Business performance
Challenging operating environment

**Macro-economic conditions**
- Limited GDP growth
- Consumers under pressure
- Low business confidence

**Competitive environment**
- Consolidation in the market
- Pricing pressures
- Increasing OTT players

**Regulatory landscape**
- Cost to communicate
- ICT policy & spectrum uncertainty
Resilient business performance

Operating revenue: R20.1 bn
EBITDA margin: 25.9%
Headline earnings per share: 303.9c
Capex to revenue: 19.8%
Interim dividend of: 118.1c
Gearing for growth
Key focus areas

Modernise the network
Commercialise the network
Transforming service delivery
Modernise the network - Fibre

Fibre network of
> 151 000 km
deployed to date

Passed over 2.4 million premises

Fibre to the home
300 506
↑ 107.9%

Fibre to the cabinet
2 123 523
↑ 16.2%
Modernise the network - POTN

National Transport Network
- Core Site
- BNGs
- ME
- ME
- ME
- Aggregation Network
- Enterprise Clients
- Carrier Clients
- FTTH
- FTTC

Local Transport Network
- 100 Gbps Scalable to 1 Tbps
- ME
- ME
- ME
- Central Office

100 Gbps Scalable to 1 Tbps

G.Fast

- Fibre
- FTTdp*
- DP
- Copper

*Fibre to the distribution point
Commercialise the network
Fixed line broadband data consumption

1. Access links

Fibre to the business
- 68,330 end points terminating
- 62.0%

Fibre to the base stations
- 6,183 base stations
- 10.3%

Homes connected
- 73,710
- Connectivity rate of 24.5%

H1 FY2016: 210 Petabytes
H1 FY2017: 290 Petabytes
H1 FY2018: 390 Petabytes

34.7%
Enhanced customer experience

- 5% reduction in re-dispatch rate
- Improved dispatch methodology through fault correlation
- 23% increase in interaction NPS
- Improved customer feedback on each interaction
- ~1,600 technicians utilising digital platforms
- 23% increase in interaction NPS
- Improved performance pays outs
- Improved good jobs resulting in first time right
- Digital ready technicians
Key focus areas

Unified communications
Cloud computing
Big data analytics
Industrial IoT (IIoT)
Cyber Security
Remarkable capabilities

Scale presence

• Unrivalled, converged data, voice and technology solutions, delivered across every part of South Africa

Centres of Excellence

• Over 2 000 software engineers and developers
• Access to a compute, store, retrieve model hosted in 17 km² of datacentres

Unified Communications

• Unique capabilities give BCX the ability to drive a range of Unified Communications Solutions (UCS)
Progress against key focus areas

Cloud Computing
- Virtustream offering live
- SAP HEC “Ready to Deliver” Certification achieved
- Commodity Cloud offering available on BCXCloud.com
- Launched Free Educational portal

Big Data Analytics
- The BCX Insights team has expanded
- Multiple engagements across all sectors
- A proprietary ‘Data as a Service’ platform created
- Explore Data Science Academy

Industrial IoT
- Delivering a wide range of industry leading IoT solutions
- Over 100,000 devices and sensors being managed across multiple technologies and platforms
- Strong growth prospects for devices

Unified Communications
- A new cyber security capability is being built with market launch in 2018
- Planning for a new Security Operations Centre to go live in 2018
- Building a generation of smart “digital warriors”
With customers at the heart of solutions

Customer Relationship Management

• Specialist ‘vertical’ customer engagement teams for all major sectors
• P&L and Service Delivery accountability with customer engagement teams
Telkom
Consumer

Key focus areas
Mobile growth
High speed broadband growth
Content and VAS
Solid execution by mobile business

**Service revenue**

<table>
<thead>
<tr>
<th></th>
<th>H1 FY2016</th>
<th>H1 FY2017</th>
<th>H1 FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rm</td>
<td>1,165</td>
<td>1,594</td>
<td>2,282</td>
</tr>
<tr>
<td><strong>2,500</strong></td>
<td>2,000</td>
<td>1,500</td>
<td>1,000</td>
</tr>
<tr>
<td><strong>2,000</strong></td>
<td>1,500</td>
<td>1,000</td>
<td>500</td>
</tr>
<tr>
<td></td>
<td>1,000</td>
<td>500</td>
<td>0</td>
</tr>
</tbody>
</table>

