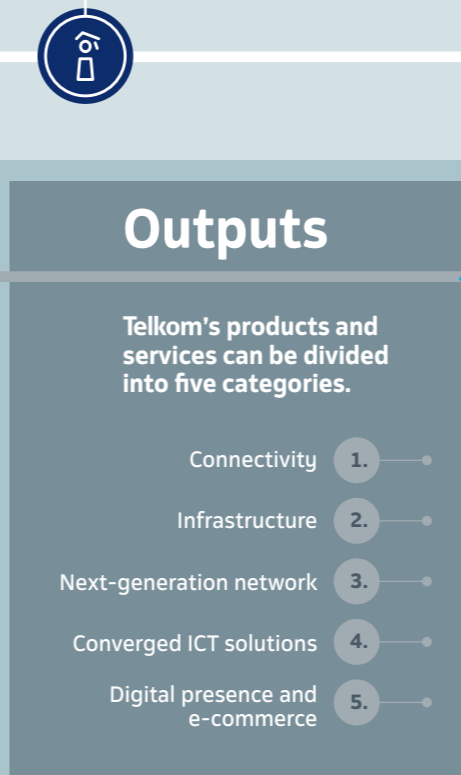
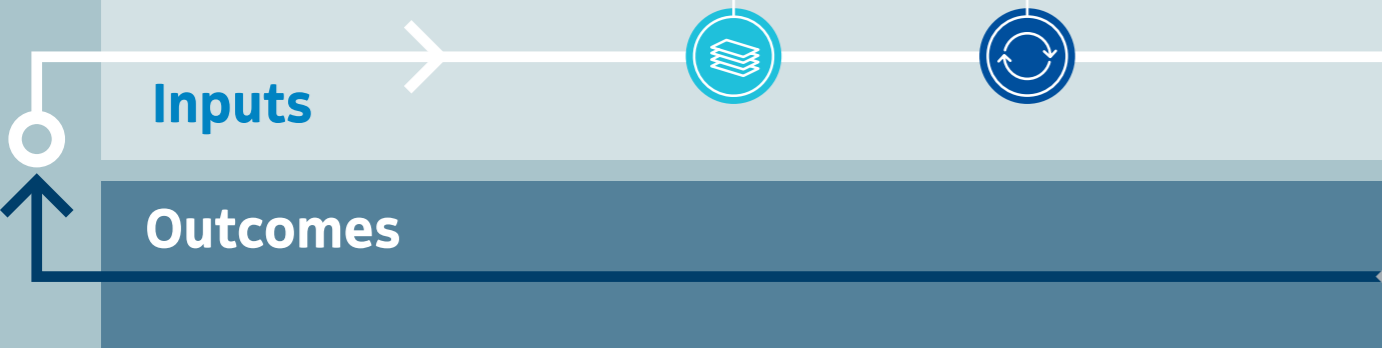
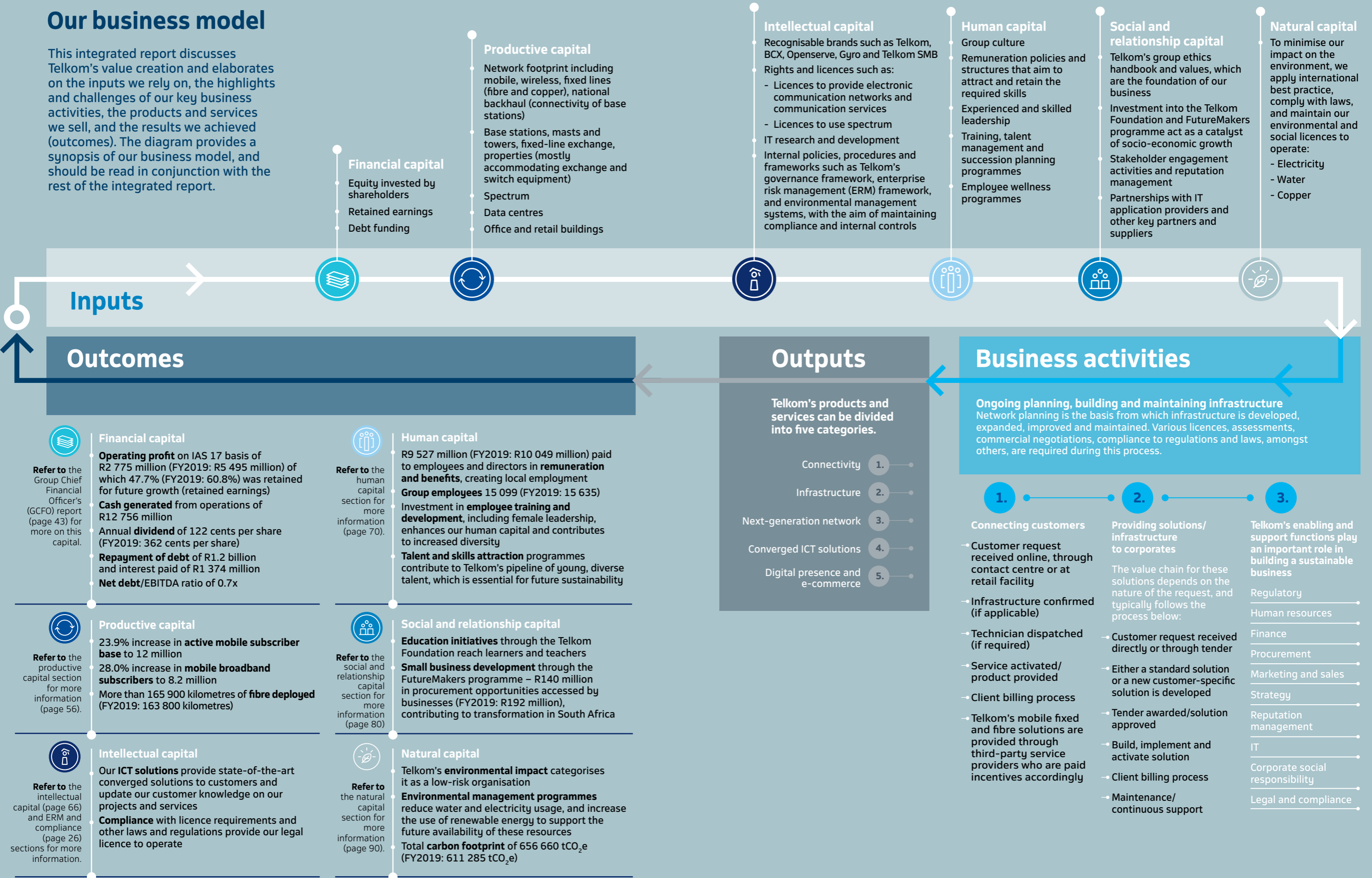


