

Telkom SA SOC Limited
Registration number 1991/005476/30)
JSE share code: TKG
JSE bond code: BITEL
ISIN: ZAE000044897

("Telkom" or "the Group")

COVID-19

Shareholders are referred to the announcements made by the President of South Africa declaring a national state of disaster in response to the COVID-19 pandemic, the extended lockdown and the risk adjusted strategy to ease the lockdown restrictions. The country began a gradual and phased recovery of economic activity from 1 May 2020.

Telkom proactively designed and implemented measures that will mitigate against the COVID-19 focusing on the well-being and safety of employees, continuity of supply and service to customers, supply chain, infrastructure & network, IT and security, and liquidity. Telkom's number one priority is the health and safety of its employees, with approximately 80% of our employees having been empowered to work from home, while our frontline staff and field service technicians continue to serve customers. Telkom also supports government initiatives to curb the spread of coronavirus through partnering with the National Institute for Communicable Diseases (NICD) to develop a track and trace tool for COVID-19, zero rated some educational content and created a Disaster Fund supporting the Red Cross for frontline healthcare workers as well as mobilise the public to contribute SMSes.

Telecommunications has been declared an essential service in the country and we are able to continue to connect South Africans. During the lockdown, Telkom has seen a surge in fixed and mobile network traffic for our telco services from people working from home. Telkom has a scalable network and enough redundancy to manage the increase in demand. The significant investments made in modernising the network including fibre backhaul has enabled us to carry more traffic on our network, giving us the resilience of our network to support this increase. Telkom's mobile footprint capacity has been improved with new sites and increased radio capacity on existing sites. The assignment of additional spectrum, on a temporary basis, will enable us to alleviate congestion in identified sites.

Telkom's portfolio of businesses is exposed to all sectors of the economy including the sectors that are in distress. The extent of the lockdown and the effect of COVID-19 across our businesses is being assessed and business continuity plans are revised and executed accordingly. In addition, Telkom's market capitalisation has reduced below Net Asset Value over the past few months indicating grounds for impairment testing in accordance with International Accounting Standard (IAS 36). This will be considered together with the impact of COVID-19 on our business.

Preserving cash and maintaining a flexible balance has become of utmost importance and urgent during COVID-19 pandemic as the economy is under strain. Our conservative funding approach ensured that we continue to have a healthy balance sheet. Our net debt to EBITDA was 1.2x (1.4x including lease liabilities) at 30 September 2019. In the second half of the year, we strengthened our balance sheet by repaying maturing commercial paper of R800 million as our cash position improved in the period due to our relentless focus on cash release initiatives. We also refinanced debt (TL20) of R2.5 billion at favorable

interest rate levels. We have extended the maturity profile of our debt to reduce the refinancing risk of the debt book. Telkom has sufficient existing committed facilities with banks that amount to R5.7 billion. On 29 April 2020, S&P Global Ratings downgraded South Africa sovereign ratings from BB to BB-. The ratings agency views Telkom as government a related entity and we therefore, based on this action anticipate a review of Telkom's rating by S&P. Any possible rating action by S&P and the Moody's downgrade of Telkom's credit rating in line with sovereign rating's downgrade on 7 April 2020, does not trigger any loan covenants. Telkom also remains within its bank loan covenants. Over and above the bank facilities, we have a Domestic Medium-Term Note (DMTN) program. Shareholders are referred to the SENS announcement "Increase in Domestic Medium-Term Note limit" that was published in March 2020, where Telkom increased the limit from R10 billion to R15 billion. The funding under the DMTN is long term in nature seeking to reduce short-term funding and increase long term funding, to maintain sufficient liquidity. To date we have R6.2 billion available on the DMTN program.

Shareholders are advised that cash outflow relating to the Telkom's restructuring process and the Tax matter before the Courts will be funded out of cash balances including a liquidation of the short-term investment, resulting in not raising additional debt. The cost of the restructuring process has reduced from approximately R1.5 billion to approximately R1.2 billion as a result of the postponement of the retrenchments in light of COVID-19 National Lockdown.

Shareholders are referred to the JSE letter dated 3 April 2020 in respect of the extension of financial reporting periods and the accompanying market notice issued by the Financial Services Conduct Authority (the "Extension Periods") and are advised that Telkom will be utilising the two-month Extension Period afforded to issuers with year-ends of 31 December 2019, 31 January 2020, 29 February 2020 and 31 March 2020. The institution of the lockdown has impeded the Company's ability to complete the necessary work required to finalise the annual results by 25 May 2020 and accordingly the board of directors considers it prudent and in the best interests of the Company to utilise the two-month Extension Period. Given that the Company's financial year end is 31 March 2020, the Company will issue its annual results on 22 June 2020, and the integrated report incorporating the full annual financial statements and the notice of Annual General Meeting on 7 August 2020.

As advised by the JSE, the Company reiterates that market participants should not draw undue adverse inferences as a result of the Company making use of the Extension Period available to it.

The above information has not been reviewed nor reported on by Telkom's independent external auditors.

Centurion

05 May 2020

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Nedbank Corporate and Investment Banking