



TELKOM SA LIMITED

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

ZAR10,000,000,000

Domestic Medium Term Note Programme

Under this ZAR10,000,000,000 Domestic Medium Term Note Programme (the "**Programme**"), Telkom SA Limited (the "**Issuer**") may from time to time issue unsecured or secured registered notes of any kind (the "**Notes**"). Capitalised terms used in this Programme Memorandum are defined in the section of this Programme Memorandum headed "*Terms and Conditions of the Notes*" (the "**Terms and Conditions**"), unless separately defined, and/or in relation to a Tranche of Notes, in the Applicable Pricing Supplement.

This Programme Memorandum will apply to the Notes issued under the Programme in an aggregate outstanding Nominal Amount which will not exceed the authorised amount of ZAR10,000,000,000, unless such amount is increased by the Issuer as set out in the section of this Programme Memorandum headed "*General Description of the Programme*".

The Notes may comprise, without limitation, Fixed Rate Notes, Floating Rate Notes, Mixed Rate Notes, Zero Coupon Notes and/or such combination of the foregoing Notes and/or such other type of Notes as may be determined by the Issuer and the relevant Dealer(s) and specified in the Applicable Pricing Supplement. Notes will be issued in individual Tranches which, together with other Tranches, may form a Series of Notes. A Tranche of Notes will be issued on, and subject to, the Terms and Conditions, as replaced, amended and/or supplemented by the terms and conditions of that Tranche of Notes set out in the Applicable Pricing Supplement.

This Programme Memorandum has been approved by the JSE and is listed on the Interest Rate Market of the JSE. A Tranche of Notes may be listed on the Interest Rate Market of the JSE or on such other or additional Financial Exchange(s) as may be determined by the Issuer, subject to all applicable laws. Unlisted Notes may also be issued under the Programme but will not be regulated by the JSE. A copy of the signed Applicable Pricing Supplement relating to a Tranche of Notes which is to be listed on the Interest Rate Market of the JSE will be delivered to the JSE and the CSD before the Issue Date, and the Notes in that Tranche may be traded by or through members of the JSE from the date specified in the Applicable Pricing Supplement, in accordance with the Applicable Procedures. The settlement of trades on the JSE will take place in accordance with the electronic settlement procedures of the JSE and the CSD for all trades done through the JSE. The placement of a Tranche of unlisted Notes may (at the sole discretion of the Issuer) be reported through the JSE reporting system, in which event the settlement of trades in such Notes will take place in accordance with the electronic settlement procedures of the JSE and the CSD for all trades done through the JSE. The settlement and redemption procedures for a Tranche of Notes listed on any Financial Exchange (other than or in addition to the JSE) will be specified in the Applicable Pricing Supplement.

The Notes may be issued on a continuing basis and be placed by one or more of the Dealers specified under the section headed "*Summary of Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer, which appointment may be for a specific issue or on an ongoing basis. References in this Programme Memorandum to the "relevant Dealer" shall, in the case of Notes being (or intended to be) placed by more than one Dealer, be to all Dealers agreeing to place such Notes.

The attention of investors contemplating investing in the Notes is drawn to the section headed "*Risk Factors*" for a discussion of certain factors that should be carefully considered by prospective investors in connection with an investment in the Notes.

The Issuer has: (i) a rating of Baa1 and a national scale rating of A1.za with a negative outlook by Moody's, and (ii) a rating of BBB by S&P. As at the date of this Programme Memorandum, this Programme and the Notes issued under this Programme have not been rated by any rating agency. The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplementary Programme Memorandum, if appropriate, will be made available, which will describe the effect of the agreement reached in relation to such Notes.

Co-Arrangers

**The Standard Bank of South Africa
Limited**



**Africa Rising Capital (Proprietary)
Limited**



Dealers

**Rand Merchant Bank, a division of
FirstRand Bank Limited**



**The Standard Bank of South Africa
Limited**



Transaction Legal Counsel

Edward Nathan Sonnenbergs



Telkom SA Limited



*Acting with the Dealer Rand Merchant
Bank, a division of FirstRand Bank
Limited*

Basis Points Capital



*Acting with the Dealer The Standard
Bank of South Africa Limited*

**Africa Rising Capital (Proprietary)
Limited**



Debt Sponsor

The Standard Bank of South Africa Limited

GENERAL

Words used in this section headed "General" 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 Issuer certifies that to the best of its knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made as well as that the Programme Memorandum contains all information required by law and the JSE Debt Listings Requirements. The Issuer accepts full responsibility for the accuracy of the information contained in this Programme Memorandum, Applicable Pricing Supplements and the annual financial report, the amendments to the annual financial report or any supplements from time to time, except as otherwise stated therein.

The Issuer, having made all reasonable enquiries, confirms that this Programme Memorandum contains or incorporates all information which is material in the context of the issue and the offering of Notes, that the information contained or incorporated in this Programme Memorandum is true and accurate in all material respects and is not misleading, that the opinions and the intentions expressed in this Programme Memorandum are honestly held and that there are no other facts, the omission of which would make this Programme Memorandum or any of such information or expression of any such opinions or intentions false or misleading in any material respect.

This document is to be read and construed with any amendment or supplement thereto (this document, as amended, replaced or supplemented, the "**Programme Memorandum**") and in conjunction with any other documents which are deemed to be incorporated herein by reference (see the section headed "*Documents Incorporated by Reference*") and, in relation to any Tranche (as defined herein) of Notes, should be read and construed together with the Applicable Pricing Supplement. This Programme Memorandum shall be read and construed on the basis that such documents are incorporated into and are deemed to form part of this Programme Memorandum.

Claims against the BESA Guarantee Fund Trust (or any successor fund) may only be made in respect of trading in Notes listed on the JSE in accordance with the rules of the BESA Guarantee Fund Trust, if listed on the Interest Rate Market, and can in no way relate to trading on another licensed or recognised exchange or to a default by the Issuer of its obligations in terms of its obligations under the Notes.

The JSE takes no responsibility for the contents of the Programme Memorandum, any supplements thereto, or the annual report (as amended or restated from time to time) or the amendments to the annual report, makes no representation as to the accuracy or completeness of any of the foregoing documents and expressly disclaims any liability for any loss arising from or in reliance upon the whole

or any part of the Programme Memorandum, supplements thereto, or the annual report (as amended and restated from time to time) or the amendments to the annual report.

The Arranger, the Dealers, the JSE, Strate or any of their respective affiliates and other professional advisers named herein have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Arranger, the Dealers, the JSE, Strate or other professional advisers as to the accuracy or completeness of the information contained in this Programme Memorandum or any other information provided by the Issuer. The Arranger, the Dealers, the JSE, Strate or their respective affiliates and other professional advisers do not accept any liability in relation to the information contained in this Programme Memorandum or any other information provided by the Issuer in connection with the Programme.

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 Programme Memorandum or any other document entered into in relation to the Programme or any other information supplied by the Issuer in connection with the Programme and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arranger, the Dealers, each of their agents or employees or other professional advisers.

Neither this Programme Memorandum nor any other information supplied in connection with the Programme is intended to provide a basis for any credit or other evaluation, or should be considered as a recommendation by the Issuer, the Arranger or any of the Dealers that any recipient of this Programme Memorandum or any other information supplied in connection with the Programme should subscribe for, or purchase, any Notes.

Each person contemplating the subscription for, or purchase of, any Notes should determine for itself the relevance of the information contained in this Programme Memorandum and should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and its subscription for, or purchase of, Notes should be based upon any such investigation as it deems necessary. Neither this Programme Memorandum nor any Applicable Pricing Supplement nor any other information supplied in connection with the Programme constitutes an offer to sell or the solicitation of an offer to buy or invitation by or on behalf of the Issuer, the Arranger, any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Programme Memorandum nor any Applicable Pricing Supplement nor the offering, sale or delivery of any Note shall at any time imply that the information contained herein is correct at any time subsequent to the date hereof or that any other financial statements or other information supplied in connection with the Programme is correct at any time subsequent to the date indicated in the document containing the same. The Arranger and the Dealers expressly do not

undertake to review the financial condition or affairs of the Issuer during the life of the Programme. Investors should review, inter alia, the most recent financial statements, if any, of the Issuer when deciding whether or not to subscribe for, or purchase, any Notes.

The distribution of this Programme Memorandum and any Applicable Pricing Supplement and the issue, sale or offer of Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Programme Memorandum or any Applicable Pricing Supplement or any Notes come are required by the Issuer, the Arranger and the Dealers to inform themselves about, and observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Programme Memorandum or any Applicable Pricing Supplement and other offering materially relating to the Notes, see the section headed "*Subscription and Sale*".

Neither the Issuer, the Dealers nor other professional advisers represents that this Programme Memorandum may be lawfully distributed, or that any Notes 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, the Arranger, the Dealers or other professional advisers which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Programme Memorandum nor any advertisement nor other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations, and the Dealers have represented that all offers and sales by them will be made on the same terms.

The Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "Securities Act"). Notes may not be offered, sold or delivered within the United States or to U.S. persons except in accordance with Regulation S under the Securities Act.

In connection with the issue and distribution of any Tranche of Notes under the Programme, the Dealer, if any, that is specified in the Applicable Pricing Supplement as the Stabilising Manager (or any person acting for the Stabilising Manager) may, if specified in that Applicable Pricing Supplement and only if such stabilising is permitted by the applicable laws and agreed with the JSE, over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Manager (or any agent of the Stabilising Manager) to do this. Such stabilising, if commenced, may be discontinued at any time and

must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.

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DOCUMENTS INCORPORATED BY REFERENCE

Words used in this section headed "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 clearly inappropriate from the context.

For so long as any Note remains outstanding, the following documents shall be deemed to be incorporated in, and to form part of, this Programme Memorandum:

- (a) all amendments and supplements to this Programme Memorandum prepared by the Issuer from time to time;
- (b) in respect of any issue of Notes under the Programme, the audited annual financial statements (including, where applicable, the audited interim financial statements), together with such statements, reports and the notes attached to or intended to be read with such financial statements of the Issuer for its (3) three financial years prior to the date of such issue, as well as for each financial year thereafter ending on the last day of each financial year, currently 31 March;
- (c) each annual report prepared by the Issuer from time to time;
- (d) each Applicable Pricing Supplement relating to any Tranche of Notes issued under the Programme;
- (e) all information pertaining to the Issuer which is relevant to the Programme and/or this Programme Memorandum which is electronically submitted, after the 31 March 2011 financial year end, by the Securities Exchange News Service ("**SENS**") established by the JSE, to SENS subscribers, if required;
- (f) each exemption granted to the Issuer by the Minister of Finance (or any other duly authorised person or body), from the applicable provisions of the Public Finance Management Act, 1999,

save that any statement contained in this Programme Memorandum or in any of the documents incorporated by reference in and forming part of this Programme Memorandum shall be deemed to be modified or superseded for the purpose of this Programme Memorandum to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

The Issuer will, for so long as any Note remains outstanding, make available for inspection at the registered office of the Issuer as set out at the end of this Programme Memorandum, a copy of (i) this Programme Memorandum and any or all of the documents which are incorporated herein by

reference, unless such documents have been modified or superseded, and/or (ii) the most recently obtained monthly register made available by the Participant to the CSD. Requests for such documents should be directed to the Issuer at its registered office as set out at the end of this Programme Memorandum. This Programme Memorandum, Applicable Pricing Supplements and any supplementary documents thereto will be available on the JSE website, www.jse.co.za, and, the Issuer's annual report, the audited annual financial statements of the Issuer and this Programme Memorandum (and any supplementary documents thereto, including the Applicable Pricing Supplements) are also available on the Issuer's website, www.telkom.co.za/ir

The Issuer will, for so long as any Note remains outstanding and listed on the Interest Rate Market of the JSE, publish a new Programme Memorandum or a supplement to this Programme Memorandum, as the case may be, if:

- (a) a material change in the condition (financial or otherwise) of the Issuer occurs; or
- (b) an event has occurred which affects any matter contained in this Programme Memorandum, the disclosure of which would reasonably be required by Noteholders and/or potential investors in the Notes; or
- (c) any of the information contained in this Programme Memorandum becomes outdated in a material respect; or
- (d) this Programme Memorandum no longer contains all the material correct information required by the Applicable Procedures,

provided that, in the circumstances set out in paragraphs (c) and (d) above, no new Programme Memorandum or supplement to this Programme Memorandum, as the case may be, is required in respect of the Issuer's annual financial statements if such annual financial statements are incorporated by reference into this Programme Memorandum and such annual financial statements are published, as required by the Companies Act, and submitted to the JSE within six months after the financial year end of the Issuer.

GENERAL DESCRIPTION OF THE PROGRAMME

Words used in this section headed "General Description of the Programme" 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 may from time to time issue one or more Tranches of Notes under the Programme, pursuant to this Programme Memorandum, provided that the aggregate outstanding Nominal Amount of all of the Notes issued under the Programme from time to time does not exceed the authorised Programme Amount.

A Tranche of Notes may be listed on the Interest Rate Market of the JSE or on such other or additional Financial Exchange(s) as may be determined by the Issuer, subject to applicable laws. Unlisted Notes may also be issued under the Programme but will not be regulated by the JSE. The Applicable Pricing Supplement will specify whether or not a Tranche of Notes will be listed and, if so, on which Financial Exchange. If the Issuer issues a Tranche of unlisted Notes or a Tranche of Notes is listed on any Financial Exchange other than (or in addition to) the JSE, the Issuer will, by no later than the last day of the month of issue of that Tranche of Notes, inform the JSE in writing of the aggregate Nominal Amount and the Maturity Date (if any) of that Tranche of Notes.

This Programme Memorandum and any supplement will only be valid for the issue of Notes in an aggregate Nominal Amount which, when added to the aggregate Nominal Amount then outstanding of all the Notes previously or simultaneously issued under the Programme, does not exceed the authorised amount of ZAR10,000,000,000 or its equivalent in other currencies. For the purpose of calculating the South African Rand equivalent of the aggregate Nominal Amount of the Notes issued under the Programme from time to time, the South African Rand equivalent of the Notes denominated in another Specified Currency (as specified in the Applicable Pricing Supplement) shall be determined as of the date of agreement to issue such Notes (the "**Agreement Date**") on the basis of the spot rate for the sale of the South African Rand against the purchase of such Specified Currency in the South African foreign exchange market quoted by any leading bank selected by the Issuer on the Agreement Date (the "**Conversion Rate**") and in respect of:

- (a) Zero Coupon Notes and other Notes, the Conversion Rate shall be applied to the net subscription proceeds received by the Issuer for the relevant issue; and
- (b) Index-Linked Notes, the Conversion Rate shall be applied to the Nominal Amount regardless of the amount paid up on such Notes.

From time to time the Issuer may wish to increase the Programme Amount. Subject to the Applicable Procedures, all applicable laws and the Programme Agreement (as defined in the section headed

"*Subscription and Sale*"), the Issuer may, without the consent of Noteholders, increase the Programme Amount by delivering a notice thereof to the Noteholders in accordance with Condition 18 (*Notices*) of the Terms and Conditions, and to the Arranger and the Dealer(s). Upon such notice being given to the Noteholders and the conditions set out in the Programme Agreement to the exercise of this right having been met, all references in this Programme Memorandum (and each agreement, deed or document relating to the Programme and/or this Programme Memorandum) to the Programme Amount will be, and will be deemed to be, references to the increased Programme Amount set out in such notice.

The Programme is not rated. A Tranche of Notes may, on or before the Issue Date, be rated by a rating agency on a national scale or international scale basis. Unrated Tranches of Notes may also be issued. A rating of a Tranche of Notes is not a recommendation to subscribe for, buy, sell or hold any Notes, and may be subject to revision, suspension or withdrawal at any time by the rating agency.

This Programme Memorandum will only apply to Notes issued under the Programme.

A summary of the Programme and the Terms and Conditions appears below.

SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Programme Memorandum and, in relation to the Terms and Conditions of any particular Tranche of Notes, the Applicable Pricing Supplement. Words and expressions defined in the Terms and Conditions shall have the same meanings in this summary.

Issuer	Telkom SA Limited (registration number 1991/005476/06), a public company with limited liability duly incorporated in accordance with the company laws of South Africa (" Telkom ").
Arrangers	<p>The Standard Bank of South Africa Limited (registration number 1962/000738/06), a public company with limited liability duly incorporated in accordance with the company laws of South Africa, acting through its Corporate and Investment Banking division ("Standard Bank"); and</p> <p>Africa Rising Capital (Proprietary) Limited (registration number 2010/001127/07), a company with limited liability duly incorporated in accordance with the company laws of South Africa ("Nova Capital").</p>
Debt Sponsor	Standard Bank.
Dealers	<p>Standard Bank, and any additional Dealer appointed under the Programme by the Issuer from time to time, which appointment may be for a specific issue or on an ongoing basis, subject to the Issuer's right to terminate the appointment of such Dealer;</p> <p>Rand Merchant Bank, a division of FirstRand Bank Limited (registration number 1929/001225/06), a public company with limited liability duly incorporated in accordance with the company laws of South Africa ("RMB"); and</p> <p>Telkom.</p>
Transfer Agent	The Issuer, or such other entity appointed by the Issuer as Transfer Agent, in which event that other entity will act as

	Transfer Agent, as specified in the Applicable Pricing Supplement.
Paying Agent	The Issuer, or such other entity appointed by the Issuer as Paying Agent, in which event that other entity will act as Paying Agent, as specified in the Applicable Pricing Supplement.
Calculation Agent	Telkom, or such other entity appointed by the Issuer as Calculation Agent, in which event that other entity will act as Calculation Agent, as specified in the Applicable Pricing Supplement.
Blocked Rand	Blocked Rand may be used to subscribe for, or purchase, Notes, subject to the Exchange Control Regulations.
Clearing and Settlement	Notes may be cleared and settled in accordance with the rules of the JSE and the CSD. The Notes have been accepted for clearance through the CSD, which forms part of the JSE clearing system that is managed by the CSD, and may be accepted for clearance through any additional clearing system as may be agreed between the JSE and the Issuer. As at the date of this Programme Memorandum, the Participants are Absa Bank Limited, FirstRand Bank Limited, Nedbank Limited, The Standard Bank of South Africa Limited and the South African Reserve Bank. Euroclear Bank S.A./N.V. as operator of the Euroclear System (“Euroclear”) and Clearstream Banking, societe anonyme (Clearstream Luxembourg) (“Clearstream”), may hold Notes through their Participant.
Cross-Default	The terms of the Notes will contain a cross-default provision relating to Indebtedness for money borrowed having an aggregate outstanding amount equal to or greater than 0.5% (zero comma five percent) of the Total Assets of the Group as set out in the Group’s most recently published consolidated audited financial statements, from time to time (or its equivalent in any other currency or currencies).

CSD	Strate Limited (registration number 1998/022242/06), registered as a central securities depository in terms of the Securities Services Act or such additional, alternative or successor central securities depository as may be agreed between the Issuer and the relevant Dealer(s).
Denomination	Notes will be issued in such denominations as may be agreed by the Issuer and the relevant Dealer(s) and as indicated in the Applicable Pricing Supplement, save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the central bank or regulator or any laws or regulations applicable to the Notes.
Description of Programme	Telkom SA Limited ZAR10,000,000,000 Domestic Medium Term Note Programme.
Distribution	Notes may be distributed by way of private placement or any other means permitted under South African law, and in each case on a syndicated or non-syndicated basis as may be determined by the Issuer and the relevant Dealer(s) and reflected in the Applicable Pricing Supplement.
Form of Notes	Notes will be issued in certificated form or electronically in uncertificated form as described in the section headed " <i>Form of the Notes</i> ".
Governing Law	The Notes will be governed by and construed in accordance with the laws of South Africa in force from time to time.
Interest	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked, and the method of calculating interest may vary between the Issue Date and the Maturity Date.
Interest Period(s)/Interest Payment Date(s)	The Interest Rate, Interest Payment Date(s) and Interest Period(s), if any, applicable to a Tranche of Notes will be

specified in the Applicable Pricing Supplement.

Issue and Transfer Taxes

As at the date of this Programme Memorandum, no securities transfer tax or any similar tax is payable in respect of the issue, transfer or redemption of the Notes (see the section of this Programme Memorandum headed “*South African Taxation*”). Any future transfer duties and/or taxes that may be introduced in respect of (or be applicable to) the transfer of Notes will be for the account of Noteholders.

Issue Price

Notes may be issued on a fully paid basis and at their Nominal Amount or at a discount or premium to their Nominal Amount as specified in the Applicable Pricing Supplement.

Listing

This Programme has been approved by the JSE for the listing of the Notes on the Interest Rate Market of the JSE. Notes issued under the Programme may be listed on the Interest Rate Market of the JSE or on such other or additional Financial Exchange(s) as may be determined by the Issuer and the Dealer(s), subject to all applicable laws. Unlisted Notes may also be issued under the Programme but will not be regulated by the JSE. The Applicable Pricing Supplement will specify whether or not a Tranche of Notes will be listed and, if so, on which Financial Exchange(s).

Maturities of Notes

Such maturity(ies) that is/are acceptable to the JSE and as specified in the Applicable Pricing Supplement. The Notes are not subject to any minimum or maximum maturity.

Negative Pledge

Senior Notes will have the benefit of a negative pledge as described in Condition 7 (*Negative Pledge*) of the Terms and Conditions.

Notes

Notes may comprise:

Fixed Rate Notes Fixed Rate interest will be payable in arrear on such date or dates as may be agreed between the Issuer and the

relevant Dealer(s), as indicated in the Applicable Pricing Supplement and on redemption, and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s).

**Floating Rate
Notes**

Floating Rate Notes will bear interest calculated at a rate determined: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the ISDA Definitions; or (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quoting service; or (iii) on such other basis as may be agreed between the Issuer and the relevant Dealer(s).

The Margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer(s) for each issue of Floating Rate Notes.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

The Interest Period for Floating Rate Notes may be one, two, three, six or twelve months or such other period as the Issuer and the relevant Dealer(s) may agree, as indicated in the Applicable Pricing Supplement.

**Zero Coupon
Notes**

Zero Coupon Notes will be issued at their Nominal Amount or at a discount to

it and will not bear interest (except in the case of late payment as specified).

Index-Linked Notes Payments (whether in respect of interest on Indexed Interest Notes or in respect of principal on Indexed Redemption Amount Notes and whether at maturity or otherwise) will be calculated by reference to such index and/or formula as the Issuer and the relevant Dealer(s) may agree, as indicated in the Applicable Pricing Supplement.

Dual Currency Notes Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer(s) may agree, as indicated in the Applicable Pricing Supplement.

