ANNEXURE A

Commission recommends approval of Telkom/BCX merger with conditions

The Commission has recommended to the Competition Tribunal (Tribunal) that the large merger whereby Telkom SA SOC Limited (Telkom) intends to acquire Business Connexion Group Limited (BCX) be approved, with conditions. Post-merger, BCX will become a wholly owned subsidiary of Telkom, and will delist from the Johannesburg Stock Exchange (JSE). Telkom is primarily a telecommunications services provider. BCX is primarily active as an Information Communication Technology service provider.

The Commission found that Telkom, being the largest provider of wholesale leased lines to downstream customers, has the ability to foreclose its downstream rivals from access to these wholesale leased lines which are essential inputs for the provision of downstream services including managed network services (MNS), value added network services (VANS), hosting and information technology services (ITS). The Commission also found that the merger will result in the merged entity having the ability and incentives to engage in bundling strategies that may result in anticompetitive effects.

On public interest issues, the Commission found that the merger will result in employment losses of up to 60 employees over a 3 (three) year period. To address the concerns, the Commission recommended certain behavioural and employment conditions.

Among the behavioural conditions, is that Telkom's application and implementation of the Transfer Pricing Programme, should explicitly include fibre access, and remain in force for the duration of the condition period. Consequently, the tenure of the Transfer Pricing Programme will be extended from 18 July 2018 to 31 December 2020.

In relation to competition concerns arising from foreclosure of downstream rivals through bundling strategies, Telkom will among other things:

- Ensure that the prices for bundled offerings that include Fibre Access adhere to the principles of the Transfer Pricing Policy.

- Ensure that it keeps separate, internal accounts for its downstream retail offerings, namely MNS, VANS, Hosting and ITS, in a way that permits the profitability of these retail products to be monitored by the Commission.

- Ensure that where Fibre Access is included in a bundle of products/services supplied to Enterprise Customers, the pricing is such that the revenues derived from supplying the bundle must exceed the input costs associated therewith.

To address the employment concerns, the Commission recommended that a condition be imposed limiting the number of employment losses arising as a result of the merger to a maximum of 60 employees. Such employment losses shall be limited to a maximum of 20 employees per year in each of the 3 (three) years.