Focussed on creating longterm value.

Telkom SA Limited

Group Annual Results for the year ended March 31, 2006
5 June 2006

www.telkom.co.za/ir

Cautionary statement on forward looking statements

All of the statements included in this document, as well as oral statements that may be made by us or by officers, directors or employees acting on behalf of us, 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 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 are those risks identified in Item 3. "Key Information-Risk Factors," of 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 is available on Telkom's website at www.telkom.co.za/ir, including, but not limited to, increased competition in the South African fixed-line and mobile communications markets; developments in the regulatory environment; continued mobile growth and reductions in Vodacom's and Telkom's net interconnect margins; Vodacom's and Telkom's ability to expand their operations and make investments in other African countries and the general economic, political, social and legal conditions in South Africa and in other countries where Vodacom and Telkom invest; our ability to attract and retain key personnel; 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 ability to improve and maintain our management information and other systems; our negative working capital; changes 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; our ability to improve our internal control over financial reporting; health risks to related mobile handsets, base stations and associated equipment; our control by the Government of the Republic of South Africa; the outcome of regulatory, legal and arbitration proceedings, including tariff approvals, and the outcome of Telkom's hearing before the Competition Commission related to the VANs litigation, its proceedings with Telcordia Technologies Incorporated and others; our ability to negotiate favourable terms, rates and conditions for the provision of interconnection services; our ability to implement and recover the substantial capital and operational costs associated with carrier pre-selection, Number Portability and monitoring and interception; 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; fluctuations in the value of the Rand; the impact of unemployment, poverty, crime and HIV infection, labour laws and exchange control restrictions in South Africa; and other matters not yet known to us or not currently considered material by us.

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 hereof, either to confirm them to actual results or to changes in our expectations.

Agenda

Group highlights	Papi Molotsane
Fixed-line business	Papi Molotsane
Mobile business	Papi Molotsane
Group financials	Kaushik Patel
2010 Business plan	Papi Molotsane

Group highlights

Papi Molotsane

Financial highlights

- **10.3%** growth in Group operating revenue to R 47.6 billion
- **43.2%** Group EBITDA margin
- **30.3%** growth in Group operating profit to R 14.7 billion
- Return on assets up from **19.8% to 25.6%**
- Total shareholder returns of **R9** per share and **R1.5 billion share buy back**

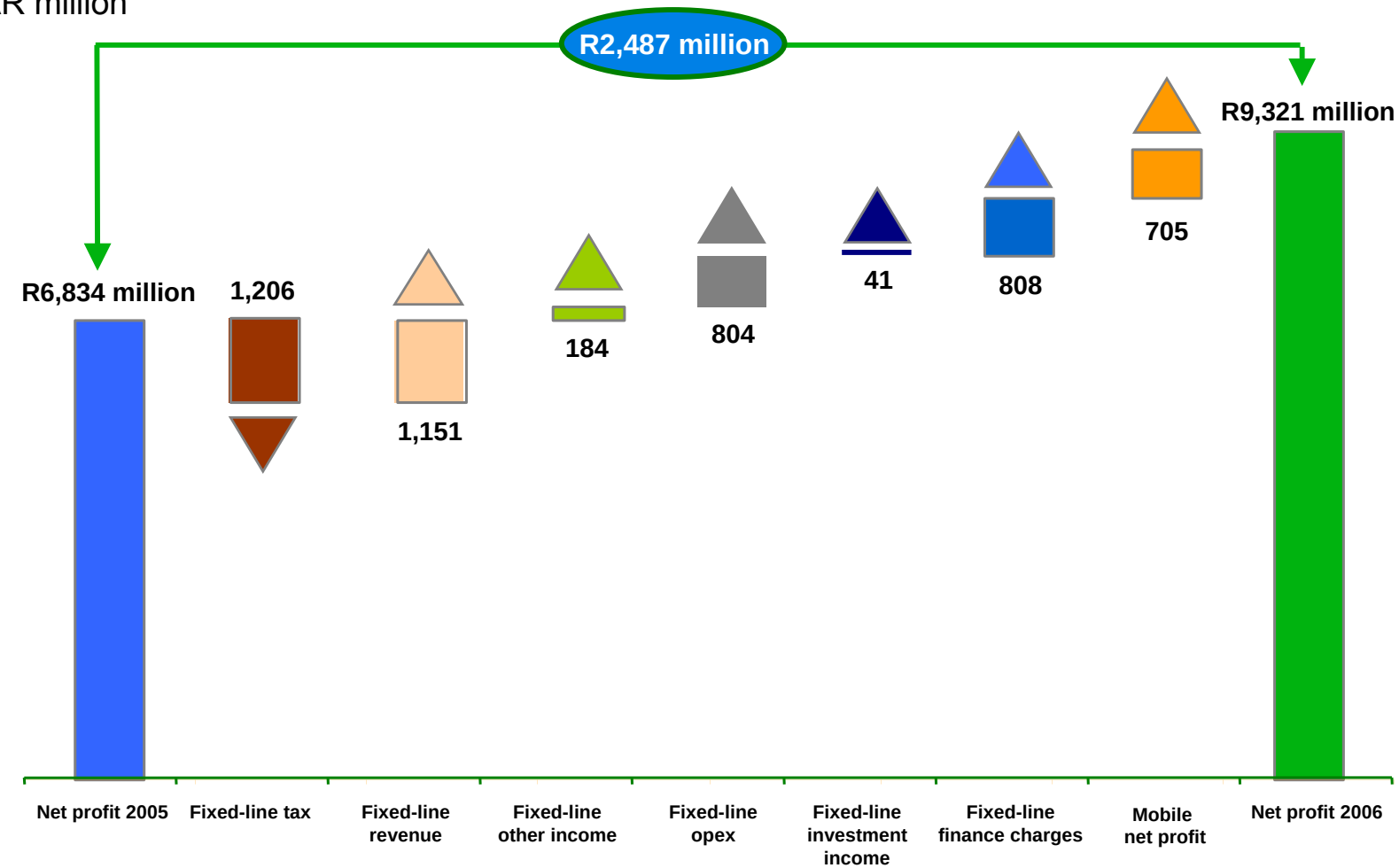
36.1% increase
in HEPS to 1740.5 cents per share

- Total dividend 900 cents per share declared and
- R2 billion share buy back programme

Approved June 2, 2006

Group net profit drivers

ZAR million



Operational highlights

Customer growth and retention

- **41.2%** growth in managed data network sites to 16,887
- **146.2%** growth in ADSL services to 143,509
- **51.9%** growth in total mobile customers to 23.5 million
- **3.9% fixed to mobile** traffic growth through customer value enhancing packages

26%
increase
64kbit/sec
Equivalents
per employee

Operational excellence

- **12.9%** increase in fixed lines per employee to 184
- **42.3%** improvement in SA mobile customers per employee to 4,620

77.5%
increase
in optic fibre
network to
6,736,000 km

Regulatory Developments

Interconnection and facilities leasing

- LRIC Regulatory Financial Statements – due September 2006
- FAC Regulatory Financial Statements – submitted September 2005
- SNO Shared access for first 2 years from start of operation
- Public hearings attended – March 2006

Tariff regulation

- Final regulation approved by Minister in August 2005 : CPI - 3.5%
- Includes ADSL
- In excess of 65% of Telkom revenue in regulatory basket

Electronic Communications Act (ECA) and ICASA Bill

- Passed by the national assembly on November 3, 2005
- Assented to by the President of South Africa
- 24 month conversion period of existing licenses to new market structure
- Act not implemented until ICASA bill passed into law
- ICASA Act – Bill passed parliament December 2005, referred back by President

Number Portability

- Expected during September 2006
- SNO requested implementation in February 2006 (not later than 12 months after request)

Minister Announcements on 25 May 2006

- **Telkom welcomes the introduction of competition**
  - Expands the market
  - Stimulates innovation
  - Allows for value comparison
  - Positive contribution to the economy

- **The Minister prioritising broadband infrastructure rollout**

- **Minister's speech focused on:**
  - Extending Sentech's rights
  - Existing submarine cable and proposed submarine cable access
  - Establishment of a broadband advisory council and a local loop unbundling committee
- **Impact on Telkom**
  - Provisions of EC Act allows for all Minister's announcements
  - Pursue alternative investment in cables if commercially viable
  - Will monitor and contribute to above mentioned forums

Competition landscape

- SNO licensed December 9, 2005
  - Discussion underway on interconnection and facilities leasing with the SNO
- Local licenses operational 2006 (USALs)
- 5 broadband providers including Telkom
- Value added networks (VANs)
- Internet Service Providers (ISPs)
- Competition driving IP demand

Key Advances in Technology

- Industry world-wide moving to **IP based products** and services
- **Broadband**
  - ADSL 2^+ trialling
  - VDSL trialling
  - Mobile WiMax – Standards finalised by IEEE 802.16e
- **HSDPA** roll-out by Vodacom (MTN following)
- Increasing **speed of convergence**
- **IPTV and Mobile TV**

