



TELKOM SA LIMITED

(Incorporated with limited liability under Registration Number 1991/005476/06 in the Republic of South Africa)

ZAR1,160,000,000 **11,90% Senior Unsecured Fixed Rate Registered Bonds** **due 29 April 2015**

A total amount of ZAR1,160,000,000 senior unsecured fixed rate registered bonds with minimum denominations of ZAR1,000,000 each (the "**Bonds**") will be issued by Telkom SA Limited ("**Telkom**" or the "**Issuer**") subject to the terms and conditions (the "**Terms and Conditions**") contained in this Offering Circular.

For as long as the Bonds are in issue, interest on the Bonds will be payable semi-annually in arrears on 29 April and 29 October of each year, commencing on 29 October 2008, provided that the last date for such payment shall be on 29 April 2015. The Bonds will bear interest at a rate of 11,90% per annum in respect of the period from and including 29 April 2008 to but excluding 29 April 2015. Payments in respect of the Bonds will be made without deduction for or on account of South African taxes as described in Condition 10 of the Terms and Conditions.

Unless previously redeemed at a prior date for taxation reasons as referred to in Condition 7.3 or purchased by the Issuer and cancelled, the Bonds will be redeemed on 29 April 2015 at their Principal Amount.

The Bonds will be listed on the Bond Exchange of South Africa Limited ("**BESA**") under stock code number TL15. The application was granted on 23 April 2008 and the Bonds may be traded by or through members of BESA from 29 April 2008 in accordance with the rules and operating procedures for the time being of BESA. The settlement of trades on BESA shall take place in accordance with the electronic settlement procedures of BESA and Strate Limited.

The Issuer's obligations in respect of the Bonds are unsecured.

Joint Lead Managers

**ABSA BANK LIMITED, acting through its division, ABSA CAPITAL
VUNANI CAPITAL (PROPRIETARY) LIMITED**

Co-Managers

**INVESTEC BANK LIMITED
NEDBANK CAPITAL, a division of NEDBANK LIMITED**

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IMPORTANT NOTICE

Words used in this section shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or clearly inappropriate from the context.

The Issuer accepts responsibility for the information contained in this Offering Circular, except as may be otherwise stated. To the best of the knowledge and belief of the Issuer (who has taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer, having made all reasonable inquiries, confirms that this Offering Circular contains or incorporates all information which is material in relation to the issuing and the offering of the Bonds, that all information contained or incorporated in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and the intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which would make this Offering Circular or any of such information or expression of any such opinions or intentions misleading in any material respect.

This Offering Circular is to be read in conjunction with all documents incorporated herein by reference (see the section entitled “*Documents Incorporated by Reference*”) and should be read and construed on the basis that such documents are incorporated in and form part of this Offering Circular.

ABSA Bank Limited, acting through its division, ABSA Capital (“**ABSA Capital**”) and Vunani Capital (Proprietary) Limited (“**VC**”) (ABSA Capital and VC collectively, the “**Joint Lead Managers**”), Investec Bank Limited (“**Investec**”) and Nedbank Capital, a division of Nedbank Limited (“**Nedbank Capital**”) (Investec and Nedbank Capital collectively, the “**Co-Managers**”) (the Joint Lead Managers and the Co-Managers collectively, the “**Managers**”) and BESA have not separately verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, expressed or implied is made and no responsibility is accepted by the Managers or BESA as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by the Issuer. Neither the Managers nor BESA accepts any liability in relation to the information contained in this Offering Circular or any other information provided by the Issuer in connection with the Bonds. The statements made in this paragraph are without prejudice to the responsibilities of the Issuer.

No person has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the issue and sale of the Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Managers. Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof, or that any other financial statement or other information supplied in connection with the Offering Circular is correct at any time subsequent to the date indicated in the document containing the same.

This Offering Circular and any other information supplied in connection with the Bonds is not intended to provide the basis of any credit or other evaluation, and should not be considered as a recommendation by the Issuer, the Managers or BESA that any recipient of this Offering Circular or any other information supplied in connection with the Bonds should purchase any Bonds. Each investor contemplating purchasing any Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer.

Neither this Offering Circular nor any other information supplied in connection with the Bonds constitutes an offer or invitation by or on behalf of the Issuer, the Managers or BESA to any person to subscribe for or to purchase any Bonds.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Bonds in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. Neither the Issuer, the Managers nor BESA represent that this Offering Circular may be lawfully distributed, or that any Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Managers which would permit a public offering of any Bonds or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Bonds may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except in compliance with any applicable laws and regulations and the Managers have represented that all offers and sales by them will be made in compliance with this prohibition.

The distribution of this Offering Circular and the offer for the subscription or sale of Bonds may be restricted by law in certain jurisdictions. Persons into whose possession this Offering Circular or any Bonds come must inform themselves about, and observe, any such restrictions. In particular there are restrictions on the distribution of this Offering Circular and the offer for the subscription or sale of Bonds in the United States of America, the European Economic Area, the United Kingdom and South Africa.

The Bonds have not been and will not be registered under the United States Securities Act of 1933 (the “Securities Act”). The Bonds may not be offered, sold or delivered within the United States or to US persons except in accordance with Regulation S under the Securities Act.

The price/yield, the amount and the allocation of Bonds to be issued with this Offering Circular will be determined by the Issuer and Managers at the time of issue in accordance with the prevailing market conditions.

In this Offering Circular, all references to “Rands”, “South African Rand”, “ZAR”, “R” or “cents” is to the legal currency of South Africa and all references to “US Dollar”, “USD” or “Dollars” shall be a reference to the currency of the United States of America. References to “€” or “Euro” are to the single currency of the European Union.

In connection with the issue and distribution of the Bonds, the Lead Managers or any other Manager appointed by the Lead Managers for that purpose may, subject to the rules and operating procedures of BESA, over-allot or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail for a limited period after the issue date. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilisation shall be carried out in accordance with all the applicable laws and regulations.

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DOCUMENTS INCORPORATED BY REFERENCE

Words used in this section entitled "Documents Incorporated By Reference" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The following documents shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- (a) in respect of the issue of the Bonds, the audited annual financial statements, and notes thereto, of the Issuer for the financial years ended 31 March 2005, 2006 and 2007, as well as the published audited annual financial statements, and notes thereto of the Issuer in respect of further financial years, as and when such become available; and
- (b) any supplements to this Offering Circular circulated by the Issuer from time to time,

save that any statement contained in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

Copies of the audited annual financial statements of the Issuer are available free of charge at the registered office of the Issuer as set out at the end of this Offering Circular. The audited annual financial statements of the Issuer are also available on the Issuer's website (www.telkom.co.za).

SUMMARY OF THE TRANSACTION

The following summary does not purport to be complete and is taken from, and is qualified by, the remainder of this Offering Circular. Words and expressions defined in the "Terms and Conditions of the Bonds" below shall have the same meanings in this summary.

Issuer	Telkom SA Limited (Registration Number 1991/005476/06), a public company duly incorporated with limited liability in accordance with the company laws of South Africa;
Description of Bonds	Telkom SA Limited ZAR1,160,000,000 11,90% Senior Unsecured Fixed Rate Registered Bonds due 29 April 2015;
Amount	The issue of the Bonds will be for a total amount of ZAR1,160,000,000;
Joint Lead Managers	ABSA Bank Limited, acting through its division, ABSA Capital (Registration Number 1986/004794/06), a public company and registered bank duly incorporated with limited liability in accordance with the company and banking laws of South Africa; and Vunani Capital (Proprietary) Limited (Registration Number 1998/001469/07), a private company duly incorporated with limited liability in accordance with the company laws of South Africa;
Co-Managers	Investec Bank Limited (Registration Number 1969/004763/06), a public company and registered bank duly incorporated with limited liability in accordance with the company and banking laws of South Africa; and Nedbank Capital, a division of Nedbank Limited (Registration Number 1951/000009/06), a public company and registered bank duly incorporated with limited liability in accordance with the company and banking laws of South Africa;
Paying Agent	The Issuer or such other paying agent as may be nominated by the Issuer from time to time;
Transfer Secretary	The Issuer or such other transfer secretary as may be nominated by the Issuer from time to time;
Blocked Rand	Blocked Rand may be used to purchase Bonds, subject to the Exchange Control Regulations;
CSD	Strate Limited (Registration Number 1998/022242/06), or its nominee, operating in terms of the Securities Services Act (or any successor legislation thereto), or any additional or alternate depository approved by the Issuer;
CSD's Nominee	Central Depository Nominees (Proprietary) Limited (Registration Number 1990/006665/07), a wholly owned subsidiary of the CSD;
Participant	A person accepted by the CSD as a participant in terms of Section 34 of the Securities Services Act;
Clearing System	The CSD acting as the approved electronic clearing house, carrying on the role of matching, clearing and facilitation of settlement of all transactions carried out on BESA;
Credit Rating	The Issuer has been assigned a "Aa3.za" national scale rating by Moody's Investors Services South Africa (Proprietary) Limited (Registration Number 2002/014566/07), a private company duly incorporated with limited liability in accordance with the company laws of South Africa;

Currency	South African Rand;
Denomination of Bonds	Bonds will be issued with a minimum denomination of ZAR1,000,000 each;
Early Redemption	The Issuer may redeem the Bonds at their Principal Amount (together with any interest due thereon) upon notice for taxation reasons, as described in Condition 7 of the Terms and Conditions;
Form of the Bonds	The Bonds will be issued in registered form as described below in the section entitled " <i>Form of the Bonds</i> ";
Governing Law	The Bonds will be governed by, and construed in accordance with, the laws of South Africa;
Interest Payment Dates	Semi-annually on 29 April and 29 October (or if any such date is not a Business Day, the first following day that is a Business Day) of each year, commencing on 29 October 2008 provided that the last date for such payment shall be on 29 April 2015 or the date of Early Redemption, whichever is the earlier;
Interest Rate	A fixed rate of 11,90% per annum over the period from and including 29 April 2008 to but excluding 29 April 2015;
Listing and Trading	An application was made to list the Bonds on BESA under stock code number TL15. The application was granted on 23 April 2008 and the Bonds may be traded by and through members of BESA from 29 April 2008;
Negative Pledge	Condition 6 of the Terms and Conditions provides for a negative pledge in favour of the Bondholders;
Principal Amount	The face value of each Bond;
Purchase of Bonds	The Issuer may, at any time, purchase Bonds at any price in the open market or otherwise. Such Bonds may be held, resold or, at the option of the Issuer, cancelled;
Redemption Date	Unless redeemed at a prior date or purchased and cancelled, the Bonds will mature on 29 April 2015;
Redemption Value	100% of the Principal Amount of each Bond;
Optional Redemption	<p>Change of Control</p> <p>If at any time while any Bond remains in issue (i) a Change of Control in respect of the Issuer occurs and (ii) within the Change of Control Period (A) if at the time the Change of Control occurs such Bonds or the Issuer (as the case may be) is rated by a Rating Agency, a Change of Control Rating Downgrade in respect of that Change of Control occurs (a "Change of Control Event") and (B) the Bondholders resolve by way of an Extraordinary Resolution to have their Bonds redeemed by the Issuer, then each Bondholder shall have the option to require the Issuer to redeem each Bond held by that Bondholder at its Principal Amount together with accrued interest (if any) within 30 (thirty) Business Days after the delivery by that Bondholder of a notice to redeem such Bonds, as more fully described in Condition 7.2.1.</p> <p>Disposal of Vodacom Interest</p> <p>If at any time while any Bond remains in issue (i) a Vodacom Disposal occurs; and (ii) within the Vodacom Disposal Period (A) if at the time the Vodacom Disposal occurs such Bonds or the Issuer (as the case may be) is rated by a Rating Agency, a Vodacom Disposal Rating Downgrade in respect of that Vodacom Disposal occurs (a "Vodacom Disposal Event") and (B) the Bondholders resolve by way of an Extraordinary Resolution to have their Bonds redeemed by the Issuer, then each Bondholder shall have the option to</p>

require the Issuer to redeem, subject to the Issuer having received the cash consideration in relation to the Vodacom Disposal, each Bond held by that Bondholder at its Principal Amount together with accrued interest (if any) within 30 (thirty) Business Days after the delivery by that Bondholder of a notice to redeem such Bonds, as more fully described in Condition 7.2.2;

Register Closed

The Register shall be closed prior to each Interest Payment Date and the Redemption Date for the periods as described in Condition 14 of the Terms and Conditions;

Selling Restrictions

The distribution of this Offering Circular and the offer for the subscription or sale of Bonds may be restricted by law in certain jurisdictions and are restricted by law in the United States of America, the European Economic Area, the United Kingdom and South Africa. Persons who come into possession of this Offering Circular must inform themselves about and observe any such restrictions;

Stamp Duty

No stamp duty, uncertificated securities tax or any similar tax is payable in respect of the issue or transfer of marketable securities or securities qualifying as instruments as contemplated in Section 24J of the Income Tax Act under current South African law;

With effect from 1 July 2008, stamp duty and/or uncertificated securities tax, as the case may be, in relation to the transfer or redemption of securities will be replaced by securities transfer tax levied under the Securities Transfer Tax Act, 2007;

Status of Bonds

The Bonds constitute direct, senior and unsecured obligations of the Issuer and rank and will rank *pari passu* amongst themselves and with the claims of all other unsecured creditors of it, other than those claims which are expressly preferred under the laws of South Africa;

Taxation

All payments in respect of the Bonds will be made without withholding, or deduction for or on account of taxes levied in South Africa, subject to certain exceptions as provided in Condition 10 of the Terms and Conditions. In the event that withholding tax or such other deduction is required by law, then the Issuer will pay (subject to such exceptions) any additional amounts as shall be necessary in order that the net amounts received by the Bondholders after such withholding or deduction shall equal the respective amounts of the Principal Amount and interest which would otherwise have been receivable in respect of the Bonds as the case may be, in the absence of such withholding or deduction; and

Terms and Conditions

The terms and conditions of the Bonds set out below in this Offering Circular.

FORM OF THE BONDS

Words used in this section entitled "Form of the Bonds" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The Bonds will be listed on BESA, a licensed financial exchange in terms of the Securities Services Act. The Bonds will be issued subject to the Terms and Conditions set out below in this Offering Circular and will be issued in the form of a Global Certificate without interest coupons, which will be lodged and immobilised in the CSD, which forms part of the settlement system of BESA. This will entail that the Bonds, represented by the Global Certificate, will be deposited with and registered in the name of, and for the account of the CSD's Nominee.

Beneficial Interests in Bonds which are lodged in the form of the Global Certificate in the CSD may, in terms of existing law and practice, be transferred through the CSD by way of book entry in the securities accounts of the Participants in the CSD, who are also approved by BESA to act as Settlement Agents and therefore perform electronic settlement of both funds and scrip on behalf of market participants. A certificate or other document issued by a Participant as to the nominal amount of such Beneficial Interest in Bonds standing to the account of any person shall be *prima facie* proof of such Beneficial Interest. A Global Certificate may be replaced by the issue of uncertificated securities in terms of Section 37 of the Securities Services Act.

Beneficial Interests in the Bonds may be exchanged by the Issuer for Individual Certificates in accordance with Condition 12 of the Terms and Conditions. Such Individual Certificates will not be issuable in bearer form. The Bonds represented by the Global Certificate and Individual Certificates will be registered in the names of the Bondholders in the Register of Bondholders maintained by the Transfer Secretary. The Issuer shall regard the Register as the conclusive record of title to the Bonds. The CSD shall be recognised by the Issuer as the owner of the Bonds represented by the Global Certificate and the registered holders of Individual Certificates shall be recognised by the Issuer as the owners of the Bonds represented by such Individual Certificates. The Bonds represented by an Individual Certificate shall be transferred in accordance with Condition 13 of the Terms and Conditions.

TERMS AND CONDITIONS OF THE BONDS

The following is the text of the terms and conditions of the Bonds which will be incorporated by reference into the Global Certificate and each Individual Certificate.

