Telkom Group
Abridged Integrated Annual Report **2011**

Connecting
human potential every second of the day

Forward looking statements

Many of the statements included in this document, as well as oral statements that may be made by us or by officers, directors or employees acting on behalf of us, constitute or are based on forward looking statements.

All statements, other than statements of historical facts, including, among others, statements regarding our mobile and other strategies, future financial position and plans, objectives, capital expenditures, projected costs and anticipated cost savings and financing plans, as well as projected levels of growth in the communications market, are forward looking statements. Forward looking statements can generally be identified by the use of terminology such as "may", "will", "should", "expect", "envisage", "intend", "plan", "project", "estimate", "anticipate", "believe", "hope", "can", "is designed to" or similar phrases, although the absence of such words does not necessarily mean that a statement is not forward looking. These forward looking statements involve a number of known and unknown risks, uncertainties and other factors that could cause our actual results and outcomes to be materially different from historical results or from any future results expressed or implied by such forward looking statements. The factors that could cause our actual results or outcomes to differ materially from our expectations include but are not limited to those risks identified on page 24.

We caution you not to place undue reliance on these forward looking statements. All written and oral forward looking statements attributable to us, or persons acting on our behalf, are qualified in their entirety by these cautionary statements. Moreover, unless we are required by law to update these statements, we will not necessarily update any of these statements after the date of this document, either to conform them to actual results or to changes in our expectations.

Reports

www.telkom.co.za

Table of contents

About the integrated report

This is a new way of reporting for us as it integrates overall reporting with sustainability as per the King III Code. We have divided the report into nine strategic imperatives and detailed what we achieved in each of these categories and what challenges we face going into the future. We trust that this approach will give the reader a comprehensive understanding of the Telkom Group.

We have nine strategic imperatives:

SHAREHOLDER VALUE DELIVERY

GOOD GOVERNANCE

STAKEHOLDER ENGAGEMENT

PROTECTING OUR BUSINESS

OUR CUSTOMERS

SOCIAL RESPONSIBILITY

ENVIRONMENTAL MANAGEMENT

TRANSFORMATION

HUMAN CAPITAL

These imperatives form the foundation and supporting pillars of our business.

In addition we have complied with the GRI (Global Reporting Initiative) and used their prescribed guidelines to direct us in reporting on sustainability initiatives.

Our approach is to empower the reader with a detailed overview of our business in a clear, simple and totally transparent manner. Our application in accordance with both King III and the GRI should provide you with the necessary information that you require.

King III checklist — **Full integrated report**

GRI G3 content index — **Full integrated report**

Read more: refers the reader to other parts of the report that contain information relevant to the current section

For our full integrated report and sustainability report: please visit *www.telkom.co.za*

GRI and King III: refers the reader to an indicator used in the application of the Global Reporting Initiative (GRI) guidelines and King III

Our vision

To be Africa's preferred ICT Solutions provider

Our mission

To be a leading South African-based international ICT services group focused on long term sustainable profitability through growth in existing and new markets

Our values

- Continuous performance improvement
- Honesty
- Accountability
- Respect
- Teamwork

Customer complaint: My telephone and ADSL service are constantly down. I can't run my life or my business.
Solution: You are in an area constantly plagued by copper theft. We can provide you with similar products and services using our mobile network.

Polelo Lazarus Zim
Non-executive Chairman

From the Chairman's desk

In this, my first report as Chairman of Telkom, I need to stress that the Board and I are committed to serving the needs of all our shareholders in an honest and transparent manner. We uphold the principles outlined by the King III Code and are committed to embedding sustainability throughout our business.

My key driver in the year ahead is to reposition Telkom so that it creates real shareholder value and sustainability. This can only be achieved if the Board and management work as a team to ensure sustainability, something that is very real in South Africa today.

We have a good business, a business that is so important to our country, and this is a theme that you will find throughout this report. Telkom is, effectively, the nerve centre of South Africa, for without Telkom, the bulk of the greater business network – from banks to retailers, corporates, airlines, even our competitors – would collapse. We are the only player in our industry that offers a true convergence platform and we will leverage off this in the months and years ahead.

Convergence is our strength and now with our new leadership team in place, a team that gives us direction and, most importantly, unity, we are going on the offensive, and we have the tools to do that, notably technology and our people.

The 2010 Soccer World Cup was a milestone for South Africa and for us. We delivered a flawless performance in terms of communicating to the world. Now we need to build on that.

Some of my key deliverables going forward are:

- a focus on social, financial and environmental sustainability in every aspect of our business;
- talent retention – we have to offer our employees new career opportunities through cross-training;
- customer service – we have to get closer to our customers and improve their customer experience;
- halting our cash haemorrhaging – this is key to our survival;
- being a responsible corporate citizen – this equates to finding ways for our industry to help South Africa;
- protecting our investment – in terms of regulations promulgated years ago, and which are still in force, we need to ask the question, do the conditions that prevailed then apply now? In terms of access to technology we were the dominant player, we had the monopoly but now the market is wide open. One of the key issues is the cost of regulation and its impact on jobs;
- governance – the landscape has changed and we must ensure that we adapt to the changes; and
- mobile network – this is a must have for us. It is what will create new value for the Group.

In conclusion, my thanks go to the outgoing chairman, Jeff Molobela, for his wise counsel; to the outgoing directors for their support and to the new Board members. A major vote of thanks goes to the management team and, most importantly, to all our people.

Lazarus Zim
Chairman

Sustainability highlights

- We achieved the maximum score of 15 for our enterprise development element, up from 5.3 in 2009.
- We maintained our maximum score for the BBBEE socio-development element and spent.
- We are certified as a level 4 contributor to BBBEE.
- We once again achieved ISO 14001 certification for our environmental management system which ensures we comply with international standards.
- For the first time we calculated our carbon footprint.
- Our total water consumption was down (1.49 million kl) on the previous year (1.53 million kl).
- In terms of injuries on duty there was a 12.5% improvement on the previous year

Customer complaint: My ADSL line is not giving me the speeds I require.
Solution: We are sending a technician around to check whether or not the exchange allows us to upgrade you to 10 megabits per second.

Nombulelo Moholi
Group Chief Executive Officer

Group Chief Executive Officer's review

Report of the new GCEO, Nombulelo Moholi

This is Telkom's first integrated report, in line with the King III principles which came into effect in March 2010 and we are pleased to note we made good progress in many areas, although many challenges remain.

Key developments

In terms of strategic issues and key areas of concern our transparency, notably in the areas of costs, revenue and governance, improved. Essentially we know what we need to do and we are pointed in the right direction. We know our customers and we know where the opportunities are. Things are getting done but much still needs to be done.

What we did

- Four key appointments were made – Lazarus Zim, the new chairman; Nombulelo Moholi as Group Chief Executive Officer (GCEO) and Thami Msubo as chief of Human Resources. Effective 1 August 2011, Jacques Schindehütte was appointed as Chief Financial Officer. As a result of these appointments there is more stability at the top of the Group and processes are now clearer and more stable. We now have a top management team in place.
- Our business plan and budgets for the new fiscal year were finalised and, thanks to input from all levels of the business, these are far more robust than in the past.
- We signed a deal to enable us to sell Multi-Links in Nigeria.
- From a stakeholder perspective there is now more stability and clarity, particularly with organised labour and government.
- We achieved initial success in our commitment to reducing cost. We will continue to focus on this area in a manner that ensures sustainable long term growth.
- We have conducted an extensive review of our network to ensure that any capital allocation is prefaced on customer requirements, commercial returns and the ability to differentiate.

