Telkom SA SOC Limited
(Registration number 1991/005476/06)
JSE share code: TKG
ISIN: ZAE000044897
("Telkom" or the "Group")

Updated trading statement

Shareholders are referred to the trading statement dated 8 April 2013 whereby shareholders were advised that the results to be reported on next would differ by at least 20% from those of the previous corresponding period.

Shareholders are further referred to the updated trading statement released on 5 June 2013 wherein it was announced that the board of directors ("the Board") is considering impairing the carrying value of the assets of the Group and that a further announcement would be released once the Board had reasonable certainty in terms of the range.

Shareholders are accordingly advised that the Board has completed its review and has taken a decision to impair the carrying value of its assets by R12 billion. After the impairment the net asset value ("NAV") per share is cR34.

In its deliberation the Board has given consideration to, *inter alia*, the following factors:

- The considerable period of time that Telkom's shares have been trading at a significantly lower value relative to its NAV.
- The returns from some of the legacy assets of the Group which are below commercial norms as a consequence of technology changes, competition from mobile operators and an evolving regulatory landscape.
- The migration of services from legacy assets to assets that are based on new technologies which will rapidly escalate over the next few years and further reduce the returns from some of the above noted legacy assets.

The impairment charge is a non-cash item and it will not impact the significant cash flow (EBITDA), which the Group generates from its operations. It is akin to an accelerated depreciation charge, which has no impact on Telkom's strong cash position, low indebtedness and ability to fund its capital program from its own resources. Basic earnings

per share from continuing operations however has been adversely impacted by the non-cash impairment charge and is therefore expected to be 2,229cps to 2,343cps lower than the previous corresponding period for the year ended 31 March 2013.

The non-cash impairment charge is excluded from headline earnings per share from continuing operations, which is expected to be between 232cps and 244cps lower than the previous corresponding period. The decline in headline earnings is largely as a result of the cost of voluntary severance packages of approximately R430 million and a provision of approximately R592 million for the Competition Tribunal fines and other legal matters.

The Board is committed to taking the necessary steps to address the major challenges that have impacted the financial performance of the Group in recent years. To this end, the Board aims to strengthen customer relationships, improve operational efficiency and settle the outstanding Competition Commission claims. The Board is also focused on ensuring that the Group's execution plans can deliver an increased return on invested capital. Shareholders will be informed of progress on these matters in due course.

Telkom will release its results for the year ended 31 March 2013 on 14 June 2013. This updated trading statement has neither been reviewed nor reported on by the Group's external auditors.

Pretoria
11 June 2013

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