1. INTERPRETATION

In these terms and conditions, unless inconsistent with the context, the following expressions shall have the following meanings:

"Applicable Procedures"	the rules and operating procedures for the time being of the CSD and BESA, as the case may be;
"Beneficial Interest"	the undivided share of a co-owner of the Bonds represented by the Global Certificate, as provided in Section 41 of the Securities Services Act;
"BESA"	the Bond Exchange of South Africa Limited, a licensed financial exchange in terms of the Securities Services Act or any exchange which operates as a successor exchange to BESA;
"Bondholder"	the holder of a Bond as recorded in the Register being the CSD and the holders of Individual Certificates;
"Bonds"	the senior unsecured fixed rate registered bonds with minimum denominations of ZAR1,000,000 each issued pursuant to these Terms and Conditions;
"Business Day"	a day which is a day, other than a Saturday, Sunday or official South African public holiday within the meaning of the Public Holidays Act, 1994 (as amended), on which commercial banks settle ZAR payments in Johannesburg;
"Certificate"	a Global Certificate or Individual Certificate;
"Companies Act"	the Companies Act, 1973 (as amended);
"CSD"	Strate Limited (Registration Number 1998/022242/06), a public company duly incorporated with limited liability in accordance with the company laws of South Africa, or its nominee, operating in terms of the Securities Services Act (or any successor legislation thereto), or any additional or alternate depository approved by the Issuer and BESA;
"CSD's Nominee"	Central Depository Nominees (Proprietary) Limited (Registration Number 1990/006665/07), a private company duly incorporated with limited liability in accordance with the company laws of South Africa, a wholly owned Subsidiary of the CSD;
"Event of Default"	any one of the events of default by the Issuer set out in Condition 11;
"Extraordinary Resolution"	a resolution passed at a properly constituted meeting of the Bondholders upon a show of hands by a majority consisting of not less than two-thirds of the Bondholders present in person and voting at the meeting or, if a poll be duly demanded, a majority consisting of not less than two-thirds of the votes given at such poll by Bondholders present in person or by Proxy;
"Form of Proxy"	an instrument in writing signed by the Bondholder or, in the case of a Bondholder which is a corporation, executed under its common seal or signed on its behalf by a duly authorised representative of the corporation appointing a Proxy;
"Global Certificate"	the single certificate, without interest coupons, registered in the name of the CSD's Nominee and representing those Bonds which are lodged and immobilised in the CSD other than those Bonds represented by the Individual Certificates;
"Individual Certificate"	a Bond in the definitive registered form of a single certificate exchanged for a Beneficial Interest in the Bonds represented by the Global Certificate in accordance with Condition 12 and any further Certificate issued in consequence of a transfer thereof;

“Interest Payment Date”	the day upon which interest due in respect of the Bonds shall be paid by the Issuer, being 29 April and 29 October of each year, commencing on 29 October 2008 provided that the last date for such payment shall be on the Redemption Date;
“Interest Period”	each six-month period commencing on and including the day of any Interest Payment Date and ending on but excluding the following Interest Payment Date during the period from and including the Issue Date to but excluding 29 April 2015, provided that the first Interest Period shall be from and including the Issue Date to, but excluding the first Interest Payment Date thereafter;
“Interest Rate”	the rate of interest applicable to the Bonds, being 11,90% per annum;
“Issue Date”	29 April 2008;
“Issuer”	Telkom SA Limited (Registration Number 1991/005476/06), a public company duly incorporated with limited liability in accordance with the company laws of South Africa;
“Last Day to Register”	17h00 South African time on the tenth day preceding an Interest Payment Date or Redemption Date, as the case may be, being the last day on which the Transfer Secretary will accept Transfer Forms and record the transfer of the Bonds in the Register and whereafter the Register is closed for further transfers or entries until such Interest Payment Date or Redemption Date;
“Material Subsidiary”	a Subsidiary of the Issuer whose net assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represents more than 18% of the consolidated net assets of the Telkom Group or whose total attributable income before tax (consolidated in the case of a Subsidiary which itself has Subsidiaries) accounts for more than 18% of the Telkom Group’s total consolidated attributable income before tax, as the case may be, all as calculated by reference to the latest audited (consolidated or, as the case may be, unconsolidated) accounts of the Subsidiary and the Issuer’s most recent annual financial statements;
“Participant”	a person accepted by the CSD as a participant in terms of Section 34 of the Securities Services Act;
“Paying Agent”	the Issuer or such other paying agent as may be appointed by the Issuer from time to time;
“Principal Amount”	the face value of each Bond;
“Proxy”	a person appointed under a Form of Proxy to act on behalf of a Bondholder in connection with any meeting or proposed meeting of the Bondholders;
“Redemption Date”	the date upon which the Bonds are redeemed by the Issuer, whether by way of redemption on maturity in terms of Condition 7.1 or redemption for tax reasons in terms of Condition 7.3, as the case may be;
“Register”	the register maintained by the Transfer Secretary in terms of Condition 14;
“Relevant Date”	in respect of any payment, the date on which such payment first becomes due, except that, in relation to monies payable to the CSD in accordance with these Terms and Conditions, it means the first date on which: <ul style="list-style-type: none"> (a) the full amount of such monies have been received by the CSD; (b) such monies are available for payment to the holders of Beneficial Interests; and (c) notice to that effect has been duly given to such holders in accordance with the Applicable Procedures;
“Securities Services Act”	the Securities Services Act, 2004 (as amended);
“Settlement Agent”	a Participant, approved by BESA in terms of the rules of BESA to perform electronic settlement of both funds and scrip on behalf of market participants;
“Subsidiary”	a subsidiary, as defined in section 1(3) of the Companies Act;

“Telkom Group”	collectively, the Issuer and each Material Subsidiary of the Issuer;
“Terms and Conditions”	the terms and conditions incorporated in this section <i>“Terms and Conditions of the Bonds”</i> and in accordance with which the Bonds are issued;
“Transfer Form”	the written form for the transfer of any Bond, in the form approved by the Transfer Secretary and signed by the transferor and transferee;
“Transfer Secretary”	the Issuer (Telephone: (27) (12) 311 2285; Telefax: (27) (12) 311 1875) or any successor secretaries appointed by the Issuer; and
“ZAR”	the lawful currency of South Africa, being South African Rand, or any successor currency.

2. ISSUE

A total amount of ZAR1,160,000,000 Bonds will be issued, provided that nothing contained herein shall preclude the Issuer from, at any time, issuing further bonds on these Terms and Conditions. The Issuer reserves the right from time to time without the consent of the Bondholders to create and issue additional bonds with identical terms (save as to amount, date of the first payment of interest thereon, issue date and issue price) and such bonds shall be consolidated to form a single series with and increase the aggregate Principal Amount of the Bonds. The term ‘*Bonds*’ shall, in the event of such increase, also comprise such additionally issued bonds.

3. FORM AND DENOMINATION

- 3.1 The Bonds are senior unsecured fixed rate registered bonds with a minimum denomination of ZAR1,000,000.
- 3.2 The Bonds will be issued in the form of the Global Certificate which will be deposited with and registered in the name of, and for the account of the CSD’s Nominee. The CSD’s Nominee shall be reflected in the Register as the registered holder of the Bonds represented by such Global Certificate. An owner of a Beneficial Interest in the Bonds represented by the Global Certificate shall be entitled to exchange such Beneficial Interest for an Individual Certificate in accordance with Condition 12.

4. TITLE

- 4.1 Title to the Bonds will pass upon registration of transfer in the Register in accordance with Condition 13. The Issuer, the Paying Agent and the Transfer Secretary shall recognise a Bondholder as the sole and absolute owner of the Bonds registered in that Bondholder’s name in the Register (notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) and shall not be bound to enter any trust in the Register or to take notice of or to accede to the execution of any trust (express, implied or constructive) to which any Bond may be subject.
- 4.2 Beneficial Interests in Bonds lodged in the CSD in the form of the Global Certificate may, in terms of existing law and practice, be transferred through the CSD by way of book entry in the securities accounts of the Participants. Such transfers will not be recorded in the Register and the CSD’s Nominee will continue to be reflected in the Register as the Bondholder in respect of the Global Certificate, notwithstanding such transfers.

5. STATUS

The Bonds constitute direct, senior, unconditional and unsecured obligations of the Issuer and will rank *pari passu* amongst themselves and (save for certain debts required to be preferred by law) equally with claims of all other unsecured creditors (other than unsecured subordinated obligations, if any) of the Issuer from time to time outstanding.

6. NEGATIVE PLEDGE

- 6.1 The Issuer undertakes, until the Redemption Date, that neither the Issuer nor its Material Subsidiaries shall create or permit the creation of any Encumbrance (defined below) other than a Permitted Encumbrance (defined below) over any of their present or future businesses, undertakings, assets or revenues to secure any present or future Indebtedness (defined below) (save for those that have been accorded preferential rights by law) without at the same time securing all Bonds equally and rateably with such Indebtedness or providing such other security as may be approved by Extraordinary Resolution of the Bondholders, unless the provision of any such security in terms of this Condition 6.1 is waived by an Extraordinary Resolution of the Bondholders.

- 6.2 The Issuer shall be entitled but not obliged, to form, or procure the formation of, a trust or trusts, or to appoint, or procure the appointment of, an agent or agents to hold any such rights of security for the benefit of such Bondholders.
- 6.3 For the purposes of this Condition 6:
- (a) **“Encumbrances”** means any mortgage, pledge, hypothecation, assignment, cession-in-securitatem debiti, deposit by way of security or any other agreement or arrangement (whether conditional or not and whether relating to existing or to future assets), having the effect of providing a security interest to a creditor or any agreement or arrangement to give any form of security to a creditor but excluding statutory preferences and any security interest arising by operation of law;
 - (b) **“Permitted Encumbrance”** means:
 - (i) any Encumbrance existing as at the date of this Offering Circular; or
 - (ii) any Encumbrance with respect to the receivables of the Issuer or any Material Subsidiary which is created pursuant to any securitisation or like arrangement in accordance with normal market practice and whereby the Indebtedness is limited to the value of such receivables; or
 - (iii) any Encumbrance with respect to inter-company Indebtedness incurred between the Issuer and any Subsidiary; or
 - (iv) any Encumbrance created over any asset owned, acquired, developed or constructed by the Issuer or any Material Subsidiary, being an Encumbrance created for the sole purpose of financing or refinancing that asset owned, acquired, developed or constructed, provided that the Indebtedness so secured shall not exceed the *bona fide* market value of such asset or the cost of that acquisition, development or construction (including all interest and other finance charges, adjustments due to changes in circumstances and other charges reasonably incidental to such cost, whether contingent or otherwise); or
 - (v) any Encumbrance over deposit accounts securing the loan to the Issuer or any Material Subsidiary of funds equal to the amounts standing to the credit of such deposit accounts; or
 - (vi) any Encumbrance created in the ordinary course of the Issuer’s business or any Material Subsidiary’s business over stock-in-trade, inventory, accounts receivable or deposit accounts; or
 - (vii) any Encumbrance subsisting over any asset of any Material Subsidiary prior to the date of such entity becoming a Material Subsidiary and not created in contemplation of such entity becoming a Material Subsidiary and any substitute Encumbrance created over that asset (but in any such case the amount of the Indebtedness secured by such Encumbrance, may not be increased); or
 - (viii) any Encumbrance securing in aggregate not more than ZAR100,000,000 at any time;
 - (c) **“Indebtedness”** means any indebtedness in respect of monies borrowed and guarantees given, whether present or future, actual or contingent.

7. REDEMPTION AND PURCHASES

7.1 Redemption on maturity

Subject to these Terms and Conditions, the Bonds shall be redeemed at their Principal Amount on 29 April 2015 (together with interest accrued to such Redemption Date). If such Redemption Date falls upon a day which is not a Business Day, payment shall be made on the first following day that is a Business Day, provided that no additional interest shall be payable for the period necessitated by such delay.

7.2 Optional Redemption by Bondholders

7.2.1 Change of Control of the Issuer

7.2.1.1 A “Change of Control Event” shall occur if:

- (a) a Change of Control occurs; and
- (b) within the Change of Control Period, in relation to any rating assigned to any Bonds that are rated by a Rating Agency or in relation to any rating assigned to the Issuer by a Rating Agency, a Change of Control Rating Downgrade in relation to such Bonds or the Issuer, as the case may be, occurs in respect of that Change of Control.

- 7.2.1.2 Promptly upon the Issuer becoming aware that a Change of Control Event has occurred, the Issuer shall give a notice to the Bondholders in accordance with Condition 16 specifying the nature of the Change of Control Event and the circumstances giving rise to it and the procedure for exercising the option contained in this Condition 7.2.1.
- 7.2.1.3 If at any time while any Bond remains in issue, upon the occurrence of a Change of Control Event, the Issuer shall, and only if the Bondholders have:
- (a) in terms of Condition 16 issued a notice to convene a meeting of Bondholders within 30 (thirty) Business Days of the date on which a Change of Control Rating Downgrade occurred; and
 - (b) resolved in terms of Condition 18 by way of Extraordinary Resolution requiring the redemption of the Bonds by the Bondholders in these circumstances,
- redeem all Bonds at its Principal Amount together with accrued interest (if any) within 30 (thirty) Business Days of having received a written notice from the Bondholders to redeem such Bonds.
- 7.2.1.4 For the purposes of this Condition 7.2.1:
- (a) “**Acting in Concert**” means a group of persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate, through the acquisition of shares in the Issuer by any of them, either directly or indirectly, to obtain or consolidate Control of the Issuer;
 - (b) a “**Change of Control**” shall be deemed to have occurred at each time (whether or not approved by the senior management or board of directors of the Issuer) that any person (“**Relevant Person**”) or persons Acting in Concert or any person or persons acting on behalf of any such person(s), at any time directly or indirectly acquires Control of the Issuer; provided that a Change of Control shall not be deemed to have occurred if the shareholders of the Relevant Person are also, or immediately prior to the event which would otherwise constitute a Change of Control were, all of the shareholders of the Issuer;
 - (c) “**Change of Control Period**” means, in relation to a Change of Control of the Issuer, the period ending 60 (sixty) Business Days after the date on which the Change of Control of the Issuer is publicly announced;
 - (d) “**Control**” of the Issuer means (A) the holding beneficially of more than 50% (fifty percent) of the issued share capital of the Issuer (excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital), or (B) the power to cast, or control the casting of, such number of the shares in the issued share capital of the Issuer carrying more than 50% (fifty percent) of the total number of votes that may be cast at a general meeting of the members of the Issuer;
 - (e) “**Investment Grade Rating**” means a national scale rating of “*Baa3*” by Moody’s or “*BBB-*” by S&P or their equivalent for the time being, or better;
 - (f) “**Moody’s**” means Moody’s Investors Services South Africa (Proprietary) Limited (Registration Number 2002/014566/07) and its successors in title;
 - (g) “**Rating Agency**” means either S&P or Moody’s;
 - (h) a “**Change of Control Rating Downgrade**” shall, in relation to Bonds that are rated or where the Issuer has been assigned a rating by the Rating Agency, be deemed to have occurred if within the Change of Control Period the rating previously assigned to such Bonds or the Issuer, as the case may be, is (i) withdrawn; or (ii) changed from an Investment Grade Rating to a non-Investment Grade Rating; and
 - (i) “**S&P**” means Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies Incorporated and its successors in title.

7.2.2 Disposal of Vodacom Interest

7.2.2.1 A “*Vodacom Disposal Event*” shall occur if:

- (a) a Vodacom Disposal occurs; and
- (b) within the Vodacom Disposal Period, in relation to any rating assigned to any Bonds that are rated by a Rating Agency or in relation to any rating assigned to the Issuer by a Rating Agency, a Vodacom Disposal Rating Downgrade in relation to such Bonds or the Issuer, as the case may be, occurs in respect of that Vodacom Disposal;

7.2.2.2 Promptly upon the Issuer becoming aware that a Vodacom Disposal Event has occurred, the Issuer shall give a notice to the Bondholders in accordance with Condition 16 specifying the nature of the Vodacom Disposal Event and the circumstances giving rise to it and the procedure for exercising the option contained in this Condition 7.2.2.

7.2.2.3 If at any time while any Bond remains in issue, upon the occurrence of a Vodacom Disposal Event, the Issuer shall, subject to the Issuer having received the cash consideration in relation to the Vodacom Disposal, and only if the Bondholders have:

- (a) in terms of Condition 16 issued a notice to convene a meeting of Bondholders within 30 (thirty) Business Days of the date on which the Vodacom Disposal Rating Downgrade occurred; and
- (b) resolved in terms of Condition 18 by way of Extraordinary Resolution requiring the redemption of the Bonds by the Bondholders in these circumstances,

redeem all Bonds at its Principal Amount together with accrued interest (if any) within 30 (thirty) Business Days of having received a written notice from the Bondholders to redeem such Bonds.

7.2.2.4 For purposes of this Condition 7.2.2:

- (a) “**Investment Grade Rating**” means a national scale rating of “*Baa3*” by Moody’s or “*BBB-*” by S&P or their equivalent for the time being, or better;
- (b) “**Moody’s**” means Moody’s Investors Services South Africa (Proprietary) Limited (Registration Number 2002/014566/07) and its successors in title;
- (c) “**Rating Agency**” means either S&P or Moody’s;
- (d) “**S&P**” means Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies Incorporated and its successors in title;
- (e) “**Vodacom**” means Vodacom Group (Proprietary) Limited (Registration Number 1993/005461/07);
- (f) “**Vodacom Disposal**” means the disposal for cash by Telkom in one or more transactions of more than 25% in aggregate of its shareholding in Vodacom, other than in terms of a merger, amalgamation, consolidation, reconstruction or reorganisation within the Telkom Group;
- (g) “**Vodacom Disposal Period**” means, in relation to a Vodacom Disposal, the period ending 60 (sixty) Business Days after the date on which the Vodacom Disposal is publicly announced; and
- (h) “**Vodacom Disposal Rating Downgrade**” shall, in relation to Bonds that are rated or where the Issuer has been assigned a rating by the Rating Agency, be deemed to have occurred, if within the Vodacom Disposal Period the rating previously assigned to such Bonds or the Issuer, as the case may be, is (i) withdrawn; or (ii) changed from an Investment Grade Rating to a non-Investment Grade Rating.

7.3 Redemption for tax reasons

If the Issuer, immediately prior to the giving of the notice referred to below in this Condition 7.3, is of the reasonable opinion that:

- (a) as a result of any change in or amendment to the laws or regulations of South Africa or any political sub-division of, or any authority in, or of, South Africa having power to tax becoming effective after the date

of this Offering Circular, the Issuer is or would be required to pay additional amounts as provided or referred to in Condition 10; and

(b) such requirement cannot be avoided by the Issuer taking reasonable measures available to it,

then the Issuer may at its option, having given not less than 30 (thirty) and not more than 60 (sixty) days' notice to Bondholders (which notice shall be irrevocable), redeem all the Bonds, but not some only, at their Principal Amount (together with interest accrued to such Redemption Date) provided that no notice of redemption shall be given earlier than 90 (ninety) days before the earliest date on which the Issuer would incur the obligation to pay such additional amounts where a payment in respect of the Bonds is due.

7.4 Procedure for redemption

Payments in respect of the redemption of the Bonds shall be made in accordance with Condition 9 and, in relation to Bonds represented by the Global Certificate held in the CSD, the Applicable Procedures relating to the redemption of debt securities, and the Individual Certificate.

Bondholders shall surrender their Certificates in respect of Bonds held by them to the Transfer Secretary at least 10 (ten) days prior to the Redemption Date.

7.5 Purchases

The Issuer or any of its affiliates may at any time purchase Bonds at any price in the open market or otherwise. In the event of the Issuer purchasing Bonds, such Bonds may (subject to restrictions of any applicable law) be held, resold or, at the option of the Issuer, surrendered to the Transfer Secretary for cancellation.

7.6 Cancellation

Subject to the provisions of Condition 7.4, all Bonds which are redeemed by the Issuer will forthwith be cancelled. All Bonds so cancelled shall be held by the Transfer Secretary and cannot be re-issued or resold.

8. INTEREST

- 8.1 The Bonds shall bear interest at the Interest Rate from and including the Issue Date, to but excluding the Redemption Date.
- 8.2 Interest in respect of each Interest Period, shall be payable in arrears on the Interest Payment Date immediately succeeding such Interest Period. If any Interest Payment Date falls upon a day which is not a Business Day, the interest payable upon such Interest Payment Date shall be payable upon the first following day that is a Business Day, provided that for the purposes of determining an Interest Period, no adjustment shall be made to such Interest Payment Date.
- 8.3 Each Bond will cease to bear interest from the Redemption Date unless, upon due presentation thereof, payment of principal is improperly withheld or refused.
- 8.4 In the event that the Issuer fails to punctually make payment of any amounts owing in accordance with these Terms and Conditions, the amounts so owing shall continue to bear interest at the Interest Rate in accordance with these Terms and Conditions.
- 8.5 The amount of interest payable per Bond in respect of each Interest Period shall be calculated by multiplying the applicable Interest Rate by the Principal Amount of such Bond and then dividing such product by two. If interest is required to be calculated for a period other than a full fixed interest period, such interest shall be calculated on the basis of the actual number of days elapsed divided by 365, irrespective of the number of days in a year.