**EBITDA**

<table>
<thead>
<tr>
<th></th>
<th>H1 FY2016</th>
<th>H1 FY2017</th>
<th>H1 FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rm</td>
<td>-37</td>
<td>214</td>
<td>707</td>
</tr>
<tr>
<td><strong>800</strong></td>
<td>600</td>
<td>400</td>
<td>200</td>
</tr>
<tr>
<td><strong>600</strong></td>
<td>400</td>
<td>200</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>200</td>
<td>100</td>
<td>0</td>
</tr>
</tbody>
</table>

**Subscriber growth (’000)**

<table>
<thead>
<tr>
<th></th>
<th>H1 FY2016</th>
<th>H1 FY2017</th>
<th>H1 FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-paid</td>
<td>2,257</td>
<td>3,212</td>
<td>4,365</td>
</tr>
<tr>
<td>Post-paid</td>
<td>681</td>
<td>975</td>
<td>1,329</td>
</tr>
</tbody>
</table>

**Mobile sites integrated**

<table>
<thead>
<tr>
<th></th>
<th>H1 FY2016</th>
<th>H1 FY2017</th>
<th>H1 FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,549</td>
<td>2,777</td>
<td>3,445</td>
</tr>
</tbody>
</table>

**Business performance**

- Service revenue: 2,282 Rm (43.2% increase)
- EBITDA: 707 Rm (230.4% increase)
- Subscriber growth: 4,365 (35.9%)
- Mobile sites integrated: 3,445 (24.1%)
Broadband strategy paying off

Mobile broadband revenue

<table>
<thead>
<tr>
<th></th>
<th>H1 FY2016</th>
<th>H1 FY2017</th>
<th>H1 FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rm</td>
<td>711</td>
<td>1,018</td>
<td>1,627</td>
</tr>
<tr>
<td>Change</td>
<td></td>
<td></td>
<td>59.8%</td>
</tr>
</tbody>
</table>

Mobile broadband subscribers

<table>
<thead>
<tr>
<th></th>
<th>H1 FY2016</th>
<th>H1 FY2017</th>
<th>H1 FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data only</td>
<td>458</td>
<td>670</td>
<td>788</td>
</tr>
<tr>
<td>Smartphone users</td>
<td>1,117</td>
<td>1,605</td>
<td>2,061</td>
</tr>
<tr>
<td>Total</td>
<td>1,575</td>
<td>2,276</td>
<td>2,849</td>
</tr>
<tr>
<td>Change</td>
<td></td>
<td></td>
<td>25.2%</td>
</tr>
</tbody>
</table>

Home Unlimited Uncapped

- Increase in new-to-franchise customers
- Customers migrating from capped to uncapped products and higher speeds
- Churn stabilisation
- Increase in ARPU
Content contributes to broadband growth

- LIT Music and Video – geared towards higher ARPU mobile subscribers
- LIT Streaming underpinned by Google Android Streaming Box – geared to high-speed fixed broadband subscribers

- # of professional league gamers on the platform increased 4x in the past six months
- Over 150 online gaming competitions on a monthly basis playing on Telkom Broadband Network
- Partnerships with SuperSport, Logitech and Orlando Pirates
- Partnerships to create VS Gaming Hubs

Based on month to month basis
Ongoing improvement to customer experience

**Systems improvements**
- Online self-help for fixed and mobile
- 50% less clicks and screen movements
- V-docs paperless application

**Store initiatives**
- Queue management system implemented
- Customer call back support implemented in top 30 stores

**Call centres initiatives**
- Improved first time resolutions
- Mobile up from 78% to 81%
- Fixed up from 56% to 63%
- 10% reduction in call volumes
Customer experience initiatives bearing fruits

- Telkom Mobile moved from 3rd position to 2nd position
- Telkom ISP moved up two positions to 3rd position

Africa Com

Best innovation in the Broadcast Broadband Connection

- Telkom Mobile moved from the 5th position to 3rd position

MYBROADBAND
TRUSTED IN TECH

- Best Mobile Broadband Provider of the year in the best value for money
Key focus areas

