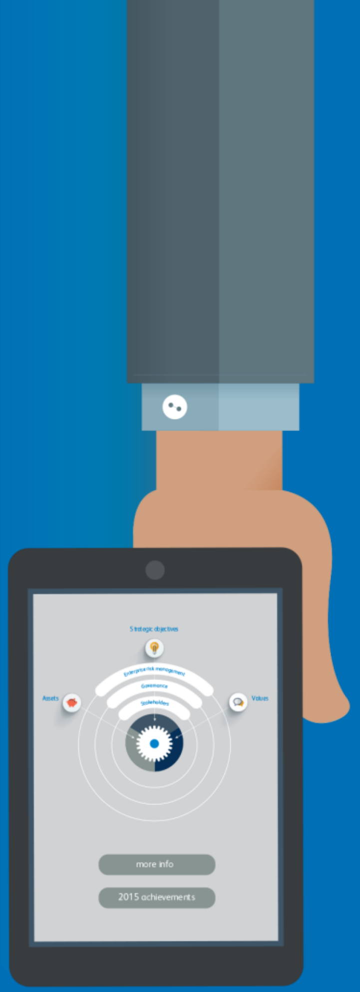
Group Annual Results

For the year ended
31 March 2015



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Overview

Sipho Maseko:
Group Chief Executive Officer

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FY 15 Highlights

Achievements

Total dividend of
245cps

Net revenue up
3.1%
to R26 billion

Operating costs decreased
5.2%
in real terms

Free cash flow generated, increased significantly to
R3,9 billion

Group net debt decreased
92.8%
to R151 million

EBITDA, excluding one-off items, improved
15.1%
to R9 billion

Margin of
28.3%

* Excluding retrenchment expenses, VSPs/VERPs, PRML curtailment and related tax

FY 15 Highlights

Challenges

Fixed-line voice and interconnection revenue decreased
11.9%
to R8,3 billion

Fixed voice usage revenue declined by
13.5%

Increased Competition

Leased lines revenue declined by
22.0%

* Excluding retrenchment expenses, VSPs/VERPs, PRML curtailment and related tax

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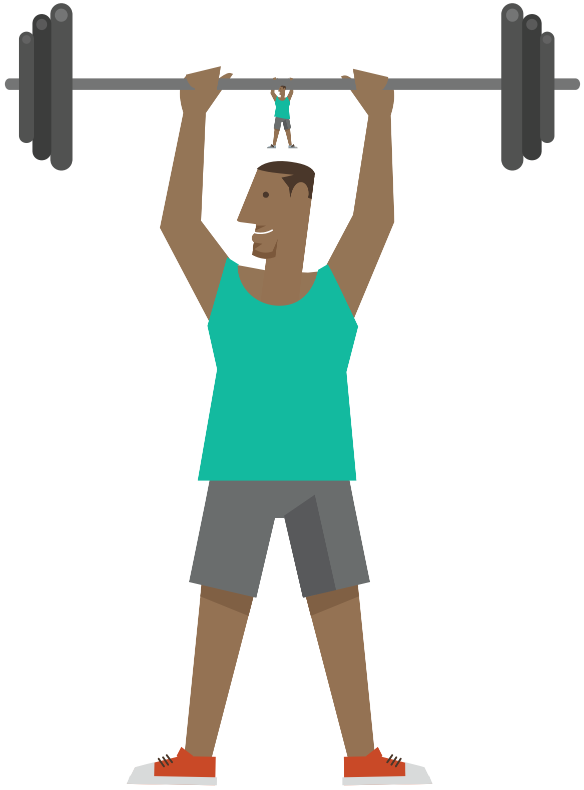
Our multi-year strategy is on track

- The leadership team is stable and in place
- Mobile has been de-risked
- Customer experience improvement gaining traction
- Sustainable multi-year cost efficiency programme
- Exiting our non-core activities
- Re-instated the dividend



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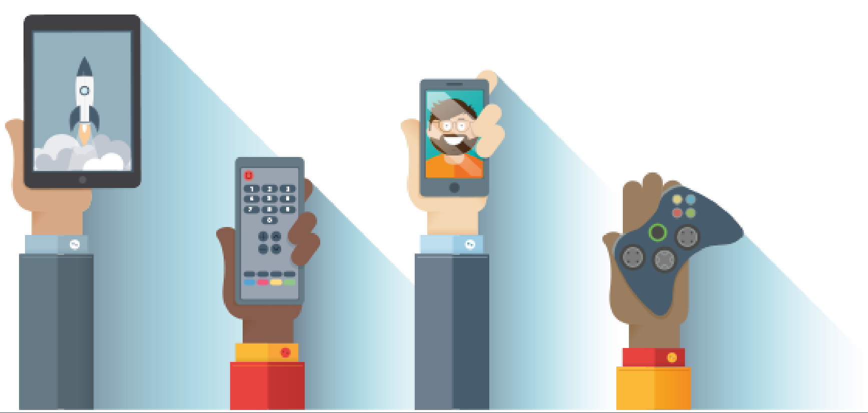
Regaining our customer's trust

