation themes

1. Revamp access
2. Enhance aggregation
3. Migrate voice
4. Evolve core
5. Overhaul OSS/BSS
6. Enable Innovation
Financial overview

Deon Fredericks
## Group normalised statement of comprehensive income

<table>
<thead>
<tr>
<th>ZAR million</th>
<th>2010</th>
<th>2011</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenue</td>
<td>35,213</td>
<td>33,388</td>
<td>(5.2)</td>
</tr>
<tr>
<td>Other income</td>
<td>392</td>
<td>541</td>
<td>38.0</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>30,136</td>
<td>29,671</td>
<td>1.5</td>
</tr>
<tr>
<td>Operating profit</td>
<td>5,469</td>
<td>4,258</td>
<td>(22.1)</td>
</tr>
<tr>
<td>Investment income</td>
<td>503</td>
<td>213</td>
<td>(57.7)</td>
</tr>
<tr>
<td>Finance charges and fair value movements</td>
<td>1,053</td>
<td>1,109</td>
<td>(5.3)</td>
</tr>
<tr>
<td>Taxation</td>
<td>1,566</td>
<td>950</td>
<td>39.3</td>
</tr>
<tr>
<td>Profit from continuing operations</td>
<td>3,353</td>
<td>2,412</td>
<td>(28.1)</td>
</tr>
<tr>
<td>EBITDA</td>
<td>10,330</td>
<td>9,155</td>
<td>(11.4)</td>
</tr>
<tr>
<td>EBITDA margin (%)</td>
<td>29.3</td>
<td>27.4</td>
<td>(6.5)</td>
</tr>
<tr>
<td>Basic earnings per share (cents)</td>
<td>639.5</td>
<td>448.1</td>
<td>(29.9)</td>
</tr>
<tr>
<td><strong>Headline earnings per share (cents)</strong></td>
<td>686.7</td>
<td>444.9</td>
<td>(35.2)</td>
</tr>
</tbody>
</table>

(1) Excludes the effects of the reduction in mobile termination rates, impact of mobile business and voluntary severance package expenses.
Normalised EBITDA contributors

(R1,175 million)

EBITDA 2010

10,330

- Mobile: (1,051)
- Telkom SA: (174)¹
- iWayAfrica: (82)
- Cybernest: (32)
- Swiftnet: (24)
- Trudon: (7)
- Corporate centre: (249)

EBITDA 2011

9,155

- Multi-Links: 105
- Telkom international: 314

¹) Net effect of the reduction in mobile termination rates
## Effect of adjustments on basic earnings per share

<table>
<thead>
<tr>
<th>Description</th>
<th>2010</th>
<th>2010</th>
<th>2011</th>
<th>2011</th>
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<tbody>
<tr>
<td>Basic earnings</td>
<td>Rm</td>
<td>cents</td>
<td>Rm</td>
<td>cents</td>
</tr>
<tr>
<td><strong>Basic earnings as reported</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic earnings as reported</td>
<td>40,327</td>
<td>7,994.4</td>
<td>2,095</td>
<td>411.3</td>
</tr>
<tr>
<td>Vodacom</td>
<td>(40,506)</td>
<td>(8,029.9)</td>
<td>(25)</td>
<td>(4.9)</td>
</tr>
<tr>
<td>Profit on sale of Vodacom</td>
<td>(44,223)</td>
<td>(8,766.8)</td>
<td></td>
<td></td>
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<tr>
<td>Tax relating to the sale of Vodacom</td>
<td>2,751</td>
<td>545.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TCSP compensation expense</td>
<td>951</td>
<td>188.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value loss/(gain) on Vodacom shares</td>
<td>15</td>
<td>3.0</td>
<td>(25)</td>
<td>(4.9)</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Impairment</td>
<td>3,266</td>
<td>647.5</td>
<td>140</td>
<td>27.6</td>
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<tr>
<td>Swiftnet deferred tax asset</td>
<td>33</td>
<td>6.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>STC on special dividend</td>
<td>135</td>
<td>26.8</td>
<td>90</td>
<td>17.7</td>
</tr>
<tr>
<td>Profit on sale of Telkom Media</td>
<td>(68)</td>
<td>(13.5)</td>
<td></td>
<td></td>
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<tr>
<td>DoC contract and FIFA brand</td>
<td>39</td>
<td>7.7</td>
<td>47</td>
<td>9.2</td>
</tr>
<tr>
<td>Review of capital gains tax liability</td>
<td></td>
<td></td>
<td>(65)</td>
<td>(12.8)</td>
</tr>
<tr>
<td><strong>Normalised basic earnings</strong></td>
<td>3,226</td>
<td>639.5</td>
<td>2,282</td>
<td>448.1</td>
</tr>
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</table>
## Effect of adjustments on headline earnings per share

