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Tellumat Telecoms

November 18, 2008

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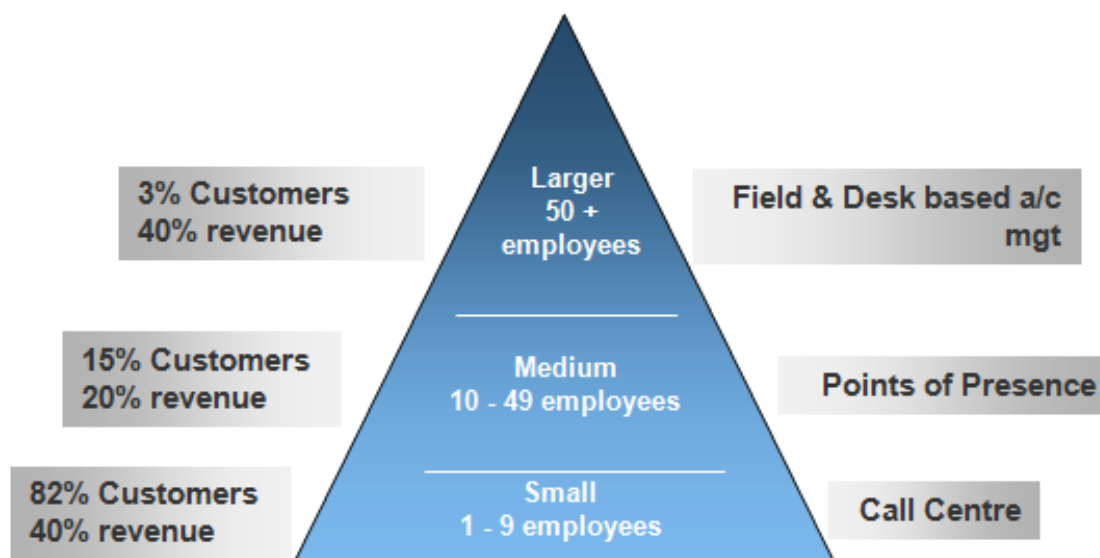
How to sell communications to SMEs

The future of small business communications is hosted

By Bennie Langenhoven, Managing Executive, Tellumat Telecoms

Telcos serving the small business market have picked a strong and growing market, but they will have to be shrewd and adaptable in the offerings they take to market.

Research as shown, indicates the following revenue breakdown for operators in the SME market:



The bigger SME customers (50-plus employees) bring in much of a telco's revenue – but not the most. The very small customers, micro-sized and small businesses, bring in just as much. Notwithstanding the overhead of managing multiple accounts, the small business segment is therefore just as important as larger companies.

Hosted versus on-premise equipment

What services do small IP telephony customers buy? Research firm InfoTech conducted research with the following results:



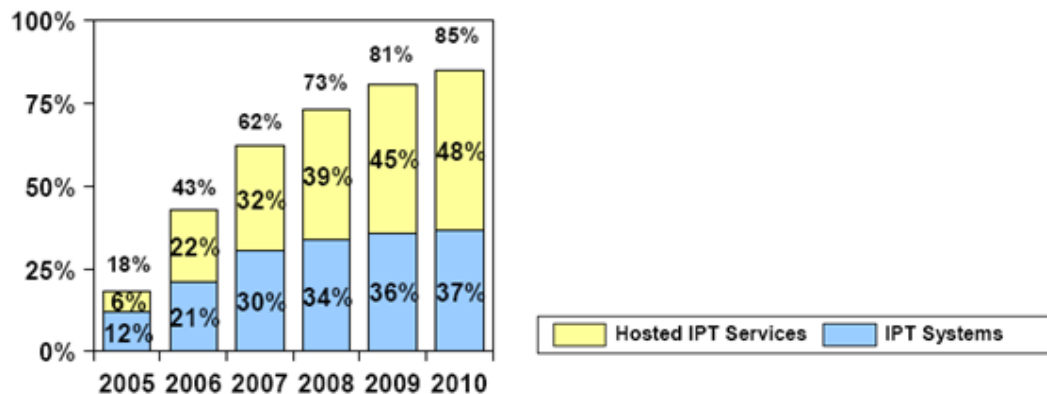
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% of SMB IPT Sites Implementing IPT Systems vs. Hosted IPT Services



Source: InfoTech: End-user Primary Research, 2005

In this five-year outlook (2005-2010) InfoTech predicted that SME customers would buy more hosted IP telephony than on-site customer premises equipment by 2008 (39% versus 34%). By 2010, it said, the split would be 48% to 37%.

It must be noted that other research is more muted on the subject, but the general consensus is that smaller companies are more likely than bigger ones to buy hosted IP services, including telephony, video services and hosted applications. The tipping point will be increased availability of well-priced broadband.

Neotel, South Africa's second fixed-line operator, has written hosted IP services into its Phase 2 business plan, to coincide with Broadband Infracore's launch, which will drive down the cost of bandwidth in the country and increase its availability. Neotel, an Infracore customer, is on the inside lane to provide reasonably-priced, high-value hosted IP services, a good bet for cornering the SME market, whose payback is that its players get bigger over time.

Benefits of hosting

Hosted services offer good value for clients whose budgets are too small to spend on unnecessary customer equipment:

- One supplier dealing with equipment as well as a range of services, including mobile and fixed broadband data and voice, as telcos roll out cross-over networks;
- Central call and data service management, lowering total cost of ownership
- Upgrade assurance without the outlay;
- Maintenance without the skills;
- Guaranteed performance and security under service level agreements;
- Buy-as-you-grow flexibility; and
- Implementation without the pain of integration

The new-look customer premise



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So what will the hosted service buyer's communications setup look like? There is a common misconception that hosting does away with the need for customer premises equipment (CPE).

The fact is that there is still a need for some form of broadband connectivity and gateway access to the services that an SME buys, such as a voice or video gateway. The customer also needs a switch or hub to distribute connectivity and serve the applicable files or services to users; analogue telephone adapters where applicable; network cabling; and client PCs and peripheral devices such as printers.

Gone are the PBX and even the file and email servers, since call handling, messaging, collaborative and application functionality all reside on a central telco server. But the service gateways, access modem, telephones and networking remain.

The beauty of hosting is that it's flexible, low cost and comes with service assurance. But above all, it is possible today. The most visionary telcos will prepare for it now, to prepare for the next wave of the IP evolution.

Ends.

About Tellumat

Tellumat is an innovative, black empowered, South African technology company that has achieved a BBBEE Status Level 4 rating, defined as "Superior Contributor to BEE" in terms of the DTI's Codes of Good Practice. It consists of three major trading divisions; Communications, Defence and Contract Manufacturing, and three partly owned companies; Sia Solutions (Pty) Ltd, Encee Engineering (Pty) Ltd and SIMpill (Pty) Ltd. Tellumat services three primary market areas, namely wireless voice and data communications, defence communication systems and high precision electronic and mechanical manufacturing. Tellumat is a world-class business focused on innovation, offering our customers dynamic and competitive technology products and services. We focus on understanding our customers' needs and forming long-term strategic alliances with likeminded enterprises worldwide.

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