Mixed Rate Notes Mixed Rate Notes will bear interest over respective periods at the rates applicable for any combination of Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Index-Linked Notes or Dual Currency Notes, each as specified in the Applicable Pricing Supplement.

Instalment Notes The Applicable Pricing Supplement will set out the dates on which, and the amounts in which, Instalment Notes may be redeemed.

Exchangeable Notes Exchangeable Notes may be redeemed by the Issuer in cash or by the delivery of Exchange Securities as specified in

the Applicable Pricing Supplement.

Other Notes Terms applicable to any other type of Notes that are approved by the JSE, or its successor, or such other or further exchange or exchanges as may be selected by the Issuer in relation to an issue of listed Notes, or as agreed between the Issuer and the relevant Dealer(s) in respect of unlisted Notes, will be set out in the Applicable Pricing Supplement.

Noteholders The holders of the listed or unlisted registered Notes (as recorded in the Register). The CSD's Nominee will be named in the Register as the registered Noteholder of each Tranche of Notes in uncertificated form or which is represented by a Global Certificate and which is listed on the Interest Rate Market of the JSE. Each holder of Notes which is represented by an Individual Certificate will be named in the Register as the registered Noteholder of such Notes.

Rating As at the date of this Programme Memorandum, this Programme and the Notes to be issued under this Programme have not been rated by any rating agency.

Rating of Notes A Tranche of Notes may, on or before the Issue Date, be rated by a Rating Agency. Unrated Tranches of Notes may also be issued provided that the Rating Agency has confirmed in writing that all of its respective current Rating(s) of Tranches of Notes then in issue will not be downgraded or withdrawn as a result of the issue of such unrated Tranche of Notes. The Applicable Pricing Supplement will reflect the Rating, if any, which has been assigned to a Tranche of Notes, as well as the Rating Agency or Rating Agencies which assigned such Rating or Ratings. A Rating is not a recommendation to subscribe for, buy, sell or hold Notes and may be subject to revision,

suspension or withdrawal at any time by the Rating Agency.

Redemption

The Applicable Pricing Supplement relating to a Tranche of Notes will indicate either that the Notes cannot be redeemed prior to their stated maturity (other than in specified instalments (see below), if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders (as the case may be) and, upon giving not less than 30 (thirty) nor more than 60 (sixty) calendar days' irrevocable notice (or such other notice period (if any) as is indicated in the Applicable Pricing Supplement) to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such terms as are indicated in the Applicable Pricing Supplement.

The Applicable Pricing Supplement may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as indicated in the Applicable Pricing Supplement.

Selling Restrictions

The distribution of this Programme Memorandum and any offering or sale of or subscription for a Tranche of Notes may be restricted in certain jurisdictions, and is restricted by law in the United States of America, the European Economic Area, the United Kingdom and South Africa (see the section of this Programme Memorandum headed "*Subscription and Sale*"). Any other or additional restrictions which are applicable to the placing of a Tranche of Notes will be set out in the Applicable Pricing Supplement. Persons who come into possession of this Programme Memorandum or any Applicable Pricing Supplement must inform themselves about and observe all applicable selling restrictions.

Size of the Programme

As at the date of this Programme Memorandum, the Programme Amount is ZAR10,000,000,000. This Programme Memorandum will only apply to Notes issued

under the Programme in an aggregate outstanding Nominal Amount which does not exceed the Programme Amount. The Issuer may increase the Programme Amount as described in the section of this Programme Memorandum headed “*General Description of the Programme*”.

Specified Currency

South African Rand (“**ZAR**”) or, subject to all applicable laws and in the case of Notes listed on the Interest Rate Market of the JSE subject to the rules of the JSE, such other currency as is specified in the Applicable Pricing Supplement.

Status of Senior Notes

The Senior Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* and rateably without any preference among themselves and (save for certain debts required to be preferred by law) equally with all other unsecured and unsubordinated obligations of the Issuer from time to time outstanding.

Status and Characteristics relating to Subordinated Notes

The Subordinated Notes constitute direct, unsecured and subordinated obligations of the Issuer and will rank *pari passu* among themselves and will rank at least *pari passu* with all other present and future unsecured and subordinated obligations of the Issuer.

Subject to applicable law, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation, business rescue or wound up, then and in any such event the claims of the persons entitled to be paid amounts due in respect of the Subordinated Notes shall be subordinated to all other claims in respect of any other indebtedness of the Issuer except for other Subordinated Indebtedness of the Issuer, to the extent that, in any such event, and provided as aforesaid, no amount shall be eligible for setting-off or shall be payable to any or all of the persons entitled to be paid amounts due in respect of the Subordinated Notes in respect of the obligations of the Issuer thereunder until all other indebtedness of the Issuer which is admissible in any

such dissolution, liquidation, business rescue or winding-up (other than Subordinated Indebtedness) has been paid or discharged in full.

Stabilisation

In connection with the issue and distribution of any Tranche of Notes under the Programme, the Dealer, if any, that is specified in the Applicable Pricing Supplement as the Stabilising Manager (or any person acting for the Stabilising Manager) may, if specified in that Applicable Pricing Supplement and only if such stabilising is permitted by the applicable laws and agreed with the JSE, over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Manager (or any agent of the Stabilising Manager) to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.

Taxation

All payments of principal and interest in respect of the Notes will be made without withholding or deduction for or on account of taxes levied in South Africa unless such withholding or deduction is required by law. In the event that withholding tax or such other deduction is required by law, then the Issuer will, subject to certain exceptions as provided in Condition 11 (*Taxation*), make such payments as shall be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, as the case may be, in the absence of such withholding or deduction. For a summary of the position in relation to issue and transfer taxes, see "Issue and Transfer Taxes" above.

Use of Proceeds

The Issuer will use the issue proceeds of the Notes for its general corporate purposes, or as may otherwise be

described in the Applicable Pricing Supplement.

RISK FACTORS

Words used in this section entitled "Risk Factors" 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 Issuer believes that the factors described below, which are not set out in any particular order, represent key risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it, or which it may not currently be able to anticipate. Some risks are not yet known and some that are not currently deemed material could later turn out to be material. Accordingly, the Issuer does not represent or warrant that the statements below regarding the risks of holding of any Notes are exhaustive.

All of these risks could materially affect the Group, its reputation, business, results of its operations and overall financial condition.

The information set out below is therefore not intended as advice and does not purport to describe all of the considerations that may be relevant to a prospective investor.

Investors contemplating making an investment in the Notes should determine their own investment objectives and experience, and any other factors which may be relevant to them in connection with such investment.

RISK ASSOCIATED WITH THE NOTES

1. RISKS RELATING TO THE ISSUER OR ITS BUSINESS

For further information on risks facing the Issuer's business, and the measures in place to mitigate these risks, please refer, in this Programme Memorandum, to the section headed "*Description of Telkom SA Limited*" under paragraphs 5 and 6. The topics discussed include:

- 1.1. Investment in mobile strategy
- 1.2. Multi-Links' financial performance
- 1.3. Competition and downward pressure on pricing and margins
- 1.4. Management information systems
- 1.5. Loss of critical skills and high cultural entropy

- 1.6. Difficulty in supporting new business models
- 1.7. Litigation exposure
- 1.8. Local loop unbundling
- 1.9. Achievement of financial targets
- 1.10. Labour unions
- 1.11. Service delivery
- 1.12. Regulatory landscape

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 from the JSE.

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 26 October 2013. 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) 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 and Telkom's ordinary shares could be delisted.

2. RISKS RELATING TO THE TELECOMMUNICATIONS INDUSTRY

For information on risks relating to the telecommunications industry, see the Issuer's annual report incorporated herein by reference.

3. THE NOTES MAY NOT BE A SUITABLE INVESTMENT FOR ALL INVESTORS

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Programme Memorandum or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such an investment will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- (d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial and legal adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

4. THERE IS NO ACTIVE TRADING MARKET FOR THE NOTES

The Notes issued under the Programme Memorandum will be new securities which may not be widely distributed and for which there is currently no active trading market. While application may be made for the Notes to be traded on the JSE or on such other Financial Exchange(s) as may be determined by the Issuer, there can be no assurance that the Issuer will be able to maintain such listing or that a trading market will develop for the Notes. If the Notes are traded after their initial issuance, they may trade at a discount or premium to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general political and economic conditions, the condition of the financial sector, the financial condition of the Issuer, the Issuer's financial performance and future prospects.

5. THE NOTES MAY BE REDEEMED PRIOR TO MATURITY

In the event that the Issuer is obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of any taxes, the Issuer may redeem all outstanding Notes in accordance with the Terms and Conditions.

In addition, if the Terms and Conditions provide that Notes are in certain circumstances redeemable prior to the Maturity Date, the Notes may be redeemed at times when prevailing interest rates may be relatively low. In such circumstances, an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

6. RISKS RELATED TO NOTES GENERALLY

6.1. *Change of law*

No assurance can be given as to the impact of any possible judicial decision or change to South African law or the law of any other jurisdiction or administrative practice after the issuance of the Notes.

6.2. *Legal investment considerations may restrict certain investments*

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators

to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

6.3. *Foreign Exchange Control*

Foreign derived loan capital or equity capital may be introduced into South Africa through a formal system of Exchange Control as summarised in the section entitled "*South African Exchange Control*" of this Programme Memorandum. However, unless the prior approval of the South African Reserve Bank has been obtained, the proceeds from the sale of assets in South Africa owned by a non-resident are not remittable to the non-resident.

7. FINANCIAL MARKETS

A prospective investor of the Notes should be aware of the prevailing and widely reported global credit market conditions (which continue at the date hereof), whereby there is a general lack of liquidity in the secondary markets for instruments similar to the Notes. The Issuer cannot predict if and when these circumstances will change, and if and when they do, whether conditions of general market illiquidity for the Notes and instruments similar to the Notes will return in future.

FORM OF THE NOTES

Words used in this section headed "Form of the Notes" 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.

A Tranche of Notes may be issued in the form of listed or unlisted registered Notes as specified in the Applicable Pricing Supplement.

Registered Notes

A Tranche of registered Notes will be issued in certificated form or in uncertificated form as specified in the Applicable Pricing Supplement. Each Tranche of Notes which is listed on the Interest Rate Market of the JSE will be held in the CSD in the name of, and for the account of, the CSD's Nominee. A Tranche of unlisted Notes may also be held in the CSD.

Notes issued in certificated form

A Tranche of Notes which is listed on the Interest Rate Market of the JSE and/or lodged and immobilised in the CSD may, subject to applicable laws and the Applicable Procedures, be issued in certificated form. If applicable, each such Tranche of Notes will be represented by a single Global Certificate in registered form, and the CSD's Nominee will be named in the Register as the registered Noteholder of such Tranche of Notes (see "Beneficial Interests in Notes held in the CSD" below). Unlisted Notes may also be lodged and immobilised in the CSD, in the form of a Global Certificate.

Each Global Certificate will be physically deposited with and lodged in the CSD.

All certificated Notes which are not represented by a Global Certificate, will be represented by single Individual Certificates in registered form. Notes represented by Individual Certificates will be registered in the Register in the name of the individual Noteholders of such Notes.

Title to Notes represented by Certificates will pass upon registration of transfer in accordance with Condition 14.1.2 (*Transfer of Notes represented by Certificates*) of the Terms and Conditions.

The Issuer shall regard the Register as the conclusive record of title to the Notes represented by Certificates.

Payments of all amounts due and payable in respect of Notes represented by Certificates will be made in accordance with Condition 9 (*Payments*) of the Terms and Conditions to the person reflected as the registered Noteholder of such Notes in the Register at 17h00 (South African time) on the Last

Day to Register, and the Issuer will be discharged by proper payment to or to the order of such registered holder in respect of each amount so paid

Notes issued in uncertificated form

A Tranche of Notes which is listed on the Interest Rate Market of the JSE may, subject to applicable laws and Applicable Procedures, be issued in uncertificated form in terms of section 37 of the Securities Services Act.

Notes issued in uncertificated form will not be represented by any certificate or written instrument. A Tranche of Notes issued in uncertificated form will be held by the CSD, and the CSD's Nominee will be named in the Register as the registered Noteholder of that Tranche of Notes.

Beneficial Interests in Notes held in the CSD

A Tranche of Notes which is listed on the Interest Rate Market of the JSE will either be issued in certificated form and lodged in the CSD under a Global Certificate or be issued in uncertificated form and held in the CSD. A Tranche of unlisted Notes may also be lodged in the CSD. While a Tranche of Notes is held in its entirety in the CSD, the CSD's Nominee will be named in the Register as the sole Noteholder of the Notes in that Tranche.

The CSD will hold each Tranche of Notes subject to the Securities Services Act and the Applicable Procedures. All amounts to be paid and all rights to be exercised in respect of Notes held in the CSD will be paid to and may be exercised only by the CSD's Nominee for the holders of Beneficial Interests in such Notes.

The CSD maintains central securities accounts only for Participants. As at the date of the Programme Memorandum, the Participants are Absa Bank Limited, FirstRand Bank Limited, Nedbank Limited, The Standard Bank of South Africa Limited and the South African Reserve Bank. Beneficial Interests which are held by Participants will be held directly through the CSD, and the CSD will hold such Beneficial Interests, on behalf of such Participants, through the central securities accounts maintained by the CSD for such Participants.

The Participants are in turn required to maintain securities accounts for their clients. Beneficial Interests which are held by clients of Participants will be held indirectly through such Participants, and such Participants will hold such Beneficial Interests, on behalf of such clients, through the securities accounts maintained by such Participants for such clients. The clients of Participants may include the holders of Beneficial Interests in the Notes or their custodians. The clients of Participants, as the holders of Beneficial Interests or as custodians for such holders, may exercise their rights in respect of the Notes held by them in the CSD only through their Participants. Euroclear Bank S.A./N.V. as

operator of the Euroclear System (“Euroclear”) and Clearstream Banking, société anonyme, (Clearstream Luxembourg) (“Clearstream”) may hold Notes through their Participant.

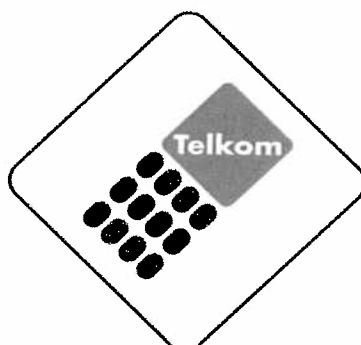
In relation to each person shown in the records of the CSD or the relevant Participant, as the case may be, as the holder of a Beneficial Interest in a particular outstanding Nominal Amount of Notes, a certificate or other document issued by the CSD or the relevant Participant, as the case may be, as to the outstanding Nominal Amount of such Notes standing to the account of any person shall be *prima facie* proof of such Beneficial Interest. The CSD’s Nominee (as the registered Noteholder of such Notes named in the Register) will be treated by the Issuer, the Paying Agent, the Transfer Agent and the relevant Participant as the holder of that outstanding Nominal Amount of such Notes for all purposes.

Title to Beneficial Interests held by Participants directly through the CSD will pass on transfer thereof by electronic book entry in the central securities accounts maintained by the CSD for such Participants. Title to Beneficial Interests held by clients of Participants indirectly through such Participants will pass on transfer thereof by electronic book entry in the security accounts maintained by such Participants for such clients. Beneficial Interests may be transferred only in accordance with the Applicable Procedures. Holders of Beneficial Interests vote in accordance with the Applicable Procedures.

The holder of a Beneficial Interest will only be entitled to exchange such Beneficial Interest for Notes represented by an Individual Certificate in accordance with Condition 12 (*Exchange of Beneficial Interests and Replacement of Certificates*) of the Terms and Conditions.

PRO FORMA APPLICABLE PRICING SUPPLEMENT

Set out below is the form of Applicable Pricing Supplement that will be completed for each Tranche of Notes issued under the Programme:

**TELKOM SA LIMITED**

*(Incorporated in the Republic of South Africa with limited liability under registration number
1991/005476/06)*

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**Under its ZAR10,000,000,000 Domestic Medium Term Note Programme**

This Applicable Pricing Supplement must be read in conjunction with the Programme Memorandum, dated 21 November 2011 and approved by the JSE on [•] 2011, prepared by Telkom SA Limited in connection with the Telkom SA Limited ZAR10,000,000,000 Domestic Medium Term Note Programme, as amended and/or supplemented from time to time (the "Programme Memorandum").

Any capitalised terms not defined in this Applicable Pricing Supplement shall have the meanings ascribed to them in the section of the Programme Memorandum headed "*Terms and Conditions of the Notes*".

This document constitutes the Applicable Pricing Supplement relating to the issue of Notes described herein. The Notes described herein are issued on and subject to the Terms and Conditions as amended and/or supplemented by the Terms and Conditions contained in this Applicable Pricing Supplement. To the extent that there is any conflict or inconsistency between the contents of this Applicable Pricing Supplement and the Programme Memorandum, the provisions of this Applicable Pricing Supplement shall prevail.

DESCRIPTION OF THE NOTES

1.	Issuer	Telkom SA Limited
2.	Status of Notes	[Secured/Unsecured]
3.	Form of Notes	[Listed/Unlisted] Registered Notes
4.	Series Number	[]
5.	Tranche Number	[]
6.	Aggregate Nominal Amount:	
	(a) Series	[]
	(b) Tranche	[]
7.	Interest	[Interest-bearing/Non-interest-bearing]
8.	Interest Payment Basis	[[Fixed Rate/Floating Rate/Zero Coupon/Index-Linked/Dual Currency /Instalment] Notes/other]
9.	Automatic/Optional Conversion from one Interest/Redemption/Payment Basis to another	[insert details including date for conversion]
10.	Form of Notes	[Registered Notes: [The Notes in this Tranche are issued in uncertificated form and held by the CSD]. [The Notes in this Tranche are issued in certificated form and lodged in the CSD under a single Global Certificate]].
11.	Issue Date/Settlement Date	[]
12.	Nominal Amount per Note	[]
13.	Specified Denomination	[<i>Minimum of R1 000 000</i>]
14.	Issue Price	[]
15.	Interest Commencement Date	[]

16. Maturity Date []
17. Applicable Business Day Convention Floating Rate Business Day / Following Business Day / Modified Following Business Day / Preceding Business Day / other convention – insert details
18. Final Redemption Amount []
19. Last Date to Register []
20. Books Closed Period(s) The Register will be closed from [...] to [...] and from [...] to [...] (all dates inclusive) in each year until the Maturity Date
21. Default Rate []
22. Value of Aggregate Nominal Amount of all Notes issued under the Programme as at the Issue Date []

FIXED RATE NOTES

23. (a) Fixed Rate of Interest [] per cent. Per annum [payable [annually/semi-annually/quarterly] in arrear]
- (b) Fixed Interest Payment Date(s) [] in each year up to and including the Maturity Date/other
- (c) Fixed Coupon Amount(s) [] per [] in Nominal Amount
- (d) Initial Broken Amount []
- (e) Final Broken Amount []
- (f) Determination Date(s) [] in each year
- (g) Day Count Fraction []
- (h) Any other terms relating to the particular method of calculating interest []

FLOATING RATE NOTES

24. (a) Floating Interest Payment Date(s) []
- (b) Interest Period(s) []
- (c) Definition of Business Day (if different from that set out in Condition 1 (*Interpretation*)) []
- (d) Minimum Rate of Interest [] per cent per annum
- (e) Maximum Rate of Interest [] per cent per annum
- (f) Other terms relating to the method of calculating interest (e.g.: Day Count Fraction, rounding up provision) []
25. Manner in which the Rate of Interest is to be determined [ISDA Determination / Screen Rate Determination/other – insert details]
26. Margin [(...) basis points to be added to/subtracted from the relevant ISDA Rate / Reference Rate]
27. If ISDA Determination:
- (a) Floating Rate []
- (b) Floating Rate Option []
- (c) Designated Maturity []
- (d) Reset Date(s) []
- (e) ISDA Definitions to apply []
28. If Screen Determination:

- (a) Reference Rate (including relevant period by reference to which the Rate of Interest is to be calculated) []
- (b) Interest Rate Determination Date(s) []
- (c) Relevant Screen Page and Reference Code []
29. If Rate of Interest to be calculated otherwise than by ISDA Determination or Screen Determination, insert basis for determining Rate of Interest/Margin/ Fallback provisions []
30. Calculation Agent responsible for calculating amount of principal and interest []

ZERO COUPON NOTES

31. (a) Implied Yield []
- (b) Reference Price Percent [NACA] [NACM] [NACQ] [NACS] [other method of compounding]
- (c) Any other formula or basis for determining amount(s) payable []

INSTALMENT NOTES

32. Instalment Dates []
33. Instalment Amounts (expressed as a percentage of the aggregate Nominal Amount of the Notes) []

MIXED RATE NOTES

34. Period(s) during which the interest rate for the Mixed Rate Notes will be (as applicable) that for:

- | | |
|-------------------------|---------|
| (a) Fixed Rate Notes | [] |
| (b) Floating Rate Notes | [] |
| (c) Index-Linked Notes | [] |
| (d) Dual Currency Notes | [] |
| (e) Other Notes | [] |

35. The interest rate and other pertinent details are set out under the headings relating to the applicable forms of Notes

INDEX-LINKED NOTES

- | | | |
|---------|---|--|
| 36. (a) | Type of Index-Linked Notes | [Indexed Interest Notes / Indexed Redemption Amount Notes] |
| (b) | Index/Formula by reference to which Interest Rate / Interest Amount is to be determined | [] |
| (c) | Manner in which the Interest Rate / Interest Amount is to be determined | [] |
| (d) | Interest Period(s) | [] |
| (e) | Interest Payment Date(s) | [] |
| (f) | [Base CPI for Indexed-Linked Notes] | [] |
| (g) | Calculation Agent | [] |

- (h) Provisions where calculation by reference to Index and/or Formula is impossible or impracticable []
- (i) Definition of Business Day (if different from that set out in Condition 1) []
- (j) Minimum Rate of Interest [] per cent per annum
- (k) Maximum Rate of Interest [] per cent per annum
- (l) Other terms relating to the method of calculating interest (e.g.: Day Count Fraction, rounding up provision) []
- (m) Other terms relating to Index-Linked Notes [] *[Please note: Additional JSE requirements may be applicable if Index-Linked Notes are issued. See the JSE guidelines for Acceptable Index Providers and section 19 of the JSE Listings Requirements]*

DUAL CURRENCY NOTES

37. (a) Type of Dual Currency Notes [Dual Currency Interest/Dual Currency Redemption Amount] Notes
- (b) Rate of Exchange/method of calculating Rate of Exchange []
- (c) Provisions applicable where calculation by reference to Rate of Exchange is impossible or impracticable []
- (d) Person at whose option Specified Currency(ies) is/are payable []

EXCHANGEABLE NOTES

38. (a) Mandatory Exchange [Yes/No]
applicable?
- (b) Noteholders' Exchange Right [Yes/No]
applicable?
- (c) Exchange Securities []
- (d) Manner of determining []
Exchange Price
- (e) Exchange Period []
- (f) Other []

OTHER NOTES

39. If the Notes are not Instalment []
Notes, Fixed Rate Notes, Floating
Rate Notes, Mixed Rate Notes,
Index-linked Notes, Dual Currency
Notes, Exchangeable Notes or
Zero Coupon Notes or if the Notes
are a combination of any of the
aforegoing, set out the relevant
description and any additional
Terms and Conditions, approved
by the JSE, relating to such Notes.

