

13 July 2015

Telkom announces next steps in its turnaround strategy.

Telkom today announced the next steps in its strategy to position the company for a more competitive environment and to ensure its sustainability over the long term.

Telkom respects the decision of the Labour Court handed down last week (8 July 2015). In line with the judge's order, Telkom immediately withdrew the Section 189 notices on the same day the order was issued, with regard to the technology and centre for learning divisions.

We have to take decisive action to curtail further business losses and have therefore decided to look at a number of cost containment options. Some of these measures will require engagement with organised labour, which will be initiated as and when required. The measures include but are not limited to:

- A wage freeze
- Investigating flexible working hours (flexi-time)
- New methodologies to improve productivity
- Upgrading employees' skills
- Reduced working hours in the form of a shorter work week
- Potential outsourcing options
- Voluntary severance packages (VSPs) and voluntary early retirement packages (VERPs)

Packages on offer will be significantly more generous than those required by law and will be available to all non-unionised staff as from today. Telkom will engage with organised labour and will be seeking the consent of the unions to extend the offer to union members as well.

"We must take urgent steps to place the business on a stable footing," said Telkom CEO Siphon Maseko. "My executive team and I believe these measures are necessary as our business is simply not sustainable in its current form. Our revenue to staff cost ratio remains significantly higher than industry norms. Compared to similar-sized telecommunication companies we have up to 30% more full time employees than our peers. This makes it increasingly difficult for us to compete."

In the last eighteen months, Telkom has successfully delivered on a number of areas of focus within its multi-year turnaround strategy. We have renegotiated contracts worth over R10bn, sold properties worth more than R750m, and have consolidated our head office into a single location.

"We have to make the difficult decisions now to safeguard the future livelihood of the majority of our employees and to ensure the company remains an important contributor to economic growth, an attractive investment for shareholders, and a vehicle for social transformation. Telkom will only remain relevant if it becomes a more agile, competitive organisation than the one it is now," concluded Maseko.

From the outset of this turnaround strategy we have consistently committed to engage fully with organised labour and this position has not changed. We want to see progress in our discussions with organised labour.

For further enquiries, please contact:

Pynee Chetty

OR **Leigh-Ann Francis**

Senior Specialist: Media Relations

Specialist: Media Relations

Group Communication

Group Communication

Tel:+27 12 642 1716

Tel: +27 12 642 1728

Mobile: +27 81 389 7874

Mobile: +27 81 391 4780

Email: chettpr2@telkom.co.za

Email: francilm@telkom.co.za

Telkom Park, The Apex

92 Oak Avenue

Technopark

Highveld

Centurion

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.