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>cents</th>
<th>2011</th>
<th>cents</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Headline earnings</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Headline earnings as reported</strong></td>
<td>1,314</td>
<td>260.5</td>
<td>2,212</td>
<td>434.2</td>
</tr>
<tr>
<td>Vodacom</td>
<td>1,943</td>
<td>385.2</td>
<td>(25)</td>
<td>(4.9)</td>
</tr>
<tr>
<td>TCSP compensation expense</td>
<td>951</td>
<td>188.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>STC on R19 special dividend</td>
<td>977</td>
<td>193.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value loss/(gain) on Vodacom shares</td>
<td>15</td>
<td>3.0</td>
<td>(25)</td>
<td>(4.9)</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>207</td>
<td>41.0</td>
<td>79</td>
<td>15.6</td>
</tr>
<tr>
<td>Swiftnet deferred tax asset</td>
<td>33</td>
<td>6.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>STC on special dividend</td>
<td>135</td>
<td>26.8</td>
<td>90</td>
<td>17.7</td>
</tr>
<tr>
<td>DoC contract and FIFA brand</td>
<td>39</td>
<td>7.7</td>
<td>47</td>
<td>9.2</td>
</tr>
<tr>
<td>Capital gains tax liability</td>
<td></td>
<td></td>
<td>(65)</td>
<td>(12.8)</td>
</tr>
<tr>
<td>Tax effects</td>
<td></td>
<td></td>
<td>7</td>
<td>1.5</td>
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<tr>
<td><strong>Normalised headline earnings</strong></td>
<td>3,464</td>
<td>686.7</td>
<td>2,266</td>
<td>444.9</td>
</tr>
</tbody>
</table>
## Normalised finance charges and fair value movements

<table>
<thead>
<tr>
<th></th>
<th>ZAR million</th>
<th>2010</th>
<th>2011</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Finance charges on interest-bearing debt</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local debt</td>
<td></td>
<td>1,365</td>
<td>1,021</td>
<td>25.2</td>
</tr>
<tr>
<td>Foreign debt</td>
<td></td>
<td>11</td>
<td>3</td>
<td>72.7</td>
</tr>
<tr>
<td>Less: Finance charges capitalised</td>
<td></td>
<td>(233)</td>
<td>(117)</td>
<td>49.8</td>
</tr>
<tr>
<td><strong>Foreign exchange gains and losses and fair value movement</strong></td>
<td></td>
<td>(90)</td>
<td>202</td>
<td>(324.4)</td>
</tr>
<tr>
<td>Foreign exchange (gains)/losses</td>
<td></td>
<td>(133)</td>
<td>50</td>
<td>(137.6)</td>
</tr>
<tr>
<td>Fair value adjustments on derivative instruments</td>
<td></td>
<td>43</td>
<td>152</td>
<td>(261.9)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>1,053</td>
<td>1,109</td>
<td>(5.3)</td>
</tr>
</tbody>
</table>
### Group statement of financial position

<table>
<thead>
<tr>
<th>ZAR million</th>
<th>2010</th>
<th>2011</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-current assets</strong></td>
<td>44,518</td>
<td>43,943</td>
<td>(1.3)</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td>12,301</td>
<td>10,315</td>
<td>(16.1)</td>
</tr>
<tr>
<td><strong>Assets of disposal group held for sale</strong></td>
<td>-</td>
<td>89</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>56,819</td>
<td>54,347</td>
<td>(4.4)</td>
</tr>
<tr>
<td><strong>Capital and reserves</strong></td>
<td>30,264</td>
<td>30,022</td>
<td>(0.8)</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td>14,204</td>
<td>14,974</td>
<td>5.4</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td>12,351</td>
<td>8,899</td>
<td>(27.9)</td>
</tr>
<tr>
<td><strong>Liabilities of disposal group held for sale</strong></td>
<td>-</td>
<td>452</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>56,819</td>
<td>54,347</td>
<td>(4.4)</td>
</tr>
<tr>
<td><strong>Net debt</strong></td>
<td>4,723</td>
<td>4,907</td>
<td>3.9</td>
</tr>
</tbody>
</table>
## Group free cash flow