**PROVISIONS REGARDING
REDEMPTION/MATURITY**

40. Issuer's Optional Redemption: [Yes/No]
- If yes:
- (a) Optional Redemption []
Date(s)

- (b) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s) []
- (c) Minimum period of notice (if different from Condition 10.3) (*Redemption at the Option of the Issuer*) []
- (d) If redeemable in part: []
- Minimum Redemption Amount(s) []
- Higher Redemption Amount(s) []
- (e) Other terms applicable on Redemption
41. Redemption at the Option of the Senior Noteholders: [Yes/No]
- if yes:
- (a) Optional Redemption Date(s) []
- (b) Optional Redemption Amount(s) []
- (c) Minimum period of notice (if different from Condition 10.4) (*Redemption at the Option of the Senior Noteholders*) []
- (d) If redeemable in part:

- | | | |
|-----|--------------------------------------|-----|
| | Minimum Redemption Amount(s) | [] |
| | Higher Redemption Amount(s) | [] |
| (e) | Other terms applicable on Redemption | [] |
| (f) | Attach pro forma put notice(s) | |
42. Early Redemption Amount(s) payable on redemption for taxation reasons or on Event of Default (if required). [Yes/No]
- If no:
- | | | |
|-----|---|-----|
| (a) | Amount payable; or | [] |
| (b) | Method of calculation of amount payable | [] |
- GENERAL**
43. Public Finance Management Act, 1999 (“PFMA”) [The Issuer is required to comply with the provisions of the PFMA. The Issuer has applied for and obtained a temporary exemption from many of the provisions of the PFMA until [26 October 2013]]. [(*Extension of exemption to be checked prior to each issuance*)]
44. Financial Exchange []
45. Calculation Agent []
46. Paying Agent []
47. Specified office of the Paying Agent []

48. Transfer Agent []
49. Provisions relating to stabilisation []
50. Stabilising manager []
51. Additional selling restrictions []
52. ISIN No. []
53. Stock Code []
54. Method of distribution [*Dutch auction or other*]
55. If syndicated, names of Managers []
56. If non-syndicated, name of Dealer []
57. Governing law (if the laws of South Africa are not applicable) []
58. Use of proceeds []
59. Pricing Methodology [*Standard JSE pricing methodology / other – insert details*]
60. Other provisions []
61. Issuer Rating and issue date []/[]
62. Programme Rating and issue date []/[]
63. Notes Rating and issue date []/[]
64. Date of rating review []
65. Rating Agency []

DISCLOSURE REQUIREMENTS IN TERMS OF PARAGRAPH 3(5) OF THE COMMERCIAL PAPER REGULATIONS

66. Paragraph 3(5)(a)

The ultimate borrower is the [Issuer].

67. Paragraph 3(5)(b)

The Issuer is a going concern and can in all circumstances be reasonably expected to meet its commitments under the Notes.

68. Paragraph 3(5)(c)

The auditor of the Issuer is [insert].

69. Paragraph 3(5)(d)

As at the date of this issue:

- (i) the Issuer has [not issued any]/[issued ZAR•,000,000] commercial paper; and
- (ii) the Issuer estimates that it may issue ZAR•,000,000 of commercial paper during the current financial year, ending [date].

70. Paragraph 3(5)(e)

All information that may reasonably be necessary to enable the investor to ascertain the nature of the financial and commercial risk of its investment in the Notes is contained in the Programme Memorandum and the Applicable Pricing Supplement.

71. Paragraph 3(5)(f)

There has been no material adverse change in the Issuer's financial position since the date of its last audited financial statements.

72. Paragraph 3(5)(g)

The Notes issued will be [listed/unlisted].

73. Paragraph 3(5)(h)

The funds to be raised through the issue of the Notes are to be used by the Issuer for its [general corporate purposes/funding of its business operations/other].

74. Paragraph 3(5)(i)

The obligations of the Issuer in respect of the Notes are unsecured.

75. Paragraph 3(5)(j)

Ernst & Young Inc., the statutory auditors of the Issuer, have confirmed that [their review did not reveal anything which indicates / nothing has come to their attention to indicate] that this issue of Notes issued under the Programme will not comply in all respects with the relevant provisions of the Commercial Paper Regulations.

Responsibility:

The Issuer certifies that to the best of its knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made as well as that this Applicable Pricing Supplement contains all information required by law and the JSE Listing Requirements. The Issuer accepts full responsibility for the accuracy of the information contained in this Applicable Pricing Supplement and the annual financial report, the amendments to the annual financial report or any supplements from time to time, except as otherwise stated therein.

Application [is hereby]/[will not be] made to list this issue of Notes [on ● ●●●●].

SIGNED at _____ on this _____ day of _____
20●●

for and on behalf of

TELKOM SA LIMITED

Name:
Capacity:
Who warrants his/her authority hereto

Name:
Capacity:
Who warrants his/her authority hereto

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes to be issued by the Issuer which will be incorporated by reference into each Note. A Tranche of Notes will be issued on, and subject to, the below Terms and Conditions, as replaced, amended and/or supplemented by the terms and conditions of that Tranche of Notes set out in the Applicable Pricing Supplement.

Before the Issuer issues any Tranche of listed Notes, the Issuer shall complete, sign and deliver to the JSE or such other or further exchange or exchanges and the CSD a pricing supplement based on the *pro forma* Applicable Pricing Supplement included in the Programme Memorandum setting out details of such Notes.

If there is any conflict or inconsistency between provisions set out in the Applicable Pricing Supplement and the provisions set out in these Terms and Conditions of the Notes, then the provisions in the Applicable Pricing Supplement will prevail.

Words and expressions used in the Applicable Pricing Supplement shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated.

1. INTERPRETATION

In these Terms and Conditions, unless inconsistent with the context or separately defined in the Applicable Pricing Supplement, the following expressions shall have the following meanings:

“Applicable Pricing Supplement”	in relation to a Tranche of Notes, the pricing supplement completed and signed by the Issuer in relation to that Tranche of Notes, setting out the additional and/or other terms and conditions as are applicable to that Tranche of Notes, based upon the <i>pro forma</i> pricing supplement which is set out in the section of the Programme Memorandum headed “ <i>Pro Forma Applicable Pricing Supplement</i> ”;
“Applicable Procedures”	the rules and operating procedures for the time being of the CSD and the JSE, as the case may be;
“Arrangers”	Standard Bank and Nova Capital;
“Banks Act”	the Banks Act, 1990 (as amended);

- “BEE Act”** means the Broad-Based Black Economic Empowerment Act No. 53 of 2003, and any regulations and codes of good practice published there-under (including the Codes), as amended or re-enacted from time to time and shall include any succeeding statute;
- “BEE Legislation”** means each and all of:
- (A) the BEE Act;
 - (B) the Codes and/or transformation charters issued under sections 9 and/or 12 respectively of the BEE Act applicable to the Issuer and/or any other member of the Group;
 - (C) any communications sector legislation (including the Electronic Communications Act No. 36 of 2005, as amended) and any regulations published under such legislation from time to time, as may be applicable to the Issuer and/or any other member of the Group for purposes of any BEE Transaction undertaken or to be undertaken by the Issuer at an unspecified future date; and
 - (D) any other charter, law, condition of a material licence, regulation or (mandatory or voluntary) practice pursuant to which ownership and/or control by Black People in the Issuer and any other member of the Group is measured or a requirement relating thereto is imposed on it, or its rights, interests and/or obligations are affected thereby whether directly or through its customers;
- “BEE Transaction”** a black economic empowerment transaction or series of transactions which may be undertaken, pursuant to or in terms of applicable BEE Legislation, in relation to the Issuer at an unspecified future date in terms of which Black People will be granted the opportunity to acquire a limited number and class of the issued share capital of the Issuer or make any other equity investment in the Issuer, which transaction or transactions may be funded through vendor financing by the Issuer and/or any other member of the Group;

- “Beneficial Interest”** in relation to a Tranche of Notes which is held in the CSD, the beneficial interest as co-owner of an undivided share of all of the Notes in that Tranche, as contemplated in section 41(1) of the Securities Services Act, the nominal value of which beneficial interest, in relation to any number of Notes in that Tranche, is determined by reference to the proportion that the aggregate outstanding Nominal Amount of such number of Notes bears to the aggregate outstanding Nominal Amount of all of the Notes in that Tranche, as provided in section 41(3) of the Securities Services Act;
- “BESA Guarantee Fund Trust”** the guarantee fund established and operated by the Bond Exchange of South Africa Limited, prior to its merger with the JSE on 22 June 2009 and, as at the date of this Programme Memorandum, operated by the JSE as a separate guarantee fund, in terms of the of the rules of the JSE, as required by sections 9(1)(e) and 18(2)(x) of the Securities Services Act or any successor fund;
- “Black People”** means “black people” (or comparable term) as defined from time to time under the BEE Legislation, provided that where the BEE Legislation contains more than one definition of “black people” (or comparable term) and such definitions are not the same, then the term “black people” shall mean (and be restricted to) the class of persons who satisfy the relevant criteria in every such definition. As at the date of this Programme Memorandum (by way of summary and without in any way being construed as an interpretation of the Codes), **“Black People”** are defined under the BEE Act read with Schedule 1 of the Codes, as being African, Coloured (including Chinese) and Indian persons who are natural persons and who:
- (A) are citizens of South Africa by birth or descent; or
 - (B) are citizens of South Africa by naturalisation before the commencement date of the constitution of the Republic of South Africa, Act. 200 of 1993 (**“Interim Constitution”**); or
 - (C) became citizens of South Africa after the commencement

date of the Interim Constitution, but who, but for the apartheid policy that had been in place prior to that date, would have been entitled to acquire citizenship by naturalisation prior to that date. “Black” shall have a similar meaning when used as an adjective;

“Books Closed Period”

the period, as specified in the Applicable Pricing Supplement, commencing after the Last Day to Register, during which transfers of the Notes will not be registered, or such shorter period as the Issuer may decide in order to determine those Noteholders entitled to receive interest or redemption moneys;

“Borrowings”

at any time, the aggregate outstanding principal, capital or nominal amount (and any fixed or minimum premium payable on prepayment or redemption) of any indebtedness of members of the Group for or in respect of:

- (A) moneys borrowed and debit balances at banks or other financial institutions;
- (B) any acceptances under any acceptance credit or bill discount facility (or dematerialised equivalent);
- (C) any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (D) any Finance Lease;
- (E) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis and meet any requirements for de-recognition under IFRS);
- (F) any counter-indemnity obligation in respect of a guarantee, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution in respect of (i) an underlying liability of an entity which is not a member of the Group which liability would fall within one of the other paragraphs of this definition or (ii) any liabilities of any member of the Group relating to any post-retirement benefit scheme save to the extent that such liabilities are

reserved for and provided for by assets of the Group expressly set aside for and ring-fenced for the purposes of meeting such liabilities;

(G) any amount raised by the issue of shares which classified as borrowings under IFRS;

(H) any amount of any liability under an advance or deferred purchase agreement if (i) one of the primary reasons behind the entry into the agreement is to raise finance or to finance the acquisition or construction of the asset or service in question or (ii) the agreement is in respect of the supply of assets or services and payment is due more than 180 (one hundred and eighty) days after the date of supply;

(I) any amount raised under any other transaction (including any forward sale or purchase agreement, sale and sale back or sale and leaseback agreement) having the commercial effect of a borrowing or otherwise classified as borrowings under IFRS; and

(J) (without double counting) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (A) to (I) above;

“Business Day”	a day (other than a Saturday or Sunday or public holiday within the meaning of the Public Holidays Act, 1994) on which commercial banks settle ZAR payments in Johannesburg;
“Calculation Agent”	Telkom, unless the Issuer elects to appoint, in relation to a particular Tranche or Series of Notes, another entity as Calculation Agent in respect of that Tranche or Series of Notes;
“Certificate”	a Global Certificate and/or an Individual Certificate, as the context requires;
“Change of Control”	means in relation to the Issuer, any event which results in Control of the Issuer becoming vested in a person or group of persons which did not, immediately before the event in question, have such Control;

“Change of Control Event”	shall occur as is described in Condition 10.5.1;
“Change of Control Period”	means, in relation to a Change of Control of the Issuer, the period starting 90 (ninety) days before and ending 90 (ninety) days after the date on which that Change of Control of the Issuer is notified to Noteholders in accordance with Condition 18 (<i>Notices</i>);
“Class of Noteholders”	the holders of a Series of Notes or, where appropriate, the holders of different Series of Notes;
“Codes”	the Codes of Good Practice on Broad-Based Black Economic Empowerment issued by the Minister of Trade and Industry on 9 February 2007 in terms of section 9 of the BEE Act;
“Commercial Paper Regulations”	the commercial paper regulations of 14 December 1994 issued pursuant to paragraph (cc) of the definition of “the business of a bank” in the Banks Act, set out in Government Notice 2172 and published in Government Gazette 16167 of 14 December 1994;
“Common Monetary Area”	South Africa, Lesotho, Namibia, and Swaziland;
“Companies Act”	the Companies Act, 2008 (as amended);
“Control”	means: <ul style="list-style-type: none"> (A) the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to cast, or control the casting of, 30 per cent. or more of the maximum number of votes that might be cast at a general meeting of the Issuer; or (B) the holding beneficially of directly or indirectly 30 per cent. or more of the issued ordinary 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);
“Court Day”	during the term of a court, any day other than a Saturday, Sunday

or public holiday;

- “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”** a wholly owned subsidiary of the CSD approved by the Registrar of Securities Services in terms of the Securities Services Act, and any reference to “CSD’s Nominee” shall, whenever the context permits, be deemed to include any successor nominee operating in terms of the Securities Services Act;
- “Day Count Fraction”** in relation to a Tranche of Notes (where applicable) and the calculation of an amount for any period of time (the “Calculation Period”), the day count fraction specified as such in the Terms and Conditions or the Applicable Pricing Supplement and:
- (a) if **“Actual/365”**, **“Act/365”**, or **“Act/Act”** is so specified, means the actual number of days in the Interest Period in respect of which payment is being made divided by 365 (or, if any portion of the Interest Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
 - (b) if **“Actual/Actual (ICMA)”** is so specified, means:
 1. where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 2. where the calculation Period is longer than one Regular Period, the sum of:
 - a. the actual number of days in such

Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

- b. the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year;
- (c) if “**Actual/Actual (ISDA)**” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (d) if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (e) if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (f) if “**30/360**”, “**360/360**” or “**Bond Basis**” is so specified, means the number of days in the Calculation period divided by 360, calculated on a formula basis as follows:

$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

Day count fraction =

where:

“Y1” is the year, expressed as a number, in which the first

day of the Calculation Period falls;

“Y2” is the year, expressed as a number, in which the first day immediately following the last day included in the Calculation Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M2” is the calendar month, expressed as a number, in which the first day immediately following the last day included in the Calculation Period falls;

“D1” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

- (g) if “30E/360” or “Eurobond Basis” is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

Day count fraction =

where:

“Y1” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M1” is the calendar month, expressed as a number, in

which the first day of the Calculation Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D1” is the first calendar day, expressed as a number, of the Calculation Period unless such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period unless such number would be 31, in which case D2 will be 30;

- (h) if “30E/360 (ISDA)” is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

Day Count Fraction =

where:

“Y1” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D1” is the first calendar day, expressed as a number, of the Calculation Period unless (i) that day is the last day of

February or (ii) such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30;

“Debt Sponsor”	Standard Bank;
“Determination Date”	in relation to a Tranche of Fixed Rate Notes, the date specified as such in the Applicable Pricing Supplement;
“Dealers”	Standard Bank, RMB and Telkom, unless the Issuer elects to appoint any other entity(ies) as Dealer, which appointment may be for a specific issue or on an ongoing basis, subject to the Issuer’s right to terminate the appointment of any such Dealer, as indicated in the Applicable Pricing Supplement;
“Default Rate”	in relation to a Tranche of Notes, the default rate specified as such in the Applicable Pricing Supplement;
“Determination Period”	the period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);
“Disposal”	a sale, lease, transfer or other disposal by a person of any asset, undertaking or business (whether voluntary or involuntary and whether as a single transaction or a series of transactions), and “Disposed” shall mean the act of making a Disposal;
“Dual Currency Notes”	Notes which pay interest in a base currency and the principal in a non-base currency or <i>vice versa</i> as indicated in the Applicable Pricing Supplement;
“Early Redemption”	the amount, as set out in Condition 10.6 (<i>Early Redemption Amounts</i>), at which the Notes will be redeemed by the Issuer,

Amount”	pursuant to the provisions of Conditions 10.2 (<i>Redemption for Tax Reasons</i>), 10.3 (<i>Redemption at the Option of the Issuer</i>) and 10.4 (<i>Redemption at the Option of the Senior Noteholders</i>) and/or Condition 16 (<i>Events of Default</i>);
“EBIT”	<p>means, in respect of any Measurement Period, consolidated operating profit of the Group before taxation (excluding the results from discontinued operations):</p> <ul style="list-style-type: none"> (A) before deducting any Finance Costs; (B) not including any accrued interest owing to any member of the Group; (C) before taking into account any Exceptional Items; (D) after deducting the amount of any profit (or adding back the amount of any loss) of any members of the Group which is attributable to minority interests; (E) excluding any realised or unrealised gains or losses on any derivative instrument; and (F) before taking into account any gain or loss arising from an audited revaluation of any other asset at any time after 31 March 2010, <p>in each case, to the extent added, deducted or taken into account, as the case may be, for the purposes of determining operating profits of the Group before taxation;</p>
“EBITDA”	<p>means, in respect of any Measurement Period, EBIT for that Measurement Period after adding back any amount attributable to the amortisation or depreciation or impairment of assets of members of the Group (and taking no account of the reversal of any previous impairment charge made in that Measurement Period) and excluding operating profit before interest, tax, depreciation and amortisation (calculated on the same basis as EBITDA) attributable to any member of the Group (or to any business or assets) disposed of during the Measurement Period;</p>

“Encumbrances”	any mortgage, pledge, hypothecation, assignment, cession <i>in securitatem debiti</i> , 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 a secured claim to a creditor but excluding statutory preferences and any security interest arising by operation of law;
“Event of Default”	any of the events described in Condition 16 (<i>Events of Default</i>);
“Exchangeable Notes”	Notes which may be redeemed by the Issuer in the manner indicated in the Applicable Pricing Supplement by the delivery to the Noteholders of cash or of so many of the Exchange Securities as is determined in accordance with the Applicable Pricing Supplement;
“Exchange Control Regulations”	the Exchange Control Regulations, 1961, promulgated pursuant to the Currency and Exchanges Act, 1933 (as amended from time to time);
“Exchange Period”	in respect of Exchangeable Notes to which the Noteholders’ Exchange Right applies (as indicated in the Applicable Pricing Supplement), the period indicated in the Applicable Pricing Supplement during which such right may be exercised;
“Exchange Price”	the amount determined in accordance with the manner described in the Applicable Pricing Supplement, according to which the number of Exchange Securities which may be delivered in redemption of an Exchangeable Note will be determined;
“Exchange Securities”	the securities indicated in the Applicable Pricing Supplement which may be delivered by the Issuer in redemption of Exchangeable Notes to the value of the Exchange Price;
“Exceptional Items”	any exceptional, once off, non-recurring or extraordinary items which represent gains or losses including those arising on: <p data-bbox="647 1872 1353 1948" style="margin-left: 40px;">(A) the restructuring of the activities of an entity and reversals of any provisions for the cost of restructuring;</p>

	(B) Disposals, revaluations or impairment of non-current assets; and
	(C) Disposals of assets associated with discontinued operations;
“Extraordinary Resolution”	a resolution passed at a meeting (duly convened) of the Noteholders or, as the case may be, by a majority consisting of not less than 66,67% (sixty six comma sixty seven percent) of the persons voting at such meeting upon a show of hands or by proxy or if a poll be duly demanded then by a majority consisting of not less than 66,67% (sixty six coma sixty seven percent) of the votes given on such poll;
“Final Broken Amount”	in relation to a Tranche of Notes, the final broken amount specified as such in the Applicable Pricing Supplement;
“Final Redemption Amount”	the amount of principal specified in the Applicable Pricing Supplement payable in respect of each Tranche of Notes upon the Maturity Date;
“Finance Costs”	for any Measurement Period, the aggregate amount of the accrued interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments in respect of Borrowings whether paid, payable or capitalised by any member of the Group (calculated on a consolidated basis) in respect of that Measurement Period: <ul style="list-style-type: none"> (A) including any upfront fees or costs; (B) including the interest (but not the capital) element of payments in respect of Finance Leases; (C) including any commission, fees, discounts and other finance payments payable by (and deducting any such amounts payable to) any member of the Group under any interest rate hedging arrangement; (D) if a joint venture is accounted for on a proportionate consolidation basis, after adding the Group’s share of the finance costs or interest receivables of the joint venture up

to the date of Disposal of any member of the Group's interest in that joint venture; and

(E) excluding any interest costs (whether actuarially determined or otherwise) relating to the liabilities of any member of the Group relating to any post-retirement benefit scheme,

and so that no amount shall be added (or deducted) more than once;