The challenges

- We are under siege on many fronts. We have lost credibility with some of our customers, especially residential, in terms of service and our inability to communicate with them.
- Shrinking revenues and profits. The business faces many pressures, notably increased competition and pricing pressure throughout.
- Our culture is not where it should be. Currently it neutralises any initiative because of old hierarchical structures and lack of accountability.
- The new mobile business is taking time to find its feet and will continue to do so. We need to meet the evolving needs for speed, bandwidth, convergence and quality.
- Our traditional business revenues are declining and, as a result, we have to get the basics in place and focus on growing where our strengths lie.
- A focus on bundles; convergence for both consumers and enterprise. It can be done but complex integration of IT systems needs to be managed very well.
- Costs. Compared to our peers we are less efficient than they are. Given the decline in revenue streams it is vital that we find an effective process to drive down cost.
- Procurement. The team has done a reasonable job in this area but there is still much to do regarding making sure our contracts are better focused commercially.
- Africa. Our international investments have performed poorly. We have entered into an agreement to sell Multi-Links and are reassessing the assets we do have. The challenge is to figure out what to do with our international interests, where to source new growth areas and transform it into a sustainable business.
- Regulatory. This is an uncertain area with many looming decisions which could impact our profitability; for example in terms of licence fees and local loop unbundling and the mandate relating to the loss making payphones business.
- The Competition Commission. We are still engaged with issues which date back six to seven years.

Going forward

The reality is that we are better than our public image. Some of the negativity surrounding us is deserved, but some is not. We have strong existing values and have deliberately invested heavily in the South African telecommunications sector, particularly in corporate networks, the most visible part of the economy. There are very few transactions that are not facilitated by us. As the Chairman noted, if Telkom switches off, the economy will collapse.

We will continue to invest heavily in skills training, notably in engineering where we lead the field and in information technology. It is fair to say that many of South Africa's ICT people come from Telkom and we take great pride in saying that we are giving these people back to South Africa. Our partnership with the Department of Industry and Technology in higher education centres has resulted in the highest number of PhDs in science and technology coming out of our centres of excellence.

We will continue to create a platform of ICT excellence through bursary schemes and our sponsorship of the annual SATNEC conference.

Our Group is suffering from decreasing morale. There has been too much in-fighting, inward focus and poor relationships between the Board and management. That is going to stop. We have to stabilise the management cadre and repair relationships with our major stakeholders – government, labour, shareholders, customers and the greater South African community. It's not going to happen overnight but it is going to happen.

Our culture is key. Our employees have identified this, as have our customers and shareholders. The time has now come to do what we said we were going to do.

We need to ensure that we have a shared vision with organised labour, as employee expenses account for 32.8% of our operating expenses. We need to encourage teamwork in order to increase the level of engagement between ourselves and our stakeholders. This will ensure better customer service.

Internationally, fixed-line communications is facing growing pressure from mobile operators and, as a result of us not having a mobile network, we suffered. This is why 8•ta is vital to the future of Telkom. It is not only a growth segment but an essential defence mechanism against mobile cannibalisation. In the few months that 8•ta has been operational, we have seen the energy that it has injected into our people. It has engendered a 'go for it' attitude.

It is time to retire the legacy equipment that is not only old but saddles us with embedded costs and we must move our customers to full IP platforms. This means we must manage fewer platforms with greater focus.

We have to regain the leadership in broadband quality, not just in terms of speed but in the quality of experience. We know that we have limitations in terms of the speeds we offer, mainly because we are limited by the quality of our copper cables and the distances between exchanges and our customers.

We will aggressively push lower priced broadband services along with exciting promotions such as offering new subscribers free fixed line and ADSL installations along with three months' free 1Mbps/5Gbps Do Broadband Services.

We are committed to renewing our networks, especially in high demand metro areas, with higher speeds and more flexible bandwidth and it is imperative that we increase connectivity in the outlying areas to ensure the social services are delivered.

We have committed to our largest shareholder, government, to be an excellent partner.

Finally, we have to fix our international positioning and are reviewing our strategy in this regard, with the proviso that while it is imperative for us to grow we must be selective in the growth areas we pursue and provide services to our corporate customers who are growing in Africa.

The Telkom of tomorrow will not be the same as the Telkom of yesterday and today. The time for contemplating the future is over. We have run out of time and now we need action.

Financial prospects

Given that competition and regulatory pressure is increasing, resulting in continued price pressure and that the decline in voice revenue is accelerating, there will be continued pressure on the traditional fixed-line business of Telkom. This still constitutes the majority of the Group's business. The declining revenue will be mitigated somewhat by good growth in data revenues, calling plans, the slowdown in line losses and growing mobile revenue streams.

We expect to be able to keep operating expenses growth of Telkom SA close to CPI growth. The major risk associated with cost increases is where our negotiations with labour unions over salary increases conclude.

We do expect mobile losses to increase from the R1.1 billion recorded at FY 2011. We expect to reach EBITDA break even in FY 2014. As a result of decreasing revenue and increasing operating expenditure we expect our EBITDA margin to decline in FY 2012.

We do expect the Group's EBITDA margin to trend back towards higher levels over our five year business planning cycle. In addition we expect our capital expenditure to be between 20% – 25% of revenue for FY 2012 and remain happy with our medium term guidance for net debt/EBITDA to remain within the optimal range of 1.4X.

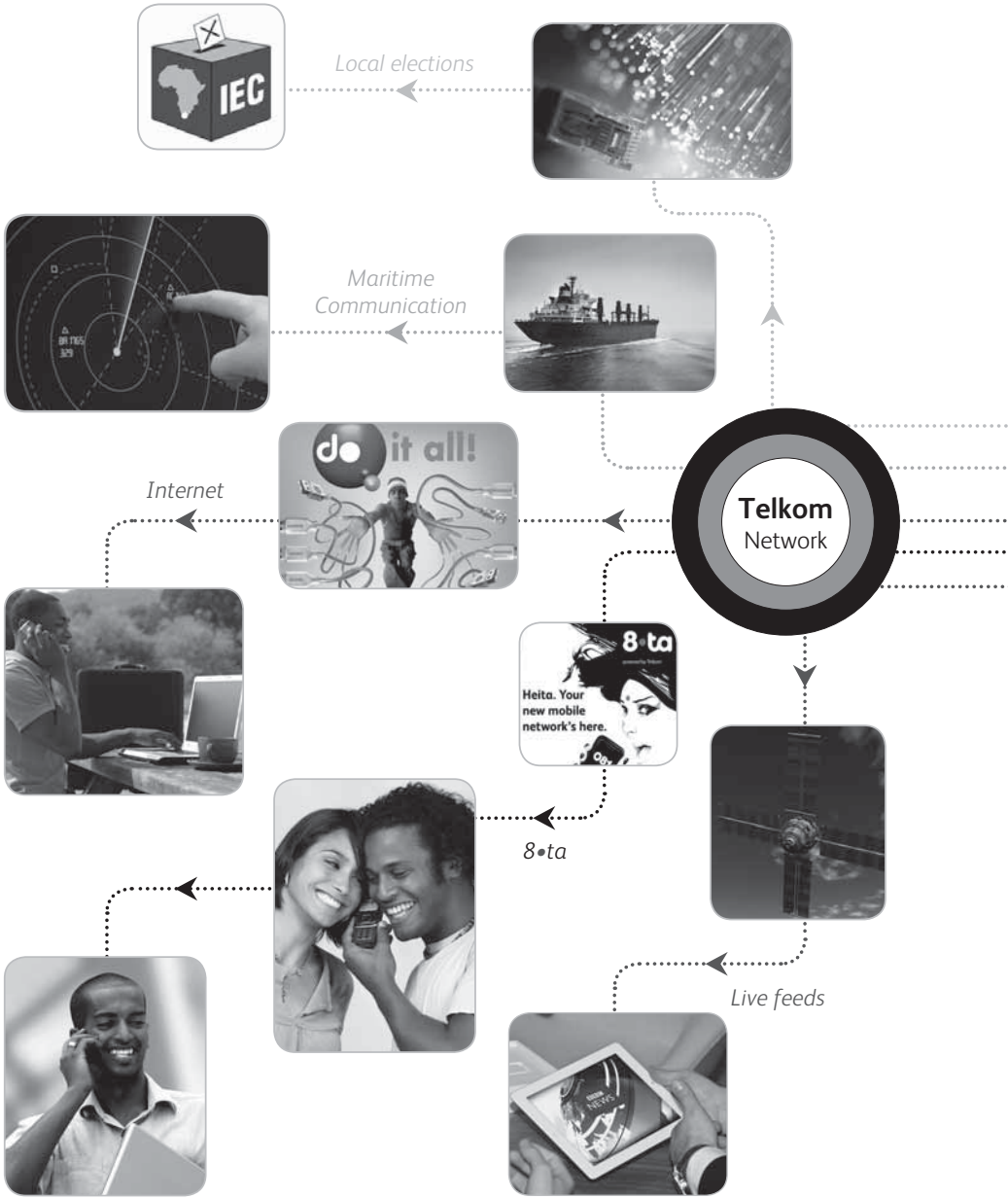
I wish to thank all our stakeholders, especially our employees for the continued commitment shown to Telkom.

