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Telkom Mobile Revenue and cost efficiencies Spurs Half-Year Earnings

Telkom SA SOC Limited today published its interim results for the six months ended 30 September 2015. **Key highlights** are:

- EBITDA, excluding the one-off items, improved 15.1% to R5.0 billion
- Headline earnings per share, excluding the one-off items, increased 13.9% to 280.6 cents
- Mobile service and subscription revenue increased 41% to R1.2 billion
- Mobile data revenue increased 69% to R711 million
- Operating expenses, excluding depreciation, decreased 2.3% to R9.0 billion

During the period under review, Telkom continued with its efforts to transform the company and stabilise revenue. Operating revenue increased by 5.5 percent compared to the same period last year, spurred on by the continuing growth in the mobile business. Mobile service and subscription revenue increased by 41 percent, which included excellent growth in mobile data revenue of 69 percent.

“We are pleased with the improved performance of our mobile business and our multiyear cost efficiency program and will continue with these initiatives to bring about further improvements,” said Telkom GCEO Siphso Maseko.

During the period, competition increased substantially while the economy remained soft. Fixed line usage continues to decline, with fixed voice revenue decreasing by about 3 percent compared to the same period one year ago. Data connectivity dropped by more than 5 percent compared to the same period one year ago, impacted by competitors’ self-provisioning of infrastructure and the intentional migration of customers from leased lines to next generation service offerings. Excluding revenue from leased lines, fixed data revenue is up more than 4 percent. Telkom also achieved good growth in the consumer business with revenue from ADSL growing in excess of 5 percent.

“The challenges of intense competition, the soft economy and the evolutionary nature of the industry we find ourselves in will remain. As a result, the ongoing transformation of our business, from both a revenue and cost efficiency perspective, remains our key focus,” said Maseko.

Telkom has continued to focus on customer experience and value-added services. We have obtained a financial services provider licence and have already introduced funeral cover. Prepaid customers now receive loyalty funeral cover valued at R10 000 at no additional cost. This gives customers real value in an increasingly constrained retail environment.

Our redesigned wholesale division, Openserve, was launched to strengthen customer focus through a more flexible and agile operating model. With this, we will be accelerating the modernisation of our access network and we will be spending a minimum of R10bn on FTTH. Openserve’s goal is to give one million homes access to Telkom fibre by 2018.

Openserve is the first step in our aspiration to implement a more flexible and agile operating model. We are now in the process of aligning our workforce within this new structure, in order to ensure we have the correct culture, skills, processes and systems that will enable Telkom to thrive.

We continued to invest and transform our technology platforms and systems to support our new business operating models and deliver a superior customer experience.

Our debt levels increased during the period as a result of significant cash outflows and an increase in capital expenditure. Even with that though, we remain very lowly geared as a Company. The cash outflows included:

- purchase of Business Connexion Group (BCX) for R2.7 billion;
- payment of a R1.3 billion dividend;
- repayment of our maturing TL15 bond of R1.16 billion;
- payment of voluntary early retirement and severance packages of R1.5 billion.

Capital expenditure rose by 20 percent or R2.3 billion compared to the same period one year ago. These funds went towards the expansion of Telkom’s mobile, fibre and LTE networks. Funding for fibre to the home has been intensified to maintain competitive advantage and retain existing customers.

“Although challenges remain, we are confident that our turnaround strategy and other growth initiatives will deliver the results we have been working towards. We have a number of exciting ventures planned, which aim to make Telkom a very different business over the coming years,” concluded Maseko.

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