Fixed-line business

Papi Molotsane

Performance highlights

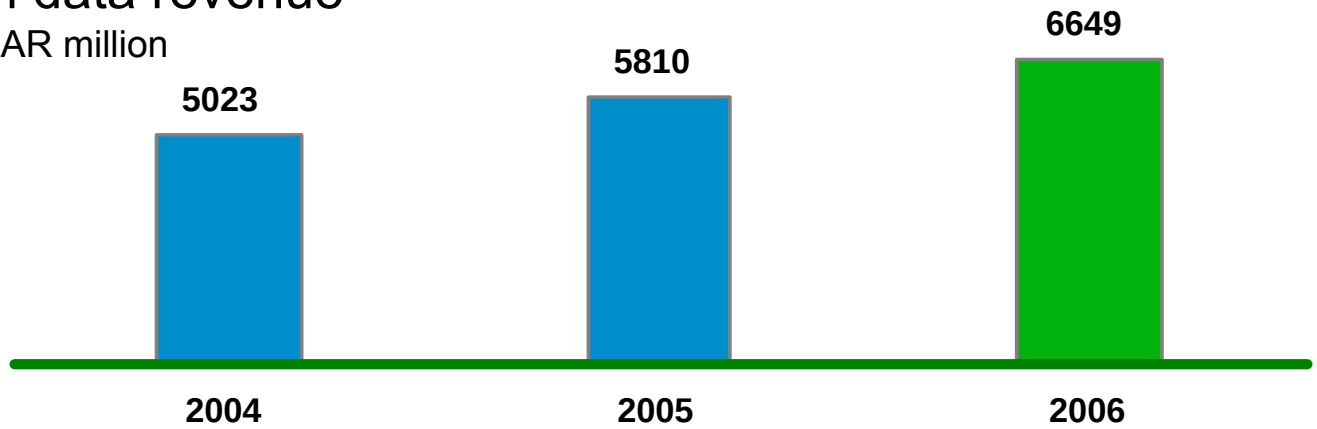
- **4.1%** growth in fixed-line revenue to **R32,749 million**
- **14.4%** growth in fixed-line data revenue to **R6,649 million**
- **3%** tariff reductions effective September 2005
- **11.2%** reduction in fixed-line employee expenses
- **7.2%** reduction in vehicle fleet
- Fixed-line EBITDA margin of **44.7%** from **40.5%**

Strong data growth

14.4% Growth

in data revenue [1]

ZAR million

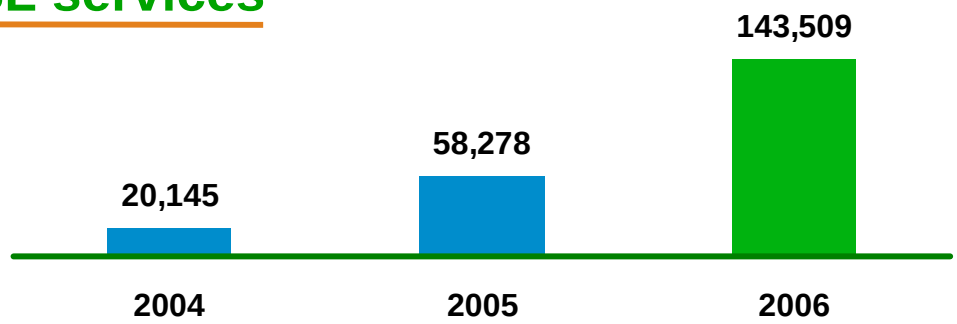


- **41.2%** growth in managed data network sites
- **146.2%** growth in ADSL services to **143,509**
- **11.1%** growth in 64 kbit/sec equivalent circuits **547,493**
- **25.7%** growth in internet customers to **284,908**

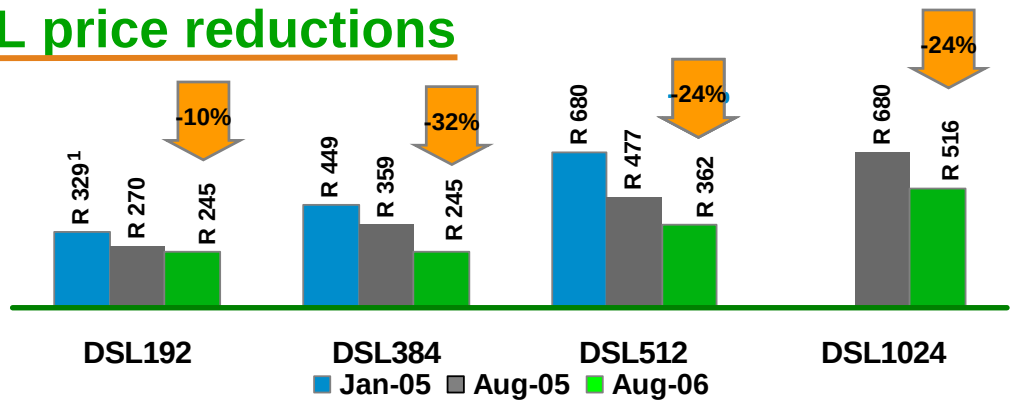
[1] Before inter-segmental eliminations

Successful ADSL roll-out plan

ADSL services



DSL price reductions



[1] Introduced in March 2005

2006 ADSL price reductions average 24%

Increased value to DSL192 customers through free migration to DSL384[2]

[2] Dependant on availability of network

- Improve value proposition through increase speed and price reductions
- Project in progress to stream line order/installation

Increasing annuity component of voice revenue

Telkom Closer

Benefits

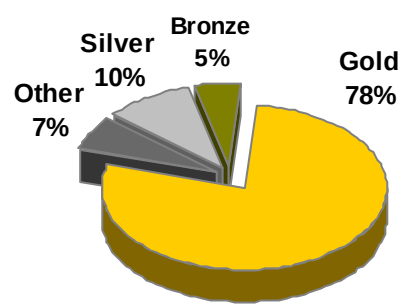
- To the consumer
  - Telkom Closer plan 3 for R300 pm
    - Access
    - Call answer
    - 1000 standard time minutes
    - Unlimited callmore minutes[1]
- To Telkom
  - Increase annuity revenue
  - Provides a value comparison
  - Improve competitive position

Signed up a total of 71,317 plans in 3 months since launch – 31 March 2006

PC bundles

Benefits

- Increased annuity revenue
- Long term customer contracts
- Multiple products



6,807 bundles sold

[1] Terms and conditions apply

Value adding ICT solutions provider

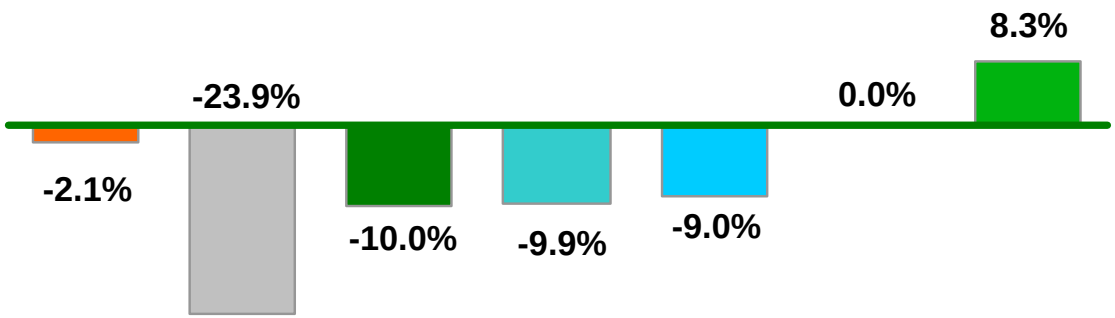
New business bundles

- **Telkom SupremeCall**
  - Came to market early May 2006
  - Calling plans between R1,000 and R20,000
  - Per second billing
  - Saving on local, long distance, internet dial-up, fixed to mobile and international calls
  - Carry-over unused portion
- **Benefits to Telkom**
  - Increase annuity revenue
  - Provide value comparison
  - Improve competitive position

Rebalancing tariffs and driving volume in SA

Tariff adjustments effective August 1, 2006

Filed June 5, 2006



Overall 2.1% reduction in regulatory filing

Mobile business

Papi Molotsane

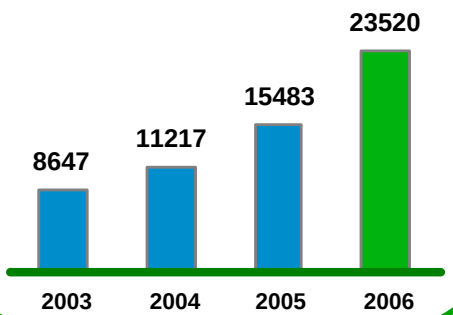
Strong performance from the mobile segment