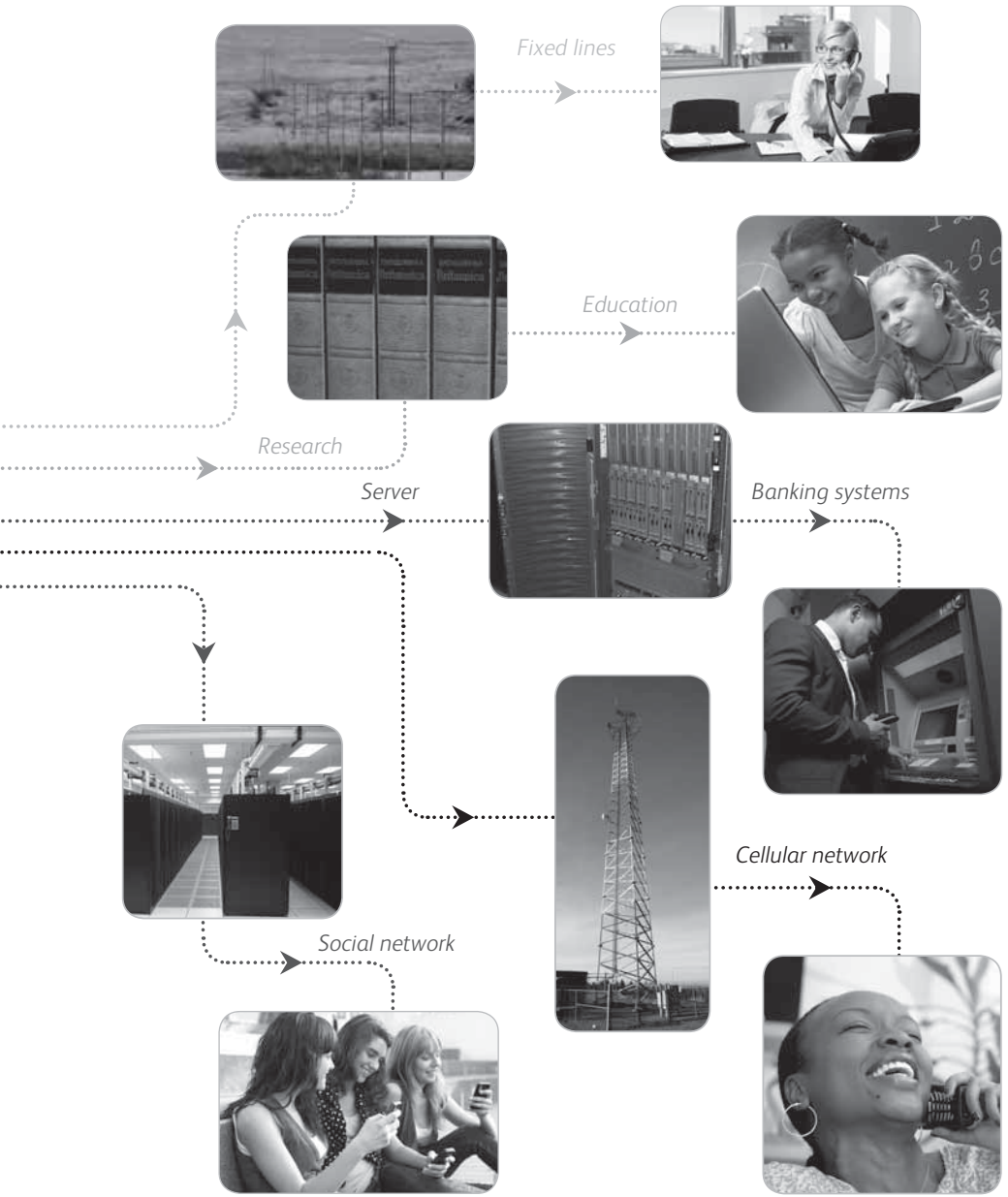
Nombulelo Moholi
Group Chief Executive Officer

On 27 June 2011 our first integrated fixed and mobile product was launched.

We are very excited about moving into the world of fixed mobile convergence.

Connecting human potential every second of the day




Fixed lines
Education
Research
Server
Banking systems
Cellular network
Social network

Board of Directors

Polelo Lazarus Zim

Polelo Lazarus Zim
Age: 50
Non-executive Chairman
Chairman of the Nominations Committee

He was appointed as Chairman of the Telkom Board from 16 February 2011. After studying at the Universities of Fort Hare and Witwatersrand, he obtained an MCom from the Rand Afrikaans University and an honorary Doctorate of Commerce from the University of Fort Hare. In the course of his career he has served as Chief Executive Officer of the M-Net Channel, Managing Director of M-Net SuperSport, CEO of MIH South Africa, Managing Director of MTN International and Executive Director of the MTN Group, and Chief Executive of Anglo America SA Limited. He has held numerous non-executive directorships and has contributed as Chairman, President, Director and Member to numerous South African Government institutions and professional organisations. He is Chairman of Afripalm Resources and Northam Platinum.

Brahm du Plessis

Brahm du Plessis
Age: 56
Independent non-executive director

He was appointed to the Board from December 2004. A practising advocate at the Johannesburg Bar since 1987, Advocate Du Plessis, who holds BA and LLB degrees from the University of Stellenbosch and an LLM degree from the University of London, has also served as a member of the Johannesburg Bar Council.

Jackie Huntley

Jackie Huntley
Age: 48
Non-executive director
Chairman of the Human Resources and Remuneration Committee

She was appointed to the Board from September 2007, is an attorney and senior partner at Mkhabela Huntley Adekeye Inc, one of the major black law firms in South Africa. She has extensive experience in commercial and corporate law, including telecommunications law. She holds BProc and LLB degrees from the University of the Witwatersrand along with a Management Advanced Programme certificate.

Sibusiso Luthuli

Sibusiso Luthuli
Age: 37
Independent non-executive director
Chairman of the Audit and Risk Committee
Chairman of the Investment and Transactions Committee

He was appointed to the Telkom Board from July 2005. He is the Chief Executive of the Eskom Pension and Provident Fund. A qualified chartered accountant (SA), he also holds a BCom degree and a post graduate diploma in accountancy. He is the non-executive Chairman of the listed pharmaceutical company Cipla Medpro SA Limited.

For full details on the responsibilities of our Board of directors please visit our full integrated report

GRI and King III

Jeff Molobela

Jeff Molobela
Age: 55
Non-executive director

He was appointed as chairman of the Telkom Board from November 2009 to 15 February 2011. Subsequently he was re-appointed as a non-executive director from 15 February 2011. He holds a BSc (Eng) Honours degree from Imperial College (London University) and an MBA from Imperial College Business School (London University). He has extensive experience in financial services, property, information and telecommunications technology (ICT) and has served on numerous company boards and board committees and consulted to Denel and Armscor. He has served on the Boards of Africon Engineering Limited, Transnet, Primegro Limited, CBS Properties Limited, Growthpoint Properties Limited, Decillion Limited and Cashbuild Limited. He currently serves on the boards of N3TC Limited and a number of private companies.

Julia Hope

Julia Hope
Age: 48
Non-executive director

She was appointed to the Board from 1 November 2009. She holds an MSc (Eng. Telecommunications) from Moscow Technical University of Communications and Information Technology, and is a member of the South African Institute of Electrical Engineers (SAIEE). Her early career was devoted to mastering both telecommunications and broadcasting in a corporate and government environment. She has over 15 years' experience in the electronic communication industry, having previously worked for the broadcasting industry, and the Independent Communications Authority of South Africa (ICASA).