Commercialise the property portfolio
Extract value from excess building capacity
Smart building solutions
Who is Gyro

Mast & Towers

• 6 500 towers across South Africa
• Co-location leases on existing towers and newly built towers

Property Management Services

• >1 400 properties under management
• Integrated Property Management Solution (iCRES)
• Real-estate asset, facilities and lease management

Property Development

• 20 million square metres of land
• 39 Telkom properties for potential development
• To form partnerships with property developers
Progress against key focus areas

**Commercialisation of properties**
- Increased **tenancy ratio** on existing towers by **5%**
- External towers monthly revenue increased **16%***
- Engaged with market to identify development partners
- **Concepts finalised** for first developments

**Extract value from excess building capacity**
- Implementing marketing plan across **22** identified sites
- Principles and processes implemented so partial space can be developed for 3rd party usage
- Approved pipeline of non-strategic properties ready to be put on the market for sale

**Enable smart building solution**
- Identified electricity usage with the purpose of reducing the consumption
- Ongoing initiatives to improve efficiencies

*March 2017 vs September 2017
Key focus areas

Establish e-commerce marketplaces
Expanding Omni-channel offerings
Expand partnership to OTT
Establish e-commerce marketplaces

- **300%** growth in traffic

- **276 300** transactions generated over the past 6 months

- **220%** increase in unique users

- Over **3.1 million** page views

- **Over 10 000** downloads
- Bookings, quotes and invoicing functionality launched
Omni-channel

141,439 quotes sent to business

7,776 appointments sent to business

OTT partnership

8% Growth in Google revenue

1,890 Active Webcards

stratifyd Analytics product launched

5,000 Active customers
Human and social capital
Empowering youth through education, digital skills and entrepreneurship

- **R278 million** invested into FutureMakers
- **+2 500** small business benefitted from FutureMakers
- **IFT** 41 companies employed 430 ex Telkom technicians and 285 unemployed youth

- **>R130 million** Allocated to Education
- **10 700** learners benefited from supplementary teaching

- **WeThinkCode** 2 year training course
- **Data Science Academy**
- **SpliceWorks** 200 digital architecture

- **4 240** teachers trained in ICT

**207** small business benefitted from FutureMakers
Financial overview
Overview

Mobile

Revenue pressures

Continue successful execution of our mobile strategy

Revenues under pressure due to a tough economic environment and increased competition

Cost efficiencies

Continue with our Multi year cost efficiencies programme and reviewing our business portfolios

Prioritised capex deployment

Reprioritised all capital investments with focus on diversifying our revenue base and ensure long term sustainability
## Key financial indicators

<table>
<thead>
<tr>
<th></th>
<th>H1 FY2018</th>
<th>H1 FY2017</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net revenue</td>
<td>20 109</td>
<td>20 237</td>
<td>(0.6)</td>
</tr>
<tr>
<td>Operating expenses (excl. depreciation)</td>
<td>10 819</td>
<td>11 028</td>
<td>1.9</td>
</tr>
<tr>
<td>EBITDA</td>
<td>5 201</td>
<td>5 301</td>
<td>(1.9)</td>
</tr>
<tr>
<td>Capital investments</td>
<td>3 974</td>
<td>3 639</td>
<td>9.2</td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>3 928</td>
<td>4 099</td>
<td>(4.2)</td>
</tr>
<tr>
<td>Headline earnings per share (cents)</td>
<td>303.9</td>
<td>328.2</td>
<td>(7.4)</td>
</tr>
</tbody>
</table>
Impressive growth of future revenue

Mobile service revenue
Rm

<table>
<thead>
<tr>
<th></th>
<th>H1 FY2017</th>
<th>H1 FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 594</td>
<td>2 282</td>
<td></td>
</tr>
</tbody>
</table>

Information technology and other
Rm

<table>
<thead>
<tr>
<th></th>
<th>H1 FY2017</th>
<th>H1 FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 289</td>
<td>6 232</td>
<td></td>
</tr>
</tbody>
</table>