9. PAYMENT

- 9.1 The Principal Amount and interest on the Bonds shall be paid by the Paying Agent for and on behalf of the Issuer in ZAR.
- 9.2 Payments of interest and principal in respect of Bonds represented by the Global Certificate will be made to the CSD's Nominee, as the registered holder of the Global Certificate, which in turn will transfer such funds, via the Settlement Agents, to the holders of Beneficial Interests. Each of the persons reflected in the records of the CSD or the relevant Settlement Agents, as the case may be, as the holders of Beneficial Interests shall

look solely to the CSD or the relevant Settlement Agent, as the case may be, for such person's share of each payment so made by the Issuer to, or for the order of, the registered holder of the Global Certificate. The Issuer will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, Beneficial Interests, or for maintaining, supervising or reviewing any records relating to such Beneficial Interests. Payments of interest and principal in respect of Bonds represented by the Global Certificate shall be recorded by the CSD's Nominee, as the registered holder of the Global Certificate, distinguishing between interest and principal, and such record of payments by the registered holder of the Global Certificate shall be *prima facie* proof of such payments. Payments of interest and principal in respect of Bonds represented by Individual Certificates shall be made to the person reflected as the registered holder of the Individual Certificate in the Register on the Last Day to Register.

- 9.3 Payments of interest and/or the Principal Amount in respect of each Bond shall be paid by the Paying Agent, for and on behalf of the Issuer by electronic funds transfer to the account of the relevant Bondholder as set forth in the Register at 16h00 Johannesburg time on the Last Day to Register preceding the relevant Interest Payment Date or Redemption Date, as the case may be, or, in the case of joint Bondholders, the account of that one of them who is first named in the Register in respect of that Bond, provided that no payment in respect of the redemption of such Bond shall be made by the Issuer until 10 (ten) days after the date on which the Global Certificate or Individual Certificate, as the case may be, in respect of the Bond to be redeemed has been surrendered to the Transfer Secretary.
- 9.4 If the Paying Agent, acting on behalf of the Issuer, is prevented or restricted directly or indirectly from making any payment by electronic funds transfer in accordance with Condition 9.3 (whether by reason of strike, lockout, fire, explosion, floods, riot, war, accident, act of God, embargo, legislation, shortage of or breakdown in facilities, civil commotion, unrest or disturbances, cessation of labour, Government interference or control or any other cause or contingency beyond the control of the Issuer), such inability shall not constitute an Event of Default and the Issuer shall give notice to the Bondholders within 3 (three) Business Days of such inability arising. Upon receipt of such notice any Bondholder may request, in writing, setting out a postal address, that the Issuer make payment of any such amounts by way of cheque if allowed by law or banking practice. The Paying Agent, acting on behalf of the Issuer, shall deliver any such cheque to such Bondholder within 5 (five) Business Days of receiving such request.
- 9.5 Each such cheque shall be made payable to the relevant Bondholder or, in the case of joint Bondholders, the first one of them named in the Register and each such cheque shall be dated as at the Interest Payment Date or Redemption Date, as the case may be. Subject to these Terms and Conditions, payments by cheque may be posted by ordinary mail and the Issuer or the Paying Agent shall not be responsible for any loss in the transmission of mail and the postal authorities shall be deemed to be the agent of the Bondholders for the purpose of all cheques posted in terms of this Condition 9.
- 9.6 Payment of a cheque sent in terms of Conditions 9.4 and 9.5 shall be a complete discharge by the Issuer of the amount of the cheque.
- 9.7 If several persons are entered into the Register as joint Bondholders then, without affecting the provisions of Condition 9.6, payment to any one of them of any monies payable on or in respect of the Bond shall be an effective and complete discharge by the Issuer of the amount so paid, notwithstanding any notice (express or otherwise) which the Issuer may have of the right, title, interest or claim of any other person to or in any Bond or interest therein.
- 9.8 In the event that any cheque provided by the Paying Agent, for and on behalf of the Issuer, as set out above is not presented for payment and no demand is made for payment of the relevant amount of interest or principal within a period of 6 (six) months from the Relevant Date, the Paying Agent shall forthwith refund any such amount to the Issuer.

10. TAXATION

- 10.1 All payments (whether in respect of the Principal Amount, interest or otherwise) in respect of the Bonds will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges ("**taxes**") of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of South Africa or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes is required by law (including any applicable double taxation agreement to which South Africa is a party).

- 10.2 In the event of any withholding or deduction in respect of taxes levied or imposed on interest or principal payments on Debt Instruments (as defined below), the Issuer shall pay such additional amounts as may be necessary in order that the net amounts receivable by the Bondholder after such withholding or deduction shall equal the respective amounts which would have been receivable by such Bondholder in the absence of such withholding or deduction, except that no such additional amounts shall be payable:
- (a) in respect of any Bond held by a Bondholder which is liable to such taxes in respect of such Bond by reason of its having some connection with South Africa other than the mere holding of such Bond or the receipt of the Principal Amount or interest in respect thereof; or
 - (b) in respect of any Bond held by, or by a third party on behalf of, a Bondholder who could lawfully avoid (but has not so avoided) such withholding or deduction by complying with any statutory requirements or by making a declaration of non-residence or other claim or filing for exemption to the relevant tax authority; or
 - (c) where such withholding or deduction is in respect of taxes levied or imposed on interest or principal payments only by virtue of the inclusion of such payments in the Taxable Income or Taxable Gains (each as defined below) of any Bondholder; or
 - (d) where (in the case of a payment of the Principal Amount or interest which is conditional on surrender of the relevant Certificate in accordance with these Terms and Conditions) the relevant Certificate is surrendered for payment more than 30 (thirty) days after the Relevant Date, except to the extent that the relevant Bondholder would have been entitled to such additional amounts if it had surrendered the relevant Certificate on the last day of such period of 30 (thirty) days; or
 - (e) if such withholding or deduction arises through the exercise by revenue authorities of special powers in respect of tax defaulters; or
 - (f) upon the payment of any taxes by the Issuer as an agent or representative taxpayer for a Bondholder.
- 10.3 If the Issuer becomes subject generally at any time to any taxing jurisdiction other than or in addition to South Africa, references in this Condition 10 to South Africa shall be read and construed as references to South Africa and/or to such other jurisdiction(s).
- 10.4 Any reference in these Terms and Conditions to any amounts payable in respect of the Bonds shall be deemed also to refer to any additional amounts which may be payable under this Condition 10.
- 10.5 For the purposes of this Condition 10:
- (i) “**Debt Instrument**” means any “*instrument*” as defined in section 24J(1) of the Income Tax Act;
 - (ii) “**Taxable Income**” means any “*taxable income*” as defined in section 1 of the Income Tax Act;
 - (iii) “**Taxable Gain**” means any “*taxable capital gain*” as defined in paragraph 1 of Schedule 8 to the Income Tax Act; and
 - (iv) “**Income Tax Act**” means the Income Tax Act, 1962.

11. EVENTS OF DEFAULT

- 11.1 An Event of Default shall occur if:

Failure to pay

- (a) the Issuer fails to pay any Principal Amount due under the Bonds on its due date for payment thereof or the Issuer fails to pay any interest due under the Bonds on its due date for payment thereof and any such failure continues for a period of 3 (three) Business Days, after receiving written notice from any Bondholder demanding such payment; or

Breach of Undertaking

- (b) the Issuer fails to perform or observe any of its other material obligations under any of the Bonds and such failure continues for a period of 30 (thirty) calendar days after receipt by the Issuer of a notice in respect of such failure; or

Negative pledge breach

- (c) the Issuer or any Material Subsidiary fails to remedy a breach of Condition 6 by the Issuer or any Material Subsidiary, in which case the period to remedy is within 7 (seven) Business Days of receiving written notice from Bondholders demanding such remedy; or

Cross-default

- (d) the Issuer or any Material Subsidiary default in the payment of the principal or interest, or any obligations in respect of Material Indebtedness of, or assumed or guaranteed by, the Issuer or any Material Subsidiary when and as the same shall become due and payable and where notice has been given to the Issuer or any Material Subsidiary, as the case may be, of the default and if such default shall have continued for more than the notice period (if any) applicable thereto and the time for payment of such interest or principal or other obligation has not been effectively extended or if any such obligations of, or assumed or guaranteed by, the Issuer or any Material Subsidiary shall have become repayable before the due date thereof as a result of acceleration of maturity by reason of the occurrence of any event of default thereunder; or

Consents

- (e) any action, condition or thing, including the obtaining of any consent, license approval or authorisation now or in future necessary to enable the Issuer to comply with its respective obligations under the Bonds is not taken, fulfilled or done, or any such consent, license, approval or authorisation is revoked, modified, withdrawn or withheld or shall cease to be in full force and effect, resulting in the Issuer being unable to perform any of its respective payments or other obligations in terms of the Bonds and the Issuer fails to remedy such circumstances (if capable of remedy) within 7 (seven) Business Days of receiving written notice from the Bondholders demanding such remedy; or

Liquidation or winding-up

- (f) the granting of an order by any competent court or authority for the liquidation, winding-up, dissolution or judicial management of the Issuer or any Material Subsidiary, whether provisionally (and not dismissed or withdrawn within 30 (thirty) days thereof) or finally, or the placing of the Issuer or any Material Subsidiary under voluntary liquidation or curatorship, provided that no liquidation, curatorship, winding-up, dissolution or judicial management shall constitute an event of default if (i) the liquidation, winding-up, dissolution or judicial management is for the purposes of effecting an amalgamation, merger, demerger, consolidation, reorganisation or other similar arrangement within the Telkom Group or with any third party; or (ii) the liquidation, winding-up, dissolution or judicial management is for the purposes of effecting an amalgamation, merger, demerger, consolidation, reorganisation or other similar arrangement, the terms of which were approved by Extraordinary Resolution of Bondholders before the date of the liquidation, winding-up, dissolution or judicial management; or

Nationalisation

- (g) any step is taken by or under any authority with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or any of the Issuer or any Material Subsidiary or a material part of the assets of the Issuer or any Material Subsidiary or any of the securities issued by the Issuer or any Material Subsidiary without reasonable compensation; or

Judicial proceedings

- (h) the Issuer or any Material Subsidiary initiates or consents to judicial proceedings relating to itself under any applicable compromise with creditors, liquidation, winding-up or insolvency or other similar laws or compromises or attempts to compromise, with its creditors generally (or any significant class of creditors) or any meeting of creditors is convened by the Issuer or any Material Subsidiary to consider a proposal for an arrangement of compromise with its creditors generally (or any significant class of its creditors), save for any such initiation, consent, attempt or convening of a meeting which relates to a Material Subsidiary and is for the purposes of an internal reconstruction or reorganisation within the Telkom Group; or
 - (i) if proceedings are initiated against the Issuer or any Material Subsidiary such that a person takes possession of the whole or a material part of the undertaking or assets of any of them, or an execution or attachment or other process is levied, enforced upon, sued out or put in force against the whole or a part of the undertaking or assets of any of them and such is not discharged within 30 (thirty) days.
- 11.2 If the Issuer becomes aware of the occurrence of any Event of Default, the Issuer shall forthwith notify all Bondholders, BESA, the Joint Lead Managers and the Co-Managers.
- 11.3 Upon the happening of an Event of Default, any Bondholder may, by written notice to the Issuer at its registered office, effective upon the date of receipt thereof by the Issuer, declare the Bonds held by such Bondholder to be forthwith due and payable. Upon receipt of that notice, such Bonds, together with accrued interest (if any) to the date of payment, shall become forthwith due and payable.

For purposes of this Condition 11:

“Material Indebtedness” means any Indebtedness (as defined in Condition 6.3(c)) amounting in aggregate to not less than ZAR300,000,000 (or its equivalent in other currencies at the time of the Event of Default).

12. DELIVERY, EXCHANGE AND REPLACEMENT OF CERTIFICATES

- 12.1 The Bonds will initially be issued in the form of the Global Certificate and will be lodged and immobilised in the CSD, in the name of and for the account of the CSD's Nominee.
- 12.2 A person holding a Beneficial Interest in the Bonds represented by the Global Certificate may, in terms of the Applicable Procedures and through its nominated Participant, direct a written request to the Transfer Secretary for an Individual Certificate representing the number of Bonds to be delivered by the Transfer Secretary in exchange for such Beneficial Interest. The aggregate of the Principal Amounts of the Bonds represented by such Individual Certificate shall be equivalent to the amount of such Beneficial Interest. The Transfer Secretary shall deliver such Individual Certificate upon such written request no later than 14 (fourteen) days after receiving the written request of the holder of such Beneficial Interest in accordance with the Applicable Procedures, provided that, joint holders of a Beneficial Interest shall be entitled to receive only one Individual Certificate in respect of that joint holding and delivery to one of those joint holders shall be delivery to all of them.
- 12.3 Upon the receipt of a written request for delivery of an Individual Certificate in terms of Condition 12.2, the Global Certificate shall, in terms of the Applicable Procedures, be presented to the Transfer Secretary for splitting and a new Global Certificate for the balance of the Bonds still held by the CSD shall be delivered to the CSD. The old Global Certificate will be cancelled and retained by the Transfer Secretary.
- 12.4 Certificates shall be provided (whether by way of issue, delivery or exchange) by the Issuer, save as otherwise provided in these Terms and Conditions. Separate costs and expenses relating to the provision of Certificates and/or the transfer of Bonds may be levied by other persons, such as a Settlement Agent, under the Applicable Procedures and such costs and expenses shall not be borne by the Issuer. The costs and expenses of delivery of Certificates by other than ordinary post (if any) and, if the Issuer shall so require, taxes or governmental charges or insurance charges that may be imposed in relation to such mode of delivery shall be borne by the Bondholder.
- 12.5 If any Certificate is mutilated, defaced, stolen, destroyed or lost it may be replaced at the office of the Transfer Secretary on payment by the claimant of such costs and expenses as may be incurred in connection therewith and against the furnishing of such indemnity as the Transfer Secretary may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.
- 12.6 Any person becoming entitled to Bonds as a consequence of the death or insolvency of the relevant Bondholder may, upon producing evidence to the satisfaction of the Issuer that he holds the position in respect of which he proposes to act under this paragraph or of his title, require the Issuer and the Transfer Secretary to register such person as the holder of such Bonds or, subject to the requirements of this Condition 12, to transfer such Bonds to such person.

13. TRANSFER OF BONDS

- 13.1 Beneficial Interests in the Bonds may be transferred in terms of the Applicable Procedures in the CSD.
- 13.2 In order for any transfer of Bonds to be effected through the Register and for the transfer to be recognised by the Issuer, each transfer of a Bond:
 - (a) must be embodied in the usual Transfer Form;
 - (b) must be signed by the relevant Bondholder and the transferee, or any authorised representatives of that registered Bondholder and/or transferee;
 - (c) shall only be in respect of denominations of ZAR1,000,000 each or a multiple thereof and consequently the Issuer will not recognise any fraction of a denomination of ZAR1,000,000; and
 - (d) must be made by way of the delivery of the Transfer Form to the Transfer Secretary together with the Certificate in question for cancellation or, if only part of the Bonds represented by a Certificate is transferred, a new Certificate for the balance will be delivered to the transferor and the cancelled Certificate will be retained by the Transfer Secretary.

- 13.3 The transferor of any Bonds represented by a Certificate shall be deemed to remain the owner thereof until the transferee is registered in the Register as the holder thereof.
- 13.4 Before any transfer is registered all relevant transfer taxes (if any) must have been paid and such evidence must be furnished as the Transfer Secretary reasonably requires as to the identity and title of the transferor and the transferee.
- 13.5 No transfer will be registered while the Register is closed.
- 13.6 If a transfer is registered then the Transfer Form and cancelled Certificate will be retained by the Transfer Secretary.

14. REGISTER

- 14.1 The Register shall be kept at the offices of the Transfer Secretary. The Register shall contain the name, address and bank account details of the registered Bondholders. The Register shall set out the Principal Amount of the Bonds issued to any Bondholder and shall show the date of such issue and the date upon which the Bondholder became registered as such. The Register shall show the serial numbers of Certificates issued. The Register shall be open for inspection during the normal business hours of the Transfer Secretary to any Bondholder or any person authorised in writing by any Bondholder. The Transfer Secretary shall not be obliged to record any transfer while the Register is closed.
- 14.2 The Register will be closed during the 10 (ten) days preceding each Interest Payment Date and the Redemption Date, namely from and including 19 April to but excluding 29 April and from and including 19 October to but excluding 29 October of each year until the Redemption Date, in order to determine those Bondholders entitled to receive payments. All periods referred to for the closure of the Register may be shortened by the Issuer from time to time, upon notice thereof to the Bondholders.
- 14.3 The Transfer Secretary shall alter the Register in respect of any change of name, address or bank account number of any of the Bondholders of which it is notified in accordance with these Terms and Conditions.

15. LISTING AND TRADING

An application has been made to list the Bonds on BESA under stock code number TL15. The application was granted on 23 April 2008 and the Bonds may be traded by and through members of BESA from 29 April 2008.

16. NOTICES

- 16.1 All notices (including all demands or requests under these Terms and Conditions) to the Bondholders will be valid if (a) mailed by registered post or hand delivered to their addresses appearing in the Register or published in a leading English language daily newspaper of general circulation in South Africa, and (b) for so long as the Bonds are listed on BESA, published in a daily newspaper of general circulation in Johannesburg, which newspapers are respectively expected to be the *Business Day* and *The Star* (or their respective successors). Any such notice shall be deemed to have been given on the day of first publication or hand delivery or on the seventh day after the day on which it is mailed, as the case may be.
- 16.2 For so long as the Bonds are held in their entirety by the CSD, there may be substituted for publication as contemplated in Condition 16.1 the delivery of the relevant notice to the CSD, the Settlement Agents and BESA for communication by them to the holders of Beneficial Interests in the Bonds represented by the Global Certificate.
- 16.3 Notices (including all demands or requests under these Terms and Conditions) to be given by any Bondholder shall be in writing and given by delivering the notice, together with a certified copy of the relevant Certificate, to the Issuer. While any of the Bonds are represented by the Global Certificate, notice may be given by any holder of a Beneficial Interest to the Issuer through the holder's relevant Settlement Agent in accordance with the Applicable Procedures and in such manner as the Issuer and the relevant Settlement Agent may approve for this purpose.
- 16.4 Any notice to the Issuer shall be deemed to have been received by the Issuer, on the second Business Day after being hand delivered to the registered office of the Issuer or on the seventh day after the day on which it is mailed by registered post to the registered office of the Issuer, as the case may be.

