

Telkom SA SOC Limited  
Registration number 1991/005476/30)  
JSE share code: TKG  
JSE bond code: BITEL  
ISIN: ZAE000044897

("Telkom" or "the Group")

### **Market update on Telkom's Restructuring Process**

Shareholders are advised that Telkom has commenced phase one of a two phase restructuring process (the "Restructuring Process"). The Restructuring Process follows the technological shift to fibre, LTE/LTE-A as new sources of revenue, notwithstanding lower margins. This has been compounded by a rapid decline in our traditional high margin fixed voice business, in line with global trends.

Although the multi-year transformation programme has reduced legacy fixed voice revenue contribution to Group revenue from 56% in FY2013 to 22% in FY2019, we have since seen an accelerated decline in fixed voice revenue in the second half of the financial year relative to the first half.

The mobile business sustained its growth trajectory into the second half of the year from a higher base and continued to drive the overall Group revenue growth thus, offsetting the negative impact of the fixed voice revenue. However, the growth in the new revenue streams has not been sufficient to offset the negative impact on Group EBITDA, therefore Group EBITDA continues to be under pressure.

Telkom has issued Section 189 Notices in terms of the Labour Relations Act ("Section 189") to employees and started the process of consultation to restructure the business for future competitiveness. Telkom has also offered voluntary severance and voluntary early retirement packages ("VSPs and VERPs") as an alternative to retrenchments. Telkom initiated the first phase of the process of the VSP, VERP and Section 189 Notices at a total cost of approximately R1.5 billion which will have a negative impact on the FY2020 earnings.

The cash outflow related to the Restructuring Process is expected in the first half of the new financial year. Available cash resources will be used to fund the Restructuring Process. This allows Telkom to remain within the current debt levels.

The above information has not been reviewed nor reported on by Telkom's independent external auditors. Telkom will continue to update shareholders regarding progress on the Restructuring Process.

Notwithstanding the information, this announcement does not constitute a trading statement. The overall impact of the full year financial performance on the earnings per share ("EPS") and headline earnings per share ("HEPS") will be communicated once the board has a reasonable degree of certainty.

### **Centurion**

13 March 2020

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