- **51.9%** in total customers to **23.5 million**
- **24.6%** growth in mobile operating revenue to **R17 billion**[1]
- **52.1%** growth in data revenue
- **34.7%** EBITDA margin sustained despite declining ARPU'S
- **42.3%** customer per employee increased to **4,620** in SA
- Market share increased to **58%** from **56%**

51.9% growth

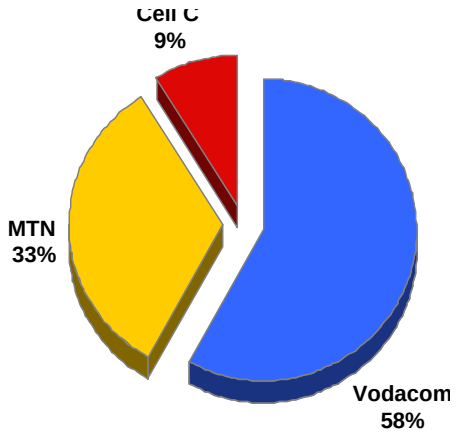
in total customers

In thousands



46 million

estimated mobile customers in SA



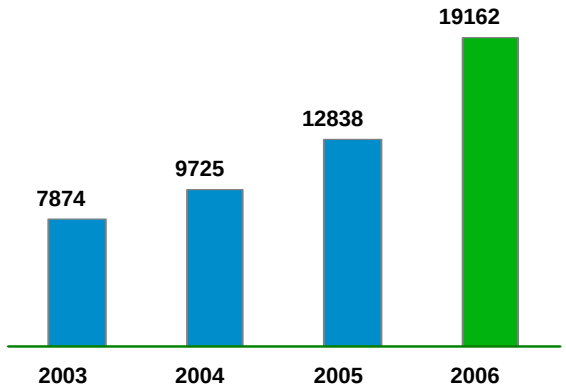
Estimated market share at March 31, 2006