“Finance Lease”	any lease or hire purchase contract which would, in accordance with IFRS, be treated as a finance or capital lease;
“Financial Exchange”	the JSE and/or such other (or additional) financial exchange(s) as may be determined by the Issuer and the relevant Dealer, subject to applicable laws;
“Fixed Coupon Amount”	in relation to a Tranche of Notes (where applicable), the amount specified as such in the Applicable Pricing Supplement;
“Fixed Interest Payment Date”	in relation to a Tranche of Fixed Rate Notes, the date specified as such in the Applicable Pricing Supplement;
“Fixed Interest Period”	in relation to a Tranche of Fixed Rate Notes, the period from (and including) a Fixed Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date;
“Fixed Rate Notes”	Notes which will bear interest at the Fixed Rate of Interest, as indicated in the Applicable Pricing Supplement;
“Fixed Rate of Interest”	in relation to a Tranche of Notes, the fixed rate of interest specified as such in the Applicable Pricing Supplement;
“Floating Rate Notes”	Notes which will bear interest at a floating rate as indicated in the Applicable Pricing Supplement and more fully described in Condition 8.2 (<i>Floating Rate Notes</i>);
“Global Certificate”	in relation to a Tranche of Notes which is issued in certificated form and immobilised in the CSD, a certificate in definitive registered

	form deposited with and lodged in the CSD and registered in the name of the CSD's Nominee, representing all of the Notes in that Tranche (other than those Notes in that Tranche (if any) which are represented by Individual Certificates);
"Group"	the Issuer and any other company or entity whose financial results are consolidated with the financial results of the Issuer in accordance with IFRS;
"Higher Redemption Amount"	in relation to a Tranche of Notes, the higher redemption amount specified as such in the Applicable Pricing Supplement;
"IFRS"	the International Financial Reporting Standards (formerly International Accounting Standards) issued by the International Accounting Standards Board (" IASB ") and interpretations issued by the International Financial Reporting Interpretations Committee of IASB (as amended, supplemented or re-issued from time to time);
"Implied Yield"	the yield accruing on the Issue Price of Zero Coupon Notes, as specified in the Applicable Pricing Supplement;
"Income Tax Act"	Income Tax Act, 1962 (as amended);
"Indebtedness"	in respect of the Issuer or any Material Subsidiary, as the case may be, any indebtedness in respect of monies borrowed from any third party lender and (without double counting) guarantees, suretyships and indemnities (other than those given in the ordinary course of business) given, whether present or future, actual or contingent;
"Indexed Interest Notes"	Notes in respect of which the Interest Amount is calculated by reference to an index and/or a formula as indicated in the Applicable Pricing Supplement;
"Index-Linked Notes"	an Indexed Interest Note and/or an Indexed Redemption Amount Note, as applicable;
"Indexed Redemption Amount Notes"	Notes in respect of which the Final Redemption Amount is calculated by reference to an index and/or a formula as may be indicated in the Applicable Pricing Supplement;
"Individual"	a Note in the definitive registered form of a single certificate and

Certificate	being a certificate exchanged for a Beneficial Interest in accordance with Condition 12 (<i>Exchange of Beneficial Interests and Replacement of Certificates</i>) and any further certificate issued in consequence of a transfer thereof;
“Initial Broken Amount”	in relation to a Tranche of Notes, the initial broken amount specified as such in the Applicable Pricing Supplement;
“Instalment Amount”	the amount expressed as a percentage of the Nominal Amount of an Instalment Note, being an instalment of principal (other than the final instalment) on an Instalment Note;
“Instalment Notes”	Notes issued on the same date but redeemed in Instalment Amounts by the Issuer on an amortised basis on different Instalment Dates, as indicated in the Applicable Pricing Supplement;
“Instalment Dates”	in relation to a Tranche of Instalment Notes, the dates specified as such in the Applicable Pricing Supplement;
“Interest Amount”	the amount of interest payable in respect of each Nominal Amount of Fixed Rate Notes, Floating Rate Notes and Index-Linked Notes, as determined in accordance with Condition 8 (<i>Interest</i>);
“Interest Commencement Date”	the first date from which interest on the Notes, other than Zero Coupon Notes, will accrue, as specified in the Applicable Pricing Supplement;
“Interest Determination Date”	in relation to a Tranche of Notes, the date specified as such in the Applicable Pricing Supplement;
“Interest Payment Date”	the Interest Payment Date(s) specified in the Applicable Pricing Supplement or, if no express Interest Payment Date(s) is/are specified in the Applicable Pricing Supplement, the last day of the Interest Period commencing on the preceding Interest Payment Date, or, in the case of the first Interest Payment Date, commencing on the Interest Commencement Date;
“Interest Period”	in relation to a Tranche of Notes, each period beginning on (and including) the Interest Commencement Date or any interest Payment Date and ending on (but excluding) the next Interest

	Payment Date;
“Interest Rate” and “Rate of Interest”	the rate or rates of interest applicable to Notes other than Zero Coupon Notes as indicated in the Applicable Pricing Supplement;
“Interest Rate Market of the JSE”	the separate platform or sub-market of the JSE designated as the “Interest Rate Market” and on which notes (and other debt securities) may be listed;
“Investment Grade Rating”	A national scale rating of “Baa3.za” by Moody’s, “BBB-(zaf)” by Fitch, “BBB-za” by S&P or its equivalent;
“ISDA”	the International Swaps and Derivatives Association Inc.;
“ISDA Definitions”	the 2006 ISDA Definitions published by ISDA (as amended, supplemented, revised or republished from time to time) as specified in the Applicable Pricing Supplement;
“Issue Date”	in relation to a Tranche of Notes, the date specified as such in the Applicable Pricing Supplement;
“Issue Price”	in relation to a Tranche of Notes, the price specified as such in the Applicable Pricing Supplement;
“Issuer”	Telkom SA Limited (incorporated in the Republic of South Africa with limited liability under registration number 1991/005476/06);
“JSE”	the JSE Limited (registration number 2005/022939/06), a licensed financial exchange in terms of the Securities Services Act or any exchange which operates as a successor exchange to the JSE;
“Last Day to Register”	with respect to a particular Tranche of Notes (as reflected in the Applicable Pricing Supplement), the last date or dates preceding a Payment Day on which the Transfer Agent will accept Transfer Forms and record the transfer of Notes in the Register for that particular Tranche of Notes and whereafter the Register is closed for further transfers or entries until the Payment Day;
“Mandatory Exchange”	in relation to a Tranche of Exchangeable Notes, the mandatory exchange specified as such in the Applicable Pricing Supplement;

“Margin”	in relation to a Tranche of Notes (where applicable), the margin specified as such in the Applicable Pricing Supplement;
“Material Adverse Effect”	any fact or circumstances which is likely to have a material adverse effect on the ability of the Issuer to perform its payment obligations under the Notes;
“Material Indebtedness”	any Indebtedness amounting in aggregate equal to or greater than 0.5% (zero comma five percent) of the Total Assets of the Group as published in the latest consolidated audited financial statements of the Group (or its equivalent in other currencies at the time of the occurrence of an Event of Default);
“Material Subsidiary”	a subsidiary of the Issuer which has earnings before interest, tax, depreciation and amortisation calculated on the same basis as EBITDA representing 10 per cent. or more of EBITDA, or has gross assets (net of any impairments), net assets (net of any impairments) or turnover (excluding intra-group items) representing 10 per cent. or more of the consolidated gross assets (net of any impairments), consolidated net assets (net of any impairments) or consolidated turnover of the Group, in each case by reference to the annual financial statements of the Group;
“Maturity Date”	in relation to a Tranche of Notes, the date specified as such in the Applicable Pricing Supplement;
“Measurement Period”	means each period of 12 (twelve) months ending on or about the last day of each financial year and each period of 12 (twelve) months ending on or about the last day of each financial half year;
“Minimum Redemption Amount”	in relation to a Tranche of Notes, the minimum redemption amount specified as such in the Applicable Pricing Supplement;
“Mixed Rate Notes”	Notes which will bear interest over respective periods at differing Interest Rates applicable to any combination of Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or Index-Linked Notes, each as indicated in the Applicable Pricing Supplement and as more fully described in Condition 8.4;
“Moody’s”	means Moody’s Investor Services Limited and its successors in

	title;
“NACA”	nominal annual compounded annually;
“NACM”	nominal annual compounded monthly;
“NACQ”	nominal annual compounded quarterly;
“NACS”	nominal annual compounded semi-annually;
“Nominal Amount”	in relation to any Note, the total amount, excluding interest and any adjustments on account of any formula, owing by the Issuer under the Note;
“Noteholders”	the holders of the listed and/or unlisted registered Notes (as recorded in the Register);
“Noteholders’ Exchange Right”	if indicated as applicable in the Applicable Pricing Supplement, the right of Noteholders of Exchangeable Notes to elect to receive delivery of the Exchange Securities in lieu of cash from the Issuer upon redemption of such Notes;
“Notes”	the secured or unsecured notes issued or to be issued by the Issuer under the Programme, pursuant to this Programme Memorandum;
“Nova Capital”	Africa Rising Capital (Proprietary) Limited, trading as Nova Capital Africa (registration number 2010/001127/07), a company with limited liability duly incorporated in accordance with the company laws of South Africa, in its capacity as co-Arranger;
“Outstanding”	in relation to the Notes, all the Notes issued other than: <ul style="list-style-type: none"> (a) those which have been redeemed in full; (b) those in respect of which the date for redemption in accordance with the Terms and Conditions has occurred and the redemption moneys wherefor (including all interest (if any) accrued thereon to the date for such redemption and any interest (if any) payable under the Terms and Conditions after such date) remain available for payment;

- (c) those which have been purchased and cancelled as provided in Condition 10 (*Redemption and Purchase*);
- (d) those which have become prescribed under Condition 15 (*Prescription*);
- (e) those represented by those mutilated or defaced Certificates which have been surrendered in exchange for replacement Certificates pursuant to Condition 12 (*Exchange of Beneficial Interests and Replacement of Certificates*);
- (f) (for the purpose only of determining how many Notes are Outstanding and without prejudice to their status for any other purpose) those Notes represented by Certificates alleged to have been lost, stolen or destroyed and in respect of which replacement Certificates have been issued pursuant to Condition 12 (*Exchange of Beneficial Interests and Replacement of Certificates*),

provided that for each of the following purposes:

- (i) the right to attend and vote at any meeting of the Noteholders; and
- (ii) the determination of how many and which Notes are for the time being Outstanding for the purposes of Conditions 19 (*Amendment of these Conditions*) and 20 (*Meetings of Noteholders*),

all Notes (if any) which are for the time being held by the Issuer (subject to any applicable law) or by any person for the benefit of the Issuer and not cancelled shall (unless and until ceasing to be so held), shall be deemed not to be Outstanding;

“Optional Redemption Amount” in relation to a Tranche of Notes, the optional redemption amount specified as such in the Applicable Pricing Supplement;

“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 entity appointed by the Issuer as Paying Agent and specified in the Applicable Pricing Supplement, in which event that other entity shall act as Paying Agent in respect of that Tranche or Series of Notes;
- “Payment Day”** any day which is a Business Day and upon which a payment is due by the Issuer in respect of the Notes;
- “Permitted Encumbrance”**
- (a) any Encumbrance existing as at the date of the Applicable Pricing Supplement; or
 - (b) any Encumbrance with regard to receivables or which is created pursuant to any securitisation or like arrangement in accordance with normal market practice; or
 - (c) any Encumbrance with respect to inter-company Indebtedness incurred between the Issuer and any Subsidiary; or
 - (d) any Encumbrance created over any asset owned, acquired, developed or constructed, provided that, at the time of its creation, 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) and where such market value or cost both apply, the higher of the two; or
 - (e) any Encumbrance incurred, assumed or guaranteed by the Issuer as part of any financing of all or part of the costs of the acquisition, construction or development of any project where the person or persons providing such financing expressly agrees to limit their recourse to the project financed and the revenues derived from such project as the sole source of repayment for moneys advanced in

relation to such financing; or

- (f) any Encumbrance over deposit accounts securing a loan equal to the amounts standing to the credit of such deposit accounts, including any cash management system; or
- (g) any Encumbrance created in the ordinary course of business over stock-in-trade, inventories, accounts receivable or deposit accounts; or
- (h) any Encumbrance created by the Issuer in respect of a BEE Transaction of a type that would generally be provided by a company in South Africa in respect of a BEE Transaction;
- (i) any Encumbrance subsisting over any asset of any Subsidiary of the Issuer prior to the date of such entity becoming a Subsidiary of the Issuer and not created in contemplation of such entity becoming a Subsidiary of the Issuer 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, save in the ordinary course of business as set out in subclauses (a) to (h) above and (j) below); or
- (j) notwithstanding any Encumbrance referred to in (a) to (i) above, any Encumbrance securing in aggregate not more than 0.5% (zero comma five percent) of the Total Assets of the Group as published in the Group's latest consolidated audited financial statements, at the time the Encumbrance is established;

“Programme”

the Telkom SA Limited ZAR10,000,000,000 Domestic Medium Term Note Programme under which the Issuer may from time to time issue Notes;

“Programme Amount”

the maximum aggregate outstanding Nominal Amount of all of the Notes that may be issued under the Programme at any one point in time, being the authorised amount of ZAR10,000,000,000 or such increased amount as is determined by the Issuer from time to time,

subject to the Applicable Procedures, applicable laws and the Programme Agreement, as set out in the section of this Programme Memorandum headed “*General Description of the Programme*”;

“Rating”	in relation to a Tranche of Notes (as and where applicable), the rating of the Tranche of Notes, the Issuer or the Programme granted by the Rating Agency, as specified in the Applicable Pricing Supplement;
“Rating Agency”	any rating agency(ies) as is/are appointed by the Issuer for the purpose of rating a Tranche of Notes, the Issuer or the Programme and as specified in the Applicable Pricing Supplement;
“Rating Downgrade”	shall be deemed to have occurred if the long-term national scale rating (if any) previously assigned to the Issuer, the Programme or the Notes by any Rating Agency is: <ul style="list-style-type: none"> (a) either withdrawn by the Rating Agency or cancelled by the Issuer; or (b) changed to any Rating that is deemed by the relevant Rating Agency, in accordance with its rating grades and criteria, to be below Investment Grade Rating;
“Redemption Date”	the date upon which the Notes are redeemed by the Issuer, whether by way of redemption or maturity in terms of Condition 10.1 (<i>Redemption at Maturity</i>) or redemption for tax reasons in terms of Condition 10.2 (<i>Redemption for Tax Reasons</i>), as the case may be;
“Reference Banks”	four leading banks in the South African inter-bank market selected by the Calculation Agent;
“Reference Price”	in relation to a Tranche of Notes (where applicable), the price specified as such in the Applicable Pricing Supplement;
“Reference Rate”	in relation to a Tranche of Notes (where applicable), the rate specified as such in the Applicable Pricing Supplement;

“Register”	the register maintained by the Transfer Agent in terms of Condition 13 (<i>Register</i>);
“Relevant Date”	in respect of any payment relating to the Notes, 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 (i) the full amount of such monies have been received by the CSD, (ii) such monies are available for payment to the holders of Beneficial Interests and (iii) notice to that effect has been duly given to such holders in accordance with the Applicable Procedures;
“Relevant Screen Page”	in relation to a Tranche of Notes (where applicable), the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the Applicable Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;
“Representative”	a person duly authorised to act on behalf of a Noteholder, the Transfer Agent and the Paying Agent who may be regarded by the Issuer (acting in good faith) as being duly authorised based upon the tacit or express representation thereof by such Representative, in the absence of express notice to the contrary from such Noteholder, Transfer Agent or Paying Agent;
“RMB”	Rand Merchant Bank, a division of FirstRand Bank Limited (registration number 1929/001225/06), a public company with limited liability duly incorporated in accordance with the company laws of South Africa;
“SA GAAP”	the South African Generally Accepted Accounting Practice;
“Securities Services Act”	the Securities Services Act, 2004 (as amended);

“Senior Noteholders”	the Noteholders of Senior Notes;
“Senior Notes”	Notes issued with the status and characteristics set out in Condition 5 (<i>Status of Senior Notes</i>);
“Series”	a Tranche of Notes together with any further Tranche or Tranches of Notes which are: <ul style="list-style-type: none"> (i) expressed to be consolidated and form a single series; and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices;
“S&P”	means Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc. and its successors in title;
“Specified Currency”	in relation to each Note in a Tranche of Notes, subject to all applicable laws and in the case of Notes listed on the Interest Rate Market of the JSE subject to the rules of the JSE, the currency specified in the Applicable Pricing Supplement;
“Specified Denomination”	in relation to each Note in a Tranche of Notes, the amount specified as such in the Applicable Pricing Supplement;
“South Africa”	the Republic of South Africa;
“Standard Bank”	the Standard Bank of South Africa Limited (Registration number 1962/000738/06) a public company with limited liability duly incorporated in accordance with the company laws of South Africa, acting through its Corporate and Investment Banking division, in its capacity as co-Arranger, Dealer and Debt Sponsor;
“Subordinated Indebtedness”	in the event of the dissolution of the Issuer or if the Issuer is wound up or placed in liquidation or business recue, any indebtedness of the Issuer, including any guarantee by the Issuer, under which the right of payment of the person(s) entitled thereto is, or is expressed to be, or is required by any present or future agreement of the Issuer to be, subordinated to the rights of all unsubordinated creditors of the Issuer;

“Subordinated Notes”	Notes issued with the status and characteristics set out in Condition 6 (<i>Status and characteristics of Subordinated Notes</i>);
“Subsidiary”	a subsidiary company as defined in Section 3(1)(a) of the Companies Act;
“Sub-unit”	with respect to any currency, the lowest amount of such currency that is available as legal tender in the country of such currency;
“Telkom”	Telkom SA Limited (registration number 1991/005476/06), a public company with limited liability duly incorporated in accordance with the company laws of South Africa;
“Terms and Conditions”	the terms and conditions incorporated in this section headed “ <i>Terms and Conditions of the Notes</i> ” and in accordance with which the Notes will be issued;
“Total Assets”	the total assets of the Group as set out in the statement of financial position of the Group’s most recently published consolidated audited financial statements as prepared in accordance with IFRS;
“Tranche”	in relation to any particular Series, all Notes which are identical in all respects (including as to listing);
“Transfer Agent”	the Issuer, unless the Issuer elects to appoint another entity as a Transfer Agent in which event that other entity shall act as Transfer Agent in respect of that Tranche or Series of Notes as specified in the Applicable Pricing Supplement;
“Transfer Form”	the written form for the transfer of a Note, in the form approved by the Transfer Agent, and signed by the transferor and transferee;
“Wholly Owned Subsidiary”	a wholly owned subsidiary as defined in Section 3(1)(b) of the Companies Act;
“ZAR”	the lawful currency of South Africa, being South African Rand, or any successor currency;
“ZAR-JIBAR-SAFEX”	the mid-market rate for deposits in ZAR for a period of the Designated Maturity (as indicated in the Applicable Pricing Supplement) that appears on the Reuters Screen SAFEX Page as

at 11h00, Johannesburg time on the relevant date; and

“Zero Coupon Notes” Notes which will be offered and sold at a discount to their Nominal Amount or at par and will not bear interest other than in the case of late payment.

2. ISSUE

- 2.1. The Issuer may, at any time and from time to time (without the consent of any Noteholder), issue one or more Tranche(s) of Notes pursuant to the Programme; provided that the aggregate outstanding Nominal Amount of all of the Notes issued under the Programme from time to time does not exceed the Programme Amount.
- 2.2. Notes will be issued in individual Tranches which, together with other Tranches, may form a Series of Notes. A Tranche of Notes will be issued on, and subject to, the applicable Terms and Conditions of that Tranche of Notes. The applicable Terms and Conditions of a Tranche of Notes are the Terms and Conditions, as replaced, amended and/or supplemented by the terms and conditions of that Tranche of Notes set out in the Applicable Pricing Supplement relating to that Tranche of Notes.
- 2.3. The applicable Terms and Conditions of a Tranche of Notes are incorporated by reference into the Certificate(s) (if any) representing the Notes in that Tranche. The Applicable Pricing Supplement relating to a Tranche of Notes issued in certificated form will be attached to the Certificate(s) representing the Notes in that Tranche.

3. FORM AND DENOMINATION

3.1. General

- 3.1.1. A Tranche of Notes may be issued in the form of listed or unlisted registered Notes, as specified in the Applicable Pricing Supplement.
- 3.1.2. Each Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index-Linked Note, a Dual Currency Note, a Mixed Rate Note or such combination of any of the foregoing or such other type of Note as may be determined by the Issuer and specified in the Applicable Pricing Supplement.
- 3.1.3. All payments in relation to the Notes will be made in the Specified Currency. Each Note will be issued in the Specified Denomination.

3.1.4. A Tranche of Notes may be listed on the Interest Rate Market of the JSE or on such other or further Financial Exchange(s) as may be determined by the Issuer and the Dealer(s), subject to any applicable laws. Unlisted Notes may also be issued under the Programme. Unlisted notes are not regulated by the JSE.

3.2. **Registered Notes**

A Tranche of registered Notes will be issued in certificated form or in uncertificated form, as contemplated in Condition 3.2.2 (*Notes issued in uncertificated form*), as specified in the Applicable Pricing Supplement. Each Tranche of Notes which is listed on the Interest Rate Market of the JSE whether issued in certificated form or in uncertificated form, will be held in the CSD, as contemplated in Condition 3.2.2 (*Notes issued in uncertificated form*). A Tranche of unlisted Notes may also be held in the CSD, as contemplated in Condition 3.2.2 (*Notes issued in uncertificated form*).

3.2.1. **Notes issued in certificated form**

- (i) Each Tranche of Notes which is listed on the Interest Rate Market of the JSE and/or lodged and immobilised in the CSD may, subject to applicable laws and the Applicable Procedures, be issued in certificated form. If applicable, each such Tranche of Notes will be represented by a Global Certificate, and the CSD's Nominee will be named in the Register as the registered Noteholder of that Tranche of Notes. Each Global Certificate will be physically deposited with and lodged in the CSD.
- (ii) All Notes issued in certificated form which are not represented by a Global Certificate will be represented by Individual Certificates.

3.2.2. **Notes issued in uncertificated form**

- (i) A Tranche of Notes which is listed on the Interest Rate Market of the JSE may, subject to applicable laws and Applicable Procedures, be issued in uncertificated form in terms of section 37 of the Securities Services Act. Notes issued in uncertificated form will be held in the CSD. Notes issued in uncertificated form will not be represented by any certificate or written instrument. A Note which is represented by an Individual Certificate may be replaced

by uncertificated securities in terms of section 37 of the Securities Services Act.

3.2.3. ***Beneficial Interests in Notes held in the CSD***

- (i) A Tranche of Notes which is listed on the Interest Rate Market of the JSE will either be issued in certificated form and lodged in the CSD under a Global Certificate or be issued in uncertificated form and held in the CSD. A Tranche of unlisted Notes may also be held in the CSD.
- (ii) The CSD will hold Notes subject to the Securities Services Act and the Applicable Procedures.
- (iii) All amounts to be paid and all rights to be exercised in respect of Notes held in the CSD will be paid to and may be exercised only by the CSD's Nominee for the holders of Beneficial Interests in such Notes.
- (iv) A holder of a Beneficial Interest shall only be entitled to exchange such Beneficial Interest for Notes represented by an Individual Certificate in accordance with Condition 12 (*Exchange of Beneficial Interests and Replacement of Certificates*).