Navin Kapila

Navin Kapila
Age: 57
Non-executive director

He has been appointed to the Board from 1 February 2011. He was educated at India's Punjab University. He is a seasoned professional who has, for the past 20 years, gained vast experience in diverse fields including investment, business and product development and relationship and alliance management. He has in-depth telecommunications experience and was involved in policy formulation and market deregulation in India. He was the Vice President of Corporate Development at ICO Global Communications (London), and has also served as Vice President of Government Affairs and Director of Business Development in the same company.

Peter Joubert

Peter Joubert
Age: 77
Independent non-executive director

He was appointed to the Board from August 2008. Previously he was the Chief Executive Officer and Chairman of Afrox. He has served as the chairman and director of numerous companies. He is the current Chairman of Sandvik and General Motors Foundation. He holds a BA degree from Rhodes University, a DPWM from Rhodes and has completed Harvard Business School's Advanced Management Programme.

Younaid Waja

Younaid Waja
Age: 59
Non-executive director

He was appointed to the Board from April 2010. He is a Chartered Accountant and Tax and Business Consultant. He currently enjoys membership of various boards and committees of organisations such as Blue IQ Holdings Limited (and some of its subsidiaries), Imperial Holdings Limited (and some of its divisions), Real Africa Holdings Limited, Pareto Limited, Diabo Share Trust and the Public Investment Corporation Limited. His former memberships include member of the Income Tax Special Court, chairman of the Public Accountants and Auditors Board (now IRBA), director of the Insider Trading Directorate, vice president of the Association of Black Accountants of Southern Africa (ABASA), treasurer of the Black Business Council, finance director of the South African Tennis Association and finance secretary of the South African Council of Sport.

Executive Committee

Jeffrey Hedberg

Jeffrey Hedberg
Age: 49
Years of service at Telkom: 18 months
Acting Group Chief Executive Officer

Jeffrey Hedberg was appointed Acting Group Chief Executive Officer on 7 July 2010 and handed over the role to Nombulelo Moholi on 1 April 2011. He joined Telkom Group in November 2009 as CEO of Multi-Links. From 2006 – 2009 Jeffrey was CEO of Cell C, the third mobile operator in South Africa. In 1999, he joined the management of German Deutsche Telkom and became the chief of international operations. He also spent time at the Swiss national phone company Swisscom as head of international operations. His experience and expertise spans fixed and mobile telecommunications, mergers and acquisitions, international expansion and vendor engagement. His leadership and people management skill is well respected by people who have worked with him.

Nombulelo Moholi

Nombulelo Moholi
Age: 51
Years of service at Telkom: 13
BSc Eng (Electrical and Electronic)
Chief Executive Officer

Ms Moholi was appointed as the Group Chief Executive Officer and as an executive director on 1 April 2011. Ms Moholi was the Managing Director of the Telkom SA business unit since 1 May 2009. Previously she served as Group Executive of Strategy, Marketing and Corporate Affairs and in the executive committee of the Nedbank Group from March 2006 to April 2009. Ms Moholi joined Telkom in 1994 as General Manager of Payphones and became a Group Executive of Regulatory Affairs in October 2005 and Managing Executive of International and Special Markets in 1999. She left Telkom in 2005, having served as the Chief Sales and Marketing Officer since 2002. Prior to joining Telkom, she worked for GEC and Siemens (South Africa).

Ouma Rasethaba

Ouma Rasethaba
Age: 50
Years of service at Telkom: 5
BProc, LLB (Hon), higher diploma in Company law, LLM
Chief of Corporate Governance

Appointed Chief of Corporate Governance in November 2007, Advocate Rasethaba joined Telkom in 2006 as Group Executive of Regulatory and Public Policy. She is a former special director of Public Prosecutions at the National Prosecuting authority.

Pierre Marais

Pierre Marais
Age: 52
Years of service at Telkom: 32
BEng (Hon) in Electronics, MBA
Acting Managing Director of Cybernest

Marais was appointed acting managing director of Telkom Group's Data Centre Operations business unit (Cybernest) in August 2009. He joined Telkom in 1976 and prior to his current position he served as Group Executive for Network Core Operations.

Deon Fredericks

Deon Fredericks
Age: 50
Years of service at Telkom: 17
CA (SA), B Comm Business Management (Hon), ACMA
Acting Chief Financial Officer

Fredericks was appointed as acting chief financial officer on 25 August 2010. Previously he served as Telkom's group executive of corporate finance accounting services and as chief accountant from November 2004 to August 2010. During this time he was appointed acting chief financial officer from November 2007 – December 2008. He originally joined Telkom SA Limited in 1993 as a senior manager in internal audit and has held several executive positions in the various facets of finance. He is a member of the Chartered Institute of Management Accountants (UK) and serves as a director of Trudon and Multi-Links. He also serves on the audit committee of Trudon and Multi-Links. Fredericks stepped down as acting chief financial officer effective from 31 July 2011.

Thami Msubo

Thami Msubo
Age: 45
Recently appointed
BAdmin (Economics & Administration), BA (Hon), MDP
Master of Management Sciences Degree
Chief of Human Resources

Telkom appointed Thami Msubo as Chief of Human Resources in January 2011. He was most recently Chief of Human Resources, Corporate Affairs and Empowerment at Tata, based in Richards Bay, KwaZulu-Natal. With 20 years' experience in human resources, he is an internationally acclaimed HR expert with hands-on experience and specialisation in Transformation, Business Culture Change, Leadership Development, Organisational Development and Next Practices. A seasoned business leader who spent four years in Germany as a business trainee and post-graduate scholar, he has held senior HR, Corporate Affairs and Transformation roles in multinational companies abroad and locally in both Greenfield operations and established companies. Some of the companies he worked for were Kumba Resources as Corporate HR Manager, Ticor SA as General Manager: HR & External Relations, Bayer SA as Group OD and Talent Manager, Tongaat-Huletts as Regional HR Manager (KZN) and Siemens Limited as Senior HR/Transformation Officer. He is an active member of the Board of Governors of the World Association for Cooperative Education (WACE), based in Boston, USA, and has served as former Deputy Chair of Business Against Crime (BAC), Northern KwaZulu-Natal Branch.

Motlatsi Nzeku

Motlatsi Nzeku
Age: 50
Years of service at Telkom: 15
BSc Mathematics and Physics, B Eng (Hon)
Managing Director of Telkom International

Nzeku was appointed Managing Director of Telkom International in March 2011. Previously he served as the chief information officer from March 2006. Since joining Telkom in 1994 as a manager in internal audit he held several positions including group executive of procurement services from November 2004 and managing executive of customer services from April 2001.

On 20 May 2011 the Executive Committee was extended to include the heads of Telkom SA's business units – Bashier Sallie – Wholesale and Networks, Brian Armstrong – Enterprise and Manelisa Mavuso – Consumer. The Executive Committee is now more closely aligned with our business which facilitates faster and better decision making.

For details of the executive management team please visit our full integrated report available at www.telkom.co.za/ir

Key strategic drivers supported and fuelled by the nine strategic pillars

Drive broadband based consumer services

- It is a global trend that traditional voice services in the consumer market are swiftly moving to the mobile platform largely as a result of the convenience factor. There is however a great opportunity to drive fixed-line broadband based services particularly as we invest significantly in the access network to provide speeds and quality that will provide for large data content and quality VoIP offerings. The quality of fixed-line data is unmatched.

Maintain market leadership in enterprise services

- Telkom ensures that the South African economy remains connected. The banks, retailers, manufacturers, mines, airlines, government to name a few rely on Telkom's network to manage their businesses. We are encountering significant competition in this segment and are required to invest further to ensure we provide services to the enterprise market that are very difficult to replicate.

Transform the network for growth and cost efficiency

- We need to invest in the access network in order to take advantage of the significant investments we have made previously in the core and transport network. We are also removing old legacy technology and replacing it with Internet Protocol based technology. The new technology and improved access network will allow us to provide all customers with far cheaper products, more capacity and far greater bandwidth flexibility.

Grow the mobile business

- The mobile business is essential to turning around the trend of declining revenues. Being armed with a mobile product will allow us to offer customers the full array of telecommunications products. We will be able to compete with mobile incumbents in the consumer voice and data space and defend our territory in the enterprise market through offering a bolt-on mobile service.