- Good progress in Customer Experience rating (NPS)

Winner of the MyBroadband Fixed and Mobile broadband provider of choice

- Brand Reputation has shown significant improvement
- Improved Ask Afrika Orange Index rating for service
- Our TV adverts are on the Millward Brown Best Liked Ads in South Africa
- Encouraging take up of new proposition- Smarthome and DSTV Explora



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Business Performance

Sipho Maseko:
Group Chief Executive Officer

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Consumer

We have de-risked Mobile

All metrics in Mobile continue to show robust improvements

- Mobile EBITDA improved by 48.7%
- Mobile data revenue increased 50.6% to R988 million
- Active Mobile subscribers increased 21.2% to over 2 million – blended ARPU R75.05
- Minutes of use increased 79%
- Data usage grew 70%

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Fixed Consumer gaining traction

Enhanced value propositions bring about improvements in fixed business

- Residential DSL subscribers increased 7.4%
- Growth in fixed line data revenues
- Net revenue increased by 12%
- Internet subscribers grew by 9%
- Smarthome converged offers to drive data usage i.e. smart devices, mobility and video (DStv Explora)

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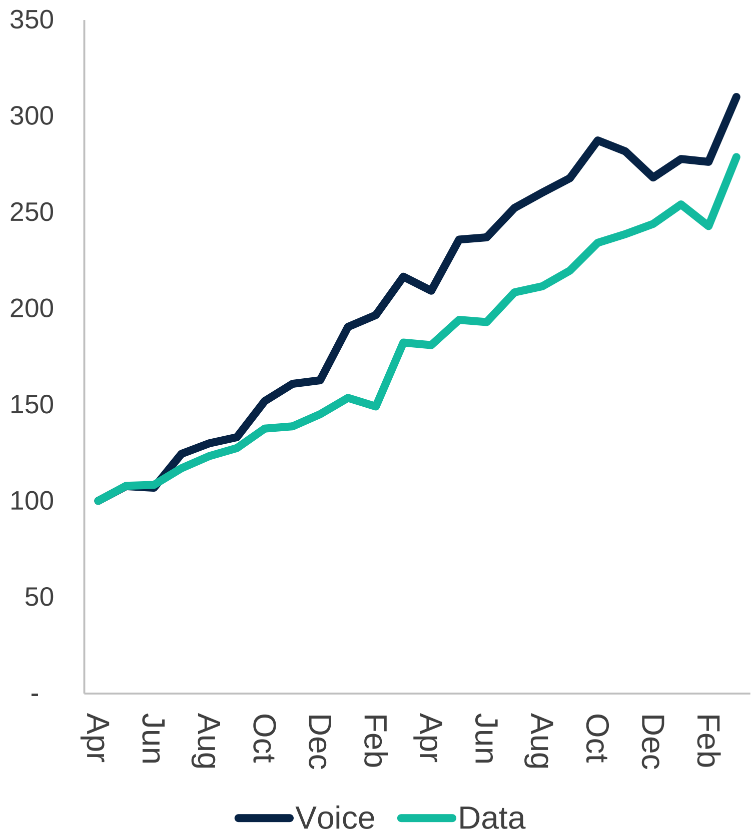
Well positioned for new customer trends

Mobile voice & data traffic orders



- More than 21% of Prepaid mobile customers prefer integrated data products
- Customers moving from 3G to LTE use on average 36% more data
- Customers with both mobile and fixed services increased 101% over the year

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Relevance of true convergence

Convergence inevitable to provide competitive service offering

- Mitigates voice usage deterioration
- Offers bundled and bespoke solutions
- Leverage off shared resources
  - Call centre
  - Direct stores
  - End-to-end solutions on one network
- One seamless retail offering for our customers

