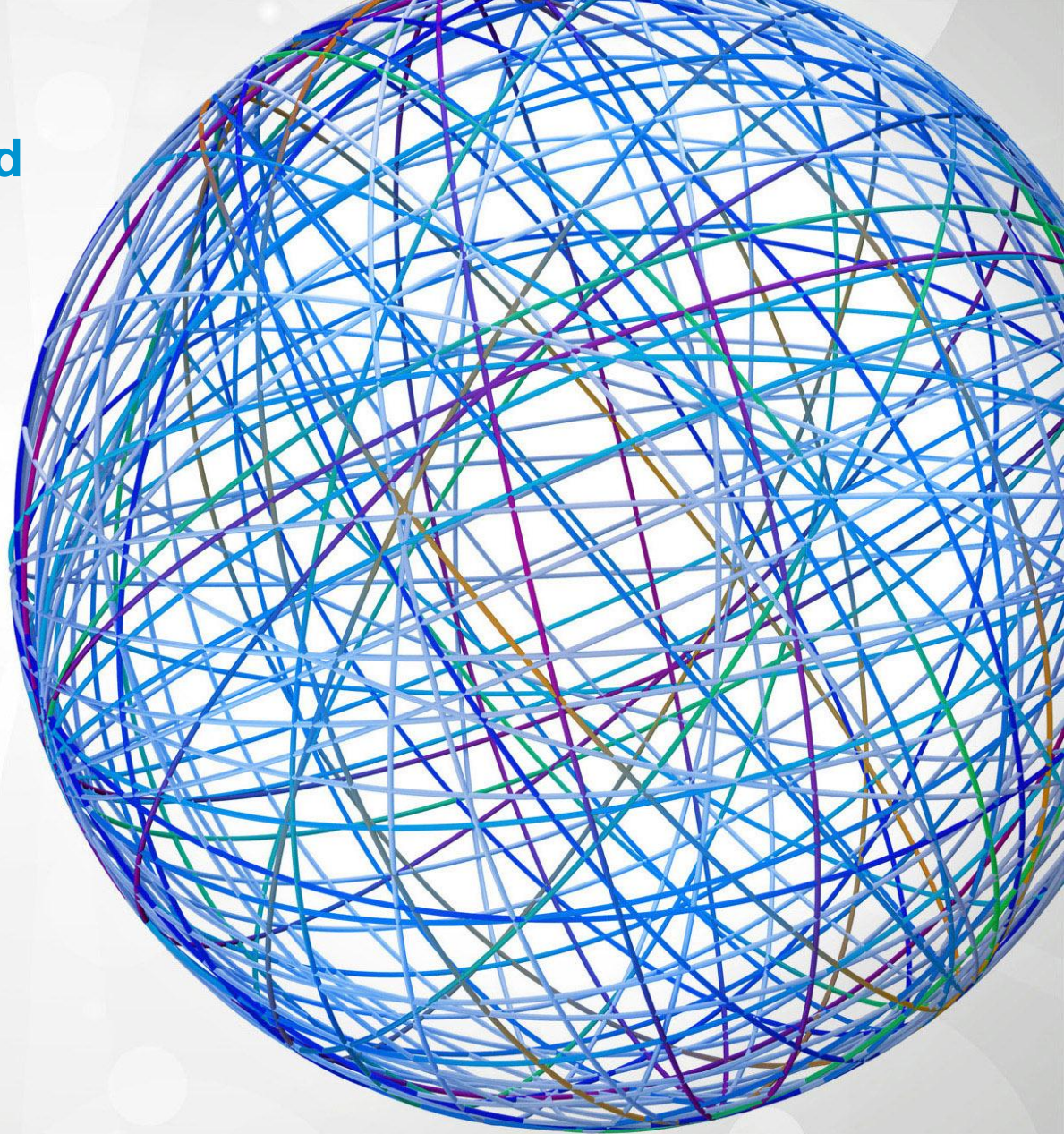


Telkom SA SOC Limited

Group Interim Results

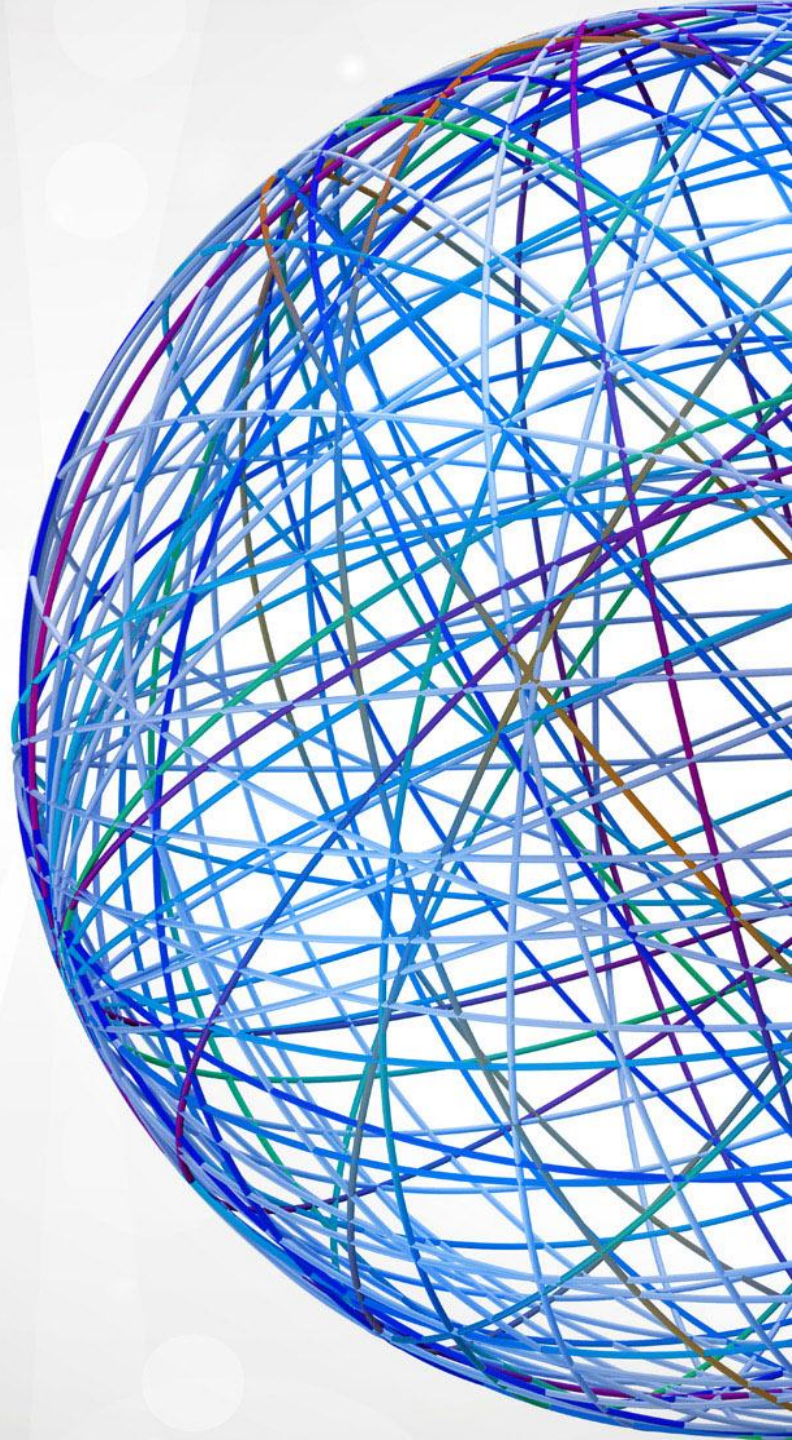
for the 6 months to
30 September 2013

18 November 2013





Sipho Maseko
Group Chief Executive Officer



AGENDA



1. Overview
2. Business performance
3. Financial results
4. The Future
5. Q&A



Laying the foundation to stabilise for future growth



- Healthy contract pipeline in Telkom Business
- Wholesale is preferred supplier for submarine connectivity
- Substantial increase in Business IT services revenues
- Winner of MyBroadband Fixed and Mobile broadband provider for 2013
- Launched new generation all-IP core network
- Largest Wi-Fi and fibre network in SA
- Significant reduction in cable theft incidents (-16%)



Results positively influenced by non-recurring items



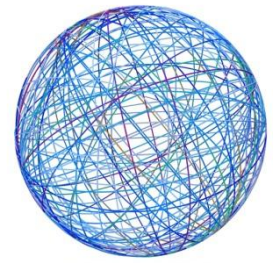
	Sep 2013 [#]	Sep 2012 [*]	%	
Net Revenue	R 13,165m	R 13,027m	1.1	
Operating Expenses	R 12,496m	R 12,209m	2.4	
EBITDA	R 3,933m	R 3,948m	(0.4)	
Mobile EBITDA loss	R 773m	R 716m	(8.0)	
Capital investment	R 3,173m	R 2,123m	49.5	
Free Cash Flow	R 33m	R 1,510m	(97.8)	

Adjusted to exclude the curtailment gain.

* Adjusted for the exclusion of the Competition Commission provision.



Wholesale and Networks



Key business drivers



Focus areas



Next Generation Network on track with more than 158 000 homes passed on the MSAN Network



Launched **all-IP core network**



Enhance product solutions to be more competitive



Cost transformation initiatives underway

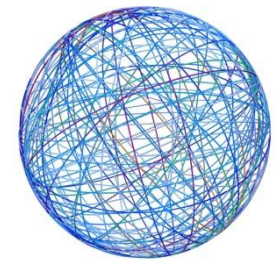
Next Generation Network moves into high gear

Expand business development capability to harness demand

Maintain and regain scale by growing our MCO business and expand value added services with OLOs / ISPs

Monetise infrastructure and increased fixed data traffic through value added services, innovative products and competitive pricing





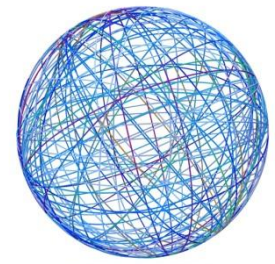
Key business drivers

- Improved Broadband revenues** due to improved Internet offering and better DSL customer mix
- Lower voice revenues** driven by declining line volumes and impact of MTR reductions
- Business IT services** revenue growth reflecting demand for IT, Infrastructure and cloud services
- Core data services** – continued volume growth offset by price declines

Focus areas

- Managing migration:** from voice services to data; from basic data to managed data network services; and from copper to fibre
- Building solutions** and vertical industry capability
- Growing IT service revenue** streams and capabilities
- Next generation convergence** – VOIP, Cloud and FMC





Key business drivers



Focus areas



Mobile data revenue improved 50.0% H1 2014 vs H1 2013



Fixed-line data revenue improves 3%; broadband subscriber growth of 6.7%



Reduced churn in total fixed lines by 17% and by 30% in broadband



Improvements in service quality acknowledged in Ask Afrika Orange Index, MyBroadband

Improving customer experience

through operational improvements and product enhancements

Accelerating broadband take-up

in targeted segments/locations

Develop complementary broadband propositions:

fixed and mobile

Minimising mobile cash bleed

while offering mobile and converged services

Exiting unprofitable products

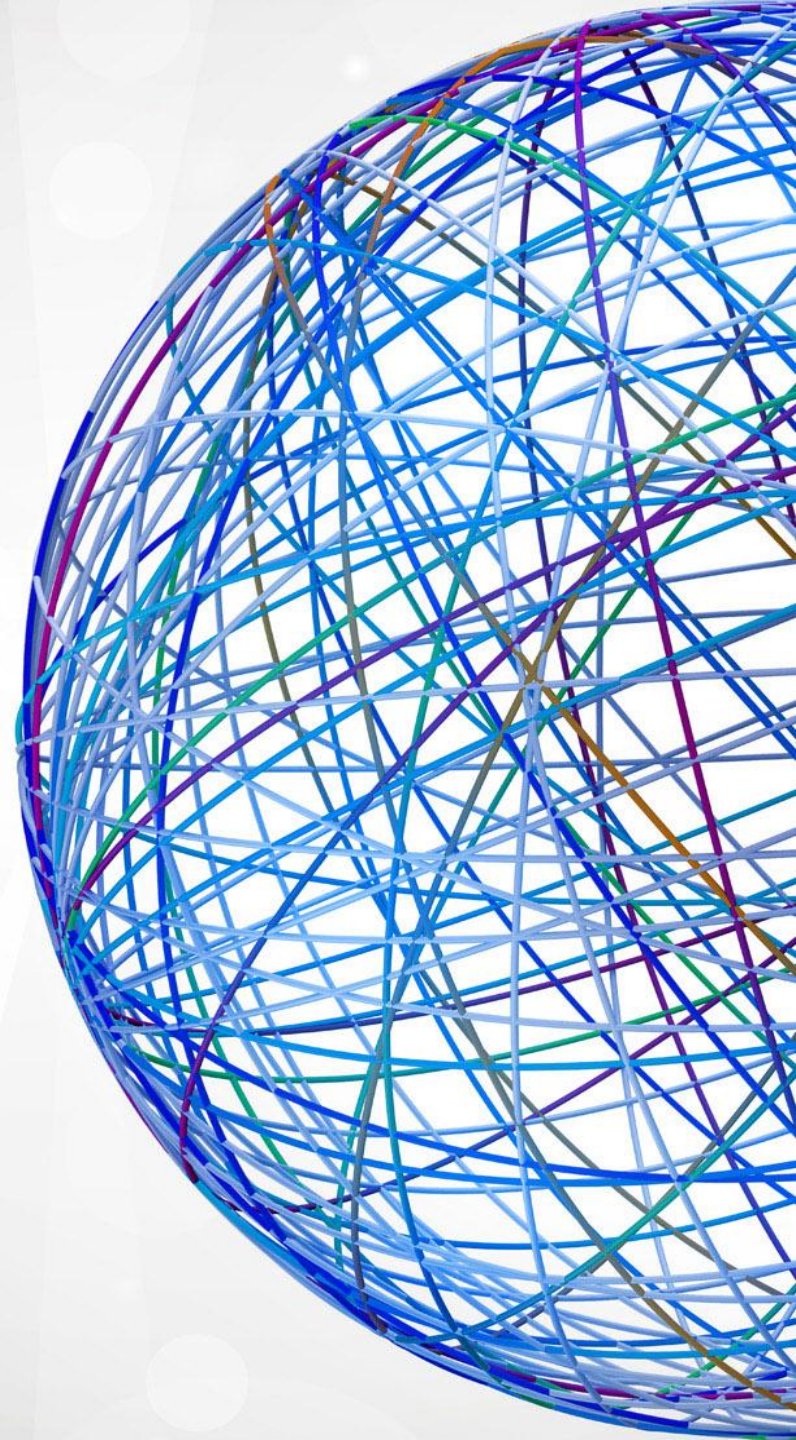
and services





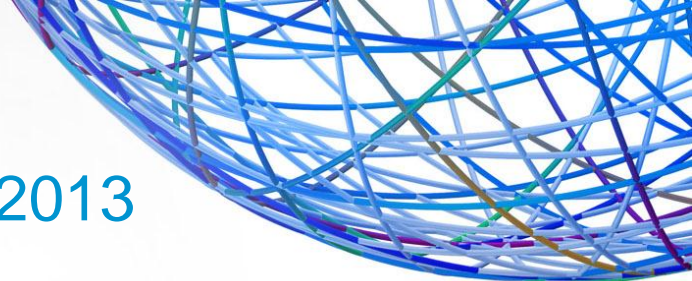
Deon Fredericks

Acting Chief Financial Officer



Interim Results

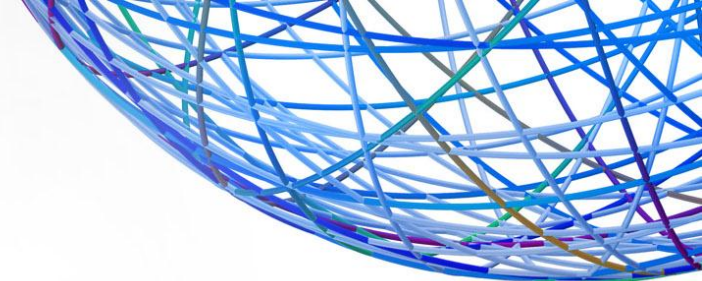
Six months ended 30 September 2013



	Sept 2013	Sept 2012	%	
Operating Revenue	R 16,192m	R 16,146m	0.3	☹️
Net Revenue	R 13,165m	R 13,027m	1.1	☹️
Operating Expenses	R 10,323m	R 12,598m	18.1	😊
EBITDA	R 6,106m	R 3,559m	71.6	😊
Depreciation & Impairments	R 3,091m	R 2,966m	(4.2)	☹️
Capital Investment	R 3,173m	R 2,123m	(49.5)	😊
Free Cash Flow¹	R 33m	R 1,510m	(97.8)	☹️

¹Free Cash flow impacted by VERPs of R753m, Competition commission fine of R67m, and higher capital investment of R1bn.

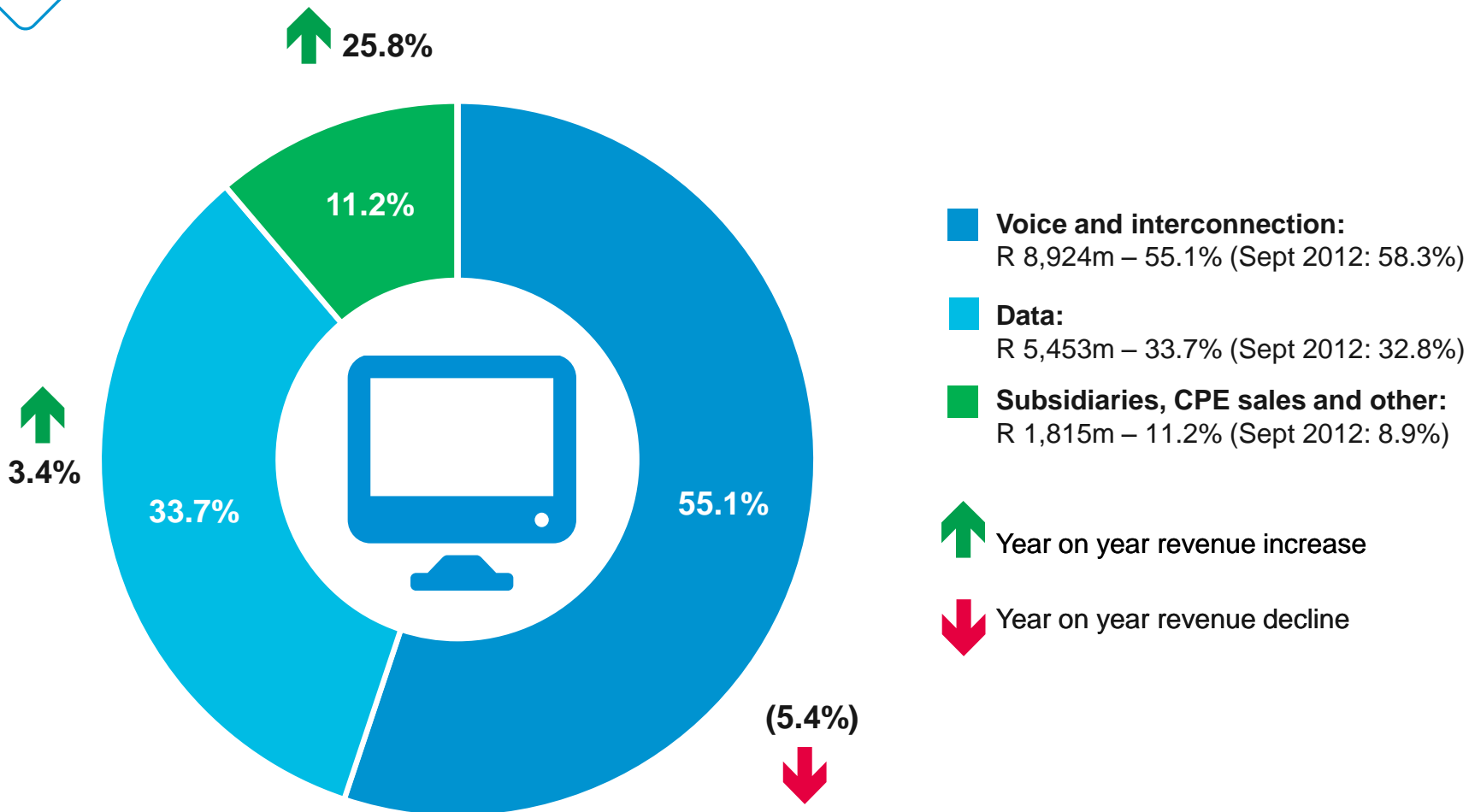
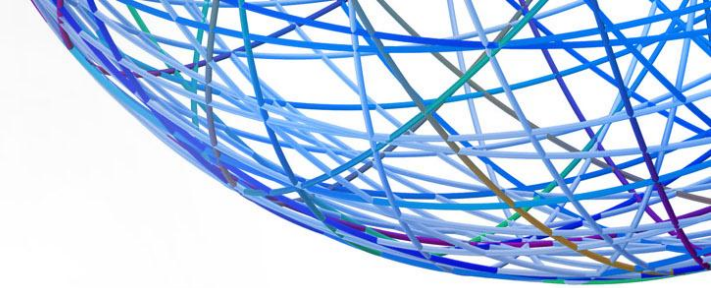
Building momentum for future growth



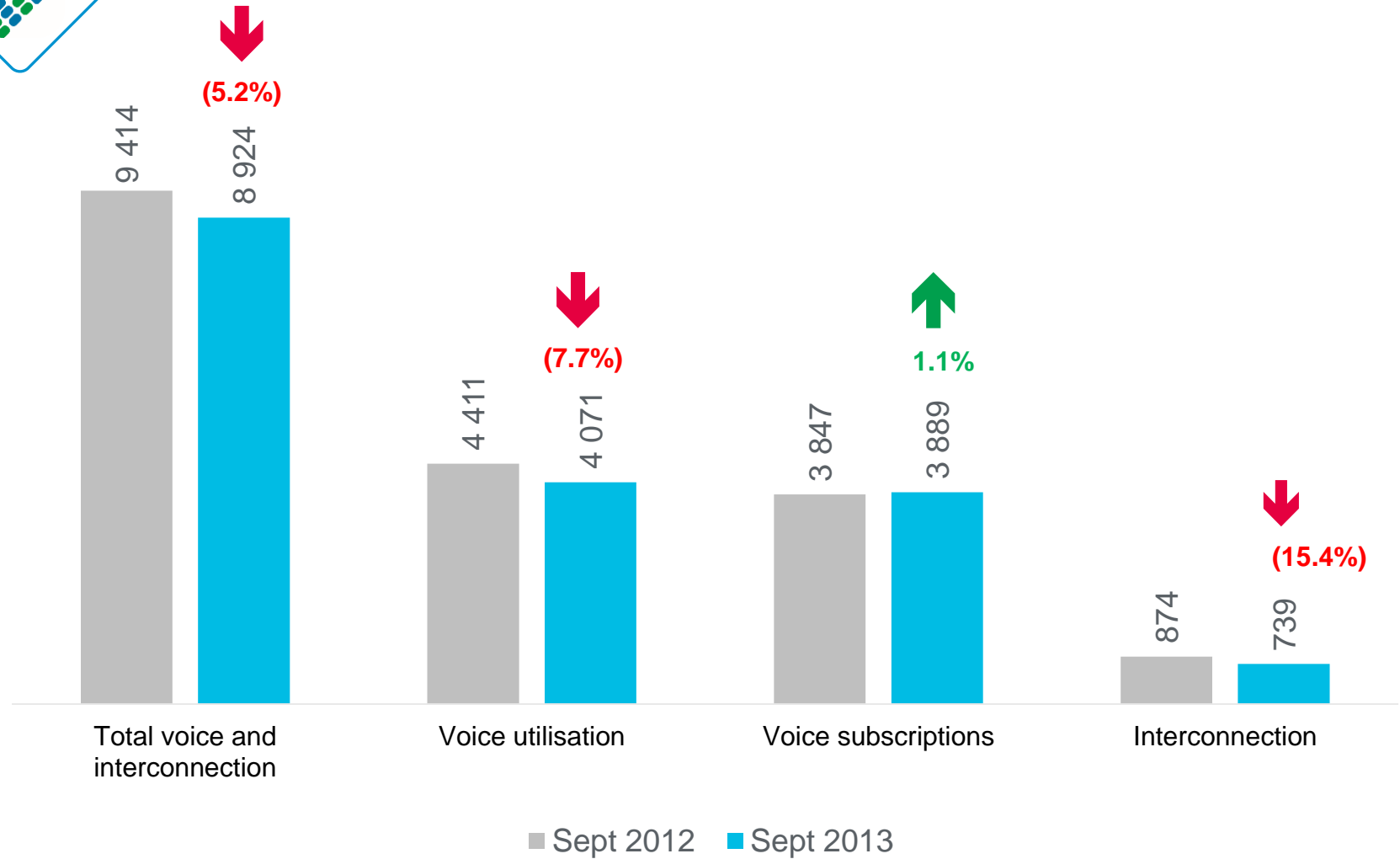
	Sept 2013	Sept 2012	%	
Operating Revenue	R 16,192m	R 16,146m	0.3	☹️
Net Revenue	R 13,165m	R 13,027m	1.1	☹️
Operating Expenses	R 12,496m	R 12,209m	2.4	☹️
EBITDA	R 3,933m	R 3,948m	(0.4)	☹️
Depreciation & Impairments	R 3,091m	R 2,966m	(4.2)	☹️
Capital Investment	R 3,173m	R 2,123m	(49.5)	😊
Free Cash Flow¹	R 33m	R 1,510m	(97.8)	☹️

¹Free Cash flow impacted by VERPs of R753m, Competition commission fine of R67m, and higher capital investment of R1bn.

Higher mobile and Business IT data revenues



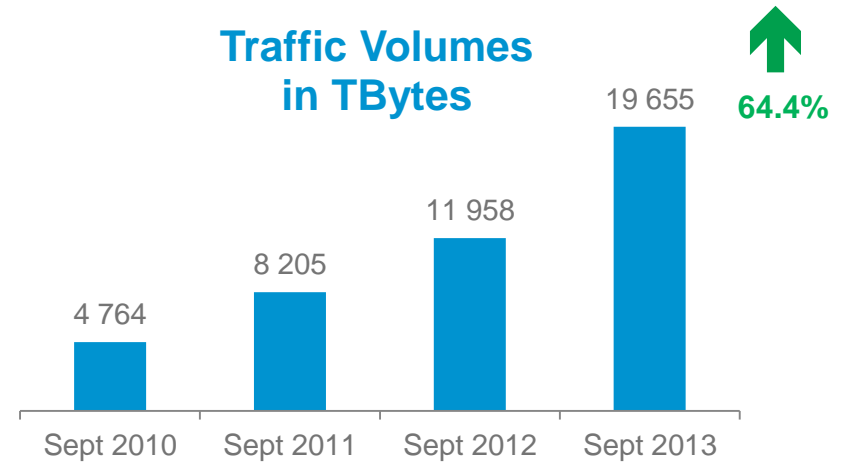
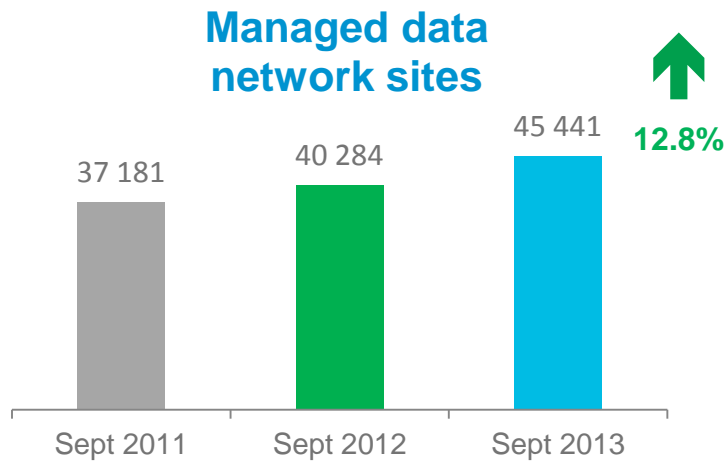
Voice remains under pressure



Data revenue gaining traction

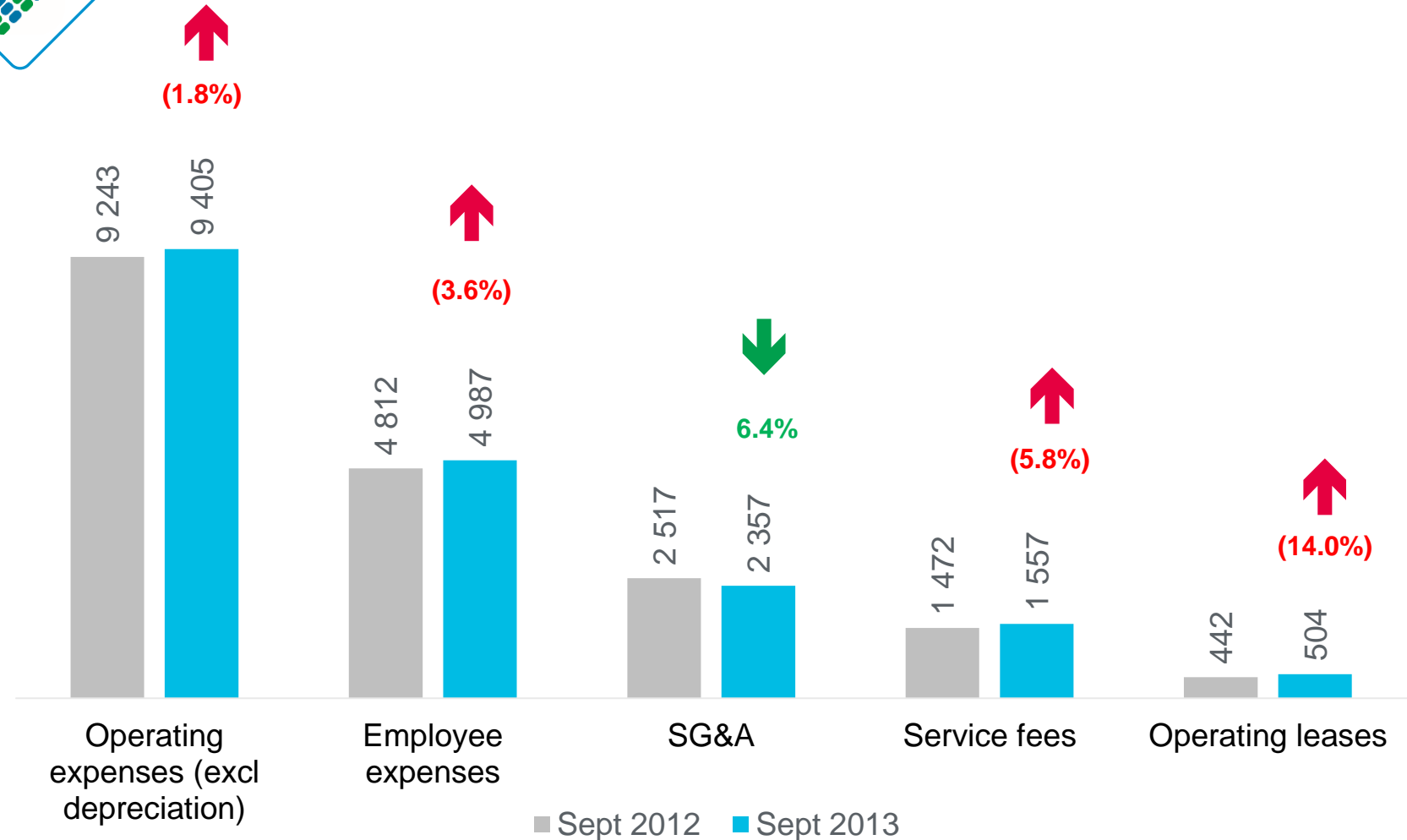


Subscribers



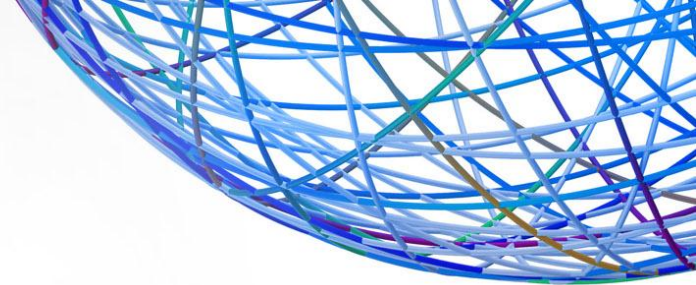
■ ADSL Total

Real cost reduction remains crucial



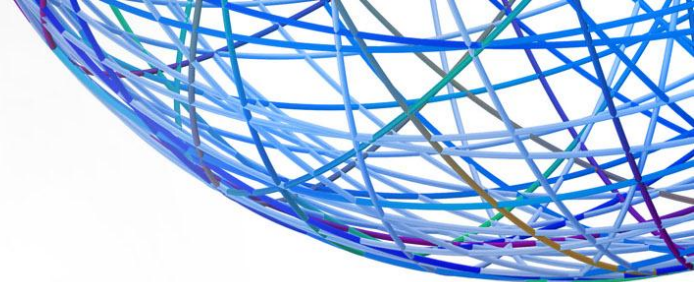
Excluding the curtailment gain and the Competition Commission fine

Capital programme gaining momentum



	Sept 2013	Sept 2012	%
Total capital expenditure	R 3,173m	R 2,123m	49.5
Group capital expenditure excluding mobile	R 2,358m	R 1,602m	47.2
Converting access network to IP (NGN)	R 978m	R 276m	254.3
Maintaining/enhancing existing telecoms & IT networks	R 1,380m	R1,326m	4.1
Mobile	R 815m	R 521m	56.4

Maintaining strong liquidity



	Sept 2013	Sept 2012	%
Cash flow from operating activities	R 3,131m	R 3,490m	(10.3)
Capital Investments	(R 3,133m)	(R 2,085)	(50.3)
(Reduction)/increase in term debt	(R 2,259m)	R 265m	(952.5)
Cash at end of period	R 1,190m	R 561m	112.1
Discretionary investments	R 3,750m	R 6,710m	(44.1)

We remain lowly geared (net debt to EBITDA is 0.3)



Sipho Maseko
Group Chief Executive Officer



Addressing key issues affecting performance



- › Impairment of legacy assets
- › Post-retirement medical aid liability
- › Dealt with competition commission issues
- › Engaging with regulatory structure
- › Concluded agreement with Organised Labour
- › Initiated efficiency measures
- › Renewing the team



Redefining our future



The status quo

Poor brand perception
and customer service

Underinvestment in fixed
access network and
start-up mobile network

High cost base

Uncertain regulatory and
policy environment

Rapidly declining core
(fixed voice)

Lack of execution
capability

STRATEGIC AMBITION

Deliver superior customer experience

Focus investment in the
right technologies and de-risk mobile

Implement sustainable cost
reduction measures

Effectively manage regulatory process

Find growth in other profit pools
where we have leadership

Right people, doing the right
things at the right time



Strategic framework to focus our actions



- Discipline in allocating capital
- Delivering superior customer service and experience
- Driving execution capability and connectivity
- Investing in the right technologies to build an invincible network
- Obtaining the support of all our stakeholder to deliver on our strategy
- Impacting the SA economy in a transformational way through ICT



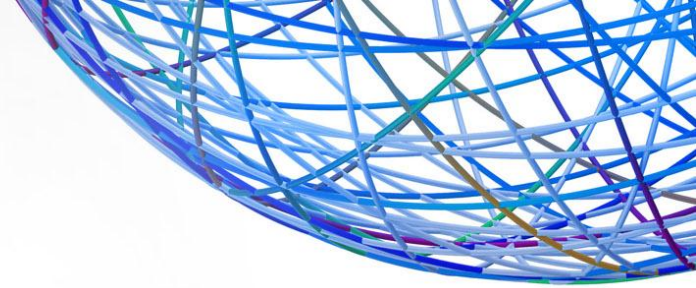
Managing costs to achieve a sustainable future



- Reduce external spend
- Optimise internal costs and improve productivity
- Streamline network maintenance expenses
- Integrate Consumer and Mobile platforms to realise cost synergies
- Focused product offering
- Reduce development burden



Our financial targets over the next three years








	F2014	F2015	F2016
Revenue	Stabilise	Stabilise to grow	Grow
EBITDA margin	Increase 1%- 2%	Increase 1%- 2%	Increase 1%- 2%
Capex to Revenue	18% - 21%	14% - 17%	14% - 17%
Net Debt to EBITDA	≤ 1	≤ 1	≤ 1
Reinstate Dividend		Reinstated	Reinstated

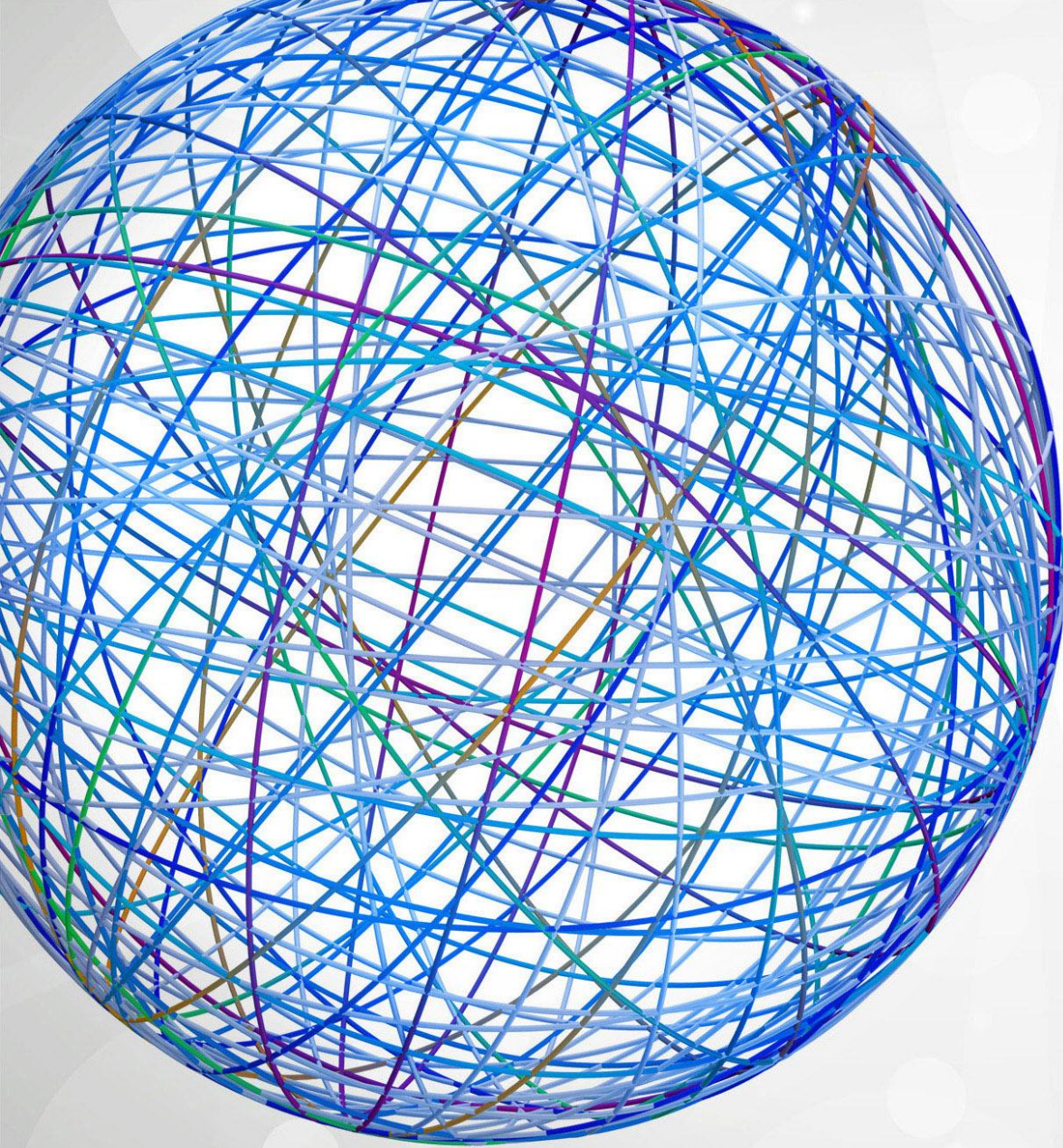


Summary

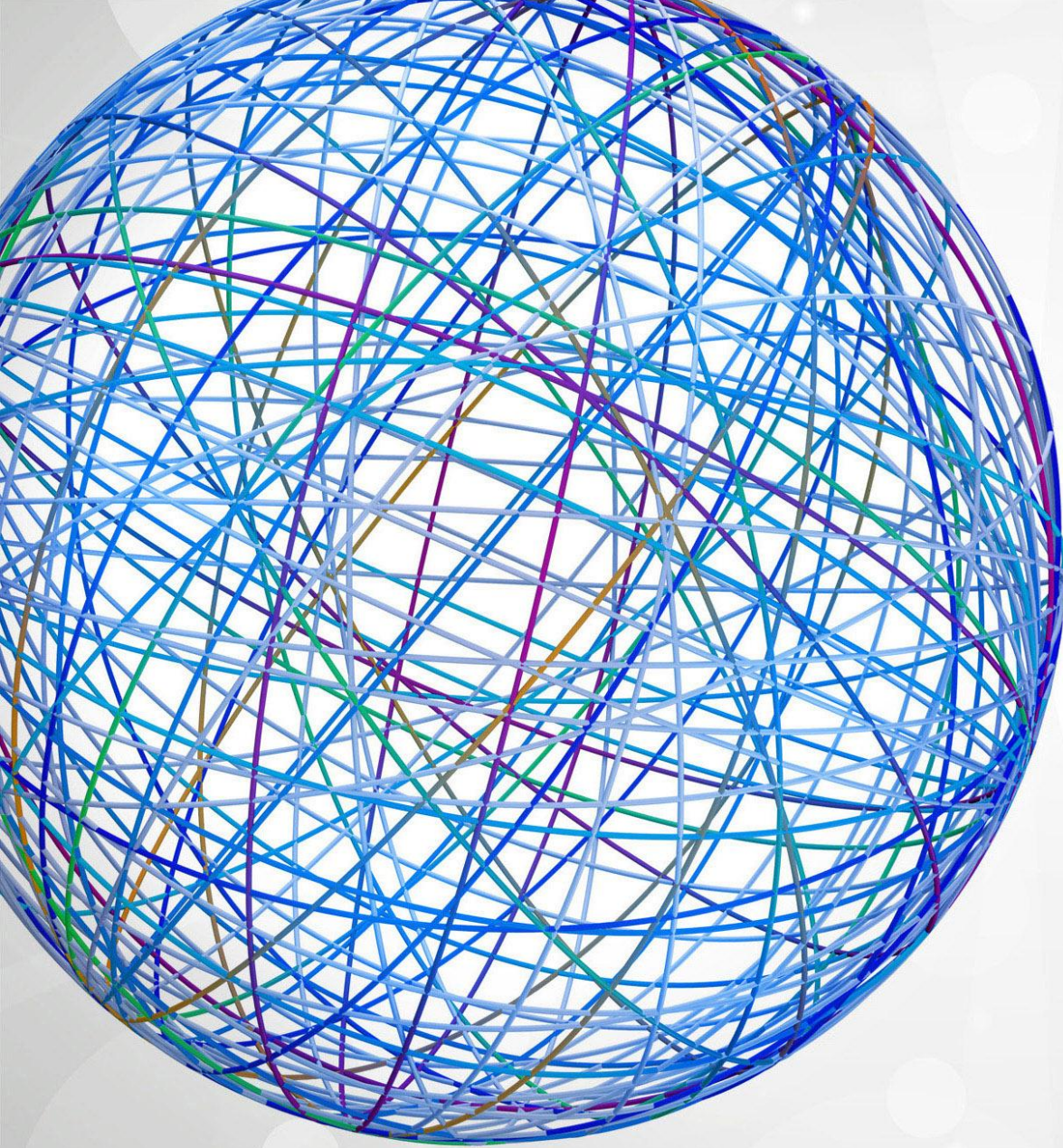


-  **Deliver superior customer experience**
-  **Resolve Mobile** – remove uncertainty and curtail future opex and capex
-  **Disciplined capital allocation** with greater emphasis on productivity and returns
-  **Improve efficiency** - cost base, execution
-  **Find revenue growth** – to secure future



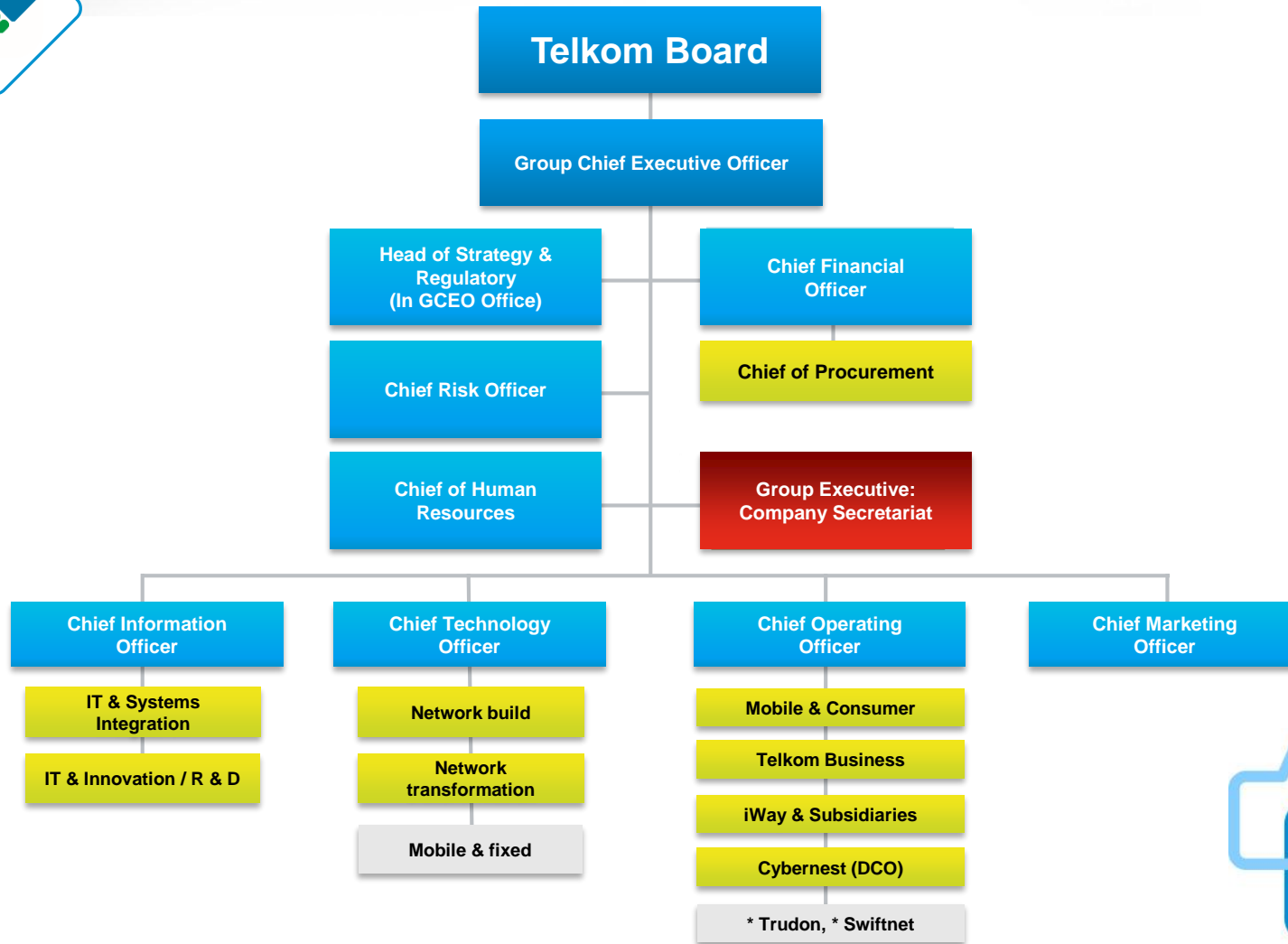
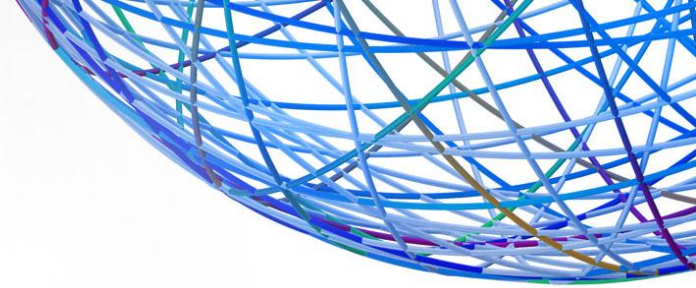


Thank you



Appendix

Organisational Structure



EXCO roles Non-EXCO Statutory role as per Companies Act