Our business model

This integrated report discusses Telkom's value creation and elaborates on the inputs we rely on, the highlights and challenges of our key business activities, the products and services we sell, and the results we achieved (outcomes). The diagram provides a synopsis of our business model, and should be read in conjunction with the rest of the integrated report.



Financial capital
 Refer to the Group Chief Financial Officer's (GCFO) report (page 43) for more on this capital.
 Operating profit on IAS 17 basis of R2 775 million (FY2019: R5 495 million) of which 47.7% (FY2019: 60.8%) was retained for future growth (retained earnings)
 Cash generated from operations of R12 756 million
 Annual dividend of 122 cents per share (FY2019: 362 cents per share)
 Repayment of debt of R1.2 billion and interest paid of R1 374 million
 Net debt/EBITDA ratio of 0.7x

Productive capital
 Refer to the productive capital section for more information (page 56).
 23.9% increase in active mobile subscriber base to 12 million
 28.0% increase in mobile broadband subscribers to 8.2 million
 More than 165 900 kilometres of fibre deployed (FY2019: 163 800 kilometres)

Intellectual capital
 Refer to the intellectual capital (page 66) and ERM and compliance (page 26) sections for more information.
 Our ICT solutions provide state-of-the-art converged solutions to customers and update our customer knowledge on our projects and services
 Compliance with licence requirements and other laws and regulations provide our legal licence to operate

Human capital
 Refer to the human capital section for more information (page 70).
 R9 527 million (FY2019: R10 049 million) paid to employees and directors in remuneration and benefits, creating local employment
 Group employees 15 099 (FY2019: 15 635)
 Investment in employee training and development, including female leadership, enhances our human capital and contributes to increased diversity
 Talent and skills attraction programmes contribute to Telkom's pipeline of young, diverse talent, which is essential for future sustainability

Social and relationship capital
 Refer to the social and relationship capital section for more information (page 80).
 Education initiatives through the Telkom Foundation reach learners and teachers
 Small business development through the FutureMakers programme – R140 million in procurement opportunities accessed by businesses (FY2019: R192 million), contributing to transformation in South Africa

Natural capital
 Refer to the natural capital section for more information (page 90).
 Telkom's environmental impact categorises it as a low-risk organisation
 Environmental management programmes reduce water and electricity usage, and increase the use of renewable energy to support the future availability of these resources
 Total carbon footprint of 656 660 tCO₂e (FY2019: 611 285 tCO₂e)

Business activities
 Ongoing planning, building and maintaining infrastructure
 Network planning is the basis from which infrastructure is developed, expanded, improved and maintained. Various licences, assessments, commercial negotiations, compliance to regulations and laws, amongst others, are required during this process.

- 1. Connecting customers**
 Customer request received online, through contact centre or at retail facility
 Infrastructure confirmed (if applicable)
 Technician dispatched (if required)
 Service activated/product provided
 Client billing process
 Telkom's mobile fixed and fibre solutions are provided through third-party service providers who are paid incentives accordingly
- 2. Providing solutions/ infrastructure to corporates**
 The value chain for these solutions depends on the nature of the request, and typically follows the process below:
 Customer request received directly or through tender
 Either a standard solution or a new customer-specific solution is developed
 Tender awarded/solution approved
 Build, implement and activate solution
 Client billing process
 Maintenance/ continuous support
- 3. Telkom's enabling and support functions play an important role in building a sustainable business**
 Regulatory
 Human resources
 Finance
 Procurement
 Marketing and sales
 Strategy
 Reputation management
 IT
 Corporate social responsibility
 Legal and compliance

Outputs
 Telkom's products and services can be divided into five categories.

1. Connectivity
2. Infrastructure
3. Next-generation network
4. Converged ICT solutions
5. Digital presence and e-commerce