

4 August 2015

Telkom and BCX welcome competition tribunal's decision



Telkom and Business Connexion (BCX) today welcomed the Competition Tribunal's decision to approve the transaction between the two companies. Telkom is acquiring the entire issued share capital of BCX, which will then delist from the JSE.

Telkom's turnaround strategy to improve performance and to reposition the company for sustainable growth has, as a key component, focused on the growth and enhancement of Telkom's ICT service offering to its customers.

"We are very pleased that the Competition Tribunal has approved this acquisition, which will benefit both Telkom and BCX customers," said Siphon Maseko, Telkom Group Chief Executive Officer. "As a result of this transaction, Telkom will be able to grow beyond its core business of connectivity by expanding into ICT services, while reinforcing our connectivity offering and enhancing Telkom's convergence strategy."

Maseko said the proposed transaction will leverage Telkom's expertise to further address the technology and telecommunications requirements of clients in South Africa and elsewhere in Africa.

"BCX has very strong capabilities in managed IT Infrastructure, including data centres, cloud based services and application development," said Isaac Mophatlane, Business Connexion Group Chief Executive Officer. "The merger will enable Telkom to expand its existing offerings while, at the same time, providing scale in IT services, which will help reinforce Telkom's core connectivity business and enhance Telkom's convergence strategy."

Commenting on the way forward, Mophatlane said he believes that the merger will improve the customer value propositions of both companies through a greater ability to provide integrated end-to-end ICT solutions and a more global and competitive offering, particularly on the African continent and beyond.

Maseko reiterated Telkom's commitment to Business Connexion as a long-term investor. Telkom has a strong commitment to social development and ongoing transformation goals, including broad-based BEE and the ICT Charter. Telkom regards ICT services as a key enabler for economic growth.

BCX is one of the largest ICT services providers listed on the JSE when measured in terms of turnover, total assets and staff complement. The company employs more than 6,700 people on the African continent with offices in various African countries, the United Kingdom and Dubai and generates revenue in excess of R6 billion per annum.

Final approval will now be sought from the Takeover Regulations Panel and the JSE.

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ABOUT TELKOM:

Telkom is a leading communications services provider in South Africa. We had consolidated operating revenue from continuing operations of R31.7 billion and profit after tax from continuing operations of R2,889 million for the year ended 31 March 2015. Total assets amounted to R42.0 billion and equity attributable to the owners of Telkom to R25.7 billion as of 31 March 2015. The group generated free cash flow of R3.9 billion for the year ended 31 March 2015.

As of 31 March 2015, we had approximately 3.4 million telephone access lines in service and 964,196 ports connected via MSAN access. We offer business, residential and payphone customers a wide range of services and products, including:

- fixed-line retail voice services using PSTN (Public Switched Telephone Network) lines, including ISDN (Integrated Services Digital Network) lines, and the sale of subscription based value-added voice services and calling plans;
- fixed-line customer premises equipment rental and sales services both voice and data needs and these include PABX, Computers, Routers, Modems, Telephone handsets and other ancillary equipment;
- interconnection services, including terminating and transiting traffic from South African mobile operators, as well as from international operators and transiting traffic from mobile to international destinations;
- fixed-line data services, including domestic and international data transmission services, such as point-to-point leased lines, ADSL (Asymmetrical Digital Subscriber Line) services, packet-based services, managed data networking services and internet access and related information technology services;
- Data Centre Operations includes e-commerce, application service provider, hosting, data storage, e-mail and security services;
- W-CDMA (Wideband Code Division Multiple Access), a 3G next generation network, including fixed voice services, data services and nomadic voice services;
- mobile communication services, including voice services, data services and handset sales through our mobile navbar-brand called Telkom Mobile;

- information and communication services including cloud services, infrastructure services, workspace services, global service integration management and hardware and network equipment sales locally, in seven African countries, the UK and Dubai through Business Connexion Group; and
- other services including directory services, through Trudon (Pty) Ltd, wireless data services, through Swiftnet (Pty) Ltd.

Convergence is one of our key strategic initiatives in building a sustainable future for Telkom. We will lead the provision of converged services in South Africa in support of our mission statement: Seamlessly connecting people to a better life.