<table>
<thead>
<tr>
<th>ZAR million</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash generated from operations</td>
<td>8,063</td>
<td>6,778</td>
</tr>
<tr>
<td>Add back: Vodacom capital gains tax</td>
<td>1,353</td>
<td>-</td>
</tr>
<tr>
<td>STC on R19 special dividend</td>
<td>977</td>
<td>-</td>
</tr>
<tr>
<td>STC on special dividend</td>
<td>135</td>
<td>90</td>
</tr>
<tr>
<td>Payment to Telcordia</td>
<td></td>
<td>608</td>
</tr>
<tr>
<td>Voluntary severance package expenses</td>
<td></td>
<td>147</td>
</tr>
<tr>
<td>Less: Savings from voluntary severance packages</td>
<td></td>
<td>(97)</td>
</tr>
<tr>
<td>Less: Cashflow from investing activities excluding the Vodacom proceeds and investment in cell captive</td>
<td>(5,021)</td>
<td>(4,045)</td>
</tr>
<tr>
<td>Normalised free cash flow</td>
<td>5,507</td>
<td>3,481</td>
</tr>
</tbody>
</table>
Traffic revenue is adjusted by R1,199 million to exclude the effect of the MTR rate cut in the current year to enable year over year comparison.

Payments to other operators is adjusted by R1,025 million to exclude the effect of the MTR rate cut in the current year to enable year over year comparison.
Telkom SA revenue

Included in 2011 data revenue:

- FIFA revenue R350 million
- Impact of data tariff reductions (R132 million)

Reflects the effect of the reduction in mobile termination rates
Telkom SA traffic revenue

Traffic revenue

- Local: 3,205 (2010), 2,836 (2011)
- Long distance: 1,805 (2010), 1,588 (2011)
- Fixed-to-fixed: 37 (2010), 78 (2011)
- International outgoing: 910 (2010), 725 (2011)
- Calling plans: 1,484 (2010), 1,637 (2011)

Traffic volumes

- Local: 6,963 (2010), 5,563 (2011)
- Long distance: 3,238 (2010), 2,806 (2011)
- Fixed-to-fixed: 47 (2010), 104 (2011)
- International outgoing: 595 (2010), 468 (2011)
- Calling plans: 3,805 (2010), 3,988 (2011)

Reflects the effect of the reduction in mobile termination rates
Data revenue

**Subscribers**

- Managed data network sites: 33,226 (2010) to 34,163 (2011)
- Internet all access: 511,535 (2010) to 543,316 (2011)

**Data annuity revenue (Rm)**

<table>
<thead>
<tr>
<th>Service</th>
<th>2010</th>
<th>2011</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data connectivity</td>
<td>5,097</td>
<td>5,324</td>
<td>4.5</td>
</tr>
<tr>
<td>Leased line facilities</td>
<td>2,008</td>
<td>2,182</td>
<td>8.7</td>
</tr>
<tr>
<td>Internet access and related services</td>
<td>1,721</td>
<td>1,816</td>
<td>5.5</td>
</tr>
<tr>
<td>Managed data network services</td>
<td>1,033</td>
<td>1,242</td>
<td>20.2</td>
</tr>
<tr>
<td>Multimedia services</td>
<td>71</td>
<td>135</td>
<td>90.1</td>
</tr>
<tr>
<td><strong>Total data annuity revenue</strong></td>
<td>9,930</td>
<td>10,699</td>
<td>7.7</td>
</tr>
</tbody>
</table>

- **Continue to capitalise on Telkom’s strength**
- **Further investment in data provisioning**
Group normalised operating expenses

Included in 2011:
- Voluntary severance package expenses (R739 million)
- Mobile expenses (R1,230 million)
- MTR effect R1,025 million
Group normalised operating expense drivers

Employee expenses
• Voluntary severance package expenses incurred

Payments to other operators
• Reduction in mobile termination rates
• Lower switched hubbing activities

Selling, general and administrative expenses
• Mobile start-up costs
• Savings on materials and maintenance
• Lower licence fees

Service fees
• Electricity increases
• Higher consulting fees

Operating leases
• Higher vehicle leases
• Mobile building leases
• Higher Multi-Links building leases
# Group capital expenditure

<table>
<thead>
<tr>
<th>Category</th>
<th>2010</th>
<th>2011</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ZAR million</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access network</td>
<td>402</td>
<td>255</td>
<td>(36.6)</td>
</tr>
<tr>
<td>Legacy</td>
<td>284</td>
<td>161</td>
<td>(43.3)</td>
</tr>
<tr>
<td>Next generation network</td>
<td>1,095</td>
<td>917</td>
<td>(16.3)</td>
</tr>
<tr>
<td>Fiber</td>
<td>567</td>
<td>369</td>
<td>(34.9)</td>
</tr>
<tr>
<td>International</td>
<td>289</td>
<td>357</td>
<td>23.5</td>
</tr>
<tr>
<td>Information operations</td>
<td>201</td>
<td>71</td>
<td>(64.7)</td>
</tr>
<tr>
<td>Customer premises equipment</td>
<td>299</td>
<td>214</td>
<td>(28.4)</td>
</tr>
<tr>
<td>Facilities</td>
<td>379</td>
<td>276</td>
<td>(27.2)</td>
</tr>
<tr>
<td>Other</td>
<td>376</td>
<td>215</td>
<td>(42.8)</td>
</tr>
<tr>
<td><strong>Telkom SA</strong></td>
<td>3,892</td>
<td>2,835</td>
<td>(27.2)</td>
</tr>
<tr>
<td>Mobile</td>
<td>181</td>
<td>1,475</td>
<td>714.9</td>
</tr>
<tr>
<td>Multi-Links</td>
<td>1,036</td>
<td>223</td>
<td>(78.5)</td>
</tr>
<tr>
<td>Other international</td>
<td>50</td>
<td>11</td>
<td>(78.0)</td>
</tr>
<tr>
<td>Other South Africa</td>
<td>218</td>
<td>220</td>
<td>0.9</td>
</tr>
</tbody>
</table>
## Group debt comparison

<table>
<thead>
<tr>
<th>ZAR million</th>
<th>2010</th>
<th>2011</th>
<th>Movement</th>
</tr>
</thead>
<tbody>
<tr>
<td>TL 12</td>
<td>1,059</td>
<td>1,059</td>
<td>-</td>
</tr>
<tr>
<td>TL15</td>
<td>1,159</td>
<td>1,159</td>
<td>-</td>
</tr>
<tr>
<td>TL20</td>
<td>1,374</td>
<td>1,431</td>
<td>57</td>
</tr>
<tr>
<td>Syndicated loan 2</td>
<td>3,268</td>
<td>3,271</td>
<td>3</td>
</tr>
<tr>
<td>Private placements</td>
<td>1,711</td>
<td>-</td>
<td>(1,711)</td>
</tr>
<tr>
<td>Foreign loan</td>
<td>109</td>
<td>520</td>
<td>411</td>
</tr>
<tr>
<td>Finance leases</td>
<td>950</td>
<td>904</td>
<td>(46)</td>
</tr>
<tr>
<td><strong>Corporate centre</strong></td>
<td>9,630</td>
<td>8,344</td>
<td>(1,286)</td>
</tr>
<tr>
<td><strong>Subsidiaries</strong></td>
<td>107</td>
<td>11</td>
<td>(96)</td>
</tr>
<tr>
<td><strong>Net debt</strong></td>
<td>4,723</td>
<td>4,907</td>
<td>3.9</td>
</tr>
</tbody>
</table>

Group debt: 7.6% to 8.355% (14.2%)

Net debt to EBITDA: 0.5 to 0.5
## Debt maturity as at 31 March 2011

<table>
<thead>
<tr>
<th>ZAR million</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Maturing in the 2011 calendar year</strong></td>
<td></td>
</tr>
<tr>
<td>Foreign loan</td>
<td>47</td>
</tr>
<tr>
<td><strong>Maturing in the 2012 calendar year</strong></td>
<td></td>
</tr>
<tr>
<td>TL12</td>
<td>1,060</td>
</tr>
<tr>
<td>Foreign loan</td>
<td>106</td>
</tr>
<tr>
<td><strong>Maturing in the 2013 calendar year</strong></td>
<td></td>
</tr>
<tr>
<td>Syndicated loan</td>
<td>3,280</td>
</tr>
<tr>
<td>Foreign loan</td>
<td>97</td>
</tr>
<tr>
<td><strong>Maturing after 2013</strong></td>
<td></td>
</tr>
<tr>
<td>TL15 (maturing in 2015)</td>
<td>1,160</td>
</tr>
<tr>
<td>TL20 (maturing in 2020)</td>
<td>2,500</td>
</tr>
<tr>
<td>Foreign loans (maturing between 2014-2025)</td>
<td>327</td>
</tr>
</tbody>
</table>
Guidance

Capex to revenue
Expected to range between 20% and 25% of revenue

Net debt to EBITDA
Targeted ceiling is aimed at 1.4x
Summary take-aways

• **Multi-Links**
  - Stop cash burn immediately

• **Costs**
  - Build on close working relationship with Unions
  - Aggressive commitment to cost efficiencies in every business process
  - Requires investment in the network

• **Mobile**
  - Commitment to targeted pre-paid market
  - Finest quality integrated packages for enterprise market
  - Continue growing the distribution channel
  - EBITDA breakeven expected in FY14

• **Capital allocation**
  - Only invest capex in the core business growth areas and for cost reduction’
  - Manage gearing and focus on cash flow generation
  - Continue to grow the ordinary dividend