Evolve into a true convergence player

- Information, Communication and Telecommunications markets are converging and more players are offering services from neighbouring markets. Telkom, with fixed-line services through Telkom SA, mobile services through 8•ta and data services through Cybernest is now perfectly positioned to capitalise on this growing trend. We are designing bundled products to offer variations of the above services which offer compelling value.

Create a sustainable African business

- We are in the process of selling Multi-Links, based in Nigeria, to Helios Towers Nigeria. This business was bleeding cash and compromising the rest of the Telkom Group. Our other asset, iWayAfrica, is a small Internet Services Provider with businesses throughout the African continent. We are consolidating these businesses, exiting territories where we do not have scale and focusing on providing services to South African corporates across the continent.

Remain a wholesaler of choice

- Telkom, through its Wholesale division, provides services to other licensed operators. Our competitors however are now allowed to build and provide these services directly without coming through Telkom. This business is therefore under pressure. We are working actively to ensure that our pricing is extremely competitive, that we install services quickly and that the quality of our products remains exceptional.

Ensure we are an employer of choice

- South Africa is afflicted by a serious shortage of advanced skills. Our business requires highly skilled employees particularly from the Engineering and ICT worlds. We compete actively with our competitors for these skills and need to create an environment and thriving business that encourages people to choose Telkom as an exciting and caring employer.

We have nine strategic imperatives:

1. SHAREHOLDER VALUE DELIVERY
2. GOOD GOVERNANCE
3. STAKEHOLDER ENGAGEMENT
4. PROTECTING OUR BUSINESS
5. OUR CUSTOMERS
6. SOCIAL RESPONSIBILITY
7. ENVIRONMENTAL MANAGEMENT
8. TRANSFORMATION and
9. HUMAN CAPITAL.

Integrated performance indicators

For full details on our financial performance please visit our full integrated report

	Telkom Company						Normalised Group		
	2007 Rm	2008 Rm	2009[9] Rm	2010[8] Rm	**2011 Rm**	CAGR (%)	2010 Rm	**2011 Rm**	CAGR (%)
Statement of comprehensive income data									
Operating revenue	32,340	32,571	33,659	33,911	**31,712**	(0.5)	35,213	**33,388**	(5.2)
ADSL subscribers[1]	255,633	412,190	548,015	647,462	**751,625**	30.9			
Calling plan subscribers	272,071	464,038	590,590	715,221	**783,193**	30.3			
Closer subscribers	266,300	451,122	575,812	694,348	**753,951**	29.7			
Supreme call subscribers	5,771	12,916	14,778	20,873	**29,242**	50.0			
WiMax subscribers	–	–	2,615	2,979	**3,199**	10.6			
Internet all access subscribers[2]	302,593	358,066	423,196	511,535	**543,316**	15.8			
Fixed access lines ('000)[3]	4,642	4,533	4,451	4,273	**4,152**	(2.8)			
Postpaid – PSTN	2,971	2,893	2,769	2,625	**2,552**	(3.7)			
Postpaid – ISDN channels	718	754	781	784	**772**	1.8			
Prepaid	795	743	766	744	**703**	(3.0)			
Payphones	158	143	135	120	**125**	(5.7)			
Managed data network sites	21,879	25,112	29,979	33,226	**34,163**	11.8			
Fixed-line penetration rate (%)	9.8	9.5	9.1	8.7	**8.3**	(4.1)			
Revenue per fixed access line (ZAR)	5,275	5,250	5,349	5,345	**4,863**	(2.0)			
Traffic revenue	16,740	15,950	15,323	13,893	**12,045**	(7.9)			
Local	4,832	4,076	3,634	3,205	**2,836**	(12.5)			
Long-distance	2,731	2,252	2,036	1,805	**1,588**	(12.7)			
Fixed-to-mobile	7,646	7,557	7,409	6,452	**5,181**	(9.3)			
Fixed-to-fixed	–	–	11	37	**78**	166.3			
International outgoing	988	986	933	910	**725**	(7.4)			
Subscription based calling plans	543	1,079	1,300	1,484	**1,637**	31.8			
Interconnection	1,639	1,757	2,084	2,608	**1,679**	0.6			
Mobile	816	838	916	1,043	**684**	(4.3)			
Fixed	–	28	111	228	**328**	127.1			
International	823	891	1,057	1,337	**667**	(5.1)			
Traffic millions of minutes	29,323	26,926	24,869	23,082	**20,545**	(8.5)			
Local	14,764	11,317	8,822	6,963	**5,563**	(21.7)			
Long-distance	4,224	3,870	3,631	3,238	**2,806**	(9.7)			
Fixed-to-mobile	4,103	4,169	4,126	3,646	**3,563**	(3.5)			
Fixed-to-fixed	–	–	–	47	**104**	121.3			
International outgoing	558	635	622	595	**468**	(4.3)			
International outgoing	38	43	34	60	**69**	16.1			
Subscription based calling plans	1,896	2,997	3,546	3,805	**3,988**	20.4			
Interconnection	3,740	3,895	4,088	4,728	**3,984**	1.6			
Mobile	2,419	2,502	2,484	2,319	**2,053**	(4.0)			
Fixed	–	113	415	736	**951**	103.4			
International	1,321	1,280	1,189	1,673	**980**	(7.2)			
Telkom Mobile revenue					**81**	–			
Total subscribers					**1,199,596**	–			
Active subscribers[4]					**473,604**	–			
Prepaid					**440,775**	–			
Contract					**32,829**	–			
Base stations constructed					**970**	–			
Employees[5]					**228**	–			
ARPU (Rand)[4]					**22.60**	–			
Prepaid					**15.86**	–			
Contract					**238.57**	–			
Other income	655	498	524	715	**534**	(5.0)	392	**541**	38.0
Interest received from trade receivables	181	211	214	248	**249**	8.3	294	**285**	(3.1)
Trade and other receivables	5,920	6,859	6,420	4,975	**4,803**	(5.1)	5,981	**5,503**	(8.0)
Bad debts as a % of operating revenue	0.4	0.7	0.8	1.1	**1.1**	28.1	1.2	**1.4**	22.6
Average days debtors	27	27	27	25	**29**	1.7			–
Operating expenses (including depreciation)	24,089	24,953	27,458	29,047	**28,466**	4.3	30,136	**29,671**	(1.5)
Employees	25,864	24,879	23,520	23,247	**22,884**	(3.0)	25,239	**24,645**	(2.4)
Fixed access line per employee[6]	180	182	189	184	**182**	0.3			–
Employee expenses as a % of operating expenses	29	30	28	32	**33**	2.9	33	**33**	12.0
Vehicle leases	552	428	389	410	**453**	(4.8)	410	**453**	10.5
Number of vehicles leased	9,694	8,792	8,266	7,928	**7,606**	(5.9)	7,928	**7,606**	(4.1)
Results from operating activities	8,906	8,116	6,725	5,579	**3,780**	(19.3)	5,469	**4,258**	(22.1)