17. AMENDMENT OF THESE TERMS AND CONDITIONS

- 17.1 These Terms and Conditions set out all the rights and obligations relating to the Bonds. No addition, variation or consensual cancellation shall be of any force or effect unless reduced to writing and signed by or on behalf of the Issuer and (a) signed by or on behalf of Bondholders holding not less than two-thirds in value of the Bonds outstanding from time to time, or (b) authorised by an Extraordinary Resolution of a meeting of Bondholders, provided that no such amendment shall be of any force or effect unless notice of the intention to make such amendment shall have been given to the Bondholders.
- 17.2 The Issuer may, without the consent of the Bondholders, make any modification to these Terms and Conditions which is of a formal, minor or technical nature or is made to correct a manifest error to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated and the governing law in accordance with which the Bonds are issued. Any such modification shall be binding on the Bondholders and any such modification shall be notified to the Bondholders in accordance with Condition 16 as soon as practical thereafter.

18. MEETINGS OF BONDHOLDERS

- 18.1 The Issuer may at any time convene a meeting of Bondholders upon at least 21 (twenty one) days' prior written notice to Bondholders. Such notice shall specify the place of the meeting, which shall be in the Republic of South Africa, and the date and time, thereof.
- 18.2 The Issuer shall convene a meeting upon the requisition in writing of the holders of at least 25% (twenty five percent) of the aggregate Principal Amount outstanding of the Bonds for purposes only of considering an Extraordinary Resolution in accordance with the Terms and Conditions.
- 18.3 If the Issuer does not proceed to cause a meeting referred to in Condition 18.2 to be held within 30 (thirty) days of the deposit with the company secretary of the Issuer of a requisition notice, requisitionists who, together, hold not less than 25% (twenty five percent) of the aggregate Principal Amount outstanding of the Bonds for the time being, may themselves convene the meeting, but the meeting so convened shall be held within 60 (sixty) days from the date of such deposit and shall be convened as nearly as possible in the same manner as that in which meetings may be convened by the Issuer. Notice of the meeting shall be required to be given to the Issuer.
- 18.4 Every director and representative of the Issuer may attend and speak at a meeting but shall not be entitled to vote at a meeting, other than as a Bondholder or Proxy.
- 18.5 The chairman of the meeting shall be appointed by the Issuer. The procedures to be followed at the meeting shall be as determined by the chairman, subject to the remaining provisions of this Condition 18.
- 18.6 Each Bondholder that is present in person or by proxy at the meeting shall have one vote per R1,000,000's worth of Bonds held by such Bondholder.
- 18.7 The proxy shall be in writing under the hand of the Bondholder or of his authorised agent or if the Bondholder is a company or any other body corporate (including a benefit, pension, provident or any other similar fund) either signed by its authorised officer or agent. Such instrument shall automatically entitle a Proxy to speak at a meeting.
- 18.8 A person appointed to act as a proxy need not be a Bondholder.
- 18.9 The proxy and the power of attorney or other authority (if any) under which it is signed or a certified copy of such power of attorney shall be deposited with the Issuer not less than 24 (twenty-four) hours before the time appointed for the meeting or adjourned meeting (or in the event of a poll, before the time appointed for the taking of the poll), failing which the proxy shall not be treated as valid.

20. NO VOTING RIGHTS ON BONDS HELD BY THE ISSUER

The Issuer shall not have any voting rights on any Bonds repurchased or otherwise held by it.

21. GOVERNING LAW

The Bonds and all rights and obligations relating to the Bonds are governed by, and shall be construed in accordance with the laws of South Africa.

USE OF PROCEEDS

Words used in this section entitled "Use of Proceeds" shall bear the same meanings as used in the terms and conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

For the purposes of the commercial paper regulations published in the Government Gazette Notice No. 2172 (Government Gazette 16167) of 14 December 1994 ("Commercial Paper Regulations") under paragraph (cc) of the definitions of "the business of a bank" in section 1 of the Banks Act, 1990, it is recorded that the "ultimate borrower", as defined in the Commercial Paper Regulations, of the net proceeds from the issue of the Bonds will be the Issuer.

The net proceeds from the issue of the Bonds will be applied by the Issuer for the funding of its general corporate purposes.

SIGNED at SANDTON on this the 24th day of APRIL 2008.

For and on behalf of
Telkom SA Limited



Name: Reuben September
Capacity: Chief Executive Officer
Who warrants his authority hereto

For and on behalf of
Telkom SA Limited



Name: Shirley T. Lue Arnold
Capacity: Chairman
Who warrants his authority hereto

DESCRIPTION OF TELKOM SA LIMITED (the “Issuer”)

1. BACKGROUND AND HISTORY

Prior to 1991, the former Department of Posts and Telecommunications provided telecommunications and post office services in South Africa on an exclusive basis. In 1991, the Government of South Africa (the “**Government**”) transferred the entire telecommunications enterprise of the Department of Posts and Telecommunications to a new entity, Telkom, as part of a commercialisation process intended to liberalise certain sectors of South Africa’s economy. Telkom remained a wholly state owned enterprise until 14 May 1997, when the Government sold a 30% equity interest in Telkom to Thintana Communications LLC (“**Thintana Communications**”), a Delaware limited liability company, 60% beneficially owned by SBC Communications Inc. and 40% beneficially owned by Telekom Malaysia S.D.N. Berhad. As part of the sale to Thintana Communications, the then Minister of Posts, Telecommunications and Broadcasting entered into an agreement with Thintana Communications under which Thintana Communications undertook significant operational and managerial responsibilities and acquired the ability to exercise effective operational and managerial control over Telkom until May 2002.

On 7 March 2003, Telkom completed its initial public offering and listing on the JSE Limited (“**JSE**”) and New York Stock Exchange (“**NYSE**”), pursuant to which the Government sold a total of 154,199,467 ordinary shares in a global initial public offering, including 14,941,513 ordinary shares through the exercise of an over-allotment option.

2. OWNERSHIP AND CONTROL

Overview

Thintana Communications sold a 14.9% interest in Telkom to South African and certain international institutional investors in June 2004. On 15 November, 2004, the Public Investment Corporation Limited (the “**PIC**”) warehoused, on behalf of the Elephant Consortium, a 15.1% stake of Telkom previously held by Thintana Communications.

The PIC and the Elephant Consortium subsequently agreed to an allocation of shares. The Elephant Consortium was initially allocated 10.1% with the condition that 3.37% of the 10.1% stake be allocated to broad based economic empowerment. The PIC agreed to retain 5%, including the class B ordinary share, to be held by Black Ginger 33 (Proprietary) Limited (“**Black Ginger**”), a wholly-owned subsidiary of the PIC.

The following sets forth entities or persons known to Telkom to be the beneficial holders of 5% or more of Telkom’s issued and outstanding ordinary shares as at 29 February 2008. The following information is based on public filings and disclosures.

Name of shareholder	Number of ordinary shares	Percentage of issued capital
Government of South Africa	207,038,058 ⁽¹⁾	38.85%
Black Ginger 33 (Propriety) Limited	46,604,996 ⁽²⁾	8.75%
Public Investment Corporation	34,826,369	6.53%
Elephant Consortium	30,467,930	5.72%

(1) Holder of one Class A ordinary share.

(2) Holder of one Class B ordinary share.

As authorised by Telkom’s shareholders at its annual general meetings held on 21 October 2005, 20 October 2006 and 26 October 2007, Telkom is authorised to purchase up to 20% of its issued share capital. This authority is valid until Telkom’s next annual general meeting, or for 15 months from the date of the resolution, whichever period is shorter.

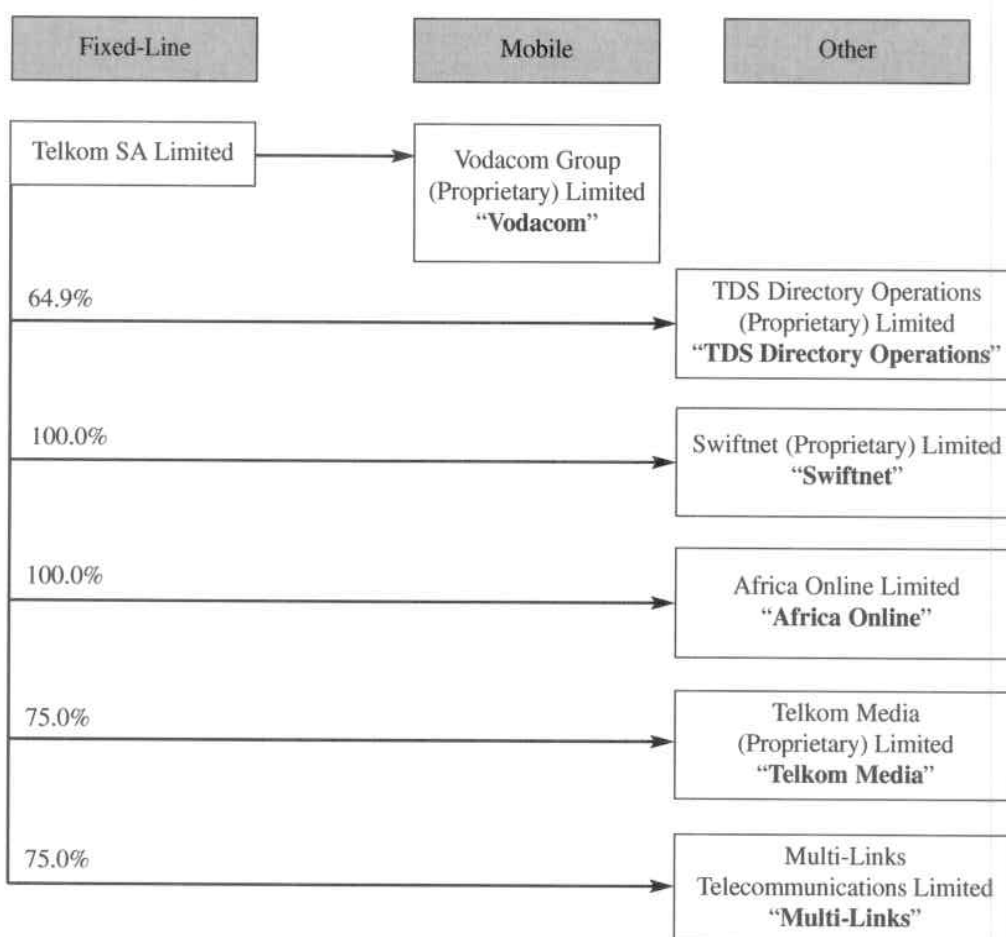
In the year ended 31 March 2006, Telkom repurchased 12,086,920 of its ordinary shares at a volume weighted average price of R124.31 per share, including costs. These ordinary shares have been cancelled from the issued share capital by the Registrar of Companies. Telkom repurchased 12,089,371 of its ordinary shares at a volume weighted average price of R132.04 per share, including costs, in the 2007 financial year. As of 19 February 2008, Telkom

repurchased 8,177,206 of its ordinary share capital at a volume weighted average price of R136.94 per share, including costs. 7,627,206 of these shares have been cancelled from the issued share capital by the Registrar of Companies and the remaining 550,000 shares are in the process of being cancelled. In terms of the Companies Act, a subsidiary company may acquire up to 10% of the shares in its holding company and if the holding company acquires its own shares directly, such shares must be cancelled. Telkom plans on continuing its buy back strategy based on certain criteria.

Except as stated under paragraph 7 headed “*Directors and Senior Management of Telkom*”, none of Telkom’s directors or senior management is the beneficial owner of any of Telkom’s ordinary share capital. Except as disclosed above, Telkom is not directly or indirectly owned or controlled by any other corporation, foreign government or any other natural or legal person severally or jointly and Telkom is not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of Telkom. The Government, as a significant shareholder holding the class A ordinary share, has special voting rights that are more fully described in paragraph 7, headed “*Directors and Senior Management of Telkom*”.

3. ORGANISATIONAL STRUCTURE OF TELKOM

Telkom’s group operational structure is as follows:



On 19 April 2007, Telkom acquired 75% of Multi-Links in Nigeria, for US\$280 million. Multi-Links is a private telecommunications operator with a Unified Access License allowing fixed, mobile, data, long distance and international telecommunications services focused primarily on corporate clients in Nigeria. Multi-Links will focus on brand awareness and promotional campaigns to increase the revenue of fixed-wireless and mobile customers and will offer easy to understand high value bundles, differentiated on voice quality and service. Broadband internet with Internet Service Provider (“ISP”) services will target high value bundles and high quality Internet Protocol New Generation Network (“IP NGN”) services are planned to be deployed in Lagos to attract high end corporate users and carrier class wholesale products and services are planned to be introduced by establishing an earth station to provide international connectivity.

Telkom's business consists of three segments:

- a fixed-line segment;
- a mobile segment, and
- an other segment.

Telkom's fixed-line segment consists of its fixed-line business, which provides fixed-line access and data communications services through Telkom.

Telkom's mobile segment consists of its 50% interest in Vodacom, Telkom's joint venture.

Telkom's other segment provides directory services through Telkom's 64.9% owned TDS Directory Operations subsidiary; wireless data services through Telkom's wholly owned Swiftnet subsidiary, Internet services in Africa through Telkom's newly acquired wholly owned Africa Online subsidiary and fixed, mobile, fixed-wireless, international and data services through its 75% interest in Multi-Links, a private telecommunications operator in Nigeria. In addition, Telkom created Telkom Media, a joint venture to explore various avenues in the information, communication and entertainment environment.

South African fixed-line communications market

While South Africa features a highly developed financial and legal infrastructure at the core of its economy, it also suffers from high levels of unemployment and income disparity. With respect to the economically disadvantaged communities of the population, communications providers must compete with other basic necessities for customers' limited resources. In a number of areas of the country and for particular communities, mobile services are the preferred alternative to fixed-line services, primarily due to mobility. Although the fixed-line penetration rate in South Africa was only 9.8% and 10.0% as at 31 March 2007 and 31 March 2006, respectively, due to the diverse rural geography and demographic factors in South Africa, Telkom does not expect South Africa's fixed-line penetration rates to increase in the near term.

South African mobile communications market

South Africa has experienced significant growth in the number of mobile users since Global System Mobile ("GSM") mobile services were launched in the country in 1994. The penetration rate for mobile users increased from an estimated 2.4% at 31 March 1997 to an estimated 84% at 31 March 2007. As a result, Vodacom's South African revenue increased 24.1% and 19.1% in the 2006 and 2007 financial years, respectively. While Telkom believes the mobile penetration rate will continue to increase, it does not expect that it will continue to grow at the same high rates that it has experienced in the recent past. Consequently, Vodacom is placing increased focus on customer retention and maintaining its market leadership by providing innovative value added services, data products and superior customer service as well as seeking new associate business opportunities in South Africa and gearing up to provide total converged solutions to corporates.

A large part of the growth in mobile services was due to the success of prepaid services. Approximately 84.9% of Vodacom's South African mobile customers were prepaid customers at 30 September 2007 and 92.7% of all gross connections were prepaid customers in the last six months to 30 September 2007. During the 2007 financial year the growth in contract customers in South Africa exceeded the growth in prepaid customers as a result of the migration of the South African middle class from prepaid to contract services.

4. BUSINESS OVERVIEW

4.1 Business summary

Telkom is one of the largest companies registered in South Africa and one of the largest communications services provider on the African continent based on operating revenue and assets. Telkom had consolidated operating revenue of R51.6 billion, profit for the year attributable to the equity holders of Telkom of R8.7 billion and cash flow from operating activities of R9.4 billion in the year ended 31 March 2007 and Telkom had total assets of R59.2 billion and equity attributable to the equity holders of Telkom of R31.7 billion as at 31 March 2007. As at 31 March 2007, Telkom had approximately 4.6 million telephone access lines in service and 99.9% of Telkom's telephone access lines were connected to digital exchanges. Telkom offers business, residential and payphone customers a wide range of services and products, including:

- *fixed-line voice services*, including subscriptions and connections services, local, long distance, fixed-to-mobile and international voice services, interconnection and hubbing communications services, international voice over internet protocol services, subscription based value-added voice services and customer premises equipment rental and sales;

- *fixed-line data services*, including domestic and international data transmission services such as point to point leased lines, ADSL services and packet-based services, managed data networking services and internet access and related information technology services;
- *mobile communications services*, including voice services, data services, value-added services and handset sales through Vodacom;
- *directory and wireless data services* through its TDS Directory Operations and Swiftnet subsidiaries; and
- *other internet, fixed, mobile, fixed-wireless, international and data services* through its other African subsidiaries, Africa Online and Multi-Links and Telkom Media subsidiaries;

Vodacom is Telkom's mobile communications joint venture with Vodafone Group Plc ("**Vodafone**"). Vodacom is the largest mobile communications network operator in South Africa with an estimated market share of approximately 58% as at 31 March 2007 based on total estimated customers. Vodacom had 30.2 million customers as at 31 March 2007, of which 23.0 million were in South Africa. Vodacom has investments in mobile communications network operators in Lesotho, Tanzania, the Democratic Republic of the Congo and Mozambique. Vodacom had consolidated revenue of R41.1 billion, net profit attributable to equity shareholders of R6.3 billion and cash flow from operating activities of R4.9 billion in the year ended 31 March 2007 and total assets of R28.5 billion and equity attributable to equity holders of Vodacom of R9.4 billion, as at 31 March 2007.

4.2 Business model

Telkom is developing a flexible business model to respond to changing regulatory, competitive and expansion requirements in order to enable the company to execute its strategy in the best possible manner. Telkom actively monitors developments around the globe both on competition and regulatory matters and these developments will form part of the inputs into the development of the business model.

The model is designed to:

- get closer to Telkom's customers with market-driven solutions;
- protect Telkom's existing revenue base;
- extend Telkom's penetration into its existing market; and
- expand Telkom's business into new markets and territories.