3.2.4. ***Recourse to the BESA Guarantee Fund Trust***

The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the BESA Guarantee Fund Trust, even if such Notes are settled through the electronic settlement procedures of the JSE and the CSD. Claims against the BESA Guarantee Fund Trust may only be made in respect of the trading of Notes listed on the Interest Rate Market of the JSE and in accordance with the rules of the BESA Guarantee Fund Trust. Unlisted notes are not regulated by the JSE.

4. TITLE

4.1. Notes issued in certificated form

- 4.1.1. The CSD's Nominee will be named in the Register as the registered holder of each Tranche of Notes which is represented by a Global Certificate.
- 4.1.2. Each holder of Notes represented by an Individual Certificate will be named in the Register as the registered holder of such Notes.
- 4.1.3. Title to Registered Notes will pass upon registration of transfer in the Register in accordance with Condition 14.1.2 (*Transfer of Notes Represented by Individual Certificates*).
- 4.1.4. The Issuer, the Transfer Agent and the Paying Agent shall recognise a Noteholder as the sole and absolute owner of the Notes registered in that Noteholder'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 Note may be subject.

4.2. Notes issued in uncertificated form

The CSD's Nominee will be named in the Register as the registered holder of each Tranche of Notes which is issued in uncertificated form.

4.3. Beneficial Interests in Notes held in the CSD

- 4.3.1. While a Tranche of Notes is held in its entirety in the CSD, the CSD's Nominee will be named in the Register as the sole Noteholder of the Notes in that Tranche.
- 4.3.2. Beneficial Interests which are held by Participants will be held directly through the CSD, and the CSD will hold such Beneficial Interests, on behalf of such Participants, through the central securities accounts maintained by the CSD for such Participants.
- 4.3.3. Beneficial Interests which are held by clients of Participants will be held indirectly through such Participants, and such Participants will hold such

Beneficial Interests, on behalf of such clients, through the securities accounts maintained by such Participants for such clients. The clients of Participants may include the holders of Beneficial Interests or their custodians. The clients of Participants, as the holders of Beneficial Interests or as custodians for such holders, may exercise their rights in respect of the Notes held by them in the CSD only through their Participants.

4.3.4. In relation to each person shown in the records of the CSD or the relevant Participant, as the case may be, as the holder of a Beneficial Interest in a particular Nominal Amount of Notes, a certificate or other document issued by the CSD or the relevant Participant, as the case may be, as to the aggregate Nominal Amount of such Notes standing to the account of such person shall be prima facie proof of such Beneficial Interest. The CSD's Nominee (as the registered holder of such Notes named in the Register) will be treated by the Issuer, the Paying Agent, the Transfer Agent and the relevant Participant as the holder of that aggregate Nominal Amount of such Notes for all purposes.

4.3.5. Beneficial Interests in Notes may be transferred only in accordance with the Applicable Procedures. Such transfers will not be recorded in the Register and the CSD's Nominee will continue to be reflected in the Register as the registered holder of such Notes, notwithstanding such transfers.

4.3.6. Any reference in the Terms and Conditions to the relevant Participant shall, in respect of a Beneficial Interest, be a reference to the Participant appointed to act as such by the holder of such Beneficial Interest.

5. STATUS OF SENIOR NOTES

Senior Notes are direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* and rateably without any preference among themselves and (save for certain debts required to be preferred by law) equally with all other unsecured and unsubordinated obligations of the Issuer from time to time outstanding.

6. STATUS AND CHARACTERISTICS OF SUBORDINATED NOTES

6.1. Subordinated Notes constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and rank *pari passu* among themselves and at least *pari*

passu with all other present and future unsecured and subordinated obligations of the Issuer, save for those which have been accorded preferential rights by law.

- 6.2. Subject to applicable law, in the event of the Issuer commencing business rescue proceedings (whether voluntarily or otherwise) or in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation or wound-up, the claims of the persons entitled to payment of amounts due in respect of the Subordinated Notes, shall be subordinated to all other claims in respect of any other indebtedness of the Issuer except for other Subordinated Indebtedness, to the extent that, in any such event, and provided as aforesaid, no amount shall be eligible for setting-off or shall be payable to any or all of the persons entitled to payment of amounts due in respect of the Subordinated Notes in respect of the obligations of the Issuer thereunder until all other indebtedness of the Issuer which is admissible in any such dissolution, insolvency or winding-up (other than Subordinated Indebtedness) has been paid or discharged in full.

7. **NEGATIVE PLEDGE**

- 7.1. So long as any Tranche of the Senior Notes remains Outstanding, the Issuer undertakes that it shall not, and shall procure that no Material Subsidiary shall, create or permit the creation of any Encumbrances other than Permitted Encumbrances over any of its present or future business undertakings, assets or revenues to secure any present or future Indebtedness (save for those which have been accorded a preference by law) without at the same time securing all Senior Notes equally and rateably with such Indebtedness or providing such other security as may be approved by Extraordinary Resolution of the Senior Noteholders, unless the provision of any such security is waived by an Extraordinary Resolution of the Senior Noteholders.
- 7.2. For so long as no Tranche of Senior Notes remains Outstanding, the provisions of Condition 7.1 shall apply *mutatis mutandi* to the Subordinated Notes.
- 7.3. The Issuer shall be entitled, but not obliged, to form, or procure the formation of, a trust or special purpose company (or more than one), or appoint, or procure the appointment of, an agent or agents to hold any such rights of security for the benefit or on behalf of such Noteholders.

8. INTEREST

8.1. Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding Nominal Amount from (and including) the Interest Commencement Date specified in the Applicable Pricing Supplement at the rate(s) per annum equal to the Fixed Rate of Interest so specified, payable in arrear on the Fixed Interest Payment Dates in each year up to and including the Maturity Date.

The first payment of interest will be made on the Fixed Interest Payment Date next following the Interest Commencement Date.

Except as provided in the Applicable Pricing Supplement, the amount of interest payable per Note on each Fixed Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount, provided that:

- 8.1.1. if an Initial Broken Amount is specified in the Applicable Pricing Supplement, then the first Interest Amount shall equal the Initial Broken Amount specified in the Applicable Pricing Supplement; and
- 8.1.2. if a Final Broken Amount is specified in the Applicable Pricing Supplement, then the final Interest Amount shall equal the Final Broken Amount.

If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Fixed Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, as specified in the Applicable Pricing Supplement, and rounding the resultant figure to the nearest Sub-unit of the relevant Specified Currency, half such Sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

8.2. Floating Rate Notes

Interest Payment Dates

Each Floating Rate Note bears interest on its outstanding Nominal Amount from (and including) the Interest Commencement Date specified in the Applicable Pricing Supplement, and such interest will be payable in arrears on the Interest Payment Date(s) in each year specified in the Applicable Pricing Supplement. Such interest will

be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

Rate of Interest

The Rate of Interest payable from time to time in respect of the Floating Rate Notes will be determined in the manner specified in the Applicable Pricing Supplement.

Minimum and/or Maximum Rate of Interest

If the Applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of any such Interest Period determined in accordance with the above provisions is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest. If the Applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of any such Interest Period determined in accordance with the above provisions is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

Determination of Rate of Interest and Calculation of Interest Amount

The Calculation Agent, in the case of Floating Rate Notes will at, or as soon as is practicable after, each time at which the Rate of Interest is to be determined, determine the Rate of Interest and calculate the Interest Amount payable in respect of each Floating Rate Note in respect of each Specified Denomination for the relevant Interest Period, and the Calculation Agent shall notify the Issuer of the Rate of Interest for the relevant Interest Period as soon as is practicable after calculating the same. Each Interest Amount shall be calculated by applying the Rate of Interest to the Specified Denomination, multiplying such sum by the applicable Day Count Fraction and rounding the resultant figure to the nearest Sub-unit of the relevant Specified Currency, half a Sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

Interest Determination, Screen Rate Determination including Fallback Provisions

Where ISDA Determination is specified in the Applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each

Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the Applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph, "ISDA Rate" for an Interest Period means a rate equal to the Floating Rate that would be determined by such agent as is specified in the Applicable Pricing Supplement under an interest rate swap transaction if that agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the most recent ISDA Definitions and under which:

- (a) the Floating Rate Option is as specified in the Applicable Pricing Supplement;
- (b) the Designated Maturity is the period specified in the Applicable Pricing Supplement; and
- (c) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on ZAR-JIBAR-SAFEX, the first day of that Interest Period; or (ii) in any other case, as specified in the Applicable Pricing Supplement.

For the purposes of the above sub-paragraph "**Floating Rate**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions specified in the Applicable Pricing Supplement.

Where Screen Rate Determination is specified in the Applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject to the provisions below, be either:

- (a) if the Relevant Screen Page is available,
 - (i) the offered quotation (if only one quotation appears on the screen page); or
 - (ii) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage per annum) for the Reference Rate which appears on the Relevant Screen Page as at 11h00 (or as otherwise specified in the Applicable Pricing Supplement) (Johannesburg time) on the Interest Determination Date in question plus or minus (as indicated in the Applicable Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent. If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more

than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations; or

- (b) if the Relevant Screen Page is not available or if, in the case of (i) above, no such offered quotation appears or, in the case of (ii) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph, the Calculation Agent shall request the principal Johannesburg office of each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 11h00 (Johannesburg time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent; or
- (c) if the Rate of Interest cannot be determined by applying the provisions of (a) and (b) above, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks offered, at approximately 11h00 (Johannesburg time) on the relevant Interest Determination Date, deposits in an amount approximately equal to the nominal amount of the Notes of the relevant Series, for a period equal to that which would have been used for the Reference Rate to prime banks in the Johannesburg inter-bank market plus or minus (as appropriate) the Margin (if any). If fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the Rate of Interest for the relevant Interest Period will be determined by the Calculation Agent as the arithmetic mean (rounded as provided above) of the rates for deposits in an amount approximately equal to the nominal amount of the Notes of the relevant Series, for a period equal to that which would have been used for the Reference Rate, quoted at approximately 11h00 (Johannesburg time) on the relevant Interest Determination Date, by

the Reference Banks plus or minus (as appropriate) the Margin (if any). If the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the Applicable Pricing Supplement as being other than ZAR-JIBAR-SAFEX, the Rate of Interest in respect of such Notes will be determined as provided in the Applicable Pricing Supplement.

Notification of Rate of Interest and Interest Amount

The Issuer will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the JSE and the CSD and/or every other relevant exchange or authority as soon as possible after their determination but in any event no later than the fourth Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to the JSE, the CSD and/or every other relevant exchange or authority and to the Noteholders in accordance with Condition 18 (*Notices*).

Certificates to be Final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this sub-paragraph 8.2, by the Calculation Agent shall (in the absence of wilful deceit, bad faith or manifest error or proven error) be binding on the Issuer and all Noteholders and in the absence as aforesaid no liability to the Issuer or the Noteholders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

8.3. Dual Currency Notes

In the case of Dual Currency Notes, the Interest Rate or Interest Amount payable shall be determined in the manner specified in the Applicable Pricing Supplement.

8.4. **Mixed Rate Notes**

The Interest Rate payable from time to time on Mixed Rate Notes shall be the Interest Rate payable on the form of interest-bearing Note (be it a Fixed Rate Note, Floating Rate Note, Index-Linked Note or Dual Currency Note) specified for each respective period, each as specified in the Applicable Pricing Supplement. During each such applicable period, the Interest Rate on the Mixed Rate Notes shall be determined and fall due for payment on the basis that such Mixed Rate Notes are Fixed Rate Notes, Floating Rate Notes, Index-Linked Notes or Dual Currency Notes, as the case may be.

8.5. **Accrual of Interest**

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date of its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue at the Default Rate specified in the Applicable Pricing Supplement until the date on which all amounts due in respect of such Note have been paid, or, in respect of uncertificated Notes or Notes evidenced by a Global Certificate, the date on which the full amount of the money payable has been received by the CSD and/or the Participants and notice to that effect has been given to Noteholders in accordance with Condition 18 (*Notices*).

8.6. **Business Day Convention**

If any Interest Payment Date (or other date), which is specified in the Applicable Pricing Supplement to be subject to adjustment in accordance with a Business Day Convention, falls on a day that is not a Business Day, then, if the Business Day Convention specified is:

- (a) the "**Floating Rate Business Day Convention**", such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event: (i) such Interest Payment Date (or other date) shall be brought forward to the first preceding Business Day and (ii) each subsequent Interest Payment Date (or other date) shall be the last Business Day in the month which falls the number of months, or other period specified as the Interest Period in the Applicable Pricing Supplement, after the preceding applicable Interest Payment Date (or other date) has occurred; or

- (b) the "**Following Business Day Convention**", such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day; or
- (c) the "**Modified Following Business Day Convention**", such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date (or other such date) shall be brought forward to the first preceding Business Day; or
- (d) the "**Preceding Business Day Convention**", such Interest Payment Date (or other date) shall be brought forward to the first preceding Business Day.

9. **PAYMENTS**

9.1. **General**

Payments of principal and/or interest on an Individual Certificate shall be made to the Transfer Agent, who will in turn, acting on behalf of the Issuer in accordance with the terms and conditions of the Agency Agreement, make payment to the registered holder of such Note, as set forth in the Register on the close of business on the Last Day to Register (as specified in the Applicable Pricing Supplement). In addition to the above, in the case of a final redemption payment, the holder of the Individual Certificate shall be required, on or before the Last Day to Register prior to the Maturity Date, to surrender such Individual Certificate at the offices of the Transfer Agent.

Payments of principal and/or interest in respect of uncertificated Notes or Notes represented by a Global Certificate will be made to the CSD and/or the Participants, as shown in the Register on the Last Day to Register, and the Issuer will be discharged by proper payment to the CSD and/or the Participants, in respect of each amount so paid. Each of the persons shown in the records of the CSD and the Participants, as the case may be, shall look solely to the CSD or the Participant, as the case may be, for his share of each payment so made by the Issuer to the registered holder of such uncertificated Notes or to the registered holder of such Global Certificate(s).

9.2. **Method of Payment**

Payments will be made in the Specified Currency by credit or transfer, by means of electronic settlement, to the Noteholder.

Payments will be subject in all cases to any fiscal or other laws, directives and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 11 (*Taxation*).

If the Issuer is prevented or restricted directly or indirectly from making any payment by electronic funds transfer in accordance with the preceding paragraph (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), the Issuer shall make such payment by cheque marked "not transferable" (or by such number of cheques as may be required in accordance with applicable banking law and practice to make payment of any such amounts). Such payments by cheque shall be sent by post to the address of the Noteholder as set forth in the Register or, in the case of joint Noteholders, the address set forth in the Register of that one of them who is first named in the Register in respect of that Note.

Each such cheque shall be made payable to the relevant Noteholder or, in the case of joint Noteholders, the first one of them named in the Register. Cheques may be posted by ordinary post, provided that neither the Issuer, nor the Transfer Agent shall be responsible for any loss in transmission and the postal authorities shall be deemed to be the agent of the Noteholders for the purposes of all cheques posted in terms of this Condition 9.2 (*Method of Payment*).

In the case of joint Noteholders, payment by electronic funds transfer will be made to the account of the Noteholder first named in the Register. Payment by electronic transfer to the Noteholder first named in the Register shall discharge the Issuer of its relevant payment obligations under the Notes.

Payments will be subject in all cases to any fiscal or other laws, directives and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 11 (*Taxation*).

9.3. **Payment Day**

If the date for payment of any amount in respect of any Note is not a Business Day, the holder thereof shall not be entitled to payment until the next following Business Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.

9.4. **Interpretation of Principal and Interest**

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- 9.4.1. any additional amounts which may be payable with respect to principal under Condition 11 (*Taxation*);
- 9.4.2. the Final Redemption Amount of the Notes or the Early Redemption Amount of the Notes, as the case may be;
- 9.4.3. the Optional Redemption Amount(s) (if any);
- 9.4.4. in relation to Instalment Notes, the Instalment Amounts;
- 9.4.5. in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 10.6.3); and
- 9.4.6. any premium and any other amounts which may be payable by the Issuer under or in respect of the Notes, but excluding for the avoidance of doubt, interest.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 11 (*Taxation*).

10. **REDEMPTION AND PURCHASE**

10.1. **Redemption at Maturity**

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer in the Specified Currency at its Final Redemption Amount specified in, or determined in the manner specified in, the Applicable Pricing Supplement on the Maturity Date.

10.2. Redemption for Tax Reasons

Notes may be redeemed at the option of the Issuer at any time (in the case of Notes other than Floating Rate Notes, Indexed Interest Notes or Mixed Rate Notes having an Interest Rate then determined on a floating or indexed basis) or on any Interest Payment Date (in the case of Floating Rate Notes, Indexed Interest Notes or Mixed Rate Notes), on giving not less than 30 nor more than 60 (sixty) calendar days' notice to the Noteholders prior to such redemption, in accordance with Condition 18 (*Notices*) (which notice shall be irrevocable), if the Issuer, immediately prior to the giving of such notice, is of the reasonable opinion that:

10.2.1. 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, or any change or amendment which becomes effective after the relevant Issue Date, the Issuer is or would be required to pay additional amounts as provided or referred to in Condition 11 (*Taxation*); and

10.2.2. the requirement cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 (ninety) calendar days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Notes may be redeemed by the Issuer in accordance with this Condition 10.2 (*Redemption for Tax Reasons*) in whole or in part. A redemption in part may be effected by the Issuer:

10.2.3. notwithstanding that such partial redemption may not entirely avoid such obligation to pay additional amounts as provided for or referred to in Condition 11 (*Taxation*); and

10.2.4. *mutatis mutandis* in the manner described in Condition 10.3 (*Redemption at the Option of the Issuer*), provided that the references to the giving of notice therein and to the Minimum Redemption Amount and the Higher Redemption Amount (both as specified in the Applicable Pricing Supplement) therein shall be disregarded for such purposes.

Notes redeemed for tax reasons pursuant to this Condition 10.2 (*Redemption for Tax Reasons*) will be redeemed at their Early Redemption Amount referred to in

Condition 10.6 (*Early Redemption Amounts*), together (if appropriate) with interest accrued from (and including) the immediately preceding Interest Payment Date to (but excluding) the date of redemption or as specified in the Applicable Pricing Supplement.

10.3. **Redemption at the Option of the Issuer**

If the Issuer is specified in the Applicable Pricing Supplement as having an option to redeem, the Issuer may, having given not less than 30 (thirty) nor more than 60 (sixty) calendar days' irrevocable notice to the Noteholders in accordance with Condition 18 (*Notices*), redeem all or some of the Notes (to which such Applicable Pricing Supplement relates) then Outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the Applicable Pricing Supplement, together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date(s).

Any such redemption must be of a Nominal Amount equal to the Minimum Redemption Amount or a Higher Redemption Amount, both as indicated in the Applicable Pricing Supplement.

In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by Certificates, and in accordance with the Applicable Procedures in the case of Redeemed Notes which are uncertificated, and in each case not more than 60 (sixty) calendar days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**").

In the case of Redeemed Notes represented by Certificates, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 18 (*Notices*) not less than 30 (thirty) calendar days prior to the date fixed for redemption. The aggregate Nominal Amount of Redeemed Notes represented by Certificates shall bear the same proportion to the aggregate Nominal Amount of all Redeemed Notes as the aggregate Nominal Amount of Certificates outstanding bears to the aggregate Nominal Amount of the Notes outstanding, in each case on the Selection Date, provided that such first mentioned Nominal Amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination and the aggregate Nominal Amount of Redeemed Notes which are uncertificated shall be equal to the balance of the Redeemed Notes. No exchange of the relevant uncertificated Notes will be permitted during the period from and including the

Selection Date to and including the date fixed for redemption pursuant to this subparagraph, and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 18 (*Notices*) at least 10 (ten) calendar days prior to the Selection Date.

Holders of Redeemed Notes shall surrender the Certificates, if any, representing the Notes in accordance with the provisions of the notice given to them by the Issuer as contemplated above. Where only a portion of the Notes represented by such Certificates are redeemed, the Transfer Agent shall deliver new Certificates to the CSD or such Noteholders, as the case may be, in respect of the balance of the Notes.

10.4. **Redemption at the Option of the Senior Noteholders**

If Senior Noteholders are specified in the Applicable Pricing Supplement as having an option to request the redemption of Notes, such Senior Noteholders may exercise such option in respect of such Notes represented by Individual Certificates by delivering to the Transfer Agent, in accordance with Condition 18 (*Notices*), a duly executed notice ("**Put Notice**") in unaltered form, at least 30 (thirty) calendar days but not more than 60 (sixty) calendar days, prior to the Optional Redemption Date.

Where redemption in part has been permitted in the Applicable Pricing Supplement, the Early Redemption Amount specified in such Put Notice in respect of any such Note must be of a principal amount equal to or greater than the Minimum Redemption Amount or equal to or less than the Higher Redemption Amount, each as indicated in the Applicable Pricing Supplement.

The redemption by the Senior Noteholders of uncertificated Notes shall take place in accordance with the Applicable Procedures.

The Issuer shall proceed to redeem the Senior Notes in respect of which such option has been exercised in accordance with the terms of the Applicable Pricing Supplement, at the Optional Redemption Amount and on the Optional Redemption Date, together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date(s).

In the event that the redeeming Noteholder is the holder of an Individual Certificate, then such Senior Noteholder shall (attached to the Put Notice) deliver the Individual Certificate to the Transfer Agent at least 1 Business Day prior to the Optional Redemption Date, for cancellation failing which the Put Notice shall be invalid. A

holder of an Individual Certificate shall in that holder's Put Notice specify a bank account in South Africa into which the redemption payment amount is to be paid.

The delivery of Put Notices shall be required to take place during normal office hours to the Issuer and Transfer Agent. Put Notices shall be available for inspection at the specified offices of the Transfer Agent.

Any Put Notice given by a holder of any Senior Note pursuant to this paragraph shall be irrevocable except where after giving the notice but prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such Senior Noteholder, at its option, may elect by notice to the Issuer, delivered at least 1 Business Day prior to the Optional Redemption Date, to withdraw the notice given pursuant to this paragraph and instead to declare such Senior Note forthwith due and payable pursuant to Condition 16 (*Events of Default*).

The Issuer shall have no obligation to remedy any defects in any Put Notice or bring any such defects to the attention of any Noteholder and shall not be liable whatsoever for any claims or losses arising in connection with a defective or invalid Put Notice.

10.5. Redemption in the event of a change of control giving rise to a reduction in the credit rating

10.5.1. A Change of Control Event shall occur if a Change of Control occurs and within the Change of Control Period there is a Rating Downgrade in relation to the Issuer, the Programme or any Tranche of Notes rated by a Rating Agency.

10.5.2. Promptly upon the Issuer becoming aware that a Change of Control Event has occurred, the Issuer shall give notice to the Noteholders in accordance with Condition 18 (*Notices*) specifying the nature of the Change of Control Event and the circumstances giving rise to it and the procedure for exercising the option per Condition 10.5.3.

10.5.3. If at any time while any Note remains Outstanding, upon the occurrence of a Change of Control Event, the Issuer shall, and only if the Noteholders have:

10.5.3.1. in terms of Condition 18 (*Notices*) issued a notice to convene a meeting of Noteholders within 30 days of the date of which the Change of Control Event occurred;

10.5.3.2. resolved in terms of Condition 20 (*Meetings of Noteholders*) by way of Extraordinary Resolution requiring the redemption of the Notes of that Class of Noteholders; and

10.5.3.3. issued a written notice to the Issuer from that Class of Noteholders to redeem such Note;

redeem all Notes held by that Class of Noteholders at the Early Redemption Amount together with accrued interest (if any). Such redemption shall occur on the next Interest Payment Date following such Change of Control Event unless the said Interest Payment Date falls within 14 (fourteen) days of receipt of the notice referred to in Condition 10.5.3.3, in which case the Issuer shall redeem the said Notes on the second Interest Payment Date following the said Change of Control Event.

10.6. **Early Redemption Amounts**

For the purpose of Condition 10.2 (*Redemption for Tax Reasons*), 10.5 (*Redemption in the event of a change of control giving rise to a reduction in the credit rating*) and Condition 16 (*Events of Default*), the Notes will be redeemed at the Early Redemption Amount calculated as follows:

- 10.6.1. in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or
- 10.6.2. in the case of Notes (other than Zero Coupon Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price, at the amount specified in, or determined in the manner specified in, the Applicable Pricing Supplement or, if no such amount or manner is so specified in the Pricing Supplement, at their Nominal Amount; or
- 10.6.3. in the case of Zero Coupon Notes, at an amount (the "**Amortised Face Amount**") equal to the sum of: (i) the Reference Price; and (ii) the product of the Implied Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable, or such other amount as is provided in the Applicable Pricing Supplement.

Where such calculation is to be made for a period which is not a whole number of years, it shall be calculated on the basis of actual days elapsed divided by 365, or such other calculation basis as may be specified in the Applicable Pricing Supplement.

10.7. Instalment Notes

Instalment Notes will be redeemed at the Instalment Amounts and on the Instalment Dates. In the case of early redemption in accordance with Conditions 10.2 or 16, the Early Redemption Amount will be determined pursuant to Condition 10.6 (*Early Redemption Amounts*).

10.8. Exchangeable Notes

If the Notes are Exchangeable Notes, they will be redeemed, whether at maturity, early redemption or otherwise, in the manner indicated in the Applicable Pricing Supplement. Exchangeable Notes in respect of which Mandatory Exchange is indicated in the Applicable Pricing Supplement as applying, or upon the exercise by the Noteholder of the Noteholder's Exchange Right (if applicable), will be redeemed by the Issuer delivering to each Noteholder as many of the Exchange Securities as are required in accordance with the Exchange Price. The delivery by the Issuer of the Exchange Securities in the manner set out in the Applicable Pricing Supplement shall constitute the *in specie* redemption in full of such Notes.

10.9. Purchases

The Issuer or any of its Subsidiaries may at any time purchase Notes at any price in the open market or otherwise. Such Notes may, subject to applicable law, be held, resold, or, at the option of the Issuer, surrendered to the Transfer Agent for cancellation.

10.10. Cancellation

All Notes which have been redeemed will forthwith be cancelled. All Notes so cancelled shall be forwarded to the Issuer and cannot be re-issued or resold. Where only a portion of Notes represented by a Certificate are cancelled, the Transfer Agent shall deliver a Certificate to such Noteholder in respect of the balance of the Notes.

10.11. **Late Payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 10 (*Redemption and Purchase*) or upon its becoming due and repayable as provided in Condition 16 (*Events of Default*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 10.6.3 as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of: (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and (ii) 5 (five) calendar days after the date on which the full amount of the moneys payable has been received by the CSD, and notice to that effect has been given to the Noteholder in accordance with Condition 18 (*Notices*).

10.12. **Applicable Procedures**

The redemption and partial redemption of Beneficial Interests shall take place in accordance with the Applicable Procedures and the Securities Services Act.

11. **TAXATION**

Payments of principal and interest in respect of the Notes by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of South Africa or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law.

In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, as the case may be, in the absence of such withholding or deduction, except that no such additional amounts shall be payable with respect to any Note:

- 11.1.1. held by or on behalf of a Noteholder who is liable for such taxes or duties in respect of such Note by reason of his having some connection with South Africa other than the mere holding of such Note or the receipt of principal or interest in respect thereof; or

- 11.1.2. held by or on behalf of a Noteholder who would not be liable or subject to the withholding or deduction by making a declaration of non-residency or other similar claim for exemption to the relevant tax authority (the effect of which is not to require the disclosure of the identity of the relevant Noteholder); or
- 11.1.3. 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 amounts or payments in the gross income (as defined in section 1 of the Income Tax Act), or by virtue of the inclusion of such amounts or payments in the taxable income (as defined in section 1 of the Income Tax Act), of any Noteholder; or
- 11.1.4. where (in the case of payment of principal and/or interest which is conditional on surrender and/or presentation of the relevant Certificate in accordance with the Terms and Conditions) the relevant Certificate is surrendered and/or presented more than 30 (thirty) calendar days after the Relevant Date except to the extent that the Noteholder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day; or
- 11.1.5. if such withholding or deduction arises through the exercise by revenue authorities of special powers in respect of tax defaulters; or
- 11.1.6. where the Noteholder is entitled to claim a tax reduction, credit or similar benefit in respect of such withholding or deduction in terms of the Noteholder's domestic tax laws or applicable double tax treaty, and such tax reduction, credit or similar benefit is actually granted to the Noteholder.

The payment of any Taxes by the Issuer as an agent or representative tax payer for a Noteholder shall not constitute a withholding or deduction for the purposes of this Condition 11 (*Taxation*).

Any reference in these Terms and Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under these Terms and Conditions or under any undertakings given in addition to, or in substitution for, these Terms and Conditions.

12. EXCHANGE OF BENEFICIAL INTERESTS AND REPLACEMENT OF CERTIFICATES

12.1. Exchange of Beneficial Interests

12.1.1. The holder of a Beneficial Interest in Notes may, in terms of the Applicable Procedures and subject to section 44 of the Securities Services Act, by written notice to the holder's nominated Participant (or, if such holder is a Participant, the CSD), request that such Beneficial Interest be exchanged for Notes in definitive form represented by an Individual Certificate (the "**Exchange Notice**"). The Exchange Notice shall specify (i) the name, address and bank account details of the holder of the Beneficial Interest and (ii) the day on which such Beneficial Interest is to be exchanged for an Individual Certificate; provided that such day shall be a Business Day and shall fall not less than 30 (thirty) calendar days after the day on which such Exchange Notice is given.

12.1.2. The holder's nominated Participant will, following receipt of the Exchange Notice, through the CSD, notify the Transfer Agent that it is required to exchange such Beneficial Interest for Notes represented by an Individual Certificate. The Transfer Agent will, as soon as is practicable but within 14 (fourteen) calendar days after receiving such notice, in accordance with the Applicable Procedures, procure that an Individual Certificate is prepared, authenticated and made available for delivery, on a Business Day falling within the aforementioned 14 day period, to the Participant acting on behalf of the holder of the Beneficial Interest in respect of the conversion at the specified office of the Transfer Agent; provided that joint holders of a Beneficial Interest shall be entitled to receive only one Individual Certificate in respect of that joint holding, and the delivery to one of those joint holders shall be delivery to all of them.

12.1.3. In the case of the exchange of a Beneficial Interest in a Tranche of Notes which is lodged in the CSD under a Global Certificate:

- (i) the CSD's Nominee shall, prior to the Exchange Date, will surrender the relevant Global Certificate to the Transfer Agent at its Specified Office;
- (ii) the Transfer Agent will, in accordance with the Applicable Procedures, procure the splitting of the relevant Global Certificate and the preparation of a new Global Certificate representing the

balance of the Notes (if any) in the relevant Tranche still held by the CSD;

- (iii) the Issuer will, through its nominated Participant, procure that the new Global Certificate is deposited with and lodged in the CSD and registered in the Register in the name of the CSD's Nominee;
- (iv) the original Global Certificate will be cancelled and retained by the Transfer Agent.

12.1.4. In the case of the exchange of a Beneficial Interest in Notes issued in uncertificated form:

- (i) the CSD's Nominee shall, prior to the Exchange Date, will surrender (through the CSD system) such uncertificated Notes to the Transfer Agent at its Specified Office;
- (ii) the Transfer Agent will obtain the release of such uncertificated Notes from the CSD in accordance with the Applicable Procedures.

12.1.5. An Individual Certificate shall, in relation to a Beneficial Interest:

- (i) in a Tranche of Notes which is held in the CSD under a Global Certificate, represent that number of Notes as have, in the aggregate, the same aggregate Nominal Amount of Notes standing to the account of the holder of such Beneficial Interest; or
- (ii) in any number of Notes issued in uncertificated form of a particular aggregate Nominal Amount standing to the account of the holder thereof, represent that number of Notes of that aggregate Nominal Amount,

as the case may be, and shall otherwise be in such form as may be agreed between the Issuer and the Transfer Agent; provided that if such aggregate Nominal Amount is equivalent to a fraction of the Specified Denomination or a fraction of any multiple thereof, such Individual Certificate shall be issued in accordance with, and be governed by, the Applicable Procedures.

12.2. Replacement

If any Certificate is worn out, mutilated, defaced, stolen, destroyed or lost it may be replaced at the specified office of the Transfer Agent, on payment by the claimant of such costs and expenses as may be incurred in connection therewith and the provision of such indemnity as the Issuer and the Transfer Agent may reasonably require. Mutilated or defaced Certificates must be surrendered at the Specified Office of the Transfer Agent before replacements will be issued.

12.3. Death and sequestration or liquidation of Noteholder

Any person becoming entitled to Registered Notes in consequence of the death, sequestration or liquidation of the holder of such Notes 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 Condition 12.3 (*Death and sequestration or liquidation of Noteholder*) or of his title as the Issuer and the Transfer Agent shall require, be registered himself as the holder of such Notes or, subject to the Applicable Procedures, this Condition 12.3 (*Death and sequestration or liquidation of Noteholder*) and Condition 14.1.2 (*Transfer of Notes represented by Individual Certificates*), may transfer such Notes. The Issuer and (if applicable) the CSD and the relevant Participant shall be entitled to retain any amount payable upon the Notes to which any person is so entitled until such person shall be registered as aforesaid or shall duly transfer the Notes.

12.4. Costs

The costs and expenses of the printing, issue and delivery of each Global Certificate shall be borne by the Issuer. The costs and expenses of the printing, issue and delivery of each Individual Certificate and all taxes and governmental charges or insurance charges that may be imposed in relation to such Individual Certificate and/or the printing, issue and delivery of such Individual Certificate shall be borne by the holder of the Notes represented by that Individual Certificate. Separate costs and expenses relating to the provision of Individual Certificates and/or the transfer of Notes may be levied by other persons, such as a Participant, under the Applicable Procedures, and such costs and expenses shall not be borne by the Issuer.

13. REGISTER

- 13.1. The Register of Noteholders:
- 13.1.1. shall be kept at the Specified Office of the Transfer Agent or such other person as may be appointed for the time being by the Issuer to maintain the Register;
 - 13.1.2. shall contain the names, addresses and bank account numbers of the registered Noteholders;
 - 13.1.3. shall show the total Nominal Amount of the Notes held by Noteholders;
 - 13.1.4. shall show the dates upon which each of the Noteholders was registered as such;
 - 13.1.5. shall show the serial numbers of the Certificates and the dates of issue thereof;
 - 13.1.6. shall be open for inspection at all reasonable times during business hours on Business Days by any Noteholder or any person authorised in writing by a Noteholder;
 - 13.1.7. shall be closed during each Books Closed Period.
- 13.2. The Transfer Agent shall alter the Register in respect of any change of name, address or account number of any of the Noteholders of which it is notified.
- 13.3. Except as provided for in these Terms and Conditions or as required by law, in respect of Notes, the Issuer will only recognise a Noteholder as the owner of the Notes registered in that Noteholder's name as per the Register.
- 13.4. Except as provided for in these Terms and Conditions or as required by law, the Issuer 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 Certificate may be subject.

14. TRANSFER OF NOTES

14.1. Transfer of registered Notes

14.1.1. *Transfer of Beneficial Interests in Notes held in the CSD*

- (i) Beneficial Interests may be transferred only in accordance with the Applicable Procedures through the CSD.
- (ii) Transfers of Beneficial Interests to and from clients of Participants occur by way of electronic book entry in the securities accounts maintained by the Participants for their clients, in accordance with the Applicable Procedures.
- (iii) Transfers of Beneficial Interests among Participants occur through electronic book entry in the central securities accounts maintained by the CSD for the Participants, in accordance with the Applicable Procedures.
- (iv) Transfers of Beneficial Interests in Notes will not be recorded in the Register and the CSD's Nominee will continue to be reflected in the Register as the Noteholder of such Notes notwithstanding such transfers.

14.1.2. *Transfer of Notes represented by Certificates*

- (i) In order for any transfer of Notes represented by a Certificate to be recorded in the Register, and for such transfer to be recognised by the Issuer:
 - (a) the transfer of such Notes must be embodied in a Transfer Form;
 - (b) the Transfer Form must be signed by the registered Noteholder of such Notes and the transferee, or any authorised representatives of that registered Noteholder or transferee;
 - (c) the Transfer Form must be delivered to the Transfer Agent at its Specified Office together with the Certificate representing such Notes for cancellation.

- (ii) Notes represented by a Certificate may only be transferred, in whole or in part, in amounts of not less than the Specified Denomination (or any multiple thereof).
- (iii) Subject to this Condition 14.1.2 (*Transfer of Notes represented by Certificates*), the Transfer Agent will, within 3 (three) Business Days of receipt by it of a valid Transfer Form (or such longer period as may be required to comply with any applicable laws and/or Applicable Procedures), record the transfer of Notes represented by a Certificate (or the relevant portion of such Notes) in the Register, and authenticate and deliver to the transferee at the Transfer Agent's Specified Office or, at the risk of the transferee, send by mail to such address as the transferee may request, a new Certificate in respect of the Notes transferred reflecting the outstanding Nominal Amount of the Notes transferred.
- (iv) Where a Noteholder has transferred a portion only of Notes represented by a Certificate, the Transfer Agent will authenticate and deliver to such Noteholder at the Transfer Agent's Specified Office or, at the risk of such Noteholder, send by mail to such address as such Noteholder may request, at the risk of such Noteholder, a new Certificate representing the balance of the Notes held by such Noteholder.
- (v) The transferor of any Notes represented by a Certificate will be deemed to remain the owner thereof until the transferee is registered in the Register as the holder thereof.
- (vi) Before any transfer of Notes represented by a Certificate is registered in the Register, all relevant transfer taxes (if any) must have been paid by the transferor and/or the transferee and such evidence must be furnished as the Issuer and the Transfer Agent may reasonably require as to the identity and title of the transferor and the transferee.
- (vii) No transfer of any Notes represented by a Certificate will be registered whilst the Register is closed as contemplated in Condition 13 (*Register*).

If a transfer of any Notes represented by a Certificate is registered in the Register, the Transfer Form and cancelled Certificate will be retained by the Transfer Agent.

If a transfer is registered then the transfer form and cancelled Certificate will be retained by the Transfer Agent.

In the event of a partial redemption of Notes under Condition 10.3 (*Redemption of the Option at the Issuer*), the Transfer Agent shall not be required in terms of Condition 10.3 (*Redemption of the Option at the Issuer*), to register the transfer of any Notes during the period beginning on the tenth day before the date of the partial redemption and ending on the date of the partial redemption (both inclusive).

The Notes shall, upon transfer, be fully paid up.

15. **PRESCRIPTION**

The Notes will become void unless presented for payment of principal within a period of three years after their redemption date.

16. **EVENTS OF DEFAULT**

16.1. **Senior Notes**

If, for any particular Series of Notes, one or more of the following events ("**Events of Default**") shall have occurred and be continuing:

- 16.1.1. the Issuer fails to pay any Nominal Amount due under the Senior Notes on its due date for payment thereof and any such failure continues for a period of 5 (five) Business Days, after receiving written notice from any of the Senior Noteholders demanding such payment; or
- 16.1.2. the Issuer fails to pay any interest due under the Senior Notes 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 of the Senior Noteholders demanding such payment; or
- 16.1.3. the Issuer fails to perform or observe any of its other material obligations or undertakings (not specifically covered elsewhere in this clause 16.1) under or in respect of any of the Senior Notes giving rise to a Material Adverse Effect and such Material Adverse Effect continues for a period of 30 (thirty) calendar days after receipt by the Issuer of a notice from the

- Senior Noteholders (in accordance with Condition 18 (*Notices*)) in respect of such failure specifying the failure and requesting the Issuer to remedy same; or
- 16.1.4. the Issuer fails to remedy a breach of Condition 7 (*Negative Pledge*) within 30 (thirty) Business Days of receiving written notice from the Senior Noteholders demanding such remedy; or
- 16.1.5. the Issuer or any Material Subsidiary, as the case may be, defaults 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, as the case may be, 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 constituting a Material Indebtedness of, or assumed or guaranteed by, the Issuer or any Material Subsidiary, as the case may be, 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
- 16.1.6. any action, condition or thing, including obtaining any consent, licence approval or authorisation now or in future necessary to enable the Issuer to comply with its respective obligations under the Notes is not in place or any such consent, licence, approval or authorisation shall be 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 payment or other obligations in terms of the Notes and the Issuer fails to remedy such circumstances within 7 (seven) Business Days of receiving written notice from the Noteholders demanding such remedy; or
- 16.1.7. the Issuer initiates or consents to the commencement of business rescue proceedings relating to itself, or an order by any court of competent jurisdiction or authority for the liquidation, winding-up, dissolution, commencement of business rescue proceedings or analogous proceedings of the Issuer or any Material Subsidiary, as the case may

be, is made whether provisionally (and not dismissed or withdrawn within 21 (twenty one) Court Days thereof) or finally, or the Issuer or any Material Subsidiary, as the case may be, is placed under business rescue, voluntary liquidation or curatorship, provided that no liquidation, curatorship, winding-up, dissolution, business rescue or analogous proceedings shall constitute an Event of Default if (i) the liquidation, winding-up, dissolution, judicial management, business rescue or analogous proceedings is for the purposes of effecting an amalgamation, merger, demerger, consolidation, reorganisation or other similar arrangement within the Group with any third party; or (ii) the liquidation, winding-up, dissolution, business rescue or analogous proceedings is for the purposes of effecting an amalgamation, merger, demerger, consolidation, reorganization or other similar arrangement, the terms of which were approved by an Extraordinary Resolution of Noteholders before the date of the liquidation, winding-up, dissolution, business rescue or analogous proceedings; or

- 16.1.8. the Issuer or any Material Subsidiary, as the case may be, initiates or consents to the commencement of business rescue proceedings or 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, as the case may be, to consider a proposal for an arrangement or 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 the Issuer or any of its Material Subsidiaries and is for the purposes of an internal reconstruction or reorganisation within the Group; or
- 16.1.9. if a person validly attaches in execution the whole or a material part of the undertaking or assets of the Issuer or any Material Subsidiary, as the case may be, or an execution or attachment or other process is validly levied, enforced upon, sued out or put in force against the whole or a material part of the undertaking or assets of any of them in both instances following a judgement against the Issuer or any Material Subsidiary, as the case may be, by a court of competent jurisdiction and

such is not discharged within 21 (twenty one) Court Days and as a result a Material Adverse Effect has occurred and is continuing; or

- 16.1.10. any other Event of Default provided for such Series, as specified in the Applicable Pricing Supplement.

If any one or more of the Events of Default shall have occurred and be continuing, then any Senior Noteholder may, by written notice to the Issuer at the registered office of the Issuer, effective upon the date of receipt thereof by the Issuer, declare the Senior Note held by that Senior Noteholder to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount (as described in Condition 10.6 (*Early Redemption Amounts*)), together with accrued interest (if any) to the date of repayment, or as specified in the Applicable Pricing Supplement, provided that although an amount may be due it may not be payable if the Issuer withholds or refuses to make any such payment in order to comply with any law or regulation of South Africa or to comply with any order of a court of competent jurisdiction.

For the purposes of Condition 16.1.5, any Material Indebtedness which is in a currency other than South African Rand shall be converted into South African Rand at the spot rate for the sale of South African Rand against the purchase of the relevant currency quoted by any leading bank of South Africa selected on the date of such Event of Default.

16.2. **Subordinated Notes**

In relation to Subordinated Notes, if the Issuer defaults in the payment of any amount payable in respect of such Notes, and such default continues for a period of 7 (seven) Business Days after receiving written notice from any of the holders of Subordinated Notes, or if an Event of Default as contemplated in Condition 16.1.7 occurs, any holder of a Subordinated Note may, subject as provided below, at its discretion and without notice, institute such proceedings against the Issuer as it may think fit to enforce the obligations of the Issuer under such Subordinated Notes, provided that the Issuer shall not be obliged, save in the case of liquidation or winding up proceedings, to pay any sum or sums sooner than the same would otherwise have been payable by it.

In the event of the winding-up or liquidation, whether finally or provisionally, of the Issuer, otherwise than for the purposes of an amalgamation, merger, consolidation or re-organisation not involving liquidation, winding-up or bankruptcy, then any holder of

Subordinated Notes issued by the Issuer may by written notice to the Issuer at its registered office, require that its Subordinated Notes are immediately due and repayable at their Early Redemption Amount together with the accrued interest to the date of payment, save that the Noteholders of Subordinated Notes may only receive payment once all the other creditors of the Issuer have been paid in full.

For so long as no Tranche of Senior Notes remains Outstanding, the provisions of Condition 16.1 (*Senior Notes*) shall apply *mutatis mutandi* to the Subordinated Notes.

16.3. Notification of Event of Default

If the Issuer becomes aware of the occurrence of any Event of Default, the Issuer shall forthwith notify all Noteholders in accordance with Condition 18 (*Notices*) and the JSE in writing.

17. CALCULATION AGENT, TRANSFER AGENT, PAYING AGENT AND PARTICIPANT

Any third party appointed by the Issuer as Calculation Agent, Paying Agent, Transfer Agent or otherwise shall act solely as the agent of the Issuer and does not assume any obligation towards or relationship of agency or trust for or with any Noteholders. The Issuer is entitled to vary or terminate the appointment of such agents and/or appoint additional or other agents and/or approve any change in the specified office through which any agent acts.