[1] **50% share**

Leading mobile operator in SA

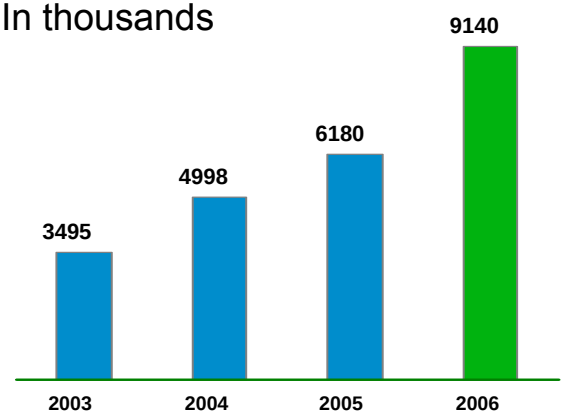
Customer

In thousands



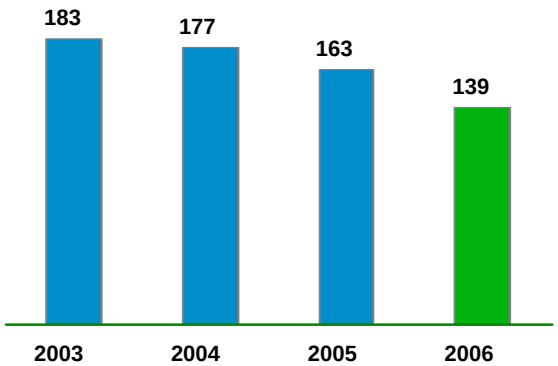
Gross connections

In thousands



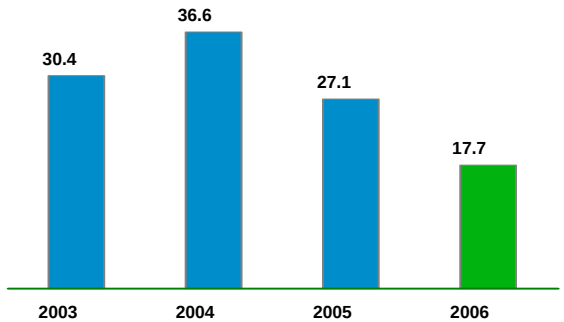
ARPU

ZAR



Churn

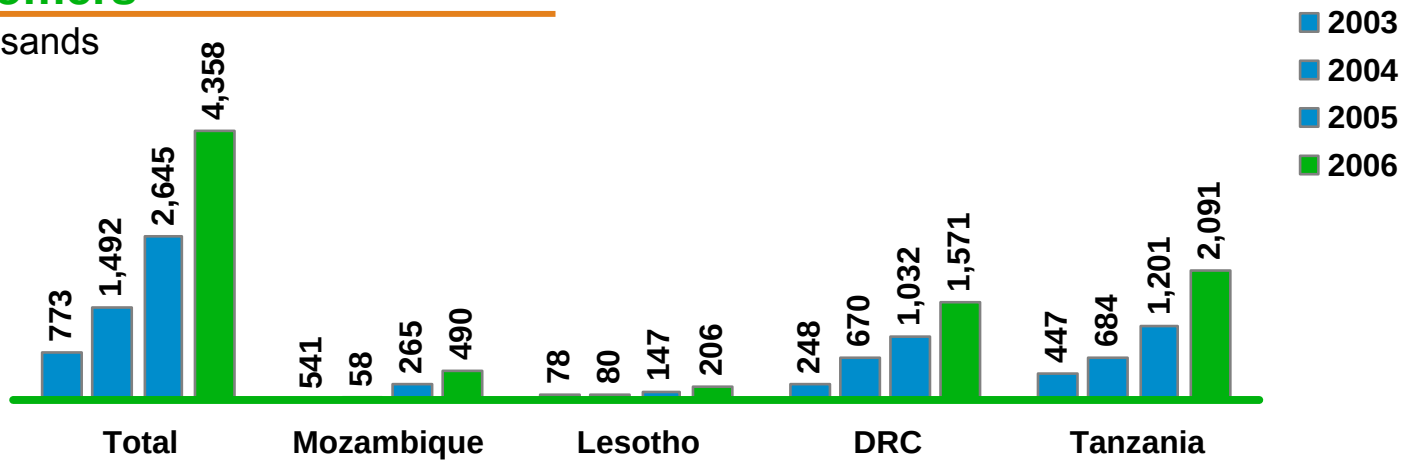
%



Strong mobile growth outside SA borders

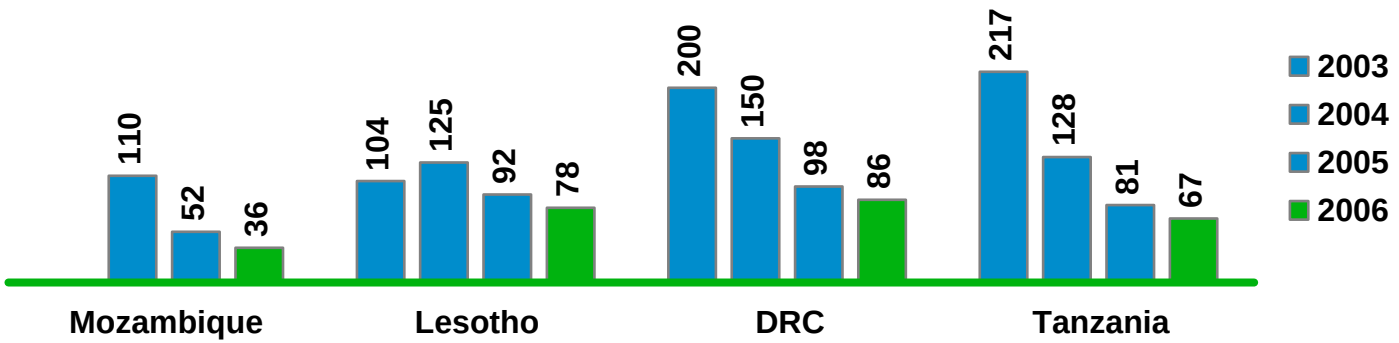
Customers

In thousands



ARPU per month

In ZAR

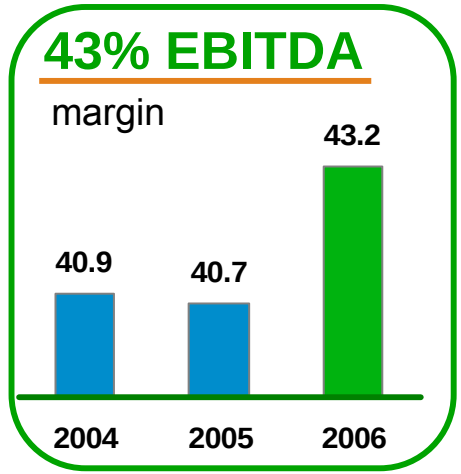


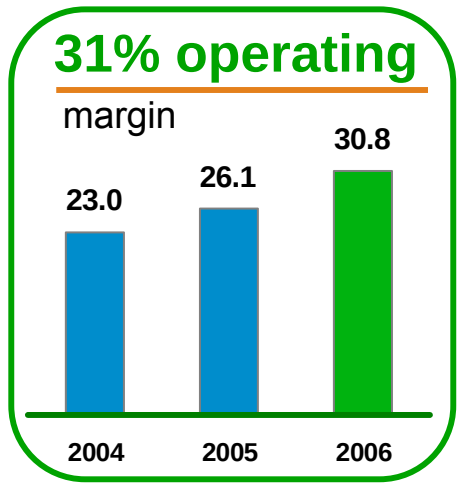
Group financials

Kaushik Patel

Group profitability

ZAR million	2005	2006	%
Operating revenue	43,160	**47,625**	10.3
Other income	280	**480**	71.4
Operating expenses	(32,179)	**(33,428)**	3.9
Operating profit	11,261	**14,677**	30.3
Investment income	350	**397**	13.4
Finance charges	(1,695)	**(1,233)**	(27.3)
Taxation	(3,082)	**(4,520)**	46.7
Net profit	6,834	**9,321**	36.4
Basic earnings per share (Cents)	1,246.7	**1,744.7**	39.9
EBITDA	17,549	**20,553**	17.1