Telkom will face significant pressures in the medium term and the maturity of the industry is expected to lead to price and margin pressure. The trends of substitution and customers preferring solutions rather than stand-alone products will further place pressure on Telkom's strategies and structures. To address this, Telkom will seek to capitalise on the following basic elements of its integrated business model:

- form focused business units around distinct market segments and value propositions to provide clients with responsive, competitive offerings;
- create lean and strategically focused corporate centers, providing shared services, where appropriate;
- strengthen alliances and partnerships with best-in-class external service providers to leverage scale, access expertise, augment capability and increase flexibility and utilize turnkey capital projects; and
- develop connective rules and tools that measure, inform, and motivate organizational elements to work together in executing the company's strategy.

4.3 Fixed-line communications

Telkom's fixed-line segment is its largest business segment and includes Telkom's fixed-line voice, data, directory services and wireless data services businesses. Telkom's fixed-line services consist of:

- fixed-line subscription and connection services to postpaid, prepaid and private payphone customers using Public Switched Telecommunications Network ("**PSTN**") lines, including Integrated Services Digital network ("**ISDN**") lines, and the sale of subscription based value-added voice services and customer premises equipment rental and sales;
- fixed-line traffic services to postpaid, prepaid and payphone customers, including local, long distance, fixed-to-mobile, international outgoing and international voice over internet protocol traffic services;
- 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; and

- fixed-line data services, including domestic and international data transmission services, such as point to point leased lines, ADSL services, packet-based services, managed data networking services and internet access and related information technology services.

5. MANAGEMENT STRATEGY

Telkom's mission is to be a leading South African-based international Information Communications Technology ("ICT") services group focused on long-term profitability through growth in existing and new markets by:

- providing differentiated high quality fixed, wireless and converged products and services directly or through Telkom's subsidiaries and partners;
- striving for excellence in serving Telkom's valued domestic retail and wholesale, as well as international customers;
- achieving unprecedented organic growth of existing assets;
- targeting acquisitions and new partnerships to achieve core strategies; and
- acting as a responsible and caring corporate citizen.

Telkom's vision is to be Africa's preferred ICT service provider by:

- customers regarding Telkom as their first choice when deciding on ICT communication solutions;
- employees regarding Telkom as the preferred employer in the ICT industry;
- shareholders regarding Telkom as a company that offers returns greater than alternatives, at a lower risk;
- government and the Regulator considering Telkom as a trustworthy and respectful enabler of the economy;
- suppliers regarding Telkom as a valued partner in delivering world-class ICT services; and
- the community regarding Telkom as a responsible, caring and trustworthy South African corporation.

Telkom's core values are:

- inspired to deliver value to customers;
- meeting the needs of customers is its core inspiration;
- dedicated to agile and excellent performance;
- diverse, positive, aligned and passionate people;
- determined to continuously improve;
- learning, changing and innovating to own the future;
- committed to act with integrity; and
- honest, empathetic and approachable in all it does

Telkom's aim is to sustain profitability levels by growing and protecting revenue and managing costs.

Telkom's core strategy is to defend and grow profitable revenue. The core strategy will be enabled by:

- Areas of transformation:
 - organisation and people;
 - business acumen;
 - customer centricity;
 - network evolution; and
 - network quality and resilience;
- Capability management;
- Brand management;
- Stakeholder management; and
- Governance excellence.

Strategy 1: Defend revenue

Objectives:

- Maintain fixed-line net revenue;
- Retain fixed-line market share; and
- Increase annuity revenue as a percentage of total fixed-line operating revenue.

Telkom will defend its revenue by:

- Converting revenue streams to annuity revenue. Bundling call minutes with access line rental in an attractive subscription-based value proposition is an important strategy that Telkom follows to deliver greater value to its customers. Telkom will continue to enhance calling plans and bundles. Pricing is a key element of the value proposition and Telkom's pricing strategy is aimed at improving Telkom's competitiveness in areas where competition is expected to intensify and where arbitrage opportunities exist. To defend Telkom's customer base without bundled packages Telkom will re-balance data, long distance, call unit and line rental tariffs. Furthermore, Telkom will introduce per-second billing for fixed-to-mobile calls.
- Building customer retention (resistance to switch) through initiatives that will entice customers to stay with Telkom. Telkom's customer centricity roadmap addresses churn reduction and retention management. The roadmap includes implementing value and needs-based segmentation, customer measures, as well as customer portfolio management.
- Building customer loyalty by providing superior value propositions that positions Telkom as the service provider of choice. Telkom will address the emotional drivers of customer loyalty. Constant development will be done of new, innovative products and services to re-vitalise Telkom's image and reputation. Telkom will implement a differentiation strategy that aligns its core competencies to drivers of customer value in order to achieve competitive advantage. Customers will be informed about Telkom, its products and regulations.

Strategy 2: Grow revenue – Fixed-mobile capability

Objectives:

Significantly improve Telkom's capability to selectively build a fixed wireless and mobile data network.

Telkom intends to focus on providing mobile data services, e.g.

- Offer 3G interim service whilst ADSL is being installed;
- Expanding Telkom's Do Broadband to "Do Mobile Broadband"; and

Telkom's fixed wireless network will not allow cell-to-cell handover.

Strategy 3: Grow revenue – Broadband and converged services

Objectives:

- Reach broadband penetration of at least 20% of fixed-lines; and
- Converged services revenue, i.e. Information Technology ("IT") / ISP services, data centre, content and managed services, to contribute to gross revenue.

Telkom is aggressively expanding its ADSL footprint, increasing the bandwidth in order to host applications, such as video services and using the next generation network to facilitate innovative solutions. Telkom will speed up delivery of new products to the market. The focus will be on service differentiation through enhanced value packages and bundles according to customer requirements, while ensuring improved service delivery and assurance.

Telkom seeks to increase revenue from customers in both the mass and enterprise markets, taking advantage of opportunities offered by convergence, managed services, as well as applications and infrastructure. Telkom plans to aggressively improve its market share in the IT services sector over the next five years. This will be accomplished by targeting the medium to large business segment, developing a utility data centre services model, exploiting the convergence between IT services and telecommunication services, executing an aggressive acquisition strategy, establishing suitable partnerships to complement the acquisition, as well as leveraging Telkom's geographical distribution capability.

Strategy 4: Grow revenue – Geographic reach

Objectives:

- Achieve a revenue contribution to the group from international investments and services rendered through a management services company; and
- Expand Africa Online to 15 countries, covering 60% of major African cities.

Telkom aims to establish Telkom as a regional data player through the provisioning of a range of hosting services, managed solutions, mobile voice, wireless broadband services, as well as management consulting to operators. In addition, Telkom would position Telkom as a wholesale facilities and infrastructure enabler for regional incumbents.

Telkom intends to establish a management services company to complement its geographic expansion strategy. Through investment partnerships and by creating international networking communities, Telkom would facilitate the increase in share of revenue generated by international assets.

With regards to Telkom's existing subsidiaries, Telkom will focus on achieving strong growth through both organic and acquisitive business development strategies, as well as by leveraging synergies across the Telkom group. For Africa Online this includes deploying satellite-based Internet access, leveraging its available international capacity and using Africa Online as the main vehicle for the deployment of white-label Telkom Internet services. Pertaining to Multi-Links, Telkom plans to introduce converged fixed and mobile services into the Nigerian market, while the identification of key exportable products from the mobile Nigerian market will be crucial for the development of some of Telkom's international asset portfolio.

6. RISK MANAGEMENT

The Bondholders should carefully consider the risks described below in conjunction with the other information and the consolidated financial statements of the Telkom group and the related notes thereto included elsewhere in this Offering Circular.

6.1 Risks related to Telkom's business

Increased competition in the South African telecommunications market may result in a reduction in overall average tariffs and market share and an increase in costs in Telkom's fixed-line business, which could cause Telkom's growth rates, operating revenue and net profit to decline and its churn rates to increase.

Telkom is currently the only provider of residential public switched telecommunications services in South Africa. Neotel (Proprietary) Limited ("**Neotel**"), formerly known as SNO Telecommunications (Proprietary) Limited, which was granted an additional license to provide public switched telecommunications services in South Africa, was licensed on 9 December 2005 and commercially launched on 31 August 2006 and commenced providing services in the beginning of the 2007 calendar year to large corporations and other licensees. Neotel is 30% owned by Transtel Limited ("**Transtel**") and Eskom Enterprises (Proprietary) Limited ("**Esitel**"), both of which are beneficially owned by the Government, and other strategic equity investors, including 26% beneficially owned by TATA Africa Holdings (Proprietary) Limited, a member of the TATA group, a large Indian conglomerate with information and communications operations. Neotel has indicated that it will begin providing services to residential customers in the 2007 calendar year. This form of competition has not materialised yet, and Neotel has now indicated that it will happen in 2008. Neotel, on the other hand, has been active in the market for large corporate customers and licensees. The Government has created an infrastructure company, Infracore, which is expected to provide inter-city bandwidth at cost price to Neotel, and later to the rest of the industry, which will further compete with Telkom's communications network. A process to issue additional licenses to small business operators to provide telecommunications services in underserved areas with a teledensity of less than 5%, commenced in 2005 and is continuing. These are referred to as underserved areas licensees ("**USALs**"). The Minister of Communications (the "**Minister**") has identified 27 of these underserved areas. The Independent Communications Authority of South Africa ("**ICASA**") has issued licenses to successful bidders in seven of these areas and the Minister has issued invitations to apply for licenses in 14 additional areas. In August 2006, ICASA recommended to the Minister that licenses be granted to successful applicants in 13 of these areas. While it was expected that further licences would be issued in the 2007 calendar year, no additional licences have been issued.

Telkom also faces increased competition from mobile operators, value added network operators and private network operators as a result of determinations by the Minister in September 2004 and the Electronic Communications Act, 2005 (the "**EC Act**"), which came into effect on 19 July 2006. Telkom expects that the new licensing framework included in the EC Act will result in the market becoming more horizontally layered with a number of separate licenses being issued for electronic communications network services, electronic communications services, broadcasting services and the radio frequency spectrum and will substantially increase competition in Telkom's fixed-line business. In addition, pursuant to the EC Act and determinations issued by the Minister:

- mobile cellular operators are permitted to obtain fixed telecommunications links from parties other than Telkom;
- Value Added Network Services ("**VANS**") operators and private network operators are permitted to resell the telecommunications facilities that they obtain from Telkom;

- VANS operators are permitted to allow their services for the carrying of voice, including voice over internet protocol;
- Telkom is no longer the sole provider of facilities to VANS operators; and
- licensing for the provision of payphone services has been expanded.

VANS providers are Telkom's main competitors in the data market. They provide competitive internet protocol, virtual private networks and internet service provider services to the business segment. Telkom also faces competition from consumer oriented internet service providers. In addition, Telkom's data services have faced increased competition from competitors in the wireless area that offer competing broadband services, and, to a lesser extent, Sentech, which owns and operates satellite transmission systems, a packaged, always-on, bi-directional broadband service via satellite and a wireless high-speed internet service offer. Competition in the data market is expected to increase.

Telkom expects that the introduction of number portability and carrier pre-selection could further enhance competition and increase Telkom's churn rates. As competition intensifies, the main challenges Telkom's fixed-line business faces are continuing to improve customer loyalty through improved services and products and maintaining Telkom's leadership in the South African communications market. As a result of increasing competition, Telkom anticipates a reduction in overall average tariffs and market share and an increase in costs in its fixed-line business, which could cause Telkom's growth rates, operating revenue and net profit to decline.

Competition from the three existing mobile communications network operators in South Africa has resulted in significant customer migration and call substitution from fixed-line to mobile services. If this customer migration and call substitution continues, Telkom's growth rates, operating revenue and net profit could decline.

Telkom competes for telephone customers with the three existing mobile communications network operators, Vodacom, Mobile Telephone Network Holdings (Proprietary) Limited ("MTN"), a wholly owned subsidiary of the MTN Group Limited, a public company listed on the JSE and Cell C (Proprietary) Limited ("Cell C"), which announced in June 2006 that it entered into a joint venture with Virgin Mobile (South Africa) (Propriety) Limited. Telkom also competes with service providers who use least cost routing technology, that enables fixed-to-mobile calls from corporate private branch exchanges to bypass Telkom's fixed-line network by being transferred directly to mobile networks, thus converting the fixed-to-mobile call into the cheaper "on-net" mobile-to-mobile call. Following the launch of Vodacom's, MTN's and Cell C's 3G networks, mobile customers are also now able to browse the internet on a broadband platform, which provides increased competition for Telkom's data services. Telkom has experienced significant customer migration in recent years from fixed-line services to mobile services, as well as substitution of calls placed using mobile services rather than Telkom's fixed-line service, with the increase in mobile penetration in South Africa. If this migration continues, Telkom's growth rates, operating revenue and net profit could decline.

There are significant political, economic, regulatory and legal risks associated with Vodacom's and Telkom's African investments outside of South Africa, which could adversely affect their businesses and cause their financial condition and net income to decline.

Vodacom currently has investments in mobile communications network operators in Lesotho, Tanzania, the Democratic Republic of the Congo (the "DRC") and Mozambique and Telkom recently acquired investments in Africa Online, active in Cote d'Ivoire, Ghana, Kenya, Namibia, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe, and Multi-Links, which provides telecommunications services throughout Nigeria. These countries have political, economic, regulatory and legal systems that are still in the process of transformation and are subject to less developed corporate governance and business practices and more bureaucratic and regulatory delays than those in South Africa. Many of these countries also suffer from poverty, civil strife, political conflict, corruption and political mismanagement, all of which could make it difficult for Vodacom and Telkom to comply with legal requirements, including, in the case of Telkom, the Sarbanes-Oxley Act, 2002 ("Sarbanes-Oxley Act"), which could subject Vodacom and Telkom to fines and penalties, adversely affect their business operations, and cause the value of their investments in these countries and their revenue and net profit to decline. In particular, the DRC has had a history of civil war and its first democratic elections only took place on 30 July 2006. The regulatory environments in these countries also often lack clarity in a number of areas and are subject to varying interpretations. Political or economic upheaval or changes in laws and regulations or in their application may harm the operations of the companies in which Vodacom and Telkom invest and impact the value of these investments.

Most of the fixed-line operators in these countries are state controlled. As a result, the mobile communications network operators in which Vodacom has invested may encounter difficulties in negotiating commercially

acceptable interconnection agreements and collecting amounts due under interconnection agreements as Vodacom has experienced in the DRC and Tanzania. Telkom's new investments in African countries may experience similar difficulties. In addition, Vodacom's other African operations have local minority shareholders and accordingly, Vodacom is subject to risks in its dealings with local shareholders that their interests may not always be aligned with those of Vodacom. A number of jurisdictions in which Vodacom invests have also imposed price controls, particularly for interconnection, which could reduce Vodacom's net profit and cause the value of Vodacom's investments in these other African countries to decline. There are also foreign exchange control restrictions in South Africa, which may restrict Vodacom's and Telkom's ability to fund their investments in these countries, and there are foreign exchange controls in a majority of these countries, which may restrict Vodacom's and Telkom's ability to extract value from these investments.

Should Telkom not be able to continue to improve and maintain its management information and other systems, Telkom's ability to provide accurate and comprehensive operating information, and therefore its ability to compete, may be harmed.

Telkom's management information systems do not provide management with certain operating data and financial information on a real-time basis that, at times, has made Telkom's budgeting and planning processes difficult. Its current operating support system also needs to be evolved and developed to a new next generation operating support system to integrate and support Telkom's conversion to a next generation network. Telkom also, currently, does not have an automated mechanism to manage and optimise Telkom's workforce dispatches and are not able to provide an end to end process of order tracking for Telkom's voice customers. In addition, Telkom's customer and other management information systems and product catalogue are not yet fully integrated and therefore are not capable of providing Telkom with comprehensive and detailed operating information, and Telkom is not able to provide a single bill for customers with multiple locations and products or configure products and services across voice and data domains. To address these problems, Telkom is in the process of developing and implementing a unified customer management system capable of generating a single view of the customer and have launched a scoping exercise to address the evolution to a next generation network. In addition, Telkom has renewed its focus on information risk management and has identified several requirements for improved security of its information technology systems. The full upgrade and integration between Telkom's various operation and support systems and improvements to security of Telkom's information technology systems are not expected to be completed until the 2008 financial year. The implementation of a solution to provide an end-to-end order tracking for Telkom's customers with non-voice related products and services was successfully implemented during the 2007 financial year. The implementation for voice related products and services is targeted to commence during the 2008 financial year for completion in the 2009 financial year. In addition, some of the information systems in Telkom's and Vodacom's other African operations are new and are not capable of providing management on a real-time basis with operating data and financial information. To the extent Telkom is not able to improve its systems and fully address these vulnerabilities, Telkom's ability to provide accurate and comprehensive operating information and to compete effectively in the increasingly liberalised South African communications market may be harmed.

Should Telkom lose key personnel or should it be unable to hire and retain highly qualified employees, Telkom's business operations could be disrupted and could impact on its ability to compete successfully.

Telkom's success, including the success of Vodacom, depends largely on Telkom's ability to hire and retain highly qualified employees who possess the requisite qualifications and technical skills in the communications industry due to the continuous evolution and convergence of technologies. Telkom and Vodacom do not have long term employment agreements with a majority of their senior management, any of whom may terminate their employment at any time. The loss of key personnel could disrupt Telkom's business operations if it is unable to replace them with similarly qualified individuals. In April 2007, Papi Molotsane, Telkom's prior chief executive officer, left the employment of Telkom and Telkom has appointed Ruben September as the new chief executive officer. In March 2007, Telkom's chief technical officer and Telkom's chief sales and marketing officer resigned from Telkom. In October 2007, Telkom's chief financial officer also resigned from Telkom. Telkom expects that competition for employees in the South African communications industry will increase as new competitors enter the market, including Neotel. Should Telkom lose a number of its key employees to Telkom's competitors or are not able to continue to attract and retain highly qualified employees, Telkom's business operations could be disrupted and its ability to compete could be harmed.

Should Vodacom not continue to pay dividends or make other distributions to Telkom, Telkom may not be able to pay dividends and service its debt and could be required to lower or defer capital expenditures, dividends and debt reduction, which could cause the trading prices of Telkom's ordinary shares and American Depository Shares ("ADSs") to decline.