18. NOTICES

Notices to holders of Notes shall be valid if mailed to their registered addresses appearing in the Register or if electronically published on the Securities Exchange News Service ("**SENS**") established by the JSE for SENS subscribers. Any such notice shall be deemed to have been given on the seventh day after the day on which it is mailed or the day of its publication, as the case may be.

In the event of there being any Individual Certificates in issue, such notices shall be published, not earlier than 4 (four) calendar days after the date of posting of such notice in terms of this clause (i) in an English language daily newspaper of general circulation in South Africa and (ii) for so long as the Notes are listed on the Interest Rate Market of the JSE, a daily newspaper of general circulation in the city in which the JSE is situated, and any such notices shall be deemed to have been given on the date of first publication.

If any notice is given to holders of uncertificated Notes or holders of Global Certificates, a copy thereof shall be delivered to the JSE (and published on SENS), the CSD and the

Participants and such delivery shall discharge the Issuer of its obligations to give such notice to the holders of the Notes.

Any notice to the Issuer shall be deemed to have been received by the Issuer, if delivered to the registered office of the Issuer, on the date of delivery, and if sent by registered mail, on the seventh day after the day on which it is sent. The Issuer may change its registered office upon prior written notice to Noteholders specifying such new registered office.

For so long as any of the Notes are uncertificated or represented by a Global Certificate, notice may be given by any holder of an uncertificated Note or Global Certificate (as the case may be) to the Issuer via the relevant Participant in accordance with the Applicable Procedures, in such manner as the Issuer and the relevant Participants may approve for this purpose.

19. **AMENDMENT OF THESE CONDITIONS**

- 19.1. These Conditions set out all the rights and obligations relating to the Notes and, subject to the further provisions of this Condition 19 (*Amendment of these Conditions*), no addition, variation or consensual cancellation of these Terms and Conditions shall be of any force or effect unless reduced to writing and signed by or on behalf of the Issuer and the Noteholders.
- 19.2. No modification of these Terms and Conditions may be effected without the written agreement of the Issuer. The Issuer may effect, without the consent of the relevant Class of Noteholders, any modification of the Terms and Conditions which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is established, provided that the approval of the JSE shall be required. Any such modification shall be binding on the relevant Class of Noteholders and any such modification shall be communicated to the relevant Class of Noteholders in accordance with Condition 18 (*Notices*) as soon as is practicable thereafter.
- 19.3. The Issuer may, with the prior sanction of an Extraordinary Resolution of Noteholders or with the prior written consent of Noteholders holding not less than 66.67% (sixty six comma six seven per cent) in Nominal Amount of the Notes then Outstanding, amend these Conditions, 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 all Noteholders in terms of Condition 18 (*Notices*).

20. MEETINGS OF NOTEHOLDERS

- 20.1. The Issuer may at any time convene a meeting of all Noteholders or holders of any Series of Notes upon at least 14 (fourteen) calendar days prior written notice to such Noteholders. This notice is required to be given in terms of Condition 18 (*Notices*). Such notice shall specify the date, place and time of the meeting to be held, which place shall be in South Africa.
- 20.2. Every director or duly appointed representative of the Issuer may attend and speak (in each case including but not limited to, by means of video conferencing, telephone and other electronic means) at a meeting of Noteholders, but shall not be entitled to vote, other than as a proxy or representative of a Noteholder.
- 20.3. Noteholders holding not less than 25% (twenty-five per cent) in Nominal Amount of the Outstanding Notes shall be able to request the Issuer to convene a meeting of Noteholders. Should the Issuer fail to requisition such a meeting within 10 (ten) calendar days of such a request being received by the Issuer, the Noteholders requesting such a meeting may convene such meeting.
- 20.4. A Noteholder may by an instrument in writing (a “**form of proxy**”) signed by the holder or, in the case of a corporation, executed under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation, appoint any person (a “**proxy**”) to act on his or its behalf in connection with any meeting or proposed meeting of the Noteholders.
- 20.5. Any Noteholder which is a corporation may by resolution of its directors or other governing body authorise any person to act as its representative (a “**representative**”) in connection with any meeting or proposed meeting of the Noteholders.
- 20.6. Any proxy or representative appointed shall, so long as the appointment remains in force, be deemed for all purposes in connection with any meeting or proposed meeting of the Noteholders specified in the appointment, to be the holder of the Notes to which the appointment relates and the holder of the Notes shall be deemed for such purposes not to be the holder.
- 20.7. The chairperson of the meeting shall be appointed by the Issuer. The procedures to be followed at the meeting shall be as determined by the chairperson subject to the remaining provisions of this Condition 20 (*Meetings of Noteholders*). Should the Noteholders requisition a meeting, and the Issuer fail to call such a meeting within 10 (ten) calendar days of the requisition, then the chairperson of the meeting held at the

instance of the Noteholders shall be selected by a majority of Noteholders present in person, by representative or by proxy.

20.8. At any such meeting one or more Noteholders present in person, by representative or by proxy, holding in aggregate not less than one third of the Nominal Amount of the relevant Notes for the time being Outstanding shall form a quorum for the transaction of business. On a poll, each Noteholder present in person or by proxy at the meeting shall have the number of votes equal to the number of Notes, by Specified Denomination, held by the Noteholder.

21. **FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Noteholders to create and issue further Notes having terms and conditions the same as any of the other Notes issued under the Programme or the same in all respects save for the amount and date of the first payment of interest thereon, the Issue Price and the Issue Date, so that the further Notes shall be consolidated to form a single Series with the relevant Outstanding Notes.

22. **GOVERNING LAW**

The Programme Memorandum, the Notes and all rights and obligations to the Notes are governed by, and shall be construed in accordance with, the laws of South Africa in force from time to time.

USE OF PROCEEDS

Words used in this section headed "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 clearly inappropriate from the context.

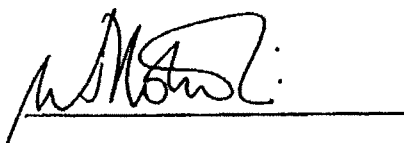
For purposes of the Commercial Paper Regulations published in Government Notice 2172 in Government Gazette 16167 of 14 December 1994 under section 90 of the Banks Act, 1990 (the "Commercial Paper Regulations") it is recorded that the "Ultimate Borrower", as defined in the Commercial Paper Regulations, of the net proceeds from each Tranche of Notes will be the Issuer.

The proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes, or as may otherwise be described in the Applicable Pricing Supplement.

SIGNED at PRETORIA on this 21st day of NOVEMBER 2011

For and on behalf of

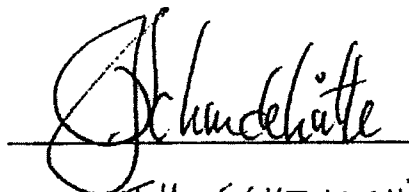
TELKOM SA LIMITED



Name: N.T. MOHOLI

Capacity: C.E.O.

Who warrants his/her authority hereto



Name: J.H. SCHINDELHÜTTE

Capacity: C.F.O.

Who warrants his/her authority hereto

DESCRIPTION OF TELKOM SA LIMITED

Words used in this section headed "Description of Telkom SA Limited" 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.

1. GROUP HISTORY AND OVERVIEW

Prior to 1991, the former Department of Posts and Telecommunications of South Africa provided telecommunications and post office services in South Africa on an exclusive basis. In 1991, the Government of South Africa transferred the entire telecommunications enterprise of the Department of Posts and Telecommunications of South Africa to a new entity, Telkom SA Limited ("**Telkom**" "**we**" "**our**" or the "**Issuer**"), as part of a commercialisation process intended to liberalise certain sectors of South Africa's economy. Telkom remained a wholly state owned enterprise until May 14, 1997, when the Government of South Africa sold a 30% equity interest in Telkom to Thintana Communications LLC, a strategic equity investor beneficially owned by SBC Communications, Inc. and Telekom Malaysia S.D.N. Berhad. On March 7, 2003, we completed our initial public offering and listing on the JSE and New York Stock Exchange ("**NYSE**"), pursuant to which the Government of South Africa sold a total of 154,199,467 ordinary shares, including 14,941,513 ordinary shares through the exercise of an over-allotment option.

Effective as of 27 August 2009, Telkom delisted from the NYSE. We maintain a level 1 American Depositary Receipt programme to facilitate over-the-counter trading in the United States of America.

2. LEGAL STATUS

Telkom was incorporated on the 30th of September 1991 under the laws of South Africa and is regulated under the Companies Act. The Company is a public company.

Telkom's financial year end is currently 31 March of each year.

The annual audited financial statements of Telkom shall be drawn up in accordance with IFRS and the Companies Act.

Company Secretary - Mmathoto Lephadi

Company Secretary Address – Telkom Towers North, 152 Proes Street, Pretoria, 0002

Registration number - 1991/005476/06

Share code - TKG

ISIN code - ZAE000044897

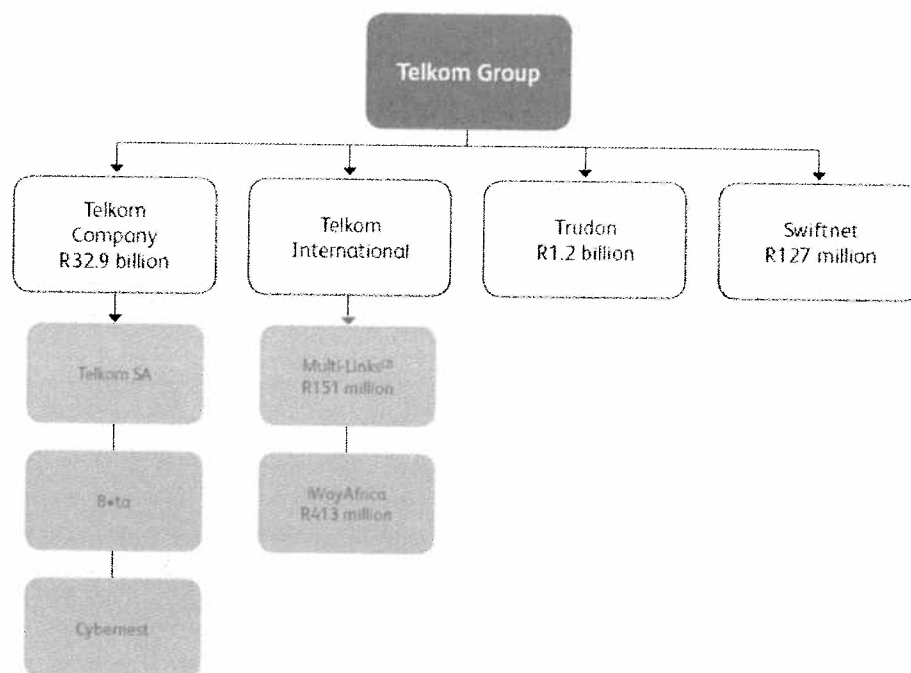
Registered place of business:

Telkom Towers North
152 Proes Street
Pretoria
0002

3. MANAGEMENT AND CONTROL

3.1. Telkom SA Limited - Group Structure

**Telkom Group structure and revenue contribution⁽¹⁾
as at 31 March 2011**



⁽¹⁾ Normalised revenue contribution before eliminations

⁽²⁾ We concluded a heads of agreement in June 2011 to sell Multi-Links

Telkom SA Limited – 100%

Telkom South Africa business unit

The fixed-line segment is our largest business and provides fixed-line subscription and connection, traffic, interconnection, data and internet services.

8•ta

8•ta is an innovative mobile service provider that provides South African consumers and enterprises the ability to talk more. Launched in October 2010, 8•ta uses state of the art Radio Access Network (RAN), Core and IT technology to deliver products that are of high value, simple to use and of high quality.

Cybernest

Our data centre offering consists of basic hosting where customers receive server rack and floor space, as well as cooling, power and backup power, managed and fully managed hosting and disaster recovery.

Multi-Links – 100%

Multi-Links Telecommunications Limited is a private telecommunications operator in Nigeria, providing local, long distance and international voice and data service. We concluded a heads of agreement in June 2011 to sell Multi-Links.

iWayAfrica Group – 100%

iWayAfrica Group offers internet services through its own VSAT access and terrestrial network services in sub-Saharan Africa.

Trudon – 64.9%

Trudon (Proprietary) Limited provides Yellow and White page directory services, an electronic directory service, 10118 'The Talking Yellow Pages' and an online web directory service.

Swiftnet – 100%

Swiftnet (Proprietary) Limited trades under the name FastNet Wireless Service. Fastnet provides synchronous wireless access on Telkom's X.25 network, Saponet-P, to its customer base. Services include retail credit card and check point of sale terminal verification, telemetry, security and fleet management.

We have a footprint in more than 32 African countries including South Africa, Ghana, Kenya, Namibia, Nigeria and Tanzania.

The members of the board of directors (the "Board") at 13 October 2011 are as follows:

- NT Moholi (Chief Executive Officer)
- JH Schindehütte (Chief Financial Officer)
- PL Zim (Chairman)
- B du Plessis
- JN Hope
- RJ Huntley
- N Kapila
- J Kgaboesele
- PCS Luthuli
- J Molobela
- Y Waja

The Board is assisted by the following specialist committees:

- Executive Committee
- Audit and Risk Committee
- Nominations Committee
- Investment and Transactions Committee
- Human Resources Review and Remuneration Committee

4. CORPORATE GOVERNANCE

King III adherence

The Telkom Board subscribes to, and is fully committed to, sound business principles and practices of integrity and accountability, and values of good corporate governance as espoused in the Code of Corporate Practices and Conduct of King III (the “Code”). In so doing, the directors recognise the need to conduct the enterprise in accordance with best corporate practices. The Board strives to comply with the principles of the Code as outlined in the table on page 45 of Telkom’s annual report for the year ended 31 March 2011 (incorporated herein by reference in terms of the section headed “*Documents Incorporated by Reference*”).

While it acknowledges the importance of good governance, the Board is aware that Telkom does not strictly comply with all the principles set out in the Code. These areas of non-compliance stem mainly from certain provisions in Telkom’s articles of association which make provision for certain rights associated with the Class A and B shareholders. Most of the areas of non-compliance were resolved in March 2011, when the rights included in the provisions of Telkom’s articles of association resulting in non-compliance with the Code lapsed. These areas of non-compliance are explained on page 52 of Telkom’s annual report

for the year ended 31 March 2011 (incorporated herein by reference in terms of the section headed "*Documents Incorporated by Reference*").

5. REGULATORY ENVIRONMENT

We are an integrated communications service provider offering packaged voice, data, broadband and internet services to business and residential customers in an intensely competitive market.

As a result of the Electronic Communications Act, 2005 (the "**EC Act**"), the licensing framework has resulted in a more horizontally layered market with a large number of licences issued for the provision of electronic communications and broadcasting services, which substantially increases competition to our business.

Fixed-line voice competition

Traditionally, fixed-line voice revenue was our stalwart. This changed in 2007 when the EC Act was amended to enable state infrastructure investment and licensing of a public entity by the Independent Communications Authority of South Africa ("**ICASA**"). This entity is Broadband Infraco (Pty) Limited, an infrastructure company set up to provide inter-city bandwidth at cost-based prices to Neotel and, later, to the rest of the industry. ICASA granted Broadband Infraco an I-ECNS licence (but not an I-ECS licence), which enables it to trade in the wholesale (but not retail) markets.

In October 2010, Broadband Infraco launched its wholesale bandwidth capacity to the rest of South Africa's telecom companies, creating additional competition to our communications network and whilst it will also be involved in undersea cable projects.

Service Charter (the "Charter")

The final Charter regulations, incorporating many of the recommendations made by industry – which stipulate standard service levels for electronic communication services, were published in July 2009. Although the final Charter substantially reduced operational and capital expenditure for its implementation from those in the draft, the costs required to fully comply with the regulations remain prohibitively high.

Spectrum licence fees and access

Administrative Incentive Pricing (AIP) of spectrum through regulations was introduced by ICASA in August 2010. The AIP sets out the various pricing formulae to be used in determining future spectrum fees by licensees. Essentially, the aim of the regulations is to

incentivise spectrum users to make the most effective and efficient use of the radio frequency spectrum using higher frequencies and coverage in rural areas.

Uncertainty remains about the implementation of the various formulae and data tables and we and other industry players have asked for further engagement with ICASA. We await formal communication in this regard. In the interim we expect the proposed fee structure to substantially increase our spectrum fees, even though we are looking at various options to reduce this amount.

Review of Universal Service Obligations

During 2010 the government issued various policy directives and regulatory initiatives to indicate its intention to advance Universal Service and Universal Access. Key to these directives is the Broadband Policy published in July 2010 which stipulates that all South Africans will have a public internet access point offering of at least 256kb bandwidth within two kilometres of their homes by 2019. In August 2010, ICASA issued a discussion document on the review of Universal Service and Access Obligations (“**USAO**”) along with a report analysing the extent to which licensees would comply with the current obligations. We have shared our views on the proposed USAO model and expect further consultations with ICASA before the regulations are finalised.

Carrier pre-selection

The new Carrier Pre-Selection (“**CPS**”) regulations were published in September 2010. Unlike the preceding draft version, the new CPS regulations only carry an obligation to provide CPS Phase 1 where a subscriber of one ECS licensee may access the services of another ECS licensee on a call-by-call basis by adding an access code to the front of the dialled number. While we offered this version at the end of February 2011, we do not anticipate an aggressive uptake as the pricing of long distance calls is already competitive.

Number portability

Number portability, which enables customers to retain their fixed-line and mobile telephone numbers when they change suppliers, is mandatory in terms of the Telecommunications Act (which has been repealed by the EC Act, but the regulations promulgated there-under remain in force until repealed by the EC Act), and in May 2009, together with Neotel, we launched Block Geographic Number Portability (Block GNP). In May 2010, Individual Geographic Number Portability, facilitated through a Central Reference Database (“**CRDP**”), was launched. This is administered by a joint venture company, Number Portability Company (“**NPC**”). Neotel, MTN, Vodacom, Cell C and ourselves are equal shareholders (20% each) in

NPC. Demand for these services has been less than expected, mainly because of our competitive pricing and the enhanced value of our various products.

Price controls

We continue to rebalance our fixed-line tariffs to more accurately reflect the underlying costs of subscriptions, connections and traffic in our retail tariffs. We still use the form and structure outlined in the price control regulations for the purpose of tariff filings but have engaged with the regulator to discuss the continued application of these regulations.

Local Loop Unbundling

Local Loop Unbundling (“LLU”) in its original form is a regulatory mandated process that enables multiple telecommunications operators to access and provide services over the ‘last mile’ copper infrastructure – from the local exchange to the customer’s premises – that is traditionally owned by the incumbent operator. There are other forms of LLU, known as BitStream, that could give operators access to our broadband infrastructure at tandem exchanges. The risk that LLU poses to our profitability depends on the form and implementation that will be imposed by ICASA, and these, at this time, are unknown. It is our belief that any process which ICASA may follow to introduce LLU will probably be taken on a legal basis which is not clearly defined in the EC Act. As a result, the process will be open to interpretation, with possible disputes. We have analysed various LLU options and will continue to engage with key stakeholders.

Mobile and fixed-line termination rates

On 12 November 2009 all mobile operators agreed on a voluntary reduction in the peak mobile interconnect rate from 125 cents to 89 cents, with off-peak rates remaining at 77 cents. Subsequently ICASA imposed new termination rates by regulation. The new rates came into effect on 1 March 2010.

From 2013, there will be no difference between peak and off-peak rates for call termination services. However, the smaller players – our 8•ta and Cell C – may charge up to 20% more for calls terminated on their networks between 1 March 2011 and 28 February 2012. After that date, the maximum premium charged falls to 15% and then to 10% in March 2013. The regulation reduces our Fixed Termination Rates (“FTR”) and removes the difference between peak and off-peak rates for call termination services by March 2013.

Provisions and contingent liabilities

Management's judgement is required when recognising and measuring provisions and when measuring contingent liabilities. The probability that an outflow of economic resources will be required to settle the obligation must be assessed and a reliable estimate must be made of the amount of the obligation. Provisions are discounted where the effect of discounting is material based on management's judgement. The discount rate used is the rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability, all of which requires management's judgement.

The Group is required to recognise provisions for claims arising from litigation when the occurrence of the claim is probable and the amount of the loss can be reasonably estimated. Liabilities provided for legal matters require judgements regarding projected outcomes and ranges of losses based on historical experience and recommendations of legal counsel. Litigation is however unpredictable and actual costs incurred could differ materially from those estimated at the reporting date.

Litigation and Competition Commission

Telkom is a multi-jurisdictional enterprise and is party to a number of legal proceedings (incidental to its operations), filed by Telkom and/or several other parties within and outside South Africa. Since the date of Telkom's last audited annual financial statements, the following material governmental, legal or arbitration proceedings against or affecting Telkom or any of its assets or revenues have been instituted:

(A) None.

For further information on legal proceedings and competition commission matters affecting Telkom, please refer to the Telkom annual report incorporated herein by reference in terms of the section headed "*Documents Incorporated by Reference*".

Public Finance Management Act, 1999 ("PFMA") and the Public Audit Act, 2004 ("PAA")

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 26 October 2013. 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) 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 and Telkom's ordinary shares could be delisted.