Business

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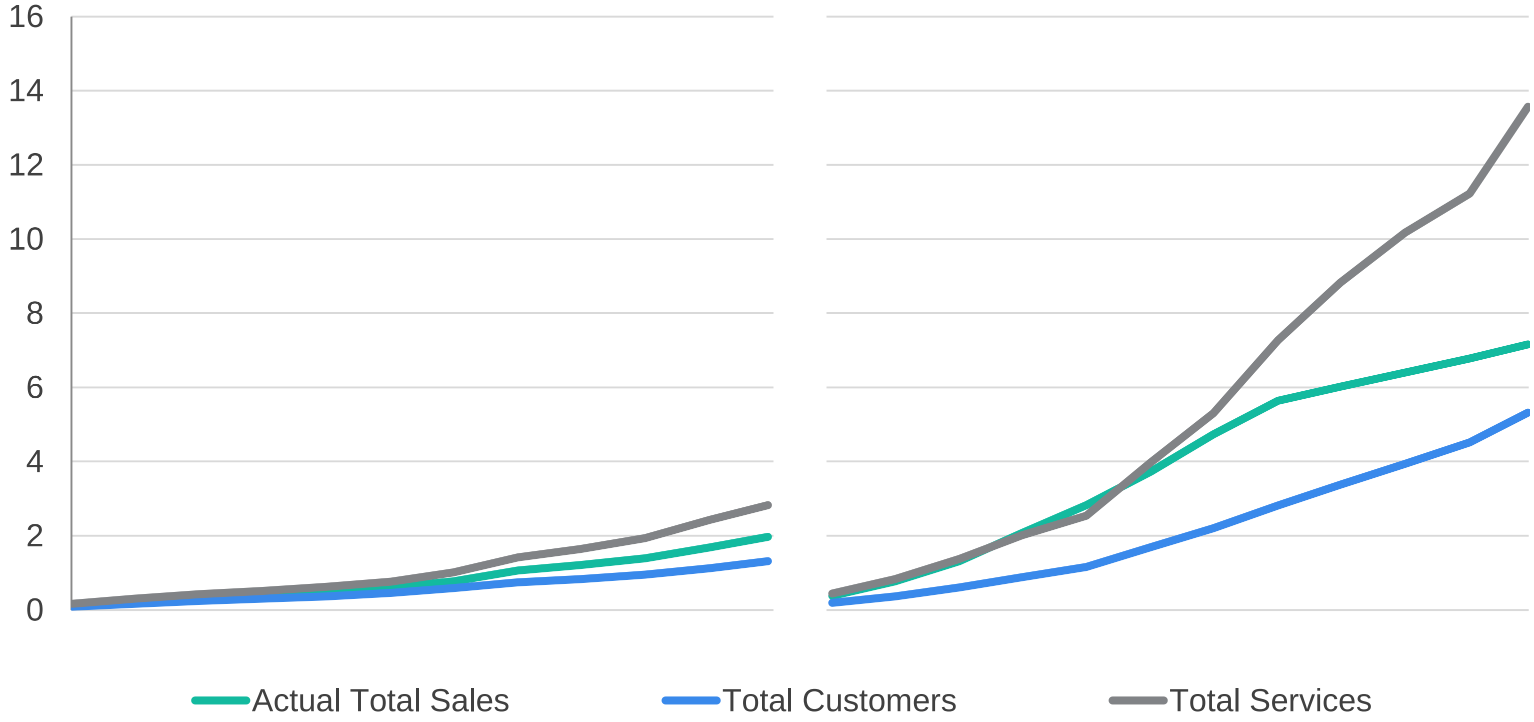
Business revenue slowdown

Slowdown in data connectivity revenues, with a marked decline in voice usage

- Data connectivity revenues R81 million lower
- Metro-Ethernet revenues increased 39.8%
- Managed data network services revenue increased 13.8% to R1 046 million
- Business IT services revenue increased 82.4% to R633 million
- Converged Solution revenues increased by 650% off a low base

Business Convergence KPIs

Cumulative performance 2014 vs 2015



Thousands

Strengthening the core

Awaiting the outcome of the Competition Tribunal on the BCX transaction

- The deal with BCX will support growth by expanding our business into ICT services
- Once approved by Competition Tribunal, integration will be swift
- Maintain BCX as a separate operational entity within Telkom
- Significant opportunity to leverage off the respective client base
- BCX skills and certifications are aligned to Telkom's strategy for future growth

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Wholesale & Networks

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Wholesale & Networks

Continued self-provisioning put leased line revenues under pressure

- Revenue from leased line facilities declined 22.0%
- Increased competition in fibre products and offerings
- Good traction with FTTH
- Wholesale unit price reductions of up to 63% across our product range:
  - Including Wholesale Fibre Broadband Access, IP Connect, Resell DSL, Metro Ethernet and SAIX dedicated access offerings
- 1 005 286 connected broadband customers: Group ADSL subscribers increased 7.9%

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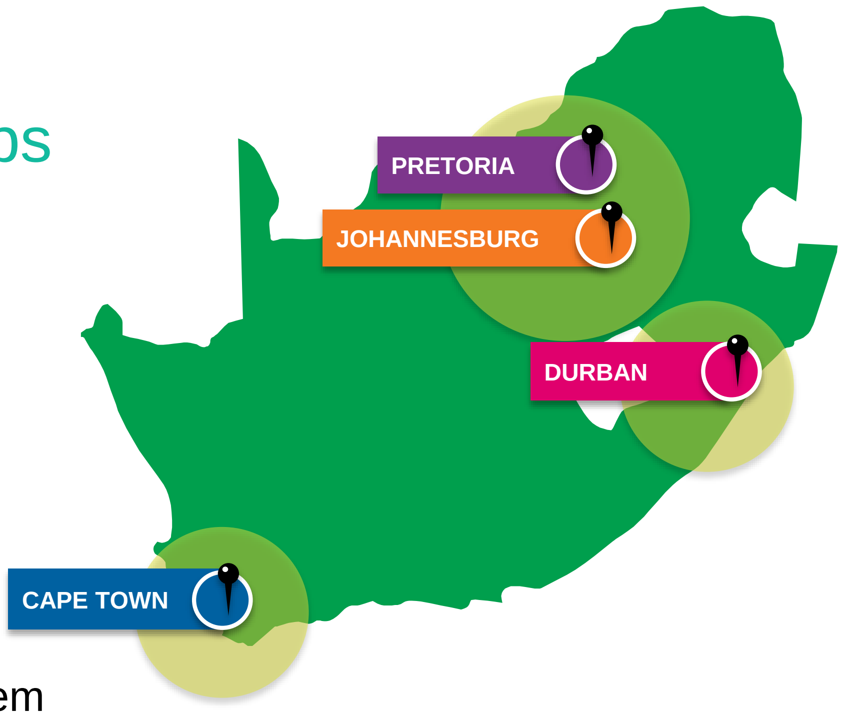
Increased broadband penetration