Telkom receives dividends from Vodacom which Telkom uses to fund a portion of its capital and operating expenditures, service its debt and other financial obligations and pay dividends to Telkom's shareholders. Vodacom is legally distinct from Telkom and has no obligation to pay dividends or make other distributions to Telkom. Vodacom's ability to pay dividends and make other distributions to Telkom may be restricted by, among other things, its operations and the availability of funds and the terms of credit and debt arrangements entered into by it, as well as statutory and other legal restrictions. In addition, Vodacom's ability to pay dividends or make distributions to Telkom and its other shareholder requires the approval of Vodacom's shareholders who own 10% or more of Vodacom's shares, which are currently Telkom and Vodafone. To the extent that Vodacom is unable to, or otherwise does not, pay dividends or make other distributions to Telkom in the future, Telkom may not be able to pay dividends and service its debt and could be required to lower or defer capital expenditures, dividends and debt reduction, which could cause the trading prices of Telkom's ordinary shares and ADSs to decline.

Should Telkom continue to experience high rates of theft, vandalism, network fraud, payphone fraud and lost revenue due to non-licensed operators in its fixed-line business, Telkom's fixed-line fault rates could increase and its operating revenue and net profit could decline.

Telkom has experienced significant cable theft, theft of solar panels and wireless communications equipment, vandalism of payphones, network fraud, such as non-licensed calls, and payphone fraud in its fixed-line business. Theft and vandalism have caused Telkom's fixed-line fault rates to increase and the repair times on Telkom's network and the network downtimes associated with such faults and network fraud and payphone fraud have resulted in lost operating revenue and significant costs. Theft of cable increased significantly in the 2007 financial year due to the increase in the price of copper. It further increased during the 2008 financial year and the estimated losses for cable theft for the 10 months ended 31 January 2008 was at least R863 million. Telkom has also lost operating revenue to non-licensed operators providing telecommunications services in South Africa. Should Telkom be unable to continue minimising theft, vandalism, network fraud and payphone fraud or if Telkom continues to lose operating revenue to non-licensed operators in Telkom's fixed-line business, Telkom's fixed-line fault rates could increase and its operating revenue and net profit could decline.

Should the country continue to experience high occurrences of power outages Telkom's operational capacity will be affected and its operating revenue and net profit could decline.

As is the case with enterprises across the country, the widespread and prolonged power outages, also known as load shedding, are affecting Telkom's operational capacity. Should high occurrences of power outages across the country continue, Telkom's business operations could be disrupted and Telkom's operating revenue and net profit could decline.

Actual or perceived health risks relating to mobile handsets, base stations and associated equipment and any related publicity or litigation could make it difficult to find attractive sites for base stations and reduce Vodacom's growth rates, customer base, average usage per customer and net profit.

Concern has been expressed that the electromagnetic signals from mobile handsets, base stations and associated equipment may pose health risks. Actual or perceived risks of mobile handsets or base stations and related publicity or litigation, could make it difficult to find attractive sites for base stations and reduce Vodacom's growth rates, customer base, average usage per customer and net profit.

6.2 Risks related to Telkom's ownership by the Government and major shareholders

Telkom's major shareholders are entitled to appoint the majority of Telkom's directors and exercise control over Telkom's strategic direction and major corporate actions.

The Government owned 38.85% of Telkom's issued ordinary shares plus the class A ordinary share as at 29 February 2008. Through its ownership and voting arrangements provided for in Telkom's articles of association, the Government is entitled to appoint five of Telkom's directors, and is able to exert considerable influence over Telkom's corporate governance, strategic direction and major corporate actions and to appoint directors of Telkom's subsidiaries and the Vodacom joint venture. In addition, as at 29 February 2008, Black Ginger held 8.75% of Telkom's issued ordinary shares and the PIC held 6.53% of Telkom's issued ordinary shares.

Telkom's articles of association require Telkom to obtain written consent from the Government before taking actions that would limit Telkom's ability to provide public switched telecommunication services. Telkom's articles of association also require the approval of directors appointed by the Government in order for Telkom or any of its subsidiaries, including Vodacom, to enter into major corporate actions and transactions, including amendments to Telkom's management structure and the powers of Telkom's operating committee (which was terminated by the Telkom board at which time certain powers were delegated to the chief executive officer assisted by an executive committee), the approval of Telkom's dividend policy and payment of dividends, increases in Telkom's indebtedness beyond certain limits and changes of control. As a result, without the approval and participation of the Government, Telkom is not able to consummate transactions involving an actual or potential change of control, including transactions in which you might otherwise receive a premium for one's ordinary shares or ADSs over market prices. Because the Government exercises control over Telkom, holders of ordinary shares and ADSs lack meaningful power to approve decisions of Telkom's board of directors or to influence Telkom's strategic direction and major corporate actions.

The Government of South Africa may use its position as shareholder of Telkom and policymaker for, and customer of, the telecommunications industry in a manner that may be favorable to Telkom's competitors and unfavorable to Telkom.

The Government owned 38.85% of Telkom's issued ordinary shares as at 29 February 2008. The Government also holds significant equity stakes in other industry participants, including Sentech, and has an indirect 30% equity interest in Neotel. To further its policy of liberalisation of the telecommunications industry, the Government may adopt and implement policies and exercise its right to approve regulations that benefit Telkom's competitors but are not beneficial to Telkom. In addition, to further other political or social objectives, the Government may be required to act in a manner that may be detrimental to Telkom's business but advantageous to its competitors.

The Government is also one of Telkom's customers. Telkom estimates that Government customers, excluding certain Government owned parastatal companies, accounted for at least 9% of Telkom's total fixed-line operating revenue, excluding directory services and other revenue, in the year ended 31 March 2007. The Government has, and in the future may, transfer its existing business to Neotel or other operators, including value added network service providers. Legislation has been enacted to centralize all procurement of telecommunications and information technology services by the Government, through one agency. If the Government transfers some or all of its business to other operators, Telkom's operating revenue and net profit could decline.

6.3 Risks related to regulatory and legal matters

The regulatory environment for the telecommunications industry in South Africa is evolving and regulations addressing a number of significant matters have not yet been made. The interpretation of existing regulations, the adoption of new policies or regulations that are unfavorable to Telkom, or the imposition of additional license obligations on Telkom, could disrupt Telkom's business operations and could cause its net profit to decline.

The licensing and provision of telecommunications services in South Africa is governed by the EC Act, which repealed the Telecommunications Act, 1996 (the "**Telecommunications Act**") and came into effect on 19 July 2006. While a new licensing regime was created by the EC Act, all existing licenses are to remain valid until converted to new licenses in accordance with the new licensing regime. Regulations made under the Telecommunications Act are also to remain in force until they are amended or replaced by new regulations made to fully implement the provisions of the EC Act. As a result, the regulatory environment is evolving, lacks clarity in a number of areas and is subject to interpretation, review and amendment as the telecommunications industry is further developed and liberalized. In addition, the regulatory process entails a public comment process, which, in light of the politicized issue of privatisation of industries such as telecommunications in South Africa, makes the outcome of the regulations uncertain and may cause delays in the regulatory process. A number of significant matters have not been clarified, including:

- the process of converting Telkom's licenses to the new legal framework provided by the EC Act and the extent of additional obligations and limitations that may be imposed on Telkom's converted licenses as a result of proposals by ICASA to reintroduce quality of service obligations that lapsed in 2002;
- the extent to which Telkom's fixed-line business will be required to make its facilities or access lines available to Neotel or other competitors to provide services, other than public switched telecommunications services, on a resale basis;
- the extent to which Telkom's fixed-line business may be required to unbundle its local loop;

- the legal and regulatory framework that will ultimately be established to implement the provisions of the EC Act; and
- the additional obligations that may be imposed on Telkom in terms of the EC Act if Telkom is found to be dominant in a market in which Telkom operates.

ICASA is the regulatory body that governs the South African communications market pursuant to the EC Act. It has been reported that ICASA may lack adequate resources to effectively fulfill its regulatory and licensing functions and to deal with regulatory challenges that continue to change given the rapidly evolving telecommunications environment. ICASA's capacity may be further strained by the workload that is imposed on it by the EC Act. This combination of factors creates further uncertainties in the regulatory arena and the ability of ICASA to effectively fulfill its functions. In addition, while Telkom believes its relationship with ICASA has improved in recent years, Telkom had disagreements with, and cases against, ICASA in the past. Telkom cannot predict the outcome or timing of any amendments to applicable regulations or the interpretation thereof, the release of new regulations or their impact on Telkom. However, changes in the regulation of telecommunications services in South Africa, the imposition of unfavorable terms in Telkom's licenses or the loss or unfavorable amendment of any license could disrupt its business operations and could cause Telkom's net profit.

In addition, new laws and regulations that may require Telkom's business customers to make use of suppliers complying with black economic empowerment requirements may affect it. Should Telkom not be able to meet the minimum requirements of these black economic empowerment initiatives or restrictions, some of Telkom's business customers may be required or elect to obtain all or some of their telecommunications services from Telkom's competitors who may fulfill such requirements.

Should Telkom be required to unbundle the local loop, or are unable to negotiate favorable terms and conditions for the provision of interconnection services and facilities leasing services or ICASA finds that Telkom or Vodacom have significant market power or otherwise imposes unfavorable terms and conditions on Telkom, its business operations could be disrupted and its net profit could decline.

Telkom is required to provide interconnection services to the mobile operators, Neotel and all other entities that lawfully provide telecommunications services in South Africa and to lease or otherwise make its telecommunications facilities available to any entity lawfully providing or utilizing telecommunications services in South Africa. Telkom will also be required to allow Neotel to use all of its telecommunications facilities for the provision of public switched telecommunications services on a resale basis and to provide shared access to the local loop for the first two years of its license. The terms and conditions for the provision of these services and facilities are, or will be, set out in interconnection agreements and facilities leasing agreements negotiated and agreed to by Telkom with these other entities. Telkom may also be required to lease or otherwise make its telecommunications facilities available to Neotel beyond the first two years. The EC Act provides that ICASA may prescribe a framework for the unbundling of Telkom's local loop, which could significantly increase competition. The Minister published policy decisions that the process of unbundling the local loop in South Africa should be urgently implemented and completed by 2011. Telkom is part of a consortium that operates a system of interlinked submarine cables: namely the South Atlantic Telecommunications ("SAT-3") cable, the West African Submarine Cable ("WASC") and the South Africa Far East ("SAFE") cable, which jointly connect South Africa with 8 other African countries, Europe, India and Malaysia, which, due to their interlinked nature are known by the joint acronym "SAT-3/WASC/SAFE". The Minister issued a policy decision declaring 1 November 2007 as the date from which the exclusivity provisions in Telkom's SAT-3/WASC/SAFE agreements shall be declared null and void. The Minister has also issued a policy direction to ICASA requiring it to prioritise and urgently prescribe a list of essential facilities, ensuring that the facilities connected to the SAT-3/WASC/SAFE submarine cables can be quickly accessed.

ICASA is entitled to issue, and has issued, regulations relating to interconnection and facilities leasing. Pursuant to the EC Act, licensees, including Telkom and Vodacom, must, on request, interconnect with and lease electronic communications facilities to, any other licensee, unless such request is unreasonable and must enter into interconnection agreements and facilities leasing agreements for this purpose. Where the parties are unable to reach an agreement, the EC Act confers on ICASA the power to intervene and propose, or impose, terms and conditions for the interconnection agreement, or refer the matter to the Complaints and Compliance Committee for resolution. ICASA must review any interconnection agreement to determine whether it is consistent with the regulations and, if the agreed terms are not consistent with the regulations, direct the parties to agree on new terms and conditions. The EC Act also empowers ICASA to impose pro-competitive conditions on operators found to have significant market power in a market or market segment or market segments that have ineffective competition, which may affect the manner in which interconnection is provided

and facilities are leased by such operators, and the charges thereof, including the provision of interconnection and facilities at or near the long run incremental cost ("LRIC"), of those services or facilities.

On 29 January 2007, ICASA published a consultation document for public comment on its intention to define relevant call termination wholesale markets and on 17 May 2007 it held a public enquiry. [ICASA published its findings on 9 November 2007 and identified separate markets for each Electronic Communication Service ("ECS") or Electronic Communications Network Service ("ECNS") provider, and found that each of them has significant market power ("SMP") for calls terminating on their networks, confirming its preliminary view expressed in the consultation document. It is likely that the appropriate price controls to be applied to the large operators, MTN, Vodacom and Telkom, is the LRIC, calculated on the basis of relevant forward looking economic costs of an efficient operator, including a reasonable cost of capital.

On 3 May 2007, ICASA published a consultation document for public comment on its intention to define relevant end-to-end leased lines and other wholesale markets. In its consultation document ICASA defined the wholesale markets for fixed-line local loop access, fixed-line narrowband exchange lines, call origination and call conveyance, symmetric broadband originator services, trunk services for transmission within South Africa and international leased lines. ICASA expressed the preliminary view that Telkom is deemed to have significant market power in all these markets and the appropriate price controls to be applied is likely to be the LRIC. Regulations are expected to follow in due course.

Should Telkom be required to unbundle the local loop, are unable to negotiate favorable terms and conditions for the provisions of interconnection and facilities leasing or ICASA finds that Telkom or Vodacom have significant market power or otherwise imposes unfavorable terms and conditions on Telkom, Telkom's business operations could be disrupted and its net profit could decline.

The implementation of the Regulation of Interception of Communications and Provisions of Communication-Related Information Act, 2002 ("RICA"), could be costly and may negatively impact the ability of Telkom and Vodacom to register customers and may require them to disconnect existing customers, causing their penetration rates, growth rates, revenue and net profit to decline.

RICA is a law that regulates the authorization for and actual lawful interception of indirect communications. RICA came into effect on 30 September 2005, with the exception of certain sections requiring the collection of customer details and identity verification prior to providing mobile cellular telecommunications services. The compliance date for these sections has not yet been determined and will come into effect by presidential proclamation. RICA obligates service providers to obtain and store customer details, including names, identity numbers, residential and business or postal addresses and requires verification of customers' details with reference to a certified copy of a customer's identity document and his or her actual identity document. To date, Telkom has not been able to complete the implementation of all of these requirements, and Vodacom may not be able to implement these requirements within the time period in which it is ultimately required to implement them, which has not yet been determined. Furthermore, the implementation of RICA is expected to have significant cost implications resulting from the paper verification and storage requirements and negatively impact the ability of Telkom and Vodacom to register customers due to its burdensome registration process, which may not be practical and may require the disconnection of customers for whom such information is unavailable. As a result, Telkom's and Vodacom's business operations could be disrupted and their net profit could decline and they may be liable for penalties to the extent they are not able to comply with RICA's requirements.

In addition, commencing in June 2006, all licensees, including Telkom and Vodacom, were required to install equipment and implement procedures to allow lawful interception by law enforcement agencies in South Africa, including the interception of communications and the provisioning of call-related information, including billing information. Telkom was not able to completely comply with all of these requirements by June 2006 and is in consultation with the Office for Interception Centres and the Department of Communications to adopt a phased approach for compliance. Telkom achieved full compliance for all major technologies, including its public digital exchanges and internet services, in the 2007 calendar year, although some implementation measures remain subject to further official approval. The directives for the implementation of these requirements for private networks have not yet been finalized. To the extent that Telkom is unable to comply with all the requirements of RICA or are unable to substantially recover these costs of compliance, Telkom's business operations could be disrupted, its net profit could decline and Telkom may be liable for penalties.

Should Telkom be required to comply with the provisions of the Public Finance Management Act, 1999 ("PFMA") and the provisions of the Public Audit Act, 2004 ("PAA"), Telkom could incur increased expenses and its net profit could decline and compliance with the PFMA and PAA could result in the delisting of Telkom's ordinary shares and ADSs from the JSE and NYSE.

Telkom is required to comply with the provisions of the PFMA and PAA. Telkom applied for and obtained a temporary exemption from many of the provisions of the PFMA until October 2010. Should Telkom be required to comply with the PAA or its existing exemption from the PFMA is revoked for any reason or it is otherwise required to comply with the PFMA or PAA, Telkom may be compelled to prepare financial statements in accordance with accounting principles and practices prescribed by the Government which may not correlate with International Financial Reporting Standards (IFRS) or US GAAP and would require Telkom to incur additional costs. Telkom would also be required to comply with, what it believes to be, extremely prescriptive treasury regulations issued pursuant to the PFMA and PAA, to provide the Government with advance access to proprietary and potentially price sensitive information and to seek the prior approval of South African governmental authorities to enter into certain material agreements, to maintain certain bank accounts, to formulate and implement certain investment strategies or to discharge its auditors, which would preclude Telkom from acting in the same manner as its competitors and other listed companies. Should Telkom be required to comply with the PFMA and PAA, Telkom may not be able to comply with the Listings Requirements of the JSE or the listing rules of the NYSE and Telkom's ordinary shares and ADSs could be delisted.

Supplier dispute

Expenditure of R594 million was incurred up to 31 March 2002 for the development and installation of an integrated end-to-end customer assurance and activation system to be supplied by Telcordia. In the 2001 financial year, the agreement with Telcordia was terminated and in that year, Telkom wrote off R119 million of this investment. Following an assessment of the viability of the project, the balance of the Telcordia investment was written off in the 2002 financial year. During March 2001, the dispute was taken to arbitration where Telcordia was seeking approximately USD130 million plus interest at a rate of 15.50% per year which was subsequently increased to USD 172 million plus interest at a rate of 15.50% for money outstanding and damages.

The parties have since reached an advanced stage in their preparation to determine the quantum payable by Telkom to Telcordia. Following the ruling by the Constitutional Court, two hearings were held at the International Dispute Resolutions Centre ("IDRC"). The first hearing was held in London on 21 May 2007 and was a 'directions hearing' in terms of which the parties consented to a ruling by the arbitrator setting out a consolidated list of proposals and issues to form part of the quantum hearing.

In the second hearing in London on the IDRC on 25 June and 26 June 2007 the arbitrator set out a list of issues for determination at the quantum hearing.

At a subsequent hearing during July 2007 in London the arbitrator ruled that the rate in terms of the Prescribed Rate of Interest will apply on both damages and debt claims, permitted Telcordia to a further amount in addition to the existing claim, permitted VAT to be claimed on Telcordia's claim, where applicable, and set out an agreed timetable for the future conduct of proceedings. A full hearing will take place between 28 April 2008 and 23 May 2008 in South Africa and further argument to take place between 9 June 2008 and 20 June 2008 in London.

A provision has been recognised based on management's best estimate of the probable payments in this regard.

	March, 2007 R'm	September, 2006 R'm	September, 2007 R'm
Supplier dispute liability included in current portion of provisions	527	—	441

The provision has decreased from 31 March 2007 due to provisional payments made and exchange rate movements.