6. KEY POTENTIAL RISKS FACING THE BUSINESS

A summary of major risks and mitigation strategies is presented in the table below:

Risk	Context	Risk mitigation
Investment in mobile strategy	Our ability to successfully implement the mobile strategy and compete against incumbent cellular operations	<ul style="list-style-type: none"> • We continue to expand the acquisition and securing of distribution and airtime channels • We continue to expand our network coverage and quality • We continue to offer value to customers through appropriately designed product offerings and convergence • We continue to expand our competitive product offerings to the market • We continue to focus on customer service and service delivery
Multi-Links	The poor financial performance of our Multi-Links investment	<ul style="list-style-type: none"> • We have entered into heads of agreement to sell Multi-Links
Competition and downward pressure on pricing and margins	Increased competition in the South African communications market, limited overall average tariff increases, decrease in market share and an increase in cost in our fixed-line business	<ul style="list-style-type: none"> • We participate in an annual competitor landscape analysis of the Top 10 IT and Top 10 Telecom competitors • We conduct detailed profitability studies per product as part of the product strategy to establish a good understanding of the margins when responding to competitor price pressures • We continue to drive channel optimisation focus to align the value of the customer with the cost of the channel • We report and monitor in terms of revenue per line measures

Management information systems	Our ability to continue to improve and maintain our management information and other systems	<ul style="list-style-type: none"> We continue to maintain our management systems and invest in our information technology plan
Loss of critical skills and high cultural entropy	The possibility of losing key personnel or the inability to hire and retain highly qualified management, employees and partners and the inability to reduce the cultural entropy to acceptable norms	<ul style="list-style-type: none"> We deploy retention schemes to retain the critical skills within the business We continue to develop long and short term interventions to entrench our values We continue to implement our culture revitalisation development plan.
Difficulty in supporting new business models	Continuing rapid changes in technologies could increase competition or require us to make substantial additional investments in technologies and equipment	<ul style="list-style-type: none"> We continue to invest in our network strategy which is aligned to the business strategy We continue to assess the impact of legacy technologies
Competition and litigation exposure	We are parties to a number of legal and arbitration proceedings, including complaints before the South African Competition Commission	<ul style="list-style-type: none"> We engage with the Competition Commission on an ongoing co-operative basis We continue embedding a compliance culture within Telkom We have conducted Company-wide assessment of alleged anti-competitive behaviour Implementation of a formal governance framework and controls We continue to drive the ethics programme
Local loop unbundling	There is a high possibility that we will be required to unbundle the local loop, or are unable to negotiate favourable terms and conditions for the provision of interconnection services and facilities leasing services and ICASA may find that we have significant market power or otherwise imposes unfavourable terms and conditions on us	<ul style="list-style-type: none"> We have a specialist regulatory department engaging with the key role players We actively participate in providing commentary and submissions We actively consider alternate strategies and courses of implementation that would/could satisfy the current market and government intended aim better.
Regulatory landscape	Telkom's interpretation of existing regulations, the adoption of new policies or regulations that are unfavourable to us, or the imposition of additional licence obligations and fees on us	<ul style="list-style-type: none"> We have a specialist regulatory department engaging with the key role players We continue to expand our skills set to respond to proposed regulations We actively participate in providing commentary and submissions We continue to establish a structured stakeholder management programme with ICASA

Achievement of financial targets	The effect of the global economic and financial conditions coupled with increased competition and regulatory pressures could impact the achievement of our financial targets	<ul style="list-style-type: none"> • Capital and operational expenditure budgets remain tightly controlled • We continue to drive cost and revenue initiatives to support the achievement of our financial targets
Labour unions	Significant labour disputes, work stoppages, increased employee expenses as a result of collective bargaining and the cost of compliance with South African labour laws	<ul style="list-style-type: none"> • We hold intervention sessions with the unions to clarify mutual understanding of the consultation process • We have a specialist employee relation department that understands the legislation and landscape
Service delivery	High rates of theft, vandalism, network fraud, payphone fraud and lost revenue experienced due to non-licensed operators in our fixed-line business	<ul style="list-style-type: none"> • We continue to maintain our fixed-line network • We continue to deploy alternate technologies in high theft areas • We deploy a network security strategy

Financial risk management objectives and policies

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to raise finances for the Group's operations. The Group has loans and other receivables, and cash and short term deposits that arise directly from its operations. The Group also enters into derivative transactions.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks, supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The financial risk committee provides assurance to the Group's senior management that the Group's financial risktaking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies and Group risk appetite. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy not to trade in derivatives for speculative purposes.

Risk management

Exposure to continuously changing market conditions has made management of financial risk critical for the Group. Treasury policies, risk limits and control procedures are continuously monitored by the Board of Directors through its Audit and Risk Committee. The Group holds

or issues financial instruments to finance its operations, for the temporary investment of short term funds and to manage currency and interest rate risks. In addition, financial instruments for example trade receivables and payables arise directly from the Group's operations.

The Group finances its operations primarily by a mixture of issued share capital, retained earnings, long term and short term loans.

The Group uses derivative financial instruments to manage its exposure to market risks from changes in interest and foreign exchange rates. The derivatives used for this purpose are principally interest rate swaps, currency swaps and forward exchange contracts. The Group does not speculate in derivative instruments. The table below sets out the Group's classification of financial assets and liabilities.

The financial risks the Group is exposed to are summarised in the table below;

Liquidity risk	The risk that the Group will not meet its financial obligations as they fall due	<ul style="list-style-type: none"> The risk is managed in accordance with policies and guidelines formulated the Group's Executive Committees. The Group ensures that sufficient facilities exist to meet its immediate obligations. Short-term liquidity gaps may be funded through committed facilities and commercial paper bills.
Credit risk	The risk that the counterparty will not meet its financial obligations as they fall due	<ul style="list-style-type: none"> Credit checks and limits are set on an individual basis. Credit limits are reviewed annually or when the information becomes available in the market.
Interest rate risk	The risk that the fair value and future cash flows will fluctuate because of changes in interest rates.	<ul style="list-style-type: none"> The Group's policy is to manage interest cost through the utilisation of a mix of fixed and floating rate debt. The Group makes use of interest rate derivatives to hedge specific exposures.
Currency risk	The risk that future cash flows will fluctuate because of changes in foreign exchange rates.	<ul style="list-style-type: none"> The Group manages its foreign currency rate risk by economically hedging all identifiable exposures via various financial instruments suitable to the Group's risk exposure.

7. FINANCIAL PERFORMANCE

Potential investors are hereby referred to the Issuer's audited annual financial statements, incorporated herein by reference and available at www.telkom.co.za/ir and/or at the Issuer's

registered office as set out at the end of this Programme Memorandum, for a summary of the Group's financial performance.

SETTLEMENT, CLEARING AND TRANSFER OF NOTES

Words used in this section headed "Settlement, Clearing and Transfer of Notes" 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.

Notes listed on the Interest Rate Market of the JSE and/or held in the CSD

Each Tranche of Notes which is listed on the Interest Rate Market of the JSE in certificated or in uncertificated form will be held in the CSD. A Tranche of unlisted Notes may also be held in the CSD.

Clearing systems

Each Tranche of Notes listed on the Interest Rate Market of the JSE and/or unlisted Notes that are held in the CSD will be issued, cleared and settled in accordance with the rules and operating procedures for the time being of the JSE and the CSD through the electronic settlement system of the CSD. Such Notes will be cleared by Participants who will follow the electronic settlement procedures prescribed by the JSE and the CSD.

The CSD has, as the operator of an electronic clearing system, been appointed by the JSE to match, clear and facilitate the settlement of transactions concluded on the JSE. Subject as aforesaid each Tranche of Notes which is listed on the Interest Rate Market of the JSE and/or unlisted Notes that are held in the CSD will be issued, cleared and transferred in accordance with the Applicable Procedures and the Terms and Conditions, and will be settled through Participants who will comply with the electronic settlement procedures prescribed by the JSE and the CSD. The Notes may be accepted for clearance through any additional clearing system as may be agreed between the JSE, the Issuer and the Dealer(s).

Participants

The CSD maintains accounts only for Participants. As at the date of the Programme Memorandum, the Participants which are approved by the CSD, in terms of the rules of the CSD, and who act as settlement agents to perform electronic settlement of funds and scrip are Absa Bank Limited, FirstRand Bank Limited, Nedbank Limited, The Standard Bank of South Africa Limited and the South African Reserve Bank. Euroclear, as operator of the Euroclear System, and Clearstream will settle off-shore transfers in the Notes through their Participants.

Settlement and clearing

Participants will be responsible for the settlement of scrip and payment transfers through the CSD, the JSE and the South African Reserve Bank.

While a Tranche of Notes is held in its entirety in the CSD, the CSD's Nominee, a wholly owned subsidiary of the CSD approved by the Registrar of Securities Services in terms of the Securities Services Act, (and any reference to "CSD's Nominee" shall, whenever the context permits, be deemed to include any successor nominee operating in terms of the Securities Services Act), will be named in the Register as the sole Noteholder of the Notes in that Tranche. All amounts to be paid and all rights to be exercised in respect of Notes held in the CSD will be paid to and may be exercised only by the CSD's Nominee for the holders of Beneficial Interests in such Notes.

In relation to each person shown in the records of the CSD or the relevant Participant, as the case may be, as the holder of a Beneficial Interest in a particular Nominal Amount of Notes, a certificate or other document issued by the CSD or the relevant Participant, as the case may be, as to the Nominal Amount of such Notes standing to the account of such person shall be *prima facie* proof of such Beneficial Interest. The CSD's Nominee (as the registered Noteholder of such Notes named in the Register) will be treated by the Issuer, the Paying Agent, the Transfer Agent and the relevant Participant as the holder of that aggregate Nominal Amount of such Notes for all purposes.

Payments of all amounts in respect of a Tranche of Notes which is listed on the Interest Rate Market of the JSE and held in the CSD will be made to the CSD's Nominee, as the registered Noteholder of such Notes, which in turn will transfer such funds, via the Participants, to the holders of Beneficial Interests. Each of the persons reflected in the records of the CSD or the relevant Participant, as the case may be, as the holders of Beneficial Interests in Notes shall look solely to the CSD or the relevant Participant, as the case may be, for such person's share of each payment so made by (or on behalf of) the Issuer to, or for the order of, the CSD's Nominee, as the registered Noteholder of such Notes.

Payments of all amounts in respect of a Tranche Notes which is listed on the Interest Rate Market of the JSE and held in the CSD will be recorded by the CSD's Nominee, as the registered Noteholder of such Notes, distinguishing between interest and principal, and such record of payments by the CSD's Nominee, as the registered Noteholder of such Notes, shall be *prima facie* proof of such payments.

Transfers and exchanges

Title to Beneficial Interests held by clients of Participants indirectly through such Participants will pass on transfer thereof by electronic book entry in the securities accounts maintained by such Participants for such clients. Title to Beneficial Interests held by Participants directly through the CSD will pass on transfer thereof by electronic book entry in the central securities accounts maintained by the CSD for such Participants. Beneficial Interests may be transferred only in accordance with the Applicable Procedures.

Beneficial Interests may be exchanged for Notes represented by Individual Certificates in accordance with Condition 12.1 (*Exchange of Beneficial Interests*).

Records of payments, trust and voting

Neither the Issuer nor the Paying Agent will 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 Beneficial Interests. Neither the Issuer nor the Paying Agent nor the Transfer Agent will be bound to record 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 Note may be subject. Holders of Beneficial Interests vote in accordance with the Applicable Procedures.

BESA Guarantee Fund Trust

The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the BESA Guarantee Fund Trust. Claims against the BESA Guarantee Fund Trust may only be made in respect of the trading of the Notes listed on the Interest Rate Market of the JSE and in accordance with the rules of the BESA Guarantee Fund Trust. Unlisted notes are not regulated by the JSE.

Notes listed on any Financial Exchange other than (or in addition to) the Interest Rate Market of the JSE

Each Tranche of Notes which is listed on any Financial Exchange other than (or in addition to) the Interest Rate Market of the JSE will be issued, cleared and settled in accordance with the rules and settlement procedures for the time being of that Financial Exchange. The settlement and redemption procedures for a Tranche of Notes which is listed on any Financial Exchange (other than or in addition to the JSE) will be specified in the Applicable Pricing Supplement.

SUBSCRIPTION AND SALE

Words used in this section headed "Subscription and Sale" 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 Dealers have in terms of the programme agreement dated on or about the date of this Programme Memorandum, as may be amended, supplemented or restated from time to time (the "**Programme Agreement**"), agreed with the Issuer a basis upon which they may from time to time agree to subscribe for Notes or procure the subscription of the Notes.

Selling restrictions

South Africa

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that it will not solicit any offers for subscription for or sale of the Notes in that Tranche, and will itself not sell the Notes in that Tranche of Notes, in South Africa, in contravention of the Companies Act, the Banks Act, the Exchange Control Regulations and/or any other applicable laws and regulations of South Africa in force from time to time. Notes will not be offered for subscription to any single addressee for an amount of less than ZAR1,000,000.

United States

The Notes 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 or to, or for the account of 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.

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that:

- (a) the Notes in that Tranche have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account of or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act;
- (b) it has not offered, sold or delivered any Notes in that Tranche and will not offer, sell or deliver any Notes in that Tranche (i) as part of their distribution at any time or (ii) otherwise until 40

(forty) calendar days after completion of the distribution, as determined and certified by the Dealer or, in the case of an issue of such Notes on a syndicated basis, the relevant Lead Manager, of all Notes of the Series of which that Tranche of Notes is a part, within the United States or to, or for the account or benefit of, U.S. persons;

- (c) it will send to each dealer to which it sells any Notes in that Tranche during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of such Notes within the United States or to, or for the account or benefit of, U.S. persons;
- (d) it, its affiliates and any persons acting on its or any of its affiliates behalf have not engaged and will not engage in any directed selling efforts in the United States (as defined in Regulation S under the Securities Act) with respect to the Notes in that Tranche and it, its affiliates and any persons acting on its or any of its affiliates' behalf have complied and will comply with the offering restrictions requirements of Regulation S.

Until 40 (forty) calendar days after the commencement of the offering of a Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an exemption from registration under the Securities Act.

European Economic Area

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that, in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a "**Relevant Member State**"), 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 any of such Notes to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of any of such Notes to the public in that Relevant Member State:

- (a) in the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State in accordance with the Prospectus Directive and/or, where appropriate, published in another Relevant Member State and notified to the competent authority in that Relevant Member State in accordance with Article 18 of the Prospectus Directive and ending on the date which is 12 months after the date of such publication;

- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43 000 000.00 and (3) an annual turnover of more than €50 000 000.00 as shown in its last annual or consolidated accounts; or
- (d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes 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 Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, 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.

United Kingdom

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that:

- (a) in relation to any of the Notes in that Tranche which have 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 of such Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or 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 such Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act, 2000 (the “FSMA”) by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an 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 of the Notes in that Tranche in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer;

- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any of the Notes in that Tranche in, from or otherwise involving the United Kingdom.

General

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to agree that:

- (a) it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in each jurisdiction in which it purchases, subscribes or procures the subscription for, offers or sells Notes in that Tranche or has in its possession or distributes the Programme Memorandum and will obtain any consent, approval or permission required by it for the purchase, subscription, offer or sale by it of Notes in that Tranche under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, subscription, offers or sales;
- (b) it will comply with such other or additional restrictions as the Issuer and such Dealer agree and as are set out in the Applicable Pricing Supplement.

Neither the Issuer nor any of the Dealers represent that Notes may at any time lawfully be subscribed for or 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 subscription or sale.

SOUTH AFRICAN TAXATION

Words used in this section headed "South African Taxation" 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 comments below are intended as a general guide to the relevant tax laws of South Africa as at the date of the Programme Memorandum. The contents of this section headed "South African Taxation" do not constitute tax advice and do not purport to describe all of the considerations that may be relevant to a prospective subscriber for or purchaser of any Notes. Prospective subscribers for or purchasers of any Notes should consult their professional advisers in this regard.

Income Tax

Under current taxation law in South Africa persons who or which are Residents will, subject to any available exemptions, be taxed in South Africa on their world-wide income. A "Resident" is a person who or which is a South African person as defined in section 1 of the South African Income Tax Act, 1962 (the "**Income Tax Act**"). Any income received by or accrued to a Resident in respect of the Notes will accordingly be subject to income taxes imposed or assessed under the Income Tax Act.

If the Notes are issued at a discount to the Nominal Amount the discount will, in terms of section 24J of the Income Tax Act, be treated as interest for tax purposes and accordingly will be deemed to accrue to the Noteholder on a yield to maturity basis as if such Noteholder were to hold the Notes until maturity. If the Notes are disposed of prior to maturity or are subject to early redemption, a gain or loss will be calculated. The calculation of the gain or loss will take into account interest that has already accrued or been incurred.

Any premium paid on the original issue of the Notes will also be treated as interest in terms of section 24J of the Income Tax Act and will accordingly be deemed to have been incurred by the Noteholder on a yield to maturity basis.

In terms of section 24J, interest is taxed on the basis of the yield to maturity unless an election has been made by the Noteholder (if the Noteholder is entitled to make such election) to treat the Notes as trading stock on a mark-to-market basis. This day to day basis accrual 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.

Under section 10(1)(h) of the Income Tax Act, interest received by or accruing to a Noteholder who, or which, is not a resident of South Africa 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.

If a Noteholder does not qualify for the exemption under Section 10(1)(h) of the Income Tax Act, exemption from, or reduction of any South African income tax liability may be available under an applicable double taxation treaty.

Certain entities may be exempt from income tax. Investors are advised to consult their own professional advisers as to whether the interest income earned on the Notes will be exempt under section 10(1)(h) of the Income Tax Act.

A Non-Resident is taxed in South Africa under the Income Tax Act only on income from a source within or deemed to be within South Africa. A "Non-Resident" is a person who or which is not a South African person as defined in the Income Tax Act.

Capital Gains Tax

Capital gains tax applies to any capital gain resulting from the disposal or deemed disposal of an asset by Residents, as well as to any capital gain resulting from the disposal of immovable property or interests in immovable property and any assets attributable to a permanent establishment of a Non-Resident located in South Africa.

Any disposal of the Notes by a Resident Noteholder may be subject to capital gains tax. A Non-Resident Noteholder may be subject to capital gains tax on the disposal of the Notes if the Notes comprise assets which are attributable to a permanent establishment of such Non-Resident Noteholder located in South Africa.

Securities Transfer Tax ("STT")

No STT is payable on the issue or transfer of Notes (bonds) under the Securities Transfer Tax Act, 2007 because they do not constitute securities for the purposes of that Act.

Value-Added Tax ("VAT")

No VAT is payable on the issue or transfer of Notes. Notes (bonds) constitute "debt securities" as defined in section 2(2)(iii) of the South African Value-Added Tax Act, 1991. The issue, allotment, drawing, acceptance, endorsement or transfer of ownership of a debt security is a financial service, which is exempt from VAT in terms of section 12(a) of that Act.

Commissions, fees or similar charges raised for the facilitation of these services will however be subject to VAT at the standard rate (currently 14 per cent.), except where the recipient is a non-resident as contemplated below.

Services (including exempt financial services) rendered to non-residents who are not in South Africa when the services are rendered, are subject to VAT at the zero rate in terms of section 11(2)(l) of the South African Value-Added Tax Act, 1991.

Withholding tax

Withholding tax on interest was introduced into the Income Tax Act by the Taxation Laws Amendment Act, 2010 but will apply with effect from 1 January 2013. The withholding tax will apply to any interest which accrues on or after 1 January 2013. This may affect the interest payable on the Notes.

Definition of Interest

The references to "interest" above mean "interest" as understood in South African tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the Terms and Conditions of the Notes or any related documentation.

SOUTH AFRICAN EXCHANGE CONTROL

Words used in this section headed "South African Exchange Control" 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 information below is intended as a general guide to the position under the Exchange Control Regulations as at the date of the Programme Memorandum. The contents of this section headed "South African Exchange Control" do not constitute exchange control advice and do not purport to describe all of the considerations that may be relevant to a prospective subscriber for or purchaser of any Notes. Prospective subscribers for or purchasers of any Notes should consult their professional advisers in this regard.

Non-South African resident Noteholders and emigrants from the Common Monetary Area

Dealings in the Notes and the performance by the Issuer of its obligations under the Notes and the applicable Terms and Conditions may be subject to the Exchange Control Regulations.

Blocked Rand

Blocked Rand may be used for the subscription for or purchase of Notes. Any amounts payable by the Issuer in respect of the Notes subscribed for or purchased with Blocked Rand may not, in terms of the Exchange Control Regulations, be remitted out of South Africa or paid into any non-South African bank account.

Emigrants from the Common Monetary Area

Any Individual Certificates issued to Noteholders who are emigrants from the Common Monetary Area will be endorsed "emigrant". Such restrictively endorsed Individual Certificates shall be deposited with an authorised foreign exchange dealer controlling such emigrant's blocked assets.

In the event that a Beneficial Interest in Notes is held by an emigrant from the Common Monetary Area through the CSD, the securities account maintained for such emigrant by the relevant Participant will be designated as an "emigrant" account.

Any payments of interest and/or principal due to a Noteholder who is an emigrant from the Common Monetary Area will be deposited into such emigrant Noteholder's Blocked Rand account, as maintained by an authorised foreign exchange dealer. The amounts are not freely transferable from the Common Monetary Area and may only be dealt with in terms of the Exchange Control Regulations.

Non-residents of the Common Monetary Area

Any Individual Certificates issued to Noteholders who are not resident in the Common Monetary Area will be endorsed "non-resident". In the event that a Beneficial Interest in Notes is held by a non-resident of the Common Monetary Area through the CSD, the securities account for such Noteholder by the relevant Participant will be designated as a "non-resident" account.

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

Exchange Control – Issuer

As at the date of this Programme Memorandum, the Issuer does not require exchange control approval for this Programme.

GENERAL INFORMATION

Words used in this section headed "General Information" 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.

Authorisation

All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer under the laws of South Africa as at the date of this Programme Memorandum have been given for the establishment of the Programme and the issue of Notes and for the Issuer to undertake and perform its obligations under the Programme Memorandum and the Notes.

Listing

The Programme Memorandum has been submitted for approval by the JSE and for the listing of the Notes on the Interest Rate Market of the JSE. Notes to be issued under the Programme may be listed on the Interest Rate Market of the JSE or any other Financial Exchange.

Documents Available

So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available from the registered office of the Issuer as set out at the end of this Programme Memorandum:

- (a) all amendments and supplements to this Programme Memorandum prepared by the Issuer from time to time;
- (b) in respect of any issue of Notes under the Programme, the audited annual financial statements (including, where applicable, the audited interim financial statements), together with such statements, reports and the notes attached to or intended to be read with such financial statements thereto, of the Issuer for its three financial years prior to the date of such issue; and
- (c) the each Applicable Pricing Supplement relating to any Tranche of Notes issued under the Programme;
- (d) all information pertaining to the Issuer which is relevant to the Programme and/or this Programme Memorandum which is electronically submitted by the Securities Exchange News Service ("**SENS**") established by the JSE, to SENS subscribers, if required. This Programme Memorandum will be available on the JSE website, www.jse.co.za, and the audited annual

financial statements of the Issuer and this Programme Memorandum are also available on the Issuer's website, www.telkom.co.za/ir.

Material Change

Save as disclosed in this Programme Memorandum and/or as disclosed on SENS by the Issuer, there has been no material change in the financial or trading position of the Issuer since the date of the Issuer's latest audited financial statements.

Litigation

Save as disclosed in this Programme Memorandum, neither the Issuer nor any of its respective consolidated Subsidiaries is or has been involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have had a significant effect on the financial position of the Issuer or its consolidated subsidiaries.

Auditors

Ernst & Young Inc. have acted as the auditors of the financial statements of the Issuer for the financial year ended 31 March 2011, 2010 and 2009 and, in respect of those years, have issued unqualified audit reports.

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