	Telkom Company						Normalised Group		
	2007 Rm	2008 Rm	2009 [9] Rm	2010 [8] Rm	**2011 Rm**	CAGR (%)	2010 Rm	**2011 Rm**	CAGR (%)
Investment income	502 [7]	769 [7]	307 [7]	800	**470**	(1.6)	503	**213**	(57.7)
Finance charges and fair value movements	1,027	1,289	1,460	2,727	**1,226**	4.5	1,053	**1,109**	5.3
EBITDA interest cover	10.9	7.9	6.7	7.8	**9.5**	(3.3)	9.0	**10.1**	11.7
Interest cover	8.3	6.1	4.4	3.8	**4.4**	(14.9)	5.3	**4.7**	(11.3)
Profit before taxation	8,381	7,596	5,572	3,652	**3,024**	(22.5)	4,919	**3,362**	(31.7)
Taxation	2,690	2,599	1,854	1,295	**793**	(26.3)	1,566	**950**	(39.3)
Profit for the financial year – continuing operations	5,691	4,997	3,718	2,357	**2,231**	(20.9)	3,353	**2,412**	(28.0)
Normalised basic earnings per share (cents)							639.5	**448.1**	(29.9)
Normalised headline earnings per share (cents)							686.7	**444.9**	(35.2)
Ordinary dividend per share (cents)							115.0	**125.0**	8.7
Special dividend per share (cents)							260.0	**175.0**	(32.7)
Dividend cover							1.7	**1.5**	(12.4)
EBITDA	12,489	11,848	11,083	10,266	**8,543**	(9.1)	10,330	**9,155**	(11.3)
EBITDA margin (%)	38.6	36.4	32.9	30.3	**26.9**	(8.6)	29.3	**27.4**	(6.5)
Operating profit margin (%)	27.5	24.9	20.0	16.5	**11.9**	(18.9)	15.5	**12.8**	(17.8)
Net profit margin (%)	17.6	15.3	11.0	7.0	**7.0**	(20.5)	9.5	**7.2**	(24.1)
Balance sheet data									
Total assets	45,287	52,123	60,913	53,659	**52,368**	3.7	56,819	**54,347**	(4.4)
Non-current assets	37,533	43,360	50,791	42,841	**42,659**	3.3	44,518	**43,943**	(1.3)
Current assets	7,754	8,763	10,088	10,818	**9,390**	4.9	12,301	**10,315**	(16.1)
Assets of disposal groups held for sale	–	–	34	–	**319**	–	–	**89**	
Total liabilities	19,573	26,656	33,438	25,642	**24,376**	5.6	26,555	**24,325**	(8.4)
Non-current liabilities	6,580	12,407	16,388	14,097	**14,947**	22.8	14,204	**14,974**	5.4
Current liabilities	12,993	14,249	17,050	11,545	**9,429**	(7.7)	12,351	**8,899**	(27.9)
Liabilities of disposal groups held for sale				–	**–**		–	**452**	
Capital and reserves/shareholders' equity	25,714	25,467	27,475	28,017	**27,992**	2.1	30,264	**30,022**	(0.8)
Capital expenditure	6,594	6,794	6,690	4,228	**4,461**	(9.3)	5,377	**4,764**	(11.4)
Total debt	9,140	13,571	18,035	9,806	**8,551**	(1.7)	9,951	**8,558**	(14.0)
Net debt	8,735	12,645	15,896	5,011	**4,985**	(13.1)	4,723	**4,907**	3.9
Current ratio	0.6	0.6	0.6	0.9	**1.0**	13.7	1.0	**1.2**	16.4
Gearing ratio	35.5	53.3	65.6	35.0	**30.5**	(3.7)	32.9	**28.5**	(13.3)
Net debt to EBITDA	0.7	1.1	1.4	0.5	**0.6**	(4.4)	0.5	**0.5**	0.0
Before tax operating return on assets (%)	26.2	23.1	19.1	17.2	**12.0**	(17.8)	15.8	**12.5**	(20.9)
Return on equity (%)	22.1	19.6	13.5	8.4	**8.0**	(22.5)	10.7	**7.6**	(29.0)
Cash flow data									
Cash flow from operating activities	3,733	5,347	6,853	(472)	**6,142**	13.3	(3,317)	**5,188**	(256.4)
Cash flow from investing activities	(6,662)	(9,994)	(12,129)	(6,010)	**(5,632)**	(4.1)	15,580	**(4,545)**	(129.2)
Cash flow from financing activities	(2,777)	2,088	2,574	(8,966)	**(2,462)**	(3.0)	(10,098)	**(2,715)**	(73.1)
Capital expenditure excluding intangibles	5,546	6,044	5,866	3,857	**4,062**	(7.5)	4,964	**4,333**	(12.7)
Normalised free cash flow	1,945	1,211	(1,842)	5,366	**2,074**	1.6	5,507	**3,481**	(36.8)
Capital expenditure to revenue (%)	20.4	20.9	19.9	12.5	**14.1**	(8.9)	15.3	**14.3**	(6.6)

[1] Excludes Telkom internal lines and includes business, consumer, corporate, government and wholesale customers
[2] Includes Telkom internet ADSL, ISDN, WiMAX and dial-up subscribers
[3] Excludes Telkom internal lines
[4] Based on a subscriber who has participated in a revenue generating activity within the last 90 days
[5] Included in Telkom Company employees
[6] Based on number of Telkom Company employees, excluding subsidiaries
[7] Excludes dividends received from Vodacom
[8] Excludes Vodacom transaction expenses and Multi-Links impairment
[9] Excludes Multi-Links impairment

Shareholder value delivery

Highlights of the year

- We managed to grow the ordinary dividend by 16.0 % to 145 cents per share.
- On a like for like basis our operating revenue excluding the impact of the decrease in mobile termination rates and 8•ta revenue decreased 2.0 %. This was achieved in a highly competitive environment with overall annual retail price increases of 0.8 % effective 1 August 2009 and 1.7 % effective 1 August 2010.
- On a like for like basis our operating expenses decreased 4.5 % or R1.4 billion. This excludes the mobile business start-up cost, voluntary severance package cost and the effect of the decrease in mobile termination rates.
- Telkom South Africa's capital expenditure decreased 27.2 % to R2.8 billion.
- We offered voluntary severance packages to 186 management and 1,830 bargaining unit employees at a total cost of R739 million.
- Despite the investment in the mobile business and related start-up costs we managed to generate normalised free cash flow of R3.5 billion.
- Telkom secured a seven year USD127 million Sinosure-backed loan facility to finance capital expenditure, including a significant portion of its mobile capital expenditure as part of Telkom's expansion into the mobile telecommunications market in South Africa. This transaction represents the first under the Umbrella Framework which as a funding option is expected to be beneficial to Telkom over the coming years.

  Telkom was able to achieve a cheaper all-in cost than was otherwise available in either the international bank or bond markets.

Shareholder value delivery overview

The telecommunication market dynamics remain extremely challenging, particularly for a fixed-line incumbent. Traditional voice revenue has been our mainstay, allowing us to invest in extensive network and systems upgrades in order to facilitate the explosive demand for bandwidth and data services. Call termination rate reductions and aggressive pass through by competitors places Telkom at risk and demands aggressive price reduction. Current market experience confirms this. Data growth however does not offset voice revenue reduction. In addition, there is a continued migration toward VoIP architectures. Customers are also increasingly adopting Unified Communication as a service which requires IP connectivity.

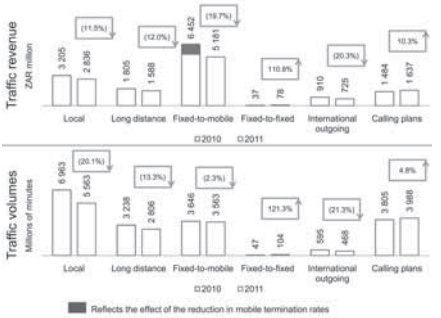
In order to manage these conditions Telkom remains focused on ensuring its competitiveness in terms of pricing and product and service mix. We also continue to migrate our customers towards annuity-based packages and provide innovative bundled packages to our enterprise customers. Bundling voice and data services is key to retaining our customers which is vital. However, the voice migration strategy has to be carefully paced in order not to decimate revenue. Following the launch of 8•ta our focus into the future will be on offering fully converged products that marry mobile voice and data services with the quality and resilience of the fixed-line services to both the enterprise and residential markets.

Voice revenue

Voice revenues, excluding interconnection revenue, declined 13.3% to R12,045 million as a result of lower minutes of use and, to a lesser extent, lower tariffs. Telkom elected to pass 100% of the benefit of the drop in mobile termination rates from 125 cents per minute to 89 cents per minute to its customers. Local voice revenue declined 11.5% to R2,836 million, long distance voice revenue was down by 12.0% to R1,588 million, fixed-to-mobile revenue was down 19.7% to R5,181 million and international outgoing revenue declined 20.3% to R725 million. Our continued drive to convert customers to annuity revenue streams saw revenue from subscription based calling plans grow 10.3% to R1,637 million. Voice annuity revenue, which includes line rental, calling plans, customer premises equipment rental and value added services grew 3.1% to R7.9 billion. Telkom Closer subscribers grew 8.6% to 753,951 and Supreme Call subscribers grew 40.1% to 29,242.