7. BOARD DIRECTORS

Directors and Senior Management of Telkom

The management of Telkom is vested in its board of directors, which currently consists of ten members. In accordance with Telkom's articles of association, the Government, as the holder of the class A ordinary share, and Black Ginger, as the beneficial holder of the class B ordinary share, are entitled to appoint directors based on the percentage of the issued ordinary shares owned by them. As at the date hereof, the Government is entitled to appoint five directors, including two executive directors, and Black Ginger is entitled to appoint one executive or non-executive director to Telkom's board of directors. Telkom's shareholders are entitled to appoint, in a general meeting, that number of directors, if any, that are not appointed by the holder of the class A ordinary share, the holder of the class B ordinary share or the board of directors. The shareholders in a general meeting are not entitled to fill a vacancy created by a director appointed by either the holder of the class A ordinary share or the class B ordinary share. If, as at 4 March 2011, the class A ordinary share and class B ordinary share have not otherwise been converted into ordinary shares under the terms of Telkom's articles of association, they will be so converted and the rights of the Government and Black Ginger as holders of the class A ordinary share and class B ordinary share, respectively, including their rights to appoint members of Telkom's board of directors will be terminated.

The chief executive officer is Telkom's most senior executive and the exercise of his authority is subject to the authority and direction of the board of directors. Telkom's articles of association provide that the chief executive officer shall be an executive director nominated and appointed at least every three years by the board of directors, after consultation with the Government, for so long as it is a significant shareholder. Pursuant to Telkom's articles of association, the board of directors is required to meet at least once a quarter.

The following are Telkom's directors as at the date of this Offering Circular.

Name	Position	Expiration of term of office	Year of appointment
Shirley Therese Arnold ⁽¹⁾	Chairperson of the Board, Non-executive Director	2009	2006
Reuben Joseph September	Executive Director; Chief Executive Officer		2007
Brahm du Plessis ⁽²⁾	Independent Non-executive Director	2007	2004
Reitumetse Jackie Huntley ⁽¹⁾	Non-executive Director	2010	2007
Mark James Lamberti ⁽²⁾	Independent Non-executive Director	2010	2007
Dr Victor Bernard Lawrence ^{(1), (4)}	Non-executive Director	2010	2007
Penuell Cornwell Sibusiso Luthuli ⁽²⁾	Independent Non-executive Director	2008	2005
Keitumetse Seipelo Thandeka Matthews ⁽¹⁾	Non-executive Director	2009	2006
Dr Ekwow Spio-Garbrah ^{(1), (5)}	Non-executive Director	2010	2007
Athol Graham Rhoda ⁽³⁾	Non-executive Director	2011	2008

(1) A Class Shareholder representatives.

(2) Independent.

(3) B Class Shareholder representative.

(4) American.

(5) Ghanaian.

Telkom's company secretary is Ms SF Linford. The address of the company secretary's office is Telkom Towers North, 152 Proes Street, Pretoria 0001.

No alternative directors have been appointed as at the date hereof.

8. CORPORATE GOVERNANCE AND REGULATORY FRAMEWORK

8.1 Audit and risk management committee

The audit and risk management committee (the “**Audit Committee**”) comprises four non-executive directors.

An independent non-executive director, who is not the chairman of the board, chairs the Audit Committee. No member of the Audit Committee may, other than in his or her capacity as a member of that committee, the board or any other committee of the board, accept any consulting, advisory or other compensatory fee from Telkom or any subsidiary of Telkom or be an affiliated person of Telkom or any subsidiary or vendor of Telkom.

The responsibilities of the Audit Committee include, among other things, the following:

- appoint or, insofar as that is not permitted by the Companies Act, recommend for appointment, Telkom’s auditors, determine their compensation and oversee their work;
- resolve disagreements between Telkom’s management and its auditors in regard to financial reporting;
- establish procedures for the treatment of complaints regarding accounting or auditing matters and for the confidential anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
- engage independent counsel and other advisors, as determined necessary to carry out its duties;
- make determinations with respect to payment of remuneration and other compensation to Telkom’s auditors for the purpose of rendering or issuing an audit report and to any advisors employed by the committee;
- conduct internal audits;
- review the interim and annual consolidated financial statements;
- review the annual report on Form 20-F to be filed with the Securities Exchange Commission of the United States of America;
- review and recommend changes to Telkom’s statutory audit;
- monitor Telkom’s internal accounting and auditing systems;
- monitor compliance with laws;
- conduct a corporate governance audit; and
- review and monitor Telkom’s risk management performance and provide a high-level risk assessment for the board on an ongoing basis.

Telkom’s Audit Committee adopted a pre-approval policy for services by external company auditors, which does not allow for certain services, including bookkeeping, financial system design, valuation services, actuarial services, internal audit outsourcing services and legal services not related to the audit. The Audit Committee also pre-approves proposed audit related services, tax services and other permissible services. The pre-approval policy requires all auditing and non-audit services provided by Telkom’s external auditors to be pre-approved by the Audit Committee. During the 2005 financial year, the Audit Committee pre-approved the engagement of the independent auditors to provide audit services for a three-year term which was extended through the 2008 financial year. The chairman of the Audit Committee is the primary member of the Audit Committee that has the authority to pre-approve audit and non-audit services outside of the meetings and, in his absence, any member of the Audit Committee.

Telkom has in place a policy to address the potential hiring of audit team members to avoid issues of independence.

The Audit Committee has a process in place where they obtain confirmation from the external auditors that none of the directors or officers have behaved in a manner to fraudulently influence, coerce, manipulate or mislead the external auditors intentionally or through negligent actions.

The following are the members of the Audit Committee as at 31 March 2008:

- P C S Luthuli (*Chairman*);
- M J Lamberti
- R J Huntley
- A G Rhoda

The external auditors are invited, when appropriate, to attend the Audit Committee meetings.

8.2 Human resources review and remuneration committee (“HRRRC”)

Mr M J Lamberti, an independent non-executive director, was appointed chairman of the HRRRC as of September 2007. The HRRRC comprises of the following non-executive directors of which two must be independent:

- M J Lamberti (*Chairman*)
- B du Plessis
- K S T Matthews

The HRRRC reviews the terms upon which Telkom’s executive directors and senior management are employed and compensated and upon which Telkom’s non-executive directors and executive directors are compensated, and makes recommendations to the board with respect to such matters. Actions of the HRRRC must be approved by a majority vote of its members. In the event of a tie, the chairperson of the HRRRC shall have a casting vote.

8.3 Nominations Committee

The nominations committee (the “**Nominations Committee**”), which must have a minimum of three members and is chaired by an independent non-executive director, consists of:

- P C S Luthuli (*Chairman*)
- S T Arnold
- M J Lamberti

A quorum for a meeting is two members.

The Nominations Committee makes recommendations to the board on the composition of the board, and the balance between executive, non-executive and independent non-executive directors with respect to all aspects of diversity and experience.

The Nominations Committee is responsible for identifying and nominating candidates and formulating succession plans for the approval of the board.

In addition, the Nominations Committee recommends to the board, continuation (or not) of services of any director who has reached the retirement age as well as directors who are retiring by rotation, for re-election.

8.4 Strategy Committee

The strategy committee (the “**Strategy Committee**”), which must have a minimum of three members, consists of:

- Dr E Spio-Garbrah (*Chairman*)
- M J Lamberti
- R J September
- Dr V B Lawrence

A quorum for a meeting is two members.

The Strategy Committee assists the board with their strategies and their resulting financial performance.

The functions of the Strategy Committee, *inter alia*, include:

- verifying that management is fully conversant with the theory and principles of strategic management;
- ensuring that management annually researches all stakeholders to determine the latter’s satisfaction with and expectations of, the company;
- ensuring that management provides a comprehensive internal review of the resources, capabilities and competencies of the group;
- monitoring the strategic compliance of the annual business plans and budgets for existing operations and assets, as well as for all proposed acquisitions and investments;
- monitoring the efficacy and success of strategy implementation; and
- ensuring that the board’s strategic questions and concerns are addressed by management.

Where appropriate, the Strategy Committee will make recommendations to the board arising from the deliberations and decisions made by it in fulfilling their duties under the Strategy Committee’s terms of reference.

8.5 Investment Committee

The investment committee (the “**Investment Committee**”), which must have a minimum of five members, consists of:

- R J Huntley (*Acting Chairman*)
- M J Lamberti
- P C S Luthuli
- R J September
- The Chief of Finance

The responsibilities of the Investment Committee are to:

- examine, review and recommend investment policy, criteria and parameters in the context of the group’s targeted growth, gearing and returns;
- examine, review and recommend potential new investments proposed by executive management with due regard to the group’s strategic and financial objectives, the structural basis of integration and the operational and managerial demands occasioned by the investment;
- monitor the performance of existing investments against criteria and pre-investment assumptions;
- examine and review recommendations by executive management to dispose of investments;
- monitor and make recommendations of the group’s financial facilities and financing structures; and
- pursuant to the above, make recommendations on the selection of merchant banks and professional advisors.

Where appropriate, the Investment Committee will make recommendations to the board arising from the deliberations and decisions made by it in fulfilling their duties under the Investment Committee’s terms of reference.

8.6 Directors’ remuneration

Telkom believes that the levels and make-up of the remuneration packages offered to the directors of Telkom, especially the chief executive officer, are sufficient to attract and retain the directors needed to run Telkom’s business successfully. In order to avoid paying more than is necessary and to ensure that Telkom offers competitive packages, Telkom constantly benchmarks itself against its peer group.

In determining specific remuneration packages for the chief executive officer and non-executive directors, the HRRRC consults with the chairperson of the board, and is sensitive to the remuneration and employment conditions elsewhere in the Telkom group. In doing so, performance related elements of the remuneration constitute a large proportion of the total remuneration package of the chief executive officer and are specifically designed to align his interests with those of shareholders and to give such executive directors incentives to perform at the highest level.

Should the service of any of Telkom’s executive directors be terminated early, the HRRRC will tailor its approach in respect of compensation commitments to the circumstances of the case with the broad aim of avoiding rewarding poor performance, while dealing fairly with cases where departure is not due to poor performance.

No director is involved in deciding his or her own remuneration. In addition, Telkom has adopted a formal and transparent procedure for developing a policy on executive directors’ remuneration.

Telkom’s articles of association provide that the remuneration of the directors for their service as directors shall be determined by the directors, after taking into account the recommendations of the HRRRC. Non-executive directors are not, as part of their remuneration, allocated shares in Telkom but may purchase shares in Telkom.

8.7 Company secretary and professional advice

The directors have unrestricted access to the services and advice of the company secretary. Directors are entitled, after consultation with the chairman of the board, to seek independent professional advice about the affairs of Telkom at Telkom’s expense. The termination of the services of the company secretary is a matter to be decided by the board.

8.8 Directors' and officers' dealings

The board has adopted an insider trading policy in terms of which the directors, officers and employees of Telkom are prohibited from dealing in Telkom's securities when in possession of price sensitive information that has not yet been made public. In addition, Telkom imposes a "closed period" from the end of the reporting periods (i.e. year-end and half year-end) until the publication of the results during which period the directors, officers and employees of Telkom are prohibited from dealing in Telkom's securities.

Outside the closed periods directors and officers of Telkom are required to obtain prior approval from the chairman of the board and the company secretary before dealing in Telkom's securities. Where the chief executive officer needs to deal in Telkom's shares outside closed periods, the chairman must give the approval. Where the chairman needs to deal in Telkom's shares outside the closed periods, prior approval must be obtained from the company secretary. Directors' dealings in Telkom's securities are published on SENS within the regulated timeframes.

8.9 Risk management

The Telkom group has adopted a continuous, systematic enterprise-wide risk management process for assessing and monitoring its potential business and financial risks. As part of this process for the 2007 financial year, all the service organisations have reviewed all risks with an impact of R100 million and greater for Telkom at the residual value, which is the residual risk after mitigating controls have been considered. The components of the risk management system are designed to enable Telkom to anticipate risks and to manage them carefully in the pursuit of Telkom's business goals. The principles, guidelines, processes and responsibilities of Telkom's internal control system have been defined and established to help ensure prompt and accurate accounting of all business transactions and to continuously provide reliable information about the Telkom group's financial position for internal and external use. The board of directors continuously monitors treasury policies, risk limits and control procedures. The Audit Committee reviews the effectiveness of the risk management processes and reports regularly to the board.

8.10 Financial statements

The board of directors is responsible for preparing the Telkom group's financial statements. In this regard, it is the board's responsibility to present a balanced and understandable assessment of both interim and annual financial information as well as other price sensitive public reports, including any reports to ICASA and other information that Telkom is statutorily obliged to disclose.

The directors report on the business as a going concern with supporting assumptions and qualifications, as and when necessary, at the time of the Telkom group's interim and annual financial statements, and have established a formal and transparent arrangement for considering the financial reporting and internal control principles.

8.11 Disclosure Committee

On 7 June 2007, Telkom's Audit Committee formalised a disclosure committee (the "Disclosure Committee") to oversee Telkom's disclosures and to assist the Audit Committee, the chief executive officer and the chief financial officer in fulfilling their responsibilities in this respect.

The purpose of the Disclosure Committee is to ensure that Telkom implements and maintains internal procedures for the timely collection, evaluation and accurate disclosure, as appropriate, of information potentially subject to public disclosure under the legal, regulatory and stock exchange requirements to which it is subject and which is made available in the market place or to the investment community. Such procedures are designed to source information that is relevant to an assessment of the need to disclose developments and risks that pertain to Telkom's businesses, and their effectiveness for this purpose to be reviewed periodically.

The membership of the Disclosure Committee is initially to be proposed by the chief financial officer and approved by the chief executive officer. Thereafter members may be replaced, or new members appointed, as required by the chief executive officer, the chief financial officer and the Audit Committee. Notwithstanding the foregoing, the chief executive officer and chief financial officer, under exceptional circumstances may at any time assume any or all of the responsibilities of the Disclosure Committee.

The Disclosure Committee is required to meet once a quarter commencing after June 2007 or as frequently as circumstances dictate to ensure accuracy and completeness of Telkom's disclosure statements and to evaluate its disclosure controls that may need revision due to changes in Telkom's organisation, business lines and regulatory environment and any changes in economic or industry conditions.

8.12 Code of ethics

Telkom has adopted a business code of ethics that seeks to instill in its employees the spirit of fairness, respect and ethical standards in dealing with Telkom's customers, competitors, suppliers, investors, shareholders and communities to ensure that Telkom's integrity is not compromised.

Specific documentation to raise and maintain ethical awareness and to guide all levels of employees include the Telkom Insider Trading Policy, Telkom Acceptance of Directorships, Work Outside the Scope of Telkom Duties, as well as other Telkom policies, procedures and applicable laws as amended from time to time.

In business dealings on behalf of Telkom, employees are expected to avoid activities that might give rise to conflicts of interest. In view of this, certain responsibilities for management and all employees are clearly communicated to the relevant individuals. Employees are expected to act in the exclusive interest of Telkom. Procedures have been put in place to deal with conflicts of interest where these arise in the course of employees' day-to-day activities, such as disciplinary action, suspension or even termination of employment and civil or criminal proceedings. Telkom has established a confidential hotline service to encourage and enable whistle blowing. As part of the business code of ethics, there is a policy to protect whistleblowers from discrimination and harassment. Telkom has also introduced fraud and management systems.

The business code of ethics is reviewed regularly to ensure that it keeps up with developments both inside and outside Telkom. The business code of ethics is published on Telkom's website at www.telkom.co.za/ir.

8.13 Relationship with shareholders

Telkom is and remains ready, when practical and legal, to enter into dialogue with shareholders and make such information publicly available to all shareholders. Telkom will make every effort to keep its shareholders intelligently informed. Telkom has established an investor relations function and an investor relations portal (www.telkom.co.za/ir) for communication with investors.

8.14 Employment equity

Telkom has in place an employment equity policy, which seeks to promote equity in the workplace by promoting equal opportunity and fair treatment through the elimination of unfair discrimination against people from previously disadvantaged groups in the workplace. Unfair discrimination in the workplace on the basis of gender, race, culture, religion, etc., is prohibited.

The main objectives of this policy are to:

- create an environment in which the best-qualified person is employed regardless of gender, religion, culture and race;
- create within Telkom a balanced profile of employees that reflects the composition of South African society at large;
- correct racial and social imbalances of the past; and
- provide for Telkom's current and future requirements for skilled staff.

9. RECENT DEVELOPMENTS

9.1 Local Loop Unbundling ("LLU")

On 17 September 2007, the Minister issued policy directives directing ICASA among other, to ensure that Telkom's local loop be unbundled and made available to its competitors by 2011. ICASA has initiated the process and will soon be consulting with stakeholders on this matter.

9.2 Essential facilities

ICASA has started a consultation process to identify a list of communication facilities that may be deemed to be essential. Operators providing these facilities will be obliged to make them available to their competitors, without discrimination and at cost based prices. ICASA has identified most of Telkom's facilities as potentially essential.

9.3 Market definition and review

ICASA has started a consultation process to identify and define relevant markets that will be analysed to determine the level of competition in these markets. Where ICASA determines that in any market there are operators with SMP, ICASA may impose pro-competitive obligations on such operators, including cost based prices and non-discriminatory supply conditions. It is expected the Telkom will be declared to have SMP in many of the markets in which it operates.

9.4 License conversion

ICASA has started the process of converting all existing licences to the new licences envisaged in the EC Act. Telkom's PSTS licence will be converted into an ECS and an ECNS licence. The converted licences will be issued at no less favourable terms than the existing licences. It is not clear what additional right may be granted in the conversion and what additional obligations may be imposed thereto.

9.5 Submarine Cables

The Minister has issued draft guidelines that will give the Minister the power to determine by whom, and under what conditions, international submarine cables can be landed in South Africa. The guidelines do not affect Telkom's existing SAT-3/WASC/SAFE cable system.

9.6 Swiftnet (Proprietary) Limited

Telkom is in the process of selling a 30% shareholding in its subsidiary, Swiftnet, in order to comply with existing licence requirements by ICASA. The 30% shareholding has in principle been sold to empowerment investors, the Radio Surveillance Consortium, for R55 million. The transaction, however, is still subject to an ICASA approval process.