Fixed service revenue
Rm

<table>
<thead>
<tr>
<th></th>
<th>H1 FY2017</th>
<th>H1 FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 354</td>
<td>11 596</td>
<td></td>
</tr>
</tbody>
</table>

Data revenue
Rm

<table>
<thead>
<tr>
<th></th>
<th>H1 FY2017</th>
<th>H1 FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 932</td>
<td>6 507</td>
<td></td>
</tr>
</tbody>
</table>

43.2% increase in Mobile service revenue from H1 FY2017 to H1 FY2018
0.9% decrease in Information technology and other revenue from H1 FY2017 to H1 FY2018
6.1% increase in Fixed service revenue from H1 FY2017 to H1 FY2018
9.7% increase in Data revenue from H1 FY2017 to H1 FY2018
Success of mobile strategy

Net revenue movement
Rm

H1 FY2017 Net revenue: R15,928
Mobile: 760
Other: 61
Cost of sales: (111)
Information technology: (123)
Voice and interconnection: (724)
H1 FY2018 Net revenue: R15,791

Success of mobile strategy: R137 m (0.9%)
Financial overview

Growth in priority areas

**Data lines**

Lines

<table>
<thead>
<tr>
<th></th>
<th>H1 FY2016</th>
<th>H1 FY2017</th>
<th>H1 FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data lines</td>
<td>656 103</td>
<td>693 135</td>
<td>700 417</td>
</tr>
</tbody>
</table>

**Fibre**

Customer lines

<table>
<thead>
<tr>
<th></th>
<th>H1 FY2016</th>
<th>H1 FY2017</th>
<th>H1 FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fibre</td>
<td>2 891</td>
<td>18 614</td>
<td>73 710</td>
</tr>
</tbody>
</table>

**Growth rates**

- **Data lines** 1.1%
- **Fibre** 296.0%
### Growth in priority areas (continued)

#### Metro-Ethernet

**Lines**

<table>
<thead>
<tr>
<th></th>
<th>H1 FY2016</th>
<th>H1 FY2017</th>
<th>H1 FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>11 309</td>
<td>14 470</td>
<td>20 666</td>
</tr>
</tbody>
</table>

#### Broadband traffic volumes

<table>
<thead>
<tr>
<th></th>
<th>H1 FY2016</th>
<th>H1 FY2017</th>
<th>H1 FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>210</td>
<td>290</td>
<td>390</td>
</tr>
</tbody>
</table>

#### Mobile broadband

**Subscribers ‘000**

<table>
<thead>
<tr>
<th></th>
<th>H1 FY2016</th>
<th>H1 FY2017</th>
<th>H1 FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>1 575</td>
<td>2 276</td>
<td>2 849</td>
</tr>
</tbody>
</table>

#### Mobile data traffic volumes

<table>
<thead>
<tr>
<th></th>
<th>H1 FY2016</th>
<th>H1 FY2017</th>
<th>H1 FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>15</td>
<td>34</td>
<td>71</td>
</tr>
</tbody>
</table>

*Note: Growth percentages are calculated as follows: (H1 FY2018 - H1 FY2016) / H1 FY2016.*
Cost efficiencies yielding results

EBITDA movement

Rm

<table>
<thead>
<tr>
<th>Description</th>
<th>H1 FY2017 EBITDA</th>
<th>SG&amp;A</th>
<th>Service fees</th>
<th>Operating leases</th>
<th>Net revenue</th>
<th>Other income</th>
<th>H1 FY2018 EBITDA</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5 301</td>
<td>191</td>
<td>63</td>
<td>(45)</td>
<td></td>
<td>(137)</td>
<td>5 201</td>
</tr>
</tbody>
</table>

H1 FY2018 EBITDA has increased by 1.9% to R100 m.
## Efficient deployment of capital

<table>
<thead>
<tr>
<th></th>
<th>H1 FY2018</th>
<th>H1 FY2017</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fibre</td>
<td>1 177</td>
<td>929</td>
<td>26.7</td>
</tr>
<tr>
<td>Mobile</td>
<td>1 185</td>
<td>758</td>
<td>56.3</td>
</tr>
<tr>
<td>OSS/BSS programme</td>
<td>213</td>
<td>325</td>
<td>(34.5)</td>
</tr>
<tr>
<td>Network rehabilitation/sustainment</td>
<td>145</td>
<td>192</td>
<td>(24.5)</td>
</tr>
<tr>
<td>Service on demand</td>
<td>622</td>
<td>658</td>
<td>(5.5)</td>
</tr>
<tr>
<td>Core network</td>
<td>295</td>
<td>392</td>
<td>(24.7)</td>
</tr>
</tbody>
</table>
## Financial overview

### Strong cash position – Platform to support growth

<table>
<thead>
<tr>
<th></th>
<th>H1 FY2018</th>
<th>H1 FY2017</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash sources</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening cash balance</td>
<td>1 519</td>
<td>2 542</td>
<td>(40.2)</td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>3 011</td>
<td>3 266</td>
<td>(7.8)</td>
</tr>
<tr>
<td>Net loans raised</td>
<td>2 436</td>
<td>-</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Significant cash applications</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash paid on capital expenditure</td>
<td>(3 974)</td>
<td>(3 547)</td>
<td>(12.0)</td>
</tr>
<tr>
<td>Dividend paid</td>
<td>(1 494)</td>
<td>(1 447)</td>
<td>(3.2)</td>
</tr>
<tr>
<td><strong>Cash at the end of the period</strong></td>
<td>1 343</td>
<td>1 821</td>
<td>(26.2)</td>
</tr>
<tr>
<td>Discretionary investments</td>
<td>2 634</td>
<td>2 496</td>
<td>5.5</td>
</tr>
</tbody>
</table>
## Guidance

<table>
<thead>
<tr>
<th></th>
<th>FY2018 guidance</th>
<th>H1 FY2018 Actual</th>
<th>FY2018 Revised guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenue</td>
<td>Mid-single digits</td>
<td>(0.6%)</td>
<td>Flat</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>23% - 25%</td>
<td>25.9%</td>
<td>23% - 25%</td>
</tr>
<tr>
<td>Capex to revenue</td>
<td>17% - 20%</td>
<td>19.8%</td>
<td>17% - 20%</td>
</tr>
<tr>
<td>Net debt to EBITDA</td>
<td>≤ 1</td>
<td>0.7</td>
<td>≤ 1</td>
</tr>
</tbody>
</table>

Interim dividend of 118 cents per share

Telkom
Outlook
Response to challenges

**Macro economic conditions**
- Weak economic environment
- Currency volatility
- Consumer under pressure
- Exercise discipline on costs
- Hedge foreign currency exposure at inception
- Offer value for money products – uncapped and unlimited

**Competitive landscape**
- Pricing pressures
- Increasing OTT players
- Innovative value for money offerings and using price as a weapon to gain market share
- Partnerships with OTT players i.e. content offerings

**Regulatory environment**
- Cost to communicate
- Spectrum and ICT policy uncertainty
- Hybrid - to bid in an event of desired spectrum auction and ensure WOAN construct is favourable
- Actively participating in the enquires by CC and ICASA while voluntarily bringing down prices
Prioritising strategic initiatives

**Business portfolio review**
- **BCX** initiated in the period under review
  - identify core and non-core assets
  - classification of certain BCX investment in associates and joint ventures held for sale

**Legacy review**
- **Openserve** review network technology for
  - upgrading and decommissioning
  - using alternate technology

**Product portfolio review**
- **Consumer** review product portfolio
  - discontinuing legacy products
  - focus on new product suite i.e. FreeMe, Unlimited Homes and Smart broadband
Strategic focus areas for each business unit

OpenServe
• Modernise the network
• Commercialise the network
• Transforming service delivery

Telkom
• Mobile growth through data-led propositions
• High speed broadband
• Content and VAS

BCX
• Unified communications
• Cloud computing
• Big data analytics
• Industrial IOT
• Cyber Security

Trudon
• Expanding Omni-channel offerings
• Establish eCommerce marketplace
• Expand partnership to OTT

Gyro
• Commercialise the property portfolio
• Extract value from excess building capacity
• Enable smart building solutions
Thank you
Questions

Tomorrow starts today