

19 June 2015

Telkom update on consultation process with organised labour

Telkom announced that organised labour today have declared a formal dispute with Telkom, as a consequence of the latest round of talks regarding the proposed Telkom 2.0 restructure affecting primarily the Wholesale & Networks and Centre for Learning environments.

Telkom has undertaken a number of engagements with organised labour, following the Restructuring Forum of 9 June 2015, where Telkom's leadership shared the company's plans for functional restructuring. Telkom has sought to collaborate with unions through the setting up of working groups, to explore additional potential options to mitigate the expected staff impact within the Telkom Wholesale business and other affected areas.

As a result of the restructuring, Telkom has approached organised labour with options for voluntary severance packages (VSPs) and voluntary early retirement packages (VERPs). Telkom is also intending to outsource some skills to other companies, thereby avoiding job losses. Telkom will also make use of its R100 million FutureMakers enterprise and supplier development fund to establish businesses with outgoing Telkom staff, whom would then be well-placed to contract their services back to both Telkom, as well as other companies.

Despite a number of meetings over the past two weeks, Telkom and the Communication Workers Union, Solidarity and South Africa Communications Union have been unable to reach agreement on a process to progress this critical next step in Telkom's multi-year turnaround programme, and organised labour have declined to accept the offer of opening VSPs & VERPs across the impacted areas of the business.

For this reason, engagements have been halted and Telkom will be approaching the Centre for Conciliation, Mediation and Arbitration (CCMA) to facilitate further engagements. The progression to the CCMA implies a formal, facilitated consultation process in accordance with the Labour Relations Act. As a consequence, thus Telkom will be proceeding with the issuing of a Section 189 notices for the areas affected by the Telkom 2.0 turnaround programme.

"We are disappointed that all parties involved have not been able to make meaningful progress with the discussions. We had hoped to further interrogate the options we have put on the table, to mitigate the impact these changes will have on many of our people but with discussions stalled, we believe the involvement of the CCMA is the correct and necessary next step", said Jacqui O'Sullivan, Telkom managing executive of group communication.

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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.