9.7 Analyst Day comments

At an analyst day held by Telkom on 31 March 2008, the board of directors advised as follows:

- the disposal of Telkom or any of its subsidiaries, joint ventures or any parts thereof will not be considered by Telkom without a compelling strategic rationale;
- the board is supportive of the broad based black economic empowerment transaction proposed by Vodacom but is not in a position to comment on the impact of the proposed transaction on Telkom as the details relating to the transaction have not been finalised;
- the previously announced expression of interest by Oger Telecoms was evaluated by the board and has been declined as it is not in the interests of Telkom's shareholders;
- a decision has been taken to invest in the building of a fixed-wireless (voice and data) and a mobile data network. The timing, extent and implication of the roll-out of this network will be communicated to shareholders in due course; and
- in the recent clarification and refinement of its strategy, the board has taken the decision to substantially reduce its investment in Telkom Media and will be investigating all opportunities to do this in the best interests of Telkom shareholders and all other stakeholders.

SOUTH AFRICAN TAXATION

The comments below are intended as a general guide to the current position under the laws of South Africa. The contents of this section entitled "South African Taxation" which are not exhaustive and do not constitute tax advice and persons who are in any doubt as to their tax position should consult their professional advisers.

Words used in this section shall have the same meanings as defined in the section entitled "Terms and Conditions of the Bonds", above, unless they are defined in this section or this is clearly inappropriate from the context.

Stamp Duty and Uncertificated Securities Tax

In terms of the Stamp Duties Act, 1968, no stamp duty is payable on the original issue of Bonds or on their transfer, provided that they constitute instruments as contemplated in Section 24J of the Income Tax Act.

In terms of the Uncertificated Securities Tax Act, 1998, no uncertificated securities tax is payable on the issue or transfer of securities qualifying as instruments as contemplated in Section 24J of the Income Tax Act.

Accordingly, as at the date of this Offering Circular, (i) no stamp duty (as contemplated in the Stamp Duties Act, 1968) is payable on the issue, cancellation, redemption or on the transfer of the Bonds, and (ii) no uncertificated securities tax (as contemplated in the Uncertificated Securities Tax Act, 1998) is payable on the issue or on the transfer of the Bonds.

With effect from 1 July 2008, stamp duty and/or uncertificated securities tax, as the case may be, in relation to the transfer or redemption of securities will be replaced by securities transfer tax levied under the Securities Transfer Tax Act, 2007.

General

In general interest received on the Bonds will be subject to income tax in South Africa. Certain entities may be exempt from the tax. Purchasers are advised to consult their own professional advisers as to whether the interest will be exempt or not. The amount of interest to be included in income, the position of non-residents and the capital gains tax consequences are examined below.

Interest for purposes of Section 24J of the Income Tax Act

In terms of Section 24J of the Income Tax Act, any discount or premium to the nominal value at which a Bond is issued or acquired is treated as part of the interest income on the Bond by the Revenue authorities. The Bondholder will be deemed to have accrued such interest income on a day-to-day basis until the Bondholder disposes of the Bond or until maturity. This day-to-day basis is determined by calculating the yield to maturity and applying it to the capital involved for the relevant tax period. In practice the premium or discount is treated as interest for the purposes of the exemption under Section 10(1)(h) of the Income Tax Act.

Bondholders who are not Residents of the Common Monetary Area

In terms of Section 10(1)(h) of the Income Tax Act, interest received by or accruing to a Bondholder who is not a resident during any year of assessment is exempt from income tax, unless that person:

- (a) is a natural person who was physically present in South Africa for a period exceeding 183 days in aggregate during that year of assessment; or
- (b) at any time during that year of assessment carried on business through a permanent establishment in South Africa.

Capital Gains Tax

Capital gains and losses of residents on the disposal of Bonds are subject to Capital Gains Tax. Any discount or premium on acquisition which has already been treated as interest for income tax purposes, under Section 24J of the Income Tax Act will not be taken into account when determining any capital gain or loss. In terms of Section 24J(4A) of the Income Tax Act a loss on disposal will, to the extent that it has previously been included in taxable income (as interest) be allowed as a deduction from the taxable income of the holder when it is incurred and accordingly will not give rise to a capital loss.

Capital Gains Tax in terms of the Eighth Schedule to the Income Tax Act does not apply to assets such as Bonds disposed of by a person who is not a resident unless the Bond disposed of is attributable to a permanent establishment of that person through which a trade is carried on in South Africa during the relevant year of assessment.

SOUTH AFRICAN EXCHANGE CONTROL

The information below is not intended as advice and it does not purport to describe all of the considerations that may be relevant to a prospective purchaser of, or subscriber for, Bonds. Prospective subscribers for or purchasers of Bonds that are non-South African residents or emigrants from the Common Monetary Area are urged to seek further professional advice in this regard.

Words used in this section shall have the same meanings as defined in the section entitled "Terms and Conditions of the Bonds" above, unless they are defined in this section or this is clearly inappropriate from the context.

Blocked Rand

Blocked Rands (as defined below) may be used for the purchase of, or subscription for, Bonds. Any amounts payable by the Issuer in respect of the Bonds purchased, or subscribed for, with Blocked Rands may not, in terms of the Exchange Control Regulations of 1961 issued pursuant to the Currency and Exchanges Act, 1933 (the "**Exchange Control Regulations**"), be remitted out of South Africa or paid into any non-South African bank account. The Minister of Finance stated on 26 February 2003 that emigrants' blocked assets are to be unwound and such emigrants will be entitled, on application to the exchange control department of the South African Reserve Bank, subject to an exiting schedule and an exit charge of 10% (ten percent) of the amount, to exit such blocked assets from South Africa.

Emigrants from the Common Monetary Area

In the event that a Beneficial Interest in Bonds is held by an emigrant from the Common Monetary Area through the CSD and its relevant Settlement Agents, the securities account of such emigrant will be designated as a "*non-resident*" account. Any Individual Certificates issued to Bondholders in respect of Bonds in materialised form will be restrictively endorsed "*non-resident*". Such restrictively endorsed Individual Certificates shall be deposited with an authorised foreign exchange dealer controlling such emigrant's blocked assets.

Any payments of interest or principal due to an emigrant Bondholder in respect of Bonds will be deposited into such emigrant's Blocked Rand account with the authorised foreign exchange dealer controlling such blocked assets. These amounts are not freely transferable from the Common Monetary Area (as defined below) and may only be dealt with in terms of the Exchange Control Regulations.

Non-residents of the Common Monetary Area

In terms of the Exchange Control Regulations, non-residents of the Common Monetary Area may not invest in the Bonds unless specific approval is sought and obtained from the relevant authorities.

Any Individual Certificates issued to Bondholders who are not resident in the Common Monetary Area will be endorsed "*non-resident*". In the event that a Beneficial Interest in Bonds is held by a non-resident of the Common Monetary Area through the CSD and its relevant Settlement Agents, the securities account of such Bondholder will be designated as a "*non-resident*" account.

It will be incumbent on any such non-resident to instruct the non-resident's nominated authorised foreign exchange dealer as to how any funds due to such non-resident in respect of Bonds are to be dealt with. Such funds may, in terms of the Exchange Control Regulations, be remitted abroad only if the relevant Bonds are acquired with foreign currency introduced into South Africa and provided that the relevant Individual Certificates or securities account, as the case may be, is designated "*non-resident*".

For the purposes of these paragraphs:

"**Common Monetary Area**" means South Africa, Lesotho, Namibia and Swaziland; and

"**Blocked Rands**" means the funds which may not be remitted out of South Africa or paid into a non-South African resident's bank account.

SUBSCRIPTION AND SALE

Words used in this section entitled "Subscription and Sale" shall bear the same meanings as used in the section entitled "Terms and Conditions of the Bonds" above, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

ABSA Bank Limited, acting through its division, ABSA Capital ("**ABSA Capital**") and Vunani Capital (Proprietary) Limited ("**VC**") (ABSA Capital and VC collectively, the "**Joint Lead Managers**") and Investec Bank Limited ("**Investec**") and Nedbank Capital, a division of Nedbank Limited ("**Nedbank Capital**") (Investec and Nedbank Capital collectively, the "**Co-Managers**") (the Joint Lead Managers and the Co-Managers collectively, the "**Managers**") have, pursuant to the placement agreement dated 24 April 2008 (the "**Placement Agreement**") agreed to use its best efforts on behalf of the Issuer to solicit offers for subscription for the Bonds. The Managers are entitled to terminate the Placement Agreement in certain circumstances prior to the issue of the Bonds. The Issuer has agreed to indemnify the Joint Lead Managers against certain liabilities in connection with the placing of and subscription for the Bonds.

The Bonds will be delivered to subscribers on 29 April 2008 (the "**Issue Date**") through the settlement system of BESA. The Issuer and the Managers shall use their discretion in the allocation of the Bonds. The Managers may however conclude purchase and sale agreements in respect of the Bonds before the Issue Date. Such transactions will be for settlement on the Issue Date. Such transactions will be subject to the condition that the Placement Agreement is not terminated before the time on which such transactions are to be settled on the Issue Date. If the Placement Agreement is terminated before that time, all transactions in the Bonds shall also terminate and no party thereto shall have any claim against any other party as a result of such termination.

South Africa

Each of the Managers has represented and agreed that they will not solicit any offers for subscription for the Bonds in contravention of the Companies Act, 1973 or the Banks Act, 1990. Bonds will not be offered for subscription to any single addressee for an amount of less than ZAR1,000,000.

United States of America

The Bonds have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**"), and may not be offered or sold within the United States of America or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and the Regulations thereunder.

Each of the Managers has represented and agreed that it will not offer, sell or deliver Bonds, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Bonds, as certified to the Issuer by such Managers (or, in the case of the sale of Bonds to or through more than one Manager, by each of such Managers as to the Bonds purchased by or through it, in which case the Issuer shall notify each such Manager when all such Managers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Manager will have sent to each Manager to which it sells Bonds during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 (forty) days after the commencement of the offering of Bonds any offer or sale of such Bonds within the United States by any manager (whether or not participating in the offering) may violate the registration requirements of the Securities.

United Kingdom

Each of the Managers has represented, warranted and agreed that:

- (a) **No deposit-taking:** in relation to any Bonds which having a maturity of less than one year:
 - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

- (ii) it has not offered or sold and will not offer or sell any Bonds other than to persons:
 - (aa) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - (bb) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Bonds would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act, 2000 (the “FSMA”) by the Issuer;

- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Bonds in, from or otherwise involving the United Kingdom.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each of the Managers have represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Bonds which are the subject of the offering contemplated by the Prospectus to the public in that Relevant Member State, except that they may, with effect from and including the Relevant Implementation Date, make an offer of such Bonds to the public in that Relevant Member State:

- (a) *Authorised institutions:* at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so are authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) *Significant enterprises:* at any time to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000; and (iii) an annual net turnover of more than €50,000,000, all as shown in its last annual or consolidated accounts;
- (c) *Fewer than 100 offerees:* at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Joint Lead Managers nominated by the Issuer for any such offer; or
- (d) *Other exempt offers:* at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Bonds referred to in the above paragraphs (a) to (d) above shall require the Issuer or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or to supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this paragraph, headed “*European Economic Area*”, the expression an “*offer of Bonds to the public*” in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “*Prospectus Directive*” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

General

The Managers have agreed that they will (to the best of their knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it subscribes, or procures the subscription of Bonds, offers for subscription or sells the Bonds as agent on behalf of the Issuer or possesses or distributes this Offering Circular. The Managers have further agreed that they will obtain any consent, approval or permission required by them for the purchase, offer for subscription or sale by them, as agent on behalf of the Issuer, of Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers for subscription or sales.

Neither the Issuer nor the Managers represent that Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder or assumes any responsibility for facilitating such sale.

SETTLEMENT, CLEARING AND TRANSFERS

Words used in this section headed "Settlement, Clearing and Transfers" shall bear the same meanings as used in the section entitled "Terms and Conditions of the Bonds" above, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

Registered Bonds listed on BESA or such other or further exchange or exchanges will initially be issued in the form of a single Global Certificate which will be lodged and immobilised in the CSD in the name of and for the account of the CSD's Nominee, which forms part of the settlement system of BESA. The CSD's Nominee will be the sole Bondholder in respect of the Global Certificate.

The CSD holds Bonds subject to the Securities Services Act and the Rules of the CSD. The Rules of the CSD as at the date of this Offering Circular are as published by the Registrar of Securities Services in Government Gazette No. 27758 of 8 July 2005.

While the Bonds are held in the CSD under the Global Certificate, the CSD's Nominee will be reflected as the Bondholder in the Register maintained by the Transfer Agent. Accordingly, in terms of the Terms and Conditions of the Bonds, all amounts to be paid and all rights to be exercised in respect of the Bonds held in the CSD, will be paid to and may be exercised only by the CSD, for the holders of Beneficial Interests in the Bonds held by the CSD under the Global Certificate.

The CSD maintains accounts only for the Participants. The Participants are also approved Settlement Agents of BESA. As at the date of this Offering Circular, the Settlement Agents are ABSA Bank Limited, FirstRand Bank Limited, Nedbank Limited, The Standard Bank of South Africa Limited and the South African Reserve Bank. The Participants are in turn required to maintain securities accounts for their clients. The clients of Participants may include the holders of Beneficial Interests in the Bonds or their custodians. The clients of Participants, as the holders of the Beneficial Interests in the Bonds or as custodians for such holders, may exercise their rights in respect of the Bonds held by them in the CSD only through the Participants. Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme, (Clearstream Luxembourg) ("**Clearstream**") may hold Bonds through their Participant.

Transfers of Beneficial Interests in Bonds in the CSD to and from clients of Participants, who are also Settlement Agents, occur by electronic book entry in the securities accounts of the clients with the Participants. Transfers among Participants of Bonds held in the CSD occur through electronic book entry in the Participant's central security accounts with the CSD.

Transfers between Participants in the CSD will be effected in the ordinary way in accordance with the Applicable Procedures.

A Beneficial Interest will be exchangeable for an Individual Certificate if (i) a written request for Bonds in definitive form is submitted by the holder of the Beneficial Interest to the relevant Participant not later than 10 days prior to the requested date of such exchange, (ii) the Applicable Procedures for obtaining such a Certificate from the Transfer Agent are followed, and (iii) an equivalent number of Bonds are transferred in accordance with the provisions of Condition 13 from the CSD or its nominee to the holder of such Beneficial Interest.

Payments of interest and principal in respect of Bonds represented by the Global Certificate, or any other Bonds represented by a Certificate immobilised in the CSD and registered in the name of the CSD's Nominee ("**Re-Immobilised Certificate**"), will be made in accordance with Condition 9 of the Terms and Conditions to the CSD, or such other registered holder of the Global Certificate or the Re-Immobilised Certificate, as the case may be, as shown in the Register and the Issuer will be discharged by proper payment to, or to the order of the registered holder of the Certificate in respect of each amount so paid. Each of the persons shown in the records of the CSD and the Participants as the holders of Beneficial Interests, as the case may be, shall look solely to the CSD or the Participants, as the case may be, for such person's shares of such payment so made by the Issuer to, or to the order of, the registered holder of such Global Certificate or Re-Immobilised Certificate, as the case may be.

Payments of interest and principal in respect of Individual Certificates will be made to Bondholders in accordance with Condition 9 of the Terms and Conditions.

GENERAL INFORMATION

Words used in this section entitled "General Information" shall bear the same meanings as used in the section entitled "Terms and Conditions of the Bonds" above, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

Authorisation

All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer under the laws of South Africa have been given for the issue of Bonds and for the Issuer to undertake and perform their respective obligations under the Placement and Undertaking Agreement and the Bonds.

Listing

An application has been made to list the Bonds on BESA under stock code number TL15. The application for listing was granted on 23 April 2008.

Clearing Systems

The Bonds will have been cleared through the CSD, the approved clearing house of BESA and may be accepted for clearance through any additional clearing system as may be agreed between the Issuer and the Manager.

Settlement Agents

As at the date of this Offering Circular, the BESA-recognised Settlement Agents are the South African Reserve Bank, ABSA Bank Limited, FirstRand Bank Limited, Nedbank Limited and The Standard Bank of South Africa Limited. Euroclear Bank S.A./N.V., as operator of the Euroclear System and Clearstream Banking S.A., will settle offshore transfers through South African Settlement Agents.

Litigation

No member of the Issuer (whether as defendant or otherwise) is engaged in any legal, arbitration, administration or other proceedings other than those disclosed in this Offering Circular, the results of which might have or have had a material effect on the financial position or the operations of the Issuer, nor is it aware of any such proceedings being threatened or pending.

Going Concern and Significant Change

The directors of the Issuer have stated that, as at the date of this Offering Circular, the Issuer is a going concern and can in all circumstances be reasonably expected to be able to meet its commitments as and when they fall due.

Save as disclosed in this Offering Circular, the directors of the Issuer have represented that there has been no material adverse change in the financial position of the Issuer since the date of its audited financial statements dated 31 March 2007.

Commercial Paper issued

As at the date of this Offering Circular, the total amount of commercial paper in issue is ZAR8,420,000,000 (inclusive of this issue).

To the best of the Issuer's knowledge and belief, the Issuer estimates it may issue an additional ZAR8,600,000,000 during the current financial year. No more than ZAR5,000,000,000 of commercial paper will be in issue at any given time during the current financial year.

Auditors

Ernst & Young Incorporated have acted as auditors of the financial statements of the Issuer for the financial years ended 31 March 2005, 2006 and 2007 and in respect of these years, issued an unqualified audit report. Ernst & Young Incorporated have confirmed that this issue of Bonds complies in all respects with the Commercial Paper Regulations published in the Government Notice No. 2172 (Government Gazette 16167) of 14 December 1994 under paragraph (cc) of the definition of "the business of a bank" in section 1 of the Banks Act, 1990.

ISSUER

Telkom SA Limited

(Registration Number 1991/005476/06)

Registered Office:

Telkom Towers North

152 Proes Street

Pretoria, 0001

South Africa

Contact: Mr I Timmerman

JOINT LEAD MANAGERS

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ABSA Towers North

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Johannesburg, 2001

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(Registration Number 1998/001469/07)

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Contact: Ms M Mazongo

CO-MANAGERS

Investec Bank Limited

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Contact: Ms T Zulu

Nedbank Capital, a division of Nedbank Limited

(Registration Number 1951/000009/06)

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Sandown, 2196

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Contact: Mr B Stewart

SPONSORING MEMBER

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Johannesburg, 2001

South Africa

Contact: Mr J Els/Mr R Moody

TRANSFER SECRETARY AND PAYING AGENT

Telkom SA Limited

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South Africa

Contact: Mr I Timmerman

Tel No: (012) 311 2285

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LEGAL ADVISORS TO THE ISSUER

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AUDITORS TO THE ISSUER

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52 Corlett Drive

Illovo, 2196

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Contact: Mr R Baboolal

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