

16 February 2015

## Telkom announces next steps in organisational restructure.

Telkom today announced its next steps to unlock further cost efficiencies within four areas of the business, namely, certain Telkom's Direct Stores, Call Centres, IT Legacy Systems and internal printing and Supply Chain and Properties.

When Telkom initially embarked on its turnaround strategy, the Company stated that it would look at alternatives, such as joint ventures, to ensure that job losses would be avoided and only used as a very final course of action. To this end, Telkom has completed a stringent procurement process and has identified external companies to undertake call centre operations, the management of IT legacy systems, a company to undertake the management of Telkom warehouses in the Supply Chain area of the business, as well as a company to take over internal printing activities.

A Section 197 process has been initiated for staff impacted in these areas of the business. These affected employees will be transferred to their new employers in the coming months.

Telkom is committed to a fair, objective and transparent process. The process will be consultative. A meeting with Organised Labour took place this morning. The official consultation process will begin on Friday this week, with more consultations to following over the coming weeks. Affected staff have also been informed.

Telkom has conducted detailed analyses of the viability of all the Telkom Direct Stores. The research has shown that it is, unfortunately, no longer viable to continue running some of the company's 95 stores. It is clear that significant cost efficiencies can be realised, by closing down these unviable stores.

These affected employees have today been notified of the decision and, in terms of the Labour Relations Act, have been issued with Section 189 Notices. Telkom will explore every option to place the affected employees impacted by this process in other areas of the business. Should such attempts be unsuccessful, some of the affected employees may unfortunately be retrenched.

Telkom's restructuring process is an imperative for the survival of the business and to secure the long term and sustainable growth of the company. The intention is to build the right organisation for the future by improving the business performance and unlocking efficiencies.

Telkom maintains its commitment to conduct this difficult process with respect to both the letter and the spirit of South Africa's labour laws.

Earlier today, during Telkom's meeting with Organised Labour, Solidarity issued a statement claiming Telkom will be restructuring the "Field Force" impacting up to 10 000 people. This is not a correct reflection of the day's discussions. Today's meeting, which will be followed with the initiation of the formal consultation process, pertains only to the call centre, IT legacy systems, supply chain warehousing and the affected Telkom stores. The Telkom Field Force is currently not part of the discussions with Organised Labour.

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### **ABOUT TELKOM:**

Telkom is a leading communications services provider in South Africa. We had consolidated operating revenue of R16.8 billion and normalised profit after tax of R1, 683 million for the period ended 30 September 2015. Total assets amounted to R41.9 billion and equity attributable to the owners of Telkom to R23.5 billion as of 30 September 2015. The group generated normalised free cash flow of R1.4 billion for the period ended 30 September 2015.

As of 30 September 2015, we had approximately 3.3 million telephone access lines in service and 1,030,441 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.