- **20Mbps, 40Mbps** and **100Mbps** Wholesale fibre broadband access in selected areas
- First to market in terms of LTE-A roll out
- Ports activated via **MSAN** access grew **103%**
- Contributed to the **upgrade** of the SAT-3/WASC/SAFE submarine cable system



964 196	1 030 519	1 317	6 100
active ports[1]	homes passed[1]	LTE sites integrated[1]	WiFi hotspots[1]

[1] As at 31 March 2015

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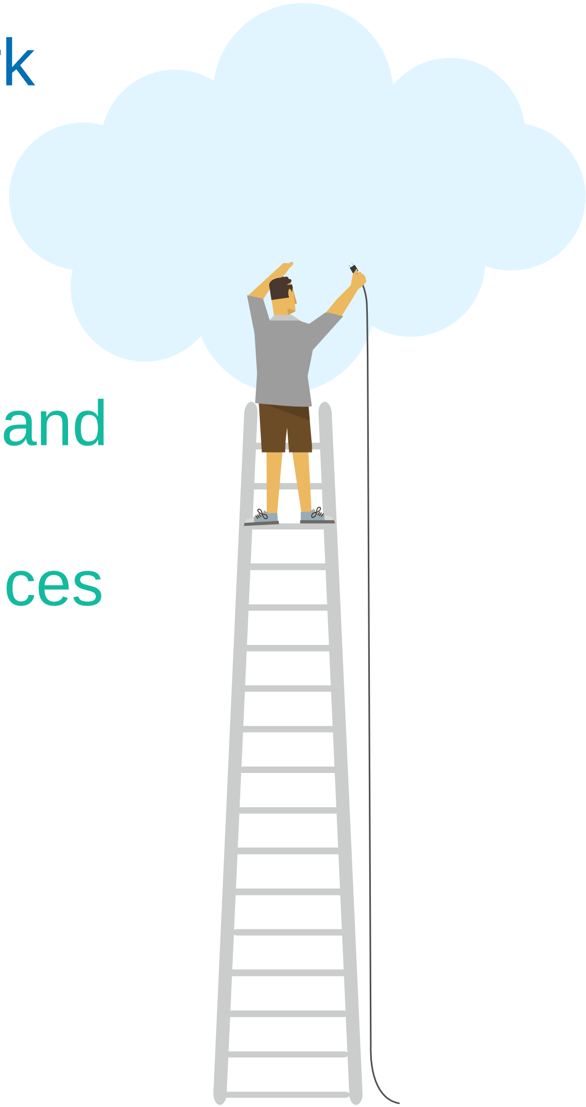
Driving higher utilisation of the network

Building a more efficient network

- Competitive pricing to stimulate demand
- Build portfolio of value-added services
- Optimise the network
- Increase speeds and capability



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Financial Overview

Deon Fredericks:
Chief Financial Officer

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Normalised earnings

	F2015	F2014
Profit for the year	2 889	3 590
Profit on PRML	-	(2 169)
VERP/VSP and retrenchment	591	-
Tax on VERP/VSP and retrenchment expenses	(165)	-
Tax benefit on PRML	(546)	(246)
Normalised Profit	2 769	1 175
Normalised HEPS	532.5	332.9

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Financial highlights

Revenues have continued to stabilise in a tough operating environment

- EBITDA increased 15.1% - Margin of 28.3%
- Operating costs decreased 1.2% in nominal terms
  - Staff efficiency program
  - Benefits of PRML
  - Effective marketing spend
  - Lower business transformation cost
- Resolved tax matters resulting in lower effective rate
- Strong cash flows

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FY15 Results

	March Rm		
	2015	2014	%
Operating revenue	31 675	31 288	1.2 ↑
Net revenue	25 958	25 167	3.1 ↑
Operating expenses	17 679	17 900	1.2 ↓
EBITDA	8 978	7 798	15.1 ↑
Depreciation and impairments	5 478	5 891	7.0 ↓
Capital investments	5 164	6 413	19.5 ↓
Free cash flow	3 898	1 145	240.4 ↑
Normalised headline earnings per share (cps)	532,5	332,9	60.0 ↑

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Quality of earnings

	March Rm 2015	2014	%
Profit for the year	**2 889**	**3 590**	**19.5** ↓
Net FTR/MTR impact after tax	(522)	(244)	113.9 ↑
Gain on sale of assets	(257)	(77)	233.8 ↑
Severance package costs	591	-	-
Asset impairment	-	392	-
Profit of the sinking fund	(221)	(344)	35.8 ↓
Curtailment gain on PRML	-	(2 169)	-
Tax benefit of PRML payment to insurer	(546)	(246)	122.0 ↑
Reversal of provision for legal dispute	(121)	-	-
Tax on retrenchment cost	(165)	-	-
Deferred tax asset	(250)	-	-
Reversal of prior year tax provisions	(337)	224	250.4 ↑
Adjusted profit for the year	**1 061**	**1 126**	**5.8** ↓