We continue to focus on improving customer churn, increasing customer loyalty and promoting the value offered by fixed-line converged services through many initiatives and new product launches such as Telkom Simple. Products of this nature have begun to slow down the rate of decline in the number of lines. We continue to offer volume based discounts, offering better value in exchange for extended contracts and migration to shared services.

Shareholder value delivery continued



Interconnection revenue

Interconnection revenue decreased 35.6% to R1,679 million reflecting the 34.4% decrease in mobile domestic interconnection revenue to R684 million, which includes fixed-to-mobile revenue (down 5.5% to R501 million) and international mobile outgoing revenue (down 64.3% to R183 million). The decline in fixed-to-mobile revenue has been mitigated with some traffic won back as a result of Telkom's full pass through of the mobile terminate rate reduction on 1 March 2010. The decline in mobile interconnection revenue is as a result of continuing mobile substitution and the sharp decline in international mobile outgoing revenue is as a result of lower volumes and switching to alternate international gateway providers. Fixed domestic interconnection revenue grew 43.9% to R328 million as Neotel and VANS gained further traction. International interconnection revenue declined 50.1% to R667 million as switched hubbing revenue, which we selected to reduce due to risk, decreased 71.4% to R236 million and international incoming revenue dropped 15.5% to R431 million.

Telkom has been successful in winning back some revenue lost to least cost routers and has also optimised interconnection routes resulting in lower settlement rates and higher retention on international outgoing calls.

Telkom is pleased to have secured asymmetric mobile termination rates. Asymmetry is positive for 8•ta and may or may not be positive for our fixed-line service depending on the level of pass through and traffic patterns.

The mobile termination rate cut from 125 cents per minute to 89 cents per minute effective from March 2010 impacted our fixed-to-mobile voice revenue by R1,199 million. We elected to pass through 100% of the benefit of the reduction to our customers. Payments to other operators decreased R1,025 million resulting in a net loss for us of R174 million. We will continue to share some of the benefits of further mobile termination rate cuts with our customers.

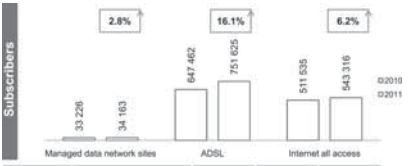
Broadband and data revenue

Total data revenue increased 7.7% to R10,699 million despite significant price reductions. Data connectivity services revenue increased 4.5% to R5,324 million which includes the 18.1% increase in ADSL revenue to R1,631 million. Leased line revenue increased 8.7% to R2,182 million. The growth in this line item is slowing down, which reflects the self-provisioning by mobile operators. Internet access and related services revenue increased 5.5% to R1,816 million and managed data network services revenue increased 20.2% to R1,242 million. Managed network sites grew 2.8% to 34,163.

We are facing competition on price for traditional data services. We continue to maximise the benefit of our capacity and ability to provide quality and security and continue to invest in our network to provide customers with differentiated, innovative IP based converged services. We are working towards providing full communication and converged solutions, including mobility and data centre services that offer significant value. We anticipate launching mobile business services in the second half of the 2011 calendar year.

ADSL subscribers increased 16.1% to 751,625 when compared to the 31 March 2010 reporting period. Our share of net additions within the entire broadband market is declining as a result of the rapid growth in mobile broadband. Broadband does however remain a growth driver for us. In order to capitalise on this growth it is necessary for us to invest significantly in shortening the local loop, additional fibre and Metro Ethernet. Fixed-line broadband needs to differentiate itself from mobile offerings through far higher speeds and quality. Research indicates that customers are prepared to pay more for higher value services. The next few years will see us begin to offer our customers in selected areas all of the above.

We will continue to up-sell and cross-sell higher bandwidth converged products to both consumer and enterprise segments.



Data annuity revenue (Rm)	2010	2011	%
Data connectivity	5,097	5,324	4.5
Leased line facilities	2,008	2,182	8.7
Internet access and related services	1,721	1,816	5.5
Managed data network services	1,033	1,242	20.2
Multimedia services	71	135	90.1
Total data annuity revenue	9,930	10,699	7.7

Operating expenses

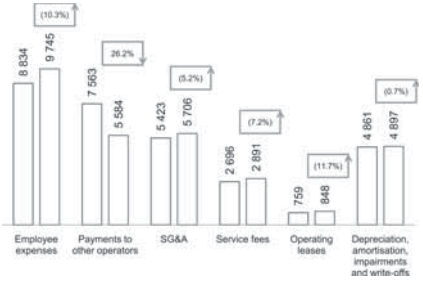
Operating expenditure decreased 1.5% to R29,671 million. This was largely as a result of the reduction in payment to other operators of 26.2% to R5,584 million. Employee expenses increased 10.3% to R9,745 million as a result of R739 million voluntary employee severance package expenses incurred and the 8.3% average annual salary increase. Selling, general and administrative expenses increased 5.2% to R5,706 million, mainly attributable to the start-up of the mobile business, partially offset by a decrease in maintenance and material expenses and lower licence fees in Telkom South Africa and a decrease in marketing fees in corporate centre. Service fees increased 7.2% to R2,891 million primarily due to electricity increases and operating leases grew 11.7% to R848 million mainly as a result of an increase in vehicle leases. Our start-up mobile business, 8•ta, incurred operating expenses of R1,230 million.

We are firmly committed to reducing our cost base. This must be done in a manner that ensures sustainable, long term benefits.

Ensuring **the success of our mobile business is vital** to future revenue growth

We have continued optimising staff vacancies through natural attrition and have been actively managing overtime and contractor spend in order to manage costs as far as possible. We launched voluntary severance packages for management employees with 186 employees electing to take advantage of the packages. In March 2011 we launched similar packages for bargaining unit employees. In all, 1,830 employees took advantage of these packages. The total cost of voluntary severance packages was R739 million.

Other initiatives focus on increasing revenue per customer, product and channel rationalisation, contact centre consolidation, better management of capitalised cost and capital work in progress and process optimisation throughout the business. Management is aware that cost reduction, no matter how difficult, is essential.



Cybernest

Cybernest has been in operation for a year and a half and has gained considerable traction in the market. While the majority of the R1,240 million revenue achieved in the twelve months to 31 March 2011 is generated from Telkom, non-Telkom revenue has increased 92.3% to R75 million. We are focusing our efforts on large customers with customised solutions and addressing smaller customers with packaged offers. Cybernest continues to optimise its network design to provide flexible solutions to high bandwidth client requirements. We continue with capacity increases, improving the network management and connectivity and increasing automation to improve productivity. We also continue to build our sales team and build credibility with customers through our strategic partnerships with industry leaders. Our product portfolio is growing as we move up the IT value chain and we are working closely with Telkom South Africa's enterprise team to offer customers expanded products and services. We remain optimistic about the prospects for this business.

Trudon

Trudon's revenue increased by 4.8% to R1,167 million while EBITDA declined 1.3% to R551 million. Operating profit decreased 2.3% to R513 million.

The core printed directories business has reached maturity in South Africa. To keep pace with the changes in the marketplace, Trudon is evolving from being a publisher of traditional print products to being a local search solutions provider. Print usage by subscribers has reduced and younger users access information primarily through internet and mobile channels, rather than printed white or yellow pages. Trudon has no choice but to follow this migration and build up its capabilities and capacity to offer these products. This move will require capital investment of R145 million over the following two financial years.

iWayAfrica

During the year under review iWayAfrica saw a decline in revenues of 11.2% to R413 million. The consumer business suffered from the effects of new and cheaper entrants into the market, specifically mobile operators and undersea cable operators. We expect to stop the declining margins and revenue trends in the next year by:

- completing the integration of Africa Online and MWEB Africa and rebranding it as a single operating unit named iWayAfrica;
- focusing on the enterprise market and reducing consumer orientation;
- re-orienting sales staff focus and training to target the enterprise market;
- completing the integration of distributors, technical and sales force;
- restructuring of sales staff remuneration; and
- support of the sub-Sahara African multinational enterprises expanding into Africa.

The Group's operating loss deteriorated significantly from the prior year to a loss of R87 million. This has primarily been driven by lower access revenues coupled with contracted bandwidth cost (specifically satellite) which could not be cancelled.

To address customer churn, we are migrating some Satellite customers to our wireless platforms where available.

iWayAfrica has been awarded the best VSAT operator of the year in Africa by the recent SatCom conference. We are leveraging on this reputation to strengthen our market position in the enterprise market and to support the South African multinational companies that are expanding into the rest of Africa.

Multi-Links

On 28 June 2011 we announced that we have reached an agreement with an affiliate of Helios Towers Nigeria, Limited (HTN) on the future sale of Multi-Links. Under the terms of the heads of agreement, which is subject to the relevant approvals, the affiliate of HTN will acquire full ownership and control of Multi-Links.

The entire issued share capital of Multi-Links will be sold for a consideration which, depending on the achievement of certain conditions, may exceed USD10 million. We will continue operational funding to Multi-Links to enable completion of the transaction.

We will participate in a portion of any upside above a certain threshold in the case of a sale of the asset by an affiliate of HTN on or before three years of deal completion. The participation portion is dependent on the lapse of certain time periods.

Stakeholder engagement

Telkom's value to society

We add significant direct and indirect value to South African society. Direct value added by our business contributes to the development of the South African economy as a whole and the extensive reach of our products and services are indirectly integral to the functioning and development of the South African society.

Direct value to society:
Group value added statement

		2010		2010 (Excl. Vodacom transaction)		**2011**	
		Rm	%	Rm	%	**Rm**	**%**
Value added							
Revenue		35,611		35,611		**33,454**	
Net costs of services and other operating expenses*		(16,723)		(16,708)		**(15,272)**	
Investment income		503		503		**213**	
Other income		18,995		460		**541**	
		38,386		19,866		**18,936**	
Value distributed							
Distributed to employees as salaries, wages and other benefits		9,785	25	8,834	43	**9,366**	**49**
To government as taxation and dividends	1	8,798	23	1,499	8	**1,182**	**6**
To shareholders (other than government) as dividends		7,718	20	392	2	**455**	**2**
To providers of finance as finance expense		1,143	3	1,143	6	**907**	**5**
Value reinvested	2	5,721	15	5,300	27	**5,047**	**27**
Net earnings retained		5,094	13	2,571	13	**1,859**	**10**
Non-controlling interest		127	1	127	1	**120**	**1**
		38,386	100	19,866	100	**18,936**	**100**
The amounts reflected above have been extracted from the Telkom SA limited consolidated annual financial statements for the year end 31 March 2011. For a full appreciation of the Financial Results readers should refer to the Telkom SA Limited Group Integrated Report and Annual Consolidated Financial Results for the year end 31 March 2011.							
** included in the figure above is the following distributions:*							
Distributed to suppliers		16,740		16,740		***15,052***	
Distributed to corporate social investment through Telkom Foundation		58		58		***43***	
1. To government as taxation and dividends		1,182		8,798		**1,499**	
		882		3,705		**1,240**	
South African normal company taxation		722		2,772		**1,419**	
STC		157		931		**(181)**	
Foreign taxation		3		2		**2**	
Dividends received		300		5093		**259**	
2. Value reinvested		5,047		5,721		**5,300**	
Depreciation, amortisation, impairments and write-offs		4,944		4,941		**4,941**	
Deferred taxation		103		780		**359**	

We add significant **direct and indirect value** to South African society

Value to society 2011 (%)

Distributed to employees as salaries, wages and other benefits	49
To government as taxation and dividends	6
To shareholders (other than government) as dividends	2
To providers of finance as finance expense	5
Value reinvested	27
Net earnings retained	10

Value to society 2010 (%)

Distributed to employees as salaries, wages and other benefits	25
To government as taxation and dividends	23
To shareholders (other than government) as dividends	20
To providers of finance as finance expense	3
Value reinvested	15
Net earnings retained	13

2010 Excluding Vodacom transaction (%)

Distributed to employees as salaries, wages and other benefits	43
To government as taxation and dividends	8
To shareholders (other than government) as dividends	2
To providers of finance as finance expense	6
Value reinvested	27
Net earnings retained	13

Stakeholder engagement continued

Our stakeholders

Our Stakeholder Management and Government Relations division identifies and engages with our stakeholders to ensure they know about our developments and that we, in return, get their feedback.

To ensure we interact properly with our stakeholders we developed an enterprise stakeholder management policy which will be implemented through an enterprise stakeholder management strategy.

In the year under review we engaged with the following stakeholder groups:

- **Investors**

Our key thrust with this group is to ensure we keep them informed and understand their requirements. Our investor relations office regularly updated them on our financial and operational performance, leadership issues and strategy and corporate governance. Additionally we held our annual general meeting; bi-annual results presentations; conducted local and international roadshows twice during the year, conducted management meetings when requested; sent out numerous announcements through the Securities Exchange News Service (SENS); published our annual report and held meetings with government.

- **Governors**

Governors were briefed at regular Board, Board committee and Exco meetings.

- **Customers**

Customer satisfaction and defending profitable revenue through customer retention and loyalty underpin everything we do. We held the annual customer sales forums across the country; published monthly customer publications; conducted market research and customer satisfaction surveys via our website, call centres and walk-in centres.

- **Government**

The Department of Communications is responsible for the policies that shape the telecommunications industry and, as a leading player, we engaged with government through ad hoc lobbying; workshops; round table discussions; seminars and conferences and at our bi-monthly meetings with the Minister, Deputy Minister and other senior officials.

- **Regulators**

Our industry is highly regulated by the Independent Communications Authority of South Africa (ICASA) on all fronts and we constantly engage with this body on a variety of issues, including spectrum fees and local loop unbundling a directive from ICASA for all operators to lower their termination rates.

For an understanding of how these measures affect the sustainability of our business.

- **Employees**

Road shows; daily communications; face-to-face meetings; employee briefings and a monthly online newsletter, were the focal points of our interaction with our employees. We also launched a culture revitalisation project – CHART – to ensure our culture was aligned to our values. There is also a dedicated e-mail address to which employees can send any queries they may have. For an understanding of our employee expenses, please see the financial review.

- **Organised labour**

We have three forums – Restructuring, Company and National Employment Equity and Skills Development – which met with the trade unions to discuss or resolve issues as and when necessary. Task teams consisting of management and union representatives met on some specific issues and ad hoc meetings are held with COSATU and NEDLAC.

- **Suppliers/partners**

In our constant quest to improve the sourcing and procurement process we held ad hoc one-on-one meetings with each supplier segment; conducted workshops and implemented an e-sourcing system to increase the transparency of the bidding process.

- **Civil society**

The Telkom Foundation, a Group funded non-governmental organisation, ran partnership programmes; funded or sponsored a variety of local projects and initiatives across South Africa.

- **The media**

Our media relations department held numerous briefing sessions and media conferences and sent out a large range of media releases. Key issues were, on the positive side, the 2010 Soccer World Cup which highlighted our technical abilities and, on the downside, the leaking of dossiers containing serious allegations about tender irregularities, which impacted on our brand.

We have the following mechanisms in place for shareholders and employees to provide recommendations or direction to the highest governance body.

- Shareholder meetings are held where shareholders have an opportunity to provide input to Telkom.
- Investor relations interact with shareholders on an ongoing basis, and the feedback from these interactions are communicated to the executive committee and the Board
- When both final and interim results are announced, the Group CEO and top management go on local and international shareholder road shows to address shareholders and feedback from these road shows is filtered to the Board
- Similarly road shows are normally arranged by the Group CEO and top management to address employees.

The table below provides a summary of material issues identified through the stakeholder engagement process as well as the stakeholders that are materially impacted by such issues. The material issues have been linked with the relevant business impacts and strategy as well as the sustainability context in the Material Sustainability Issues section below.

	Regulatory and com-pliance	Engagement and development of employees	Dependence on suppliers	Customer satis-faction	Fatalities, lost time injuries, HIV & Aids, electro magnetic radiation	Energy costs, security of electricity supply, climate change and waste recycling	Trans-formation of the ