

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

("Telkom" or "the Group")

Market update: Spectrum Auction

Following the spectrum auction wherein Telkom obtained 20MHz of 800MHz and 22MHz of 3500MHz for R2.1 billion, the Independent Communications Authority of South Africa ("ICASA") confirmed the auction fee that is due within 30 working days. The auction fee due is the full amount relating to 3500MHz and the proportional payment for 800MHz that is immediately available.

ICASA will communicate an update on the full availability of the 800MHz, after 1 July 2022.

Spectrum	Spectrum frequency bands	Spectrum acquisition cost	Auction fee due Within 30 working days	Outstanding Auction fee (due after 1 July 2022)
800MHz	20MHz	R1 504 815 407.10	R 532 704 654.12	R 972 110 752.99
3500MHz	22MHz	R 608 800 000.00	R 608 800 000.00	-
Total		R2 113 615 407.10	R1 141 504 654.12	R972 110 752.99

Shareholders are advised that the payment of R1.1 billion is expected to be made in the current financial year, impacting the current year debt level, capex spend and Free Cash Flow ("FCF"). Telkom year-to-date FCF is in negative territory, tracking below its expectations. Notwithstanding the financial impact, Telkom has adequate capacity on its balance sheet to fund the spectrum while maintaining sufficient headroom of its loan covenants.

The long-term strategic benefits of the spectrum acquisition outweigh the short-term financial impact. Since inception, Telkom Mobile has not owned sub 1 GHz spectrum. The 20MHz of 800MHz, once available, will enable more efficient network deployment, increased coverage and capacity on the mobility layer (FDD) resulting in improved user throughput and experience particularly in rural areas.

Telkom already leads the market with providing Fixed Wireless Access service. The acquisition of 22MHz of 3500MHz will enable us to advance an enhanced 5G position through combining our existing 28MHz of 3500MHz to achieve a total of 50MHz contiguous spectrum in this band.

Whilst Telkom has been able to secure the much-needed sub 1 GHz in the spectrum auction, we were constrained in our ability to acquire the amount of spectrum that we need to compete effectively. To secure its ability to compete effectively in the mobile market, Telkom persists with its court application to ensure that the licensing of spectrum promotes effective competition in the mobile market in line with the objective of the Electronic Communications Act. Telkom's application is set down for hearing on 11 to 14 April 2022 and the outcome may impact the auction and its outcome.

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

Centurion
28 March 2022

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