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

TRADING STATEMENT FOR THE YEAR ENDED 31 MARCH 2023

In terms of section 3.4 (b) of the Listings Requirements of the JSE Limited ("JSE"), issuers are required to publish a trading statement as soon as they are satisfied that a reasonable degree of certainty exists that the earnings for the period to be reported on next will differ by at least 20% from the previous corresponding period.

In this regard shareholders are advised Telkom is in the process of finalising its financial results for the year ended 31 March 2023 ("current period") and expects a decline in basic earnings per share ("BEPS") (excluding the restructuring costs and impairment of assets charge referred to below) and headline earnings per share ("HEPS") in the current period, driven by marginal revenue growth emanating from migrating legacy to new generation technologies; the deliberate upfront investment in working capital for handsets and equipment; costs associated with the impact of accelerated loadshedding caused by an unreliable power supply; and inflationary cost pressures.

In addition, a provision for the restructuring process, as set out in a SENS announcement released on 14 February 2023 and detailed below in the paragraph headed "Restructuring costs", further impacted basic earnings and headline earnings in the current period. The expected impairment charge, detailed below in the paragraph headed "Impairment of assets", estimated at R13 billion, impacts basic earnings in the current period.

The ranges for BEPS and HEPS for the current period are expected to be as follows:

	Audited results for the year ended 31 March 2022	**Year ended 31 March 2023**		
	Reported earnings (cents per share)	**Expected ranges**	**Movement (cents per share)**	**Expected earnings (cents per share)**
BEPS				
Reported	536.6	465%-485% lower	2 495.2 to 2 602.5 cps lower	(1 958.6) to (2 065.9) cps
Normalised	536.6	70%-90% lower	375.6 to 482.9 cps lower	53.7 to 161.0 cps
HEPS				
Reported	575.5	85%-105% lower	489.0 to 604.1 cps lower	(28.8) to 86.3 cps
Normalised	575.5	60%-80% lower	345.2 to 460.2 cps lower	115.5 to 230.1 cps

The difference between the BEPS and HEPS for the year ended 31 March 2023 is due to the net impact of the impairment of assets, as detailed below, and the profit/loss on the sale of assets.

The table above includes normalised BEPS which excludes the once-off restructuring costs of R1 065 million, and the related tax impact of R288 million, together with the once-off impairment charge of R13 billion, and the related tax impact of R3.5 billion. Normalised HEPS excludes the once-off restructuring costs and the once-off impairment charge. Normalised BEPS and HEPS are disclosed on a *pro forma* basis. This *pro forma* financial information is the responsibility of the board of directors of Telkom (the "Board"), has been prepared for illustrative purposes only, and because of its nature may not fairly present the financial position, changes in equity, results of operations or cash flows of the Group.

Impairment of assets

Shareholders are advised that the Board is currently considering an impairment of assets charge in respect of the Group's cash generating units, namely Openserve, Telkom Consumer, Gyro and BCX, in the amount of approximately R13 billion (excluding tax effects). This follows Telkom's strategy to accelerate its migration to newer technologies.

In line with the requirements of assessing and testing for impairment as per *International Accounting Standard 36, Impairment of Assets* ("IAS 36"), significant market changes and current economic conditions, including accelerated loadshedding, low anticipated economic growth rates and a high interest rate environment, coupled with evolving technological advancements have had an adverse effect on the Group. In terms of IAS 36, another factor that determines whether or not an impairment of assets is required is whether the carrying value of net assets is higher than the market capitalisation, which is the case for Telkom.

The non-cash impairment charge, that may materialise following the review by the Board, will not impact the Group's earnings before interest, tax, depreciation and amortisation generated from operations, will have no impact on Telkom's cash position nor will it impact the Group's compliance with debt covenants and its ability to fund its capital expenditure programme.

Restructuring costs

Telkom announced a restructuring process aimed at meeting future demands in February 2023. As initially communicated, up to 15% of employees in the Group have been impacted by this process. In line with the consultation process with unions, Telkom extended voluntary severance packages and voluntary early retirement packages to all employees in the Group. The Group is currently engaging its social partners, including concluding organisational manning, and is on track to achieve the initial commitment. The cash outpayment relating to the restructuring will occur in the 2024 financial year.

A further update will be provided with the release of the annual results for the current period.

The information contained in this announcement has not been reviewed or reported on by Telkom's independent external auditors. As required in terms of paragraph 3.4(b)(iv) of the JSE Listings Requirements, if, following the conclusion of the audit by the independent external auditors but prior to the publication of the annual results for the current period, the expected ranges set out above differ from what is contained in this announcement, a revised trading statement will be released on SENS.

Telkom's results for the year ended 31 March 2023 are expected to be released on SENS on or about 13 June 2023.

Centurion

17 May 2023

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