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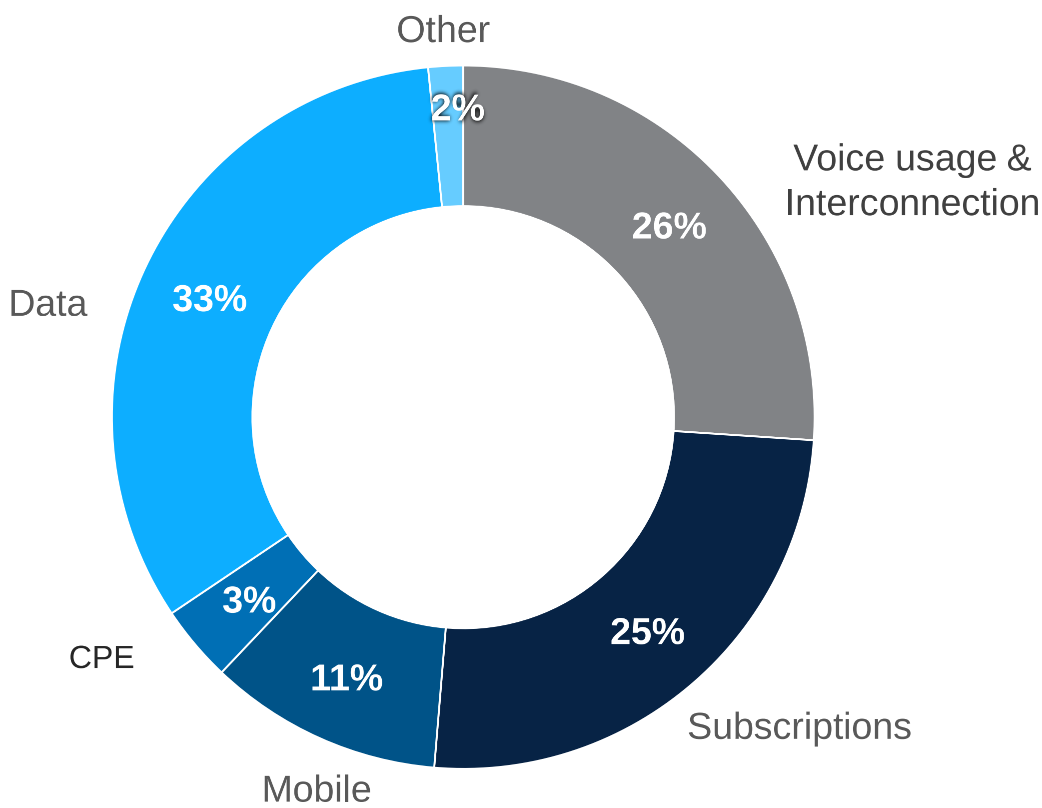
De-risking the Business: Growth in Mobile & Data, stabilisation of voice rentals

Contribution to group revenue (%)



Revenue at risk declined

Contributes 26% (2014: 30%) of Group revenue

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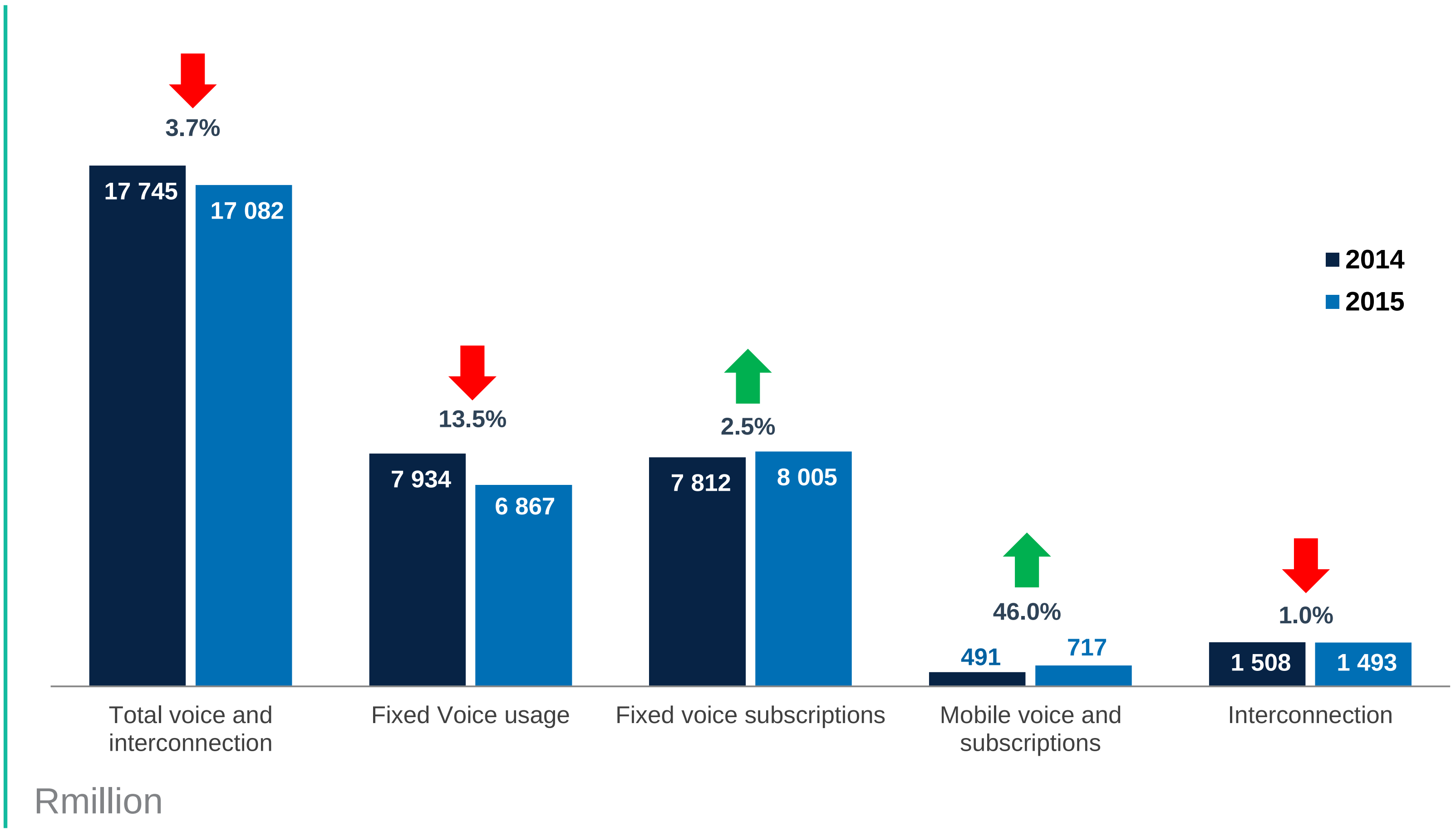
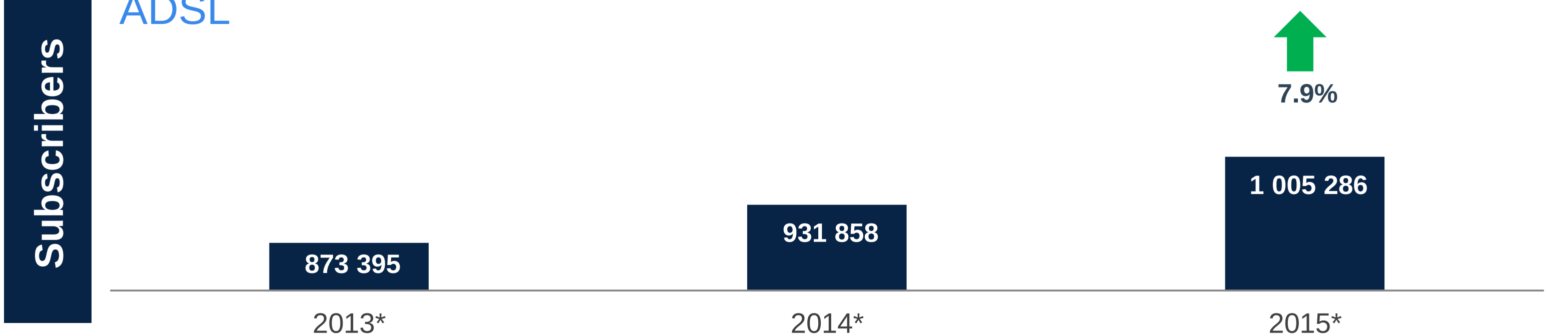
Fixed voice usage continued to decline



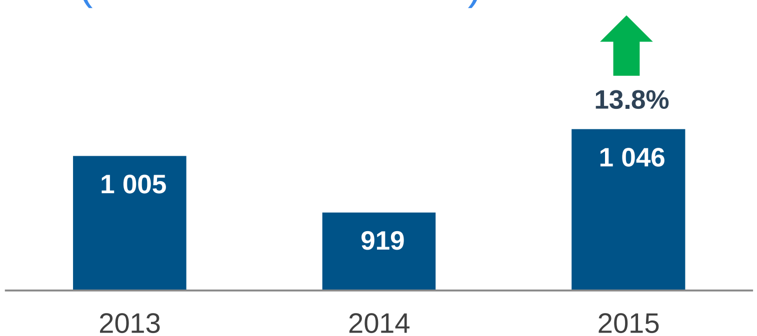
Data volumes improved

ADSL

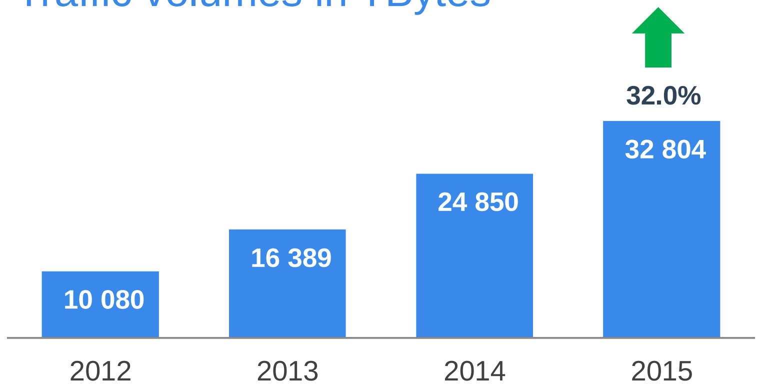


* Restated to include internal lines

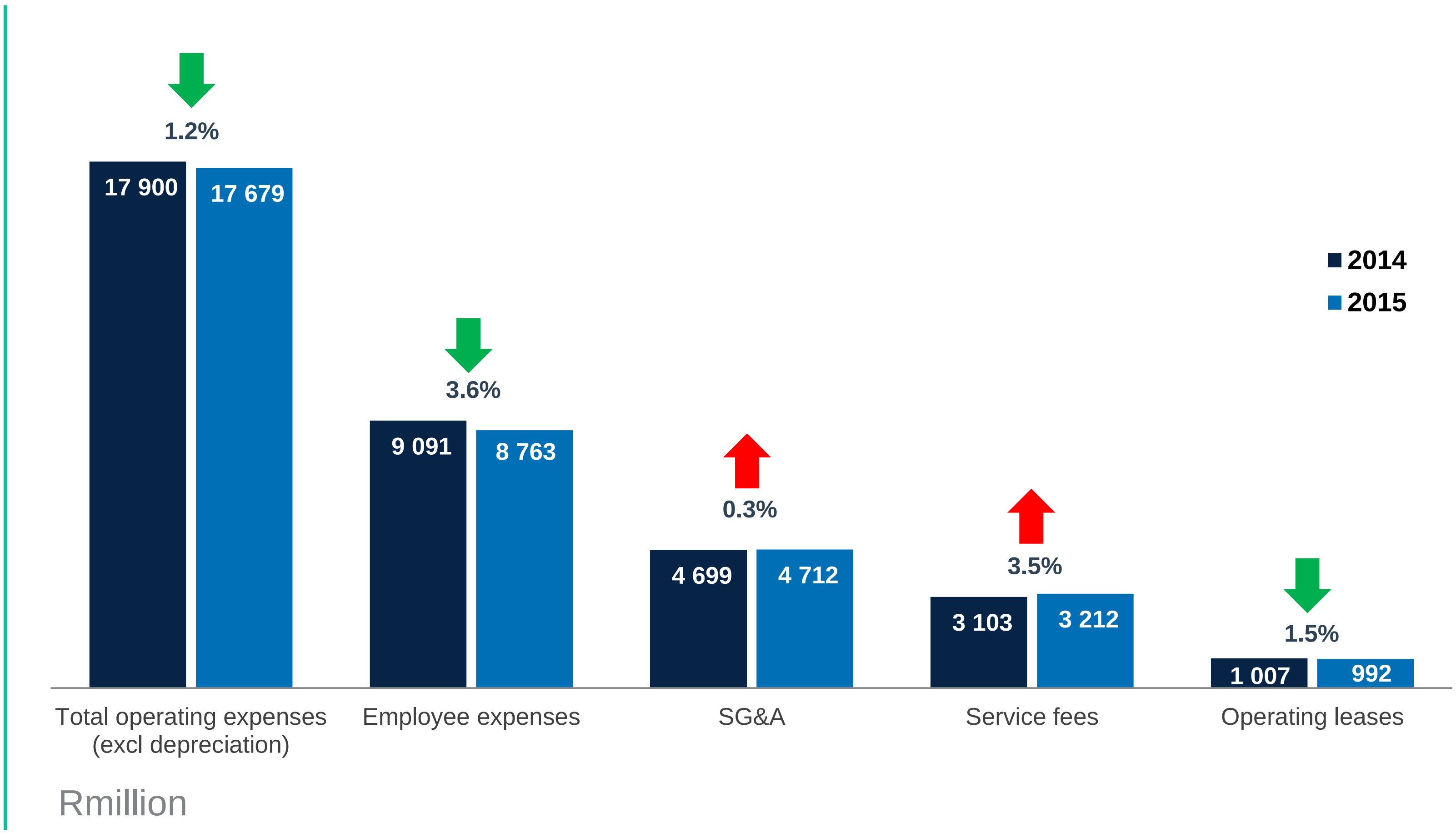
Managed data network sites (revenue in R million)



Traffic volumes in TBytes



Continued focus on costs



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Commercially driven approach to capital expenditure

	Rm		
	2015	2014	%
Total capital expenditure	5 164	6 566	21.4 ↓
Group capital expenditure excl mobile	4 683	5 198	9.9 ↓
Converting access network in IP (NGN)	1 504	2 439	38.3 ↓
Maintaining/enhancing existing telecoms and IT networks	3 179	2 759	15.2 ↑
Mobile	481	1 368	64.8 ↓

Capex normalised in the second half

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Normalised cash flow from operations

	Rm 2015	Rm 2014	%
Cash flow from operating activities	6 347	6 490	2.2 ↓
Competition Commission payments	291	291	-
Package cost paid	325	710	54.2 ↓
Payment to insurer of PRML	1 950	878	122.1 ↑
Tax refund received	-	(854)	-
Normalised cash flow from operations	8 913	7 515	18.6 ↑
Normalised free cash flow	3 898	1 145	240.4 ↑
Cash at end of year	3 615	1 841	96.4 ↑
Discretionary investments	3 502	3 016	16.1 ↑

We remain lowly geared with a net debt to EBITDA of 0.02x

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Performance against guidance

	Guided	Achieved
Net Revenue	Stabilise to grow	+3.1% ✓
EBITDA margin	26%-27%	26.5%* ✓
Capex to Revenue	14%-17%	16.3% ✓
Net Debt to EBITDA	≤ 1	0.02 ✓

* Including VSPs/VERPs and retrenchment cost of R591 million

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FY2016 Guidance

The guidance excludes the impact of the conclusion of the MTN and BCX transactions

	F2015 A	F2016
Net Revenue	+3.1%	Stabilise
EBITDA margin	26.5%*	26%-27%
Capex to Revenue	16.3%	15%-18%
Net Debt to EBITDA	0.02	≤ 1
Mobile EBITDA	(R684m)	Break-even

* Including VSPs/VERPs and retrenchment cost of R591 million
The above have not been reviewed or reported on by the external auditors of the Company

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Reinstating the dividend

Our dividend policy:

- Dividends are considered on an annual basis based on the financial performance of the Group, operating environment, growth opportunities, as well as debt and cash flow levels.
- The total dividend for the year is **245cps**

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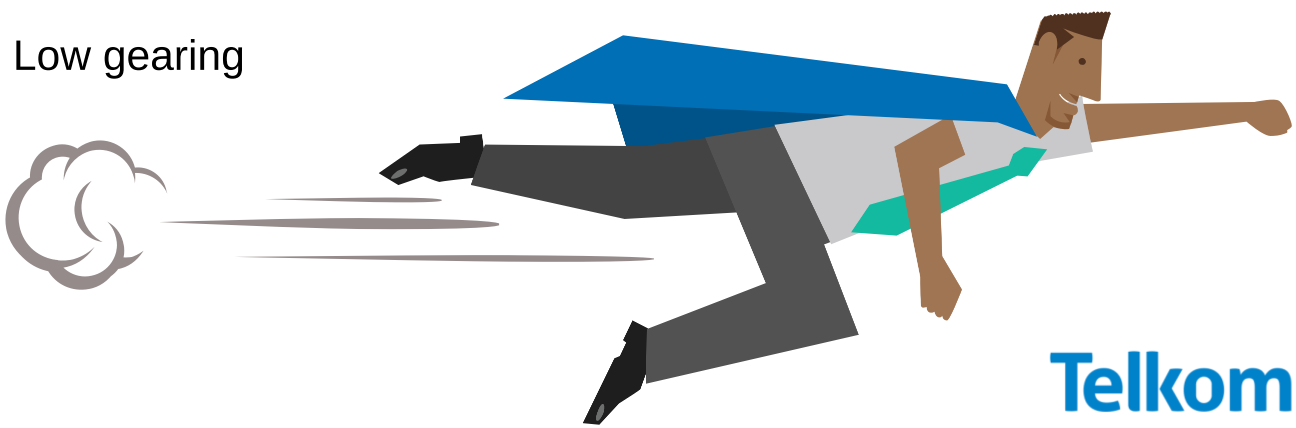
Financial health for strategic flexibility

Our strong and healthy financial position provides us with flexibility and choice

- Mobile has been de-risked
- Embedded a culture of efficiently deploying capital
- Continued the strengthening of our balance sheet
- Generated healthy cash flows
- Low gearing



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Prospects

Sipho Maseko:
Group Chief Executive Officer

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First phase of turnaround successful, more still to be achieved

What we have accomplished

- Stabilised revenues
- Dividend re-instated
- De-risked mobile
- Improved efficiencies
- Disciplined capital allocation
- Customer experience a priority
- Specialised leadership team

Going forward

- Strengthen customer value proposition
- Review operational business model
- Ensure sustainable regulatory framework
- Instill a high performance culture
- Sustainable financial performance

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Operating model optimisation

Three stand-alone business units:

- A Consumer business focussing on leading in home connectivity and services for our customers
- An Enterprise business focusing on selling connectivity solutions to business customers
- An Infrastructure wholesale business to run the network and associated IT, field services & operations to service OLO's

Benefits of separating the business:

- Removes complexity, simpler strategies leading to better efficiencies
- Greater accountability and encouraging the right business behaviours
- Clear decision-making, allowing for faster solution delivery
- Better leverage of infrastructure and alignment of incentives to business unit goals
- Greater value for shareholders

Questions

www.telkom.co.za/ir

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