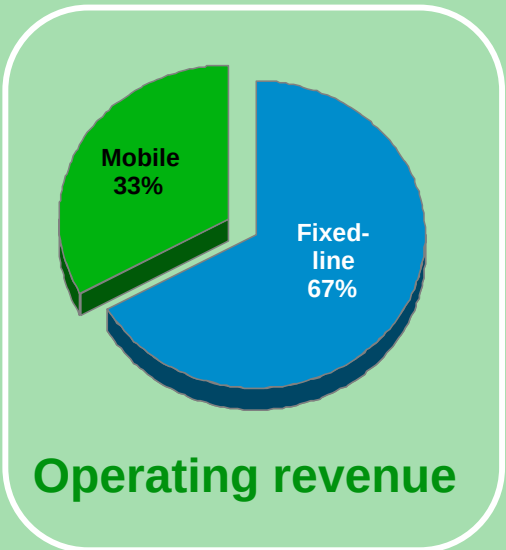


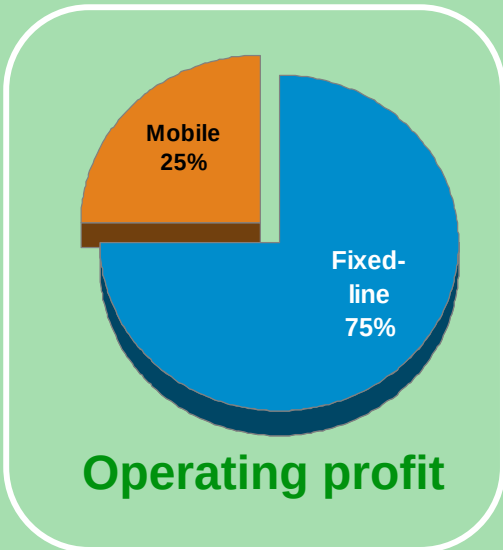


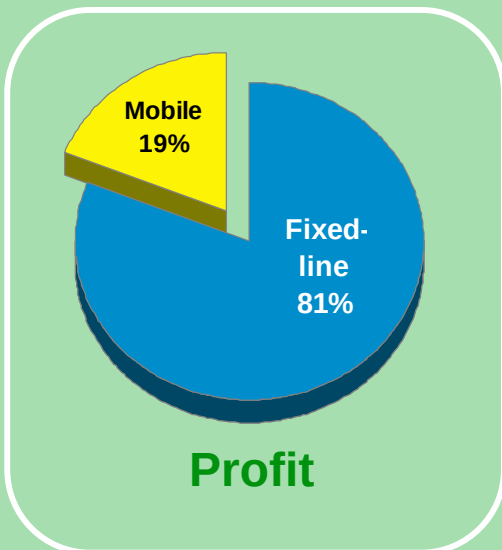
Segment contribution

after inter-segmental eliminations

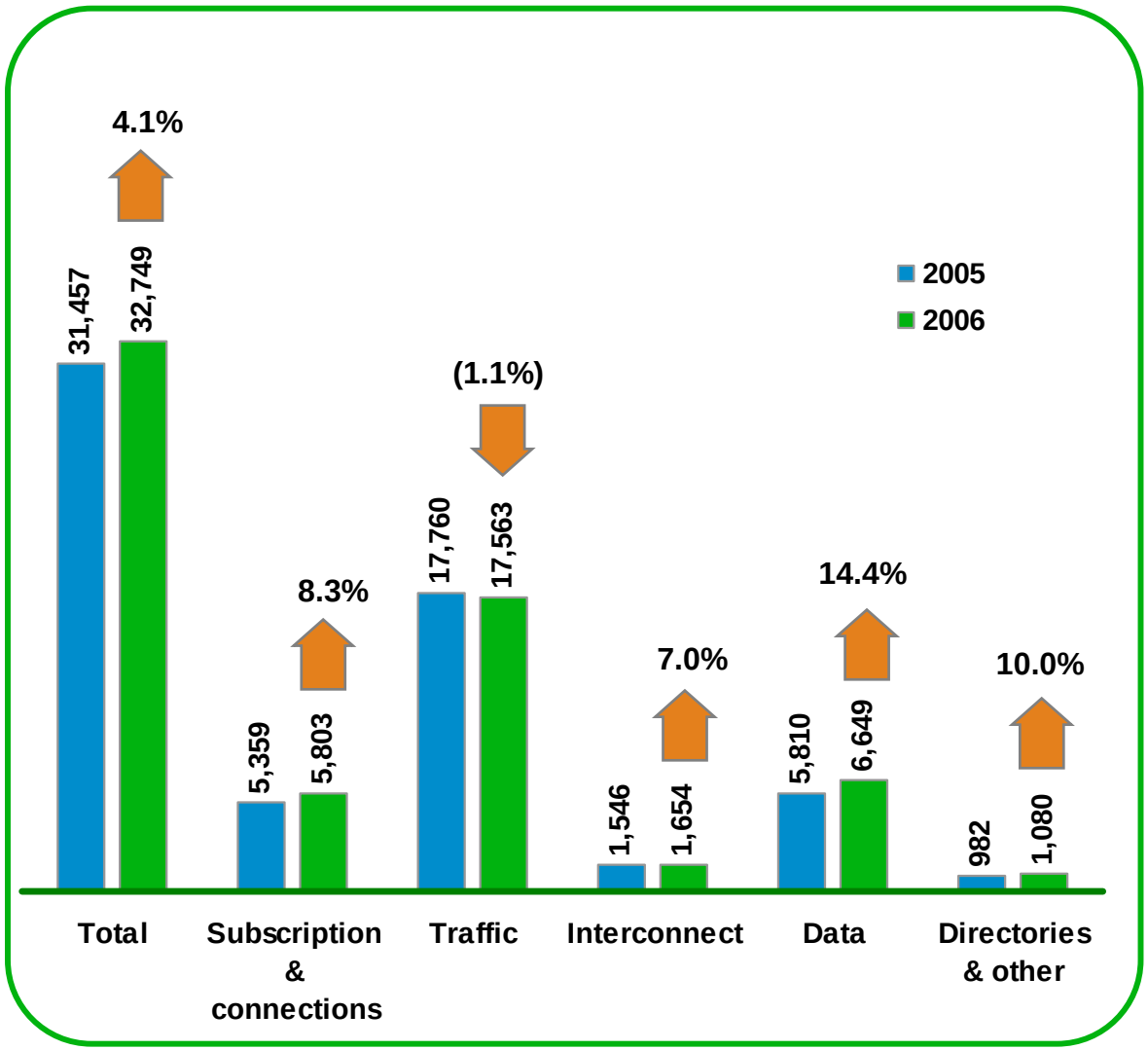
March 31, 2006







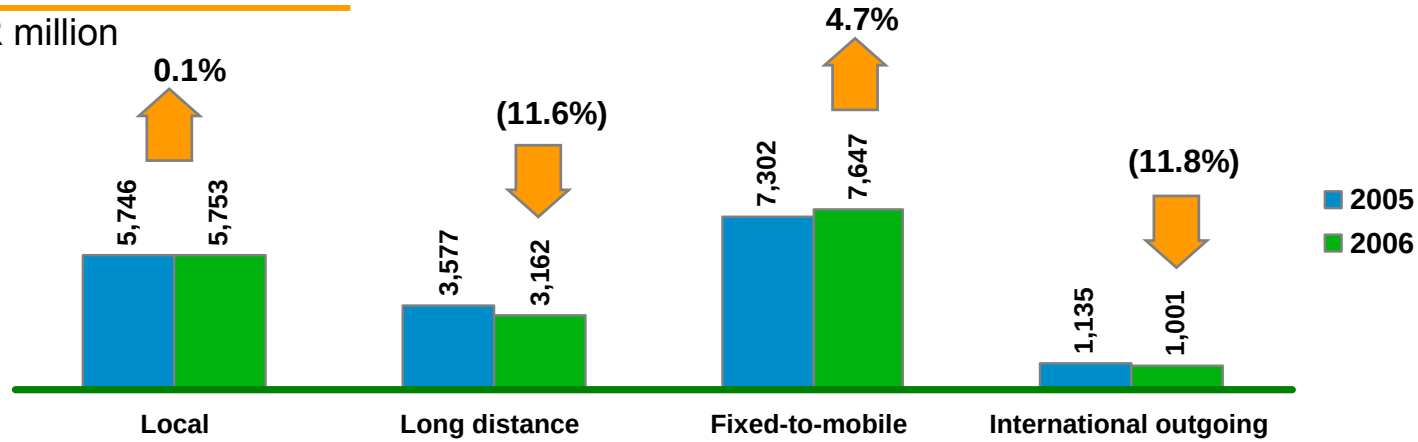
Fixed-line revenue



Traffic revenue and volume

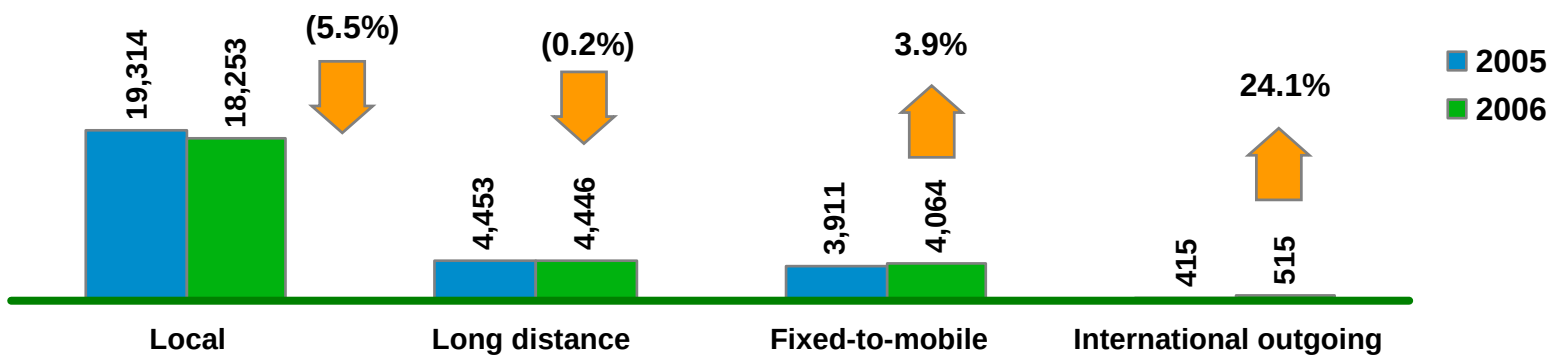
Traffic Revenue

ZAR million



Traffic Volume

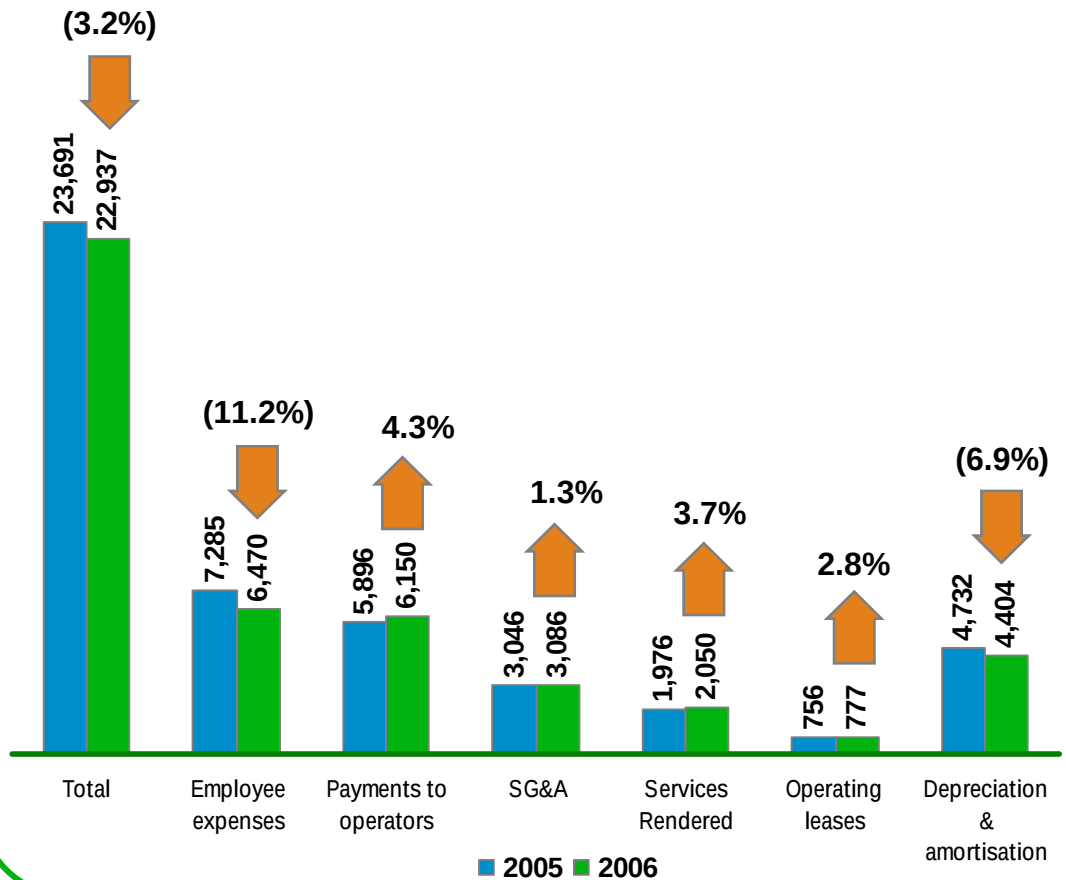
Millions of minutes



Fixed-line operating expenses

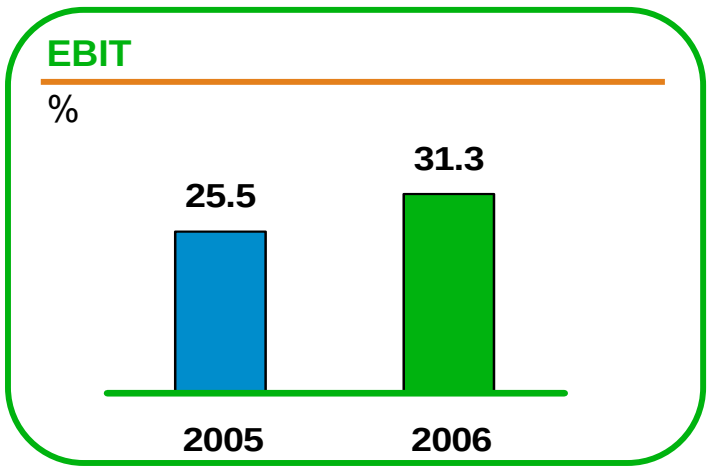
Fixed-line operating expenses

ZAR million



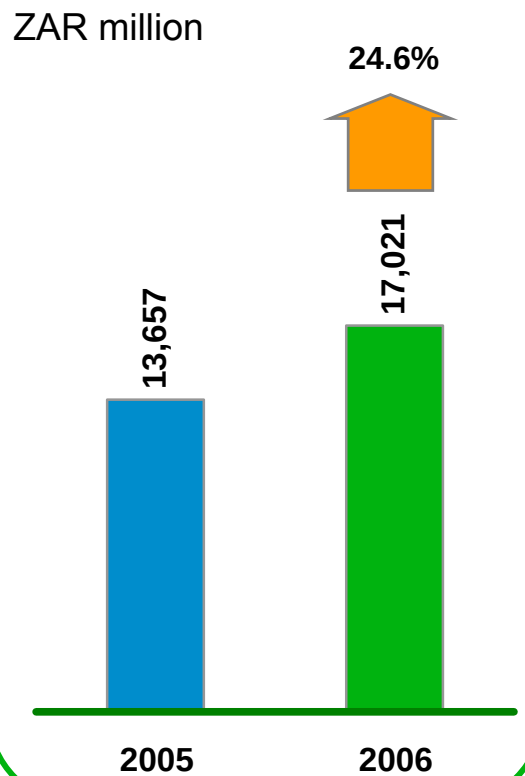
Fixed-line profitability

ZAR million	2005	2006	%
Operating profit	8,021	**10,242**	27.7
Operating profit margin (%)	25.5	**31.3**	
EBITDA	12,753	**14,646**	14.8
EBITDA margin (%)	40.5	**44.7**	

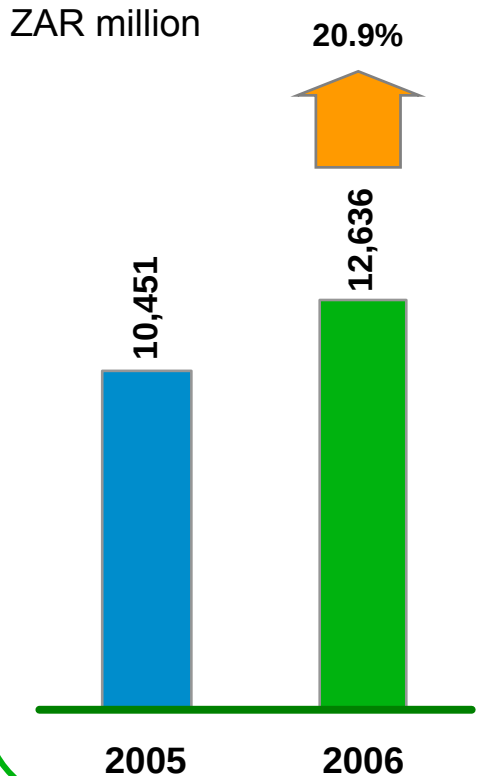


Mobile profitability

Mobile operating revenue



Mobile operating expense



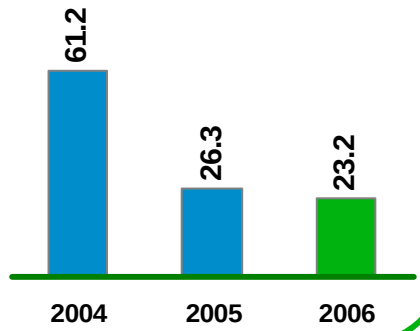
Maintaining **EBITDA** margin through **revenue growth**

Strengthened group balance sheet

ZAR million	2005	2006	%
Non-current assets	42,552	44,813	5.3
Current assets	15,045	12,731	(15.4)
Total assets	57,597	57,544	(0.1)
Capital and reserves	26,361	29,466	11.8
Non-current liabilities	13,870	12,391	(10.7)
Current liabilities	17,366	15,687	(9.7)
Total equity and liabilities	57,597	57,544	(0.1)
Net debt	6,941	6,828	(1.6)

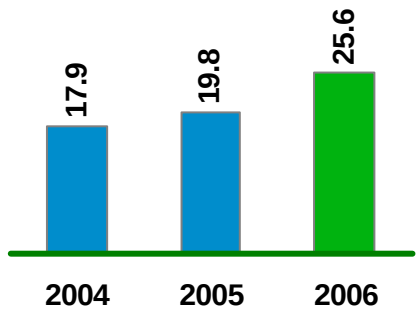
23% net debt

to equity



26% return

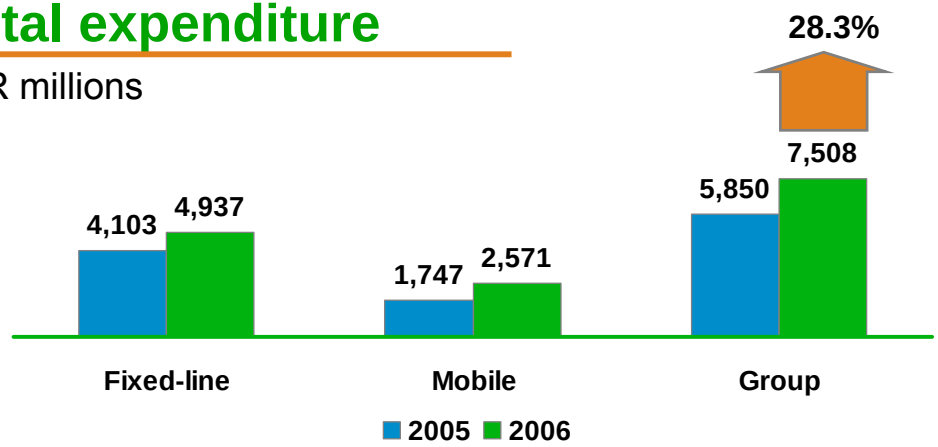
on assets



Capital investment

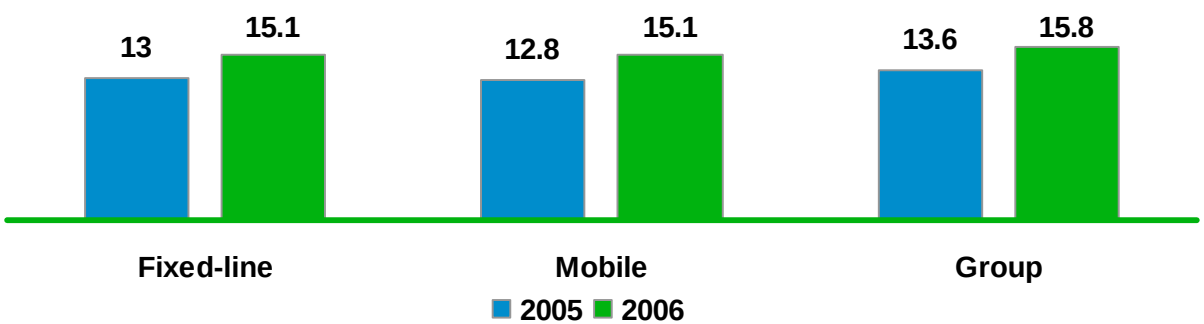
Capital expenditure

In ZAR millions



Capex to revenue

%



Capital expenditure marginally above 2006 guidance

Group Cash Flow

ZAR million	2005	2006	%
Cash generated from operations	18,622	**19,724**	5.9
Dividend paid	(629)	**(4,884)**	676.5
Cash from operating activities	15,711	**9,506**	(39.5)
Investing activities	(6,306)	**(7,286)**	15.5
Financing activities	(9,897)	**(258)**	(97.4)
Net decrease in cash	(492)	**1,962**	498.8
Cash at end of period	2,301	**4,255**	84.9
Free cash flow	10,034	**7,104**	(29.2)

2010 Business plan

The transformation of the fixed-line business

Papi Molotsane

Challenges of a rapidly changing landscape

Competition

- Many new aggressive competitors emerging

Regulation

- New regulation with the potential to affect our bottom line

Customer demand

- Order book growth
- Increased capacity requirements
- Higher service level expectations
- Increased value expectations

Technological growth

- Rapid advances in deployment of new technologies

Our vision

to be a leading **customer** and **employee** centred **ICT solutions** service provider

- Enhancing customer satisfaction through customer centricity
- Retaining revenue and generating growth
- Engaging Telkom's people
- Evolving to a NGN in order to support profitable growth through prudent cost management
- Repositioning Telkom stakeholder management to create healthy external relationships

CAPEX increase focuses mainly on 2 areas:

Accelerating evolution of the network

+

Capacity growth

=

Increased requirement in CAPEX

Factors driving accelerated evolution

Customer demand for next generation services	Customer pull – Ready to embrace new wave services
Technological readiness as demonstrated through increased global procurement activities	Technology push
Regulation	ECA – *various threats and opportunities* Local loop unbundling
Increased competition	Much wider competitive landscape emerging aggressively

Evolution of the network

Legacy network replacement with IP centric focus

- Revenue protection through next generation voice service eg. IP centrics
- New revenue streams associated with new services
- Broadband – *increased penetration*
- Network efficiencies
  - Management of network obsolescence
  - Improved focus on ancillary enablement
  - Future Opex savings through improved network productivity

NGN related projects

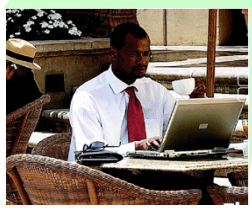
- **ADSL growth**
  - Switch upgrade – software
  - Softswitch – deployment of VOIP
  - Improve Telkom's DSL network and broaden ADSL product portfolio
  - Access network more broadband capable
  - Switched Metro Ethernet
  - WiFi "hotspots"
  - WiMAX
- Local and national transport network
- WiMAX – ADSL footprint enhancement
- Infrastructure build wholesale COFL's

Capacity growth

… access capacity growth must be accommodated in core capacity growth

Core Network –
scaled to accommodate access bandwidth requirement

DSL Access Network



Data Access Network

Voice Access Network

Mobile Access Network

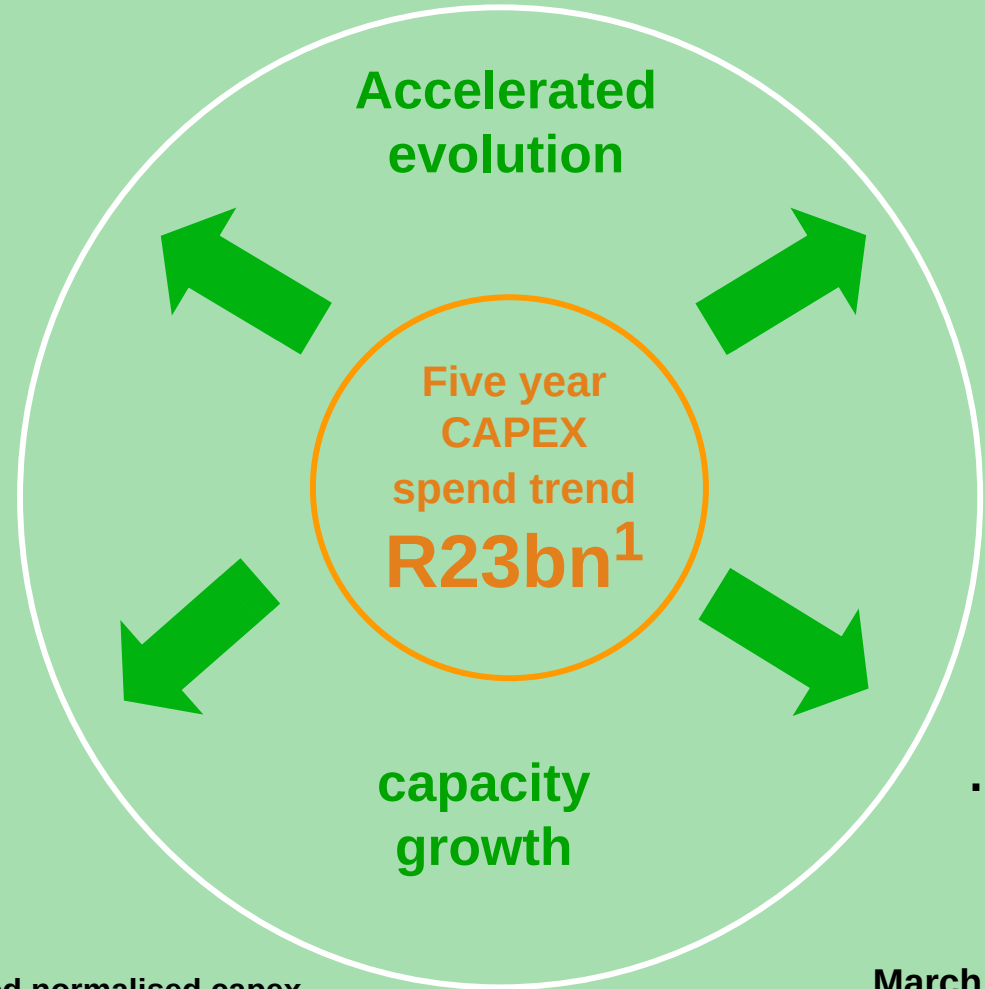
Capacity growth drivers

- **Broadband** – *key enabler to transform traditional fixed line companies into ICT solutions companies*
- **Mobile** – *strong growth in demand continuing*
- **Data** – *strong growth through the demand for value added services*
- **New developments** – *niche markets with the need for converged services*
- **International traffic** – *increase in corporate and consumer activity*

Trend analysis….*up to now and future trends*

- **Up to now**
  - 450% bandwidth increase in broadband during past 2 years
  - 80% bandwidth increase in mobile during past 2 years
  - 140% increase in core transport network bandwidth capability during past 2 years
- **Expected future trends**
  - 640% bandwidth increase in broadband in next 5 years
  - 140% bandwidth increase in mobile in next 5 years
  - 1000% increase in core transport network bandwidth capability in next 3 years

Increased CAPEX requirements



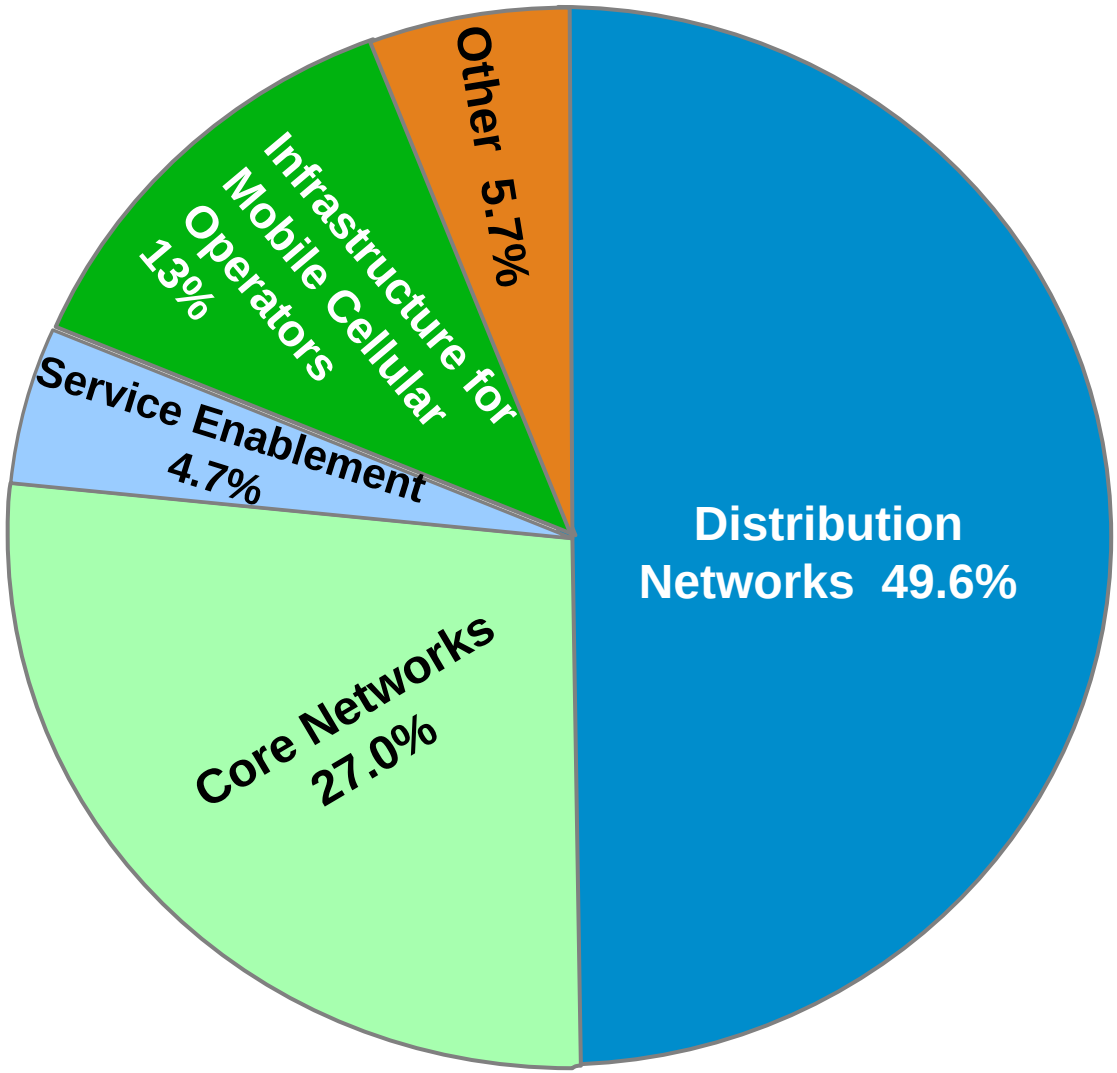
... grows to

R30bn

March 2006 – March 2010

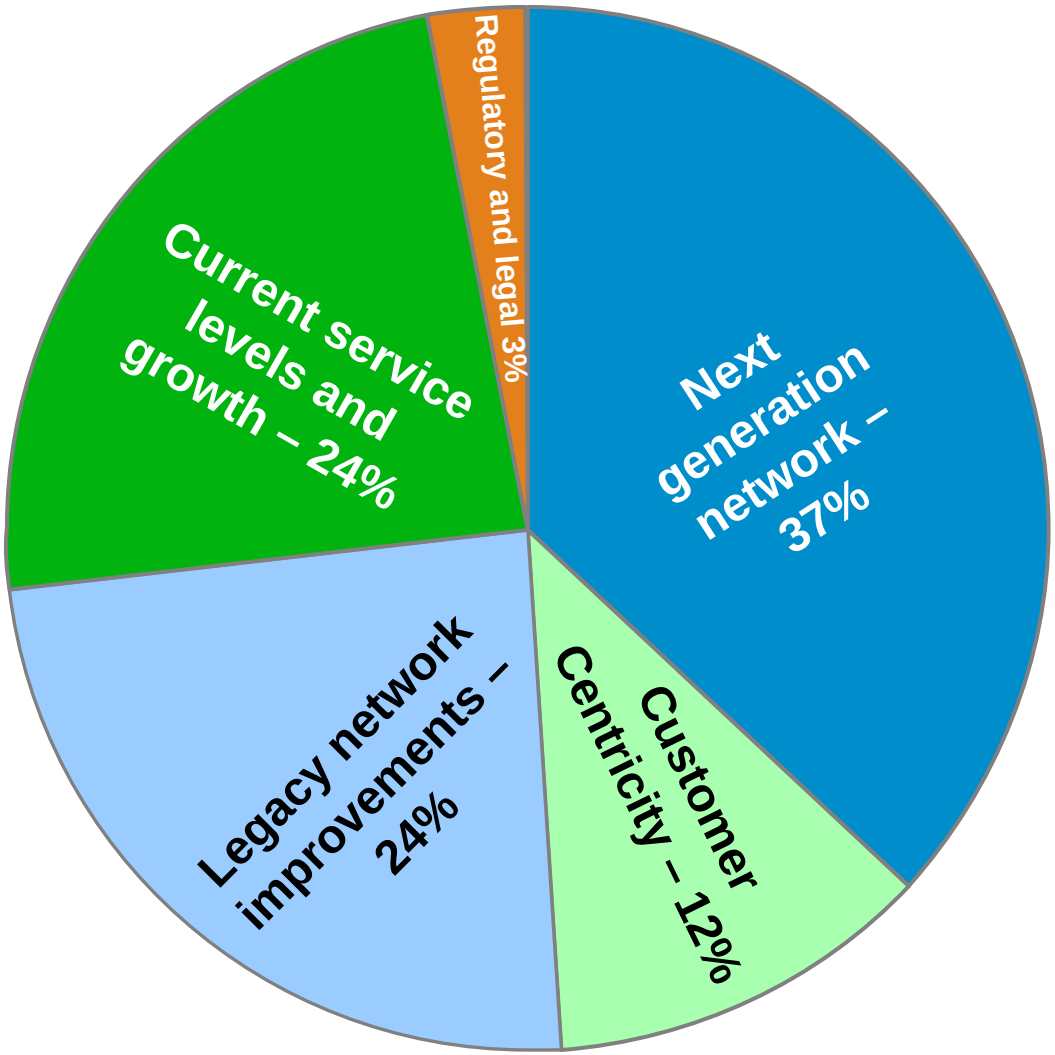
[1] Estimated normalised capex

Areas of network investment



Total investment including increase due to capacity growth and accelerated evolution

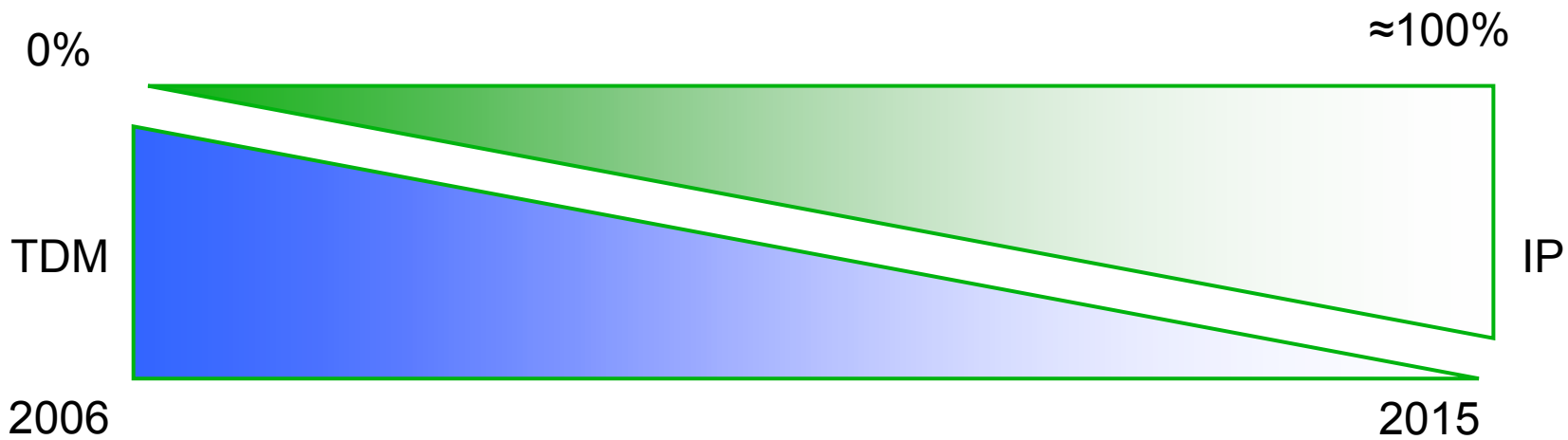
Business focus of CAPEX



Total investment including increase due to capacity growth and accelerated evolution

Time scale of evolution to IP

- Legacy substantially migrated to NGN by 2015
- Evolutionary approach
  - Operate NGN and Legacy network in parallel



- Customer requirements changing rapidly to IP related products and services
- Acceleration due to rapid growth in bandwidth demand

Thorough spend approval process designed to provide returns

- Projects are prioritised according to an IRR
- Existing infrastructure optimised to minimise CAPEX requirements
- Definite priority of capital investment spend on most lucrative opportunities
- Full business case evaluation per project:

  - **WACC based discount rate**
  - **Must be in line with business case framework**
  - **Detailed review and justifications of spend**
  - **Regulatory CAPEX a requirement**

Revenue under pressure

Impact

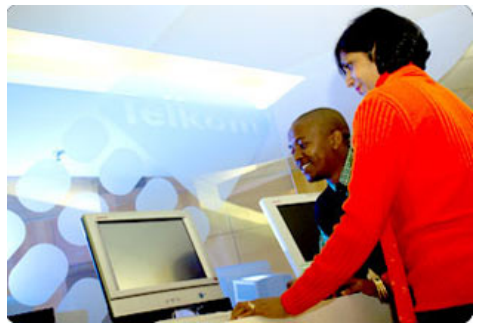
- Tariff reductions
- Cost-based interconnections
  - FAC
  - LRIC
- Market share losses
- Mobile substitution
- Cannibalisation of dial-up minutes due to ADSL take-up

Partially off-set by

- Increased wholesale revenue
- Tariff rebalancing
- Line mix weighted towards business customers
- Broadband rollout
- Annuity revenue

Expenses growth

- **Inflationary**
- **Customer satisfaction**
- **Employee**
  - 6.25% annual salary increase
  - Small increase in headcount
- **SGA**
  - Increase in maintenance to improve reliability and resilience
  - Increased maintenance requirement due to capacity growth and evolution



Financial outlook for March 2007

Fixed-line EBITDA margin between **37% and 40%**

Fixed-line capital expenditure in 2007 is expected to be **18% – 22%** of revenue as we invest for capacity and network evolution

Debt levels are targeted to a group net debt to equity ratio of **50% – 70%**

Acquisition strategy

- Continue to assess **opportunities**
- **Two** focus areas:
  - **data**
  - **mobile/fixed** line beyond SA borders
    - focus on wireless access
- Countries with potential for high returns
  - **rate and timing capacity dependent**
  - potential for **high returns**
- Good **regional and/or** business **fit**

Evaluation criteria

- DCF valuation
- Discount factor of WACC, country risk and specific investment risk
- Full financial/legal/commercial due diligence
- Review of fit into Telkom strategy
- Human resource capacity
- Integration plan pre-approved

BCX

Enhance ability to offer end-to-end solutions across ICT value chain

Customer centric focus

- Advance data strategy
- Add IT services in business applications & support management and business process outsourcing
- Operate as stand alone business unit

Offer price and mechanism

- Offer of R9 per BCX share plus BCX to pay a 25 cents per share special dividend
- Scheme meeting Monday June 12, 2006

Conditions precedent

- 75% or more eligible voters
- Court sanctioning
- Competition authorities approving

Cash distribution to shareholders

Free cash flow utilisation

- Dividends
- Share buy backs
- Acquisitions

Policy

- Grow ordinary dividend progressively
- Net debt to equity target between 50% – 70%
- Excess cash paid to shareholders via special dividend or share buy backs

Board Approval of R2 billion share buy back programme

- Tax (STC) efficient
- Ability to manage capital structure more efficiently

Investment case

- Leading position in telecommunication services
- Strong track record
- Strong balance sheet
- A skilled, energetic and experienced management team with many years of experience in telecommunications
- 50% stake in leading South African mobile phone company
- Well positioned to face challenges
- Strong cash flows
- Progressive dividend policy
- Opportunities for increased collaboration with Vodafone
- Pervasive and robust network
- Investing for future growth – IP network and acquisitions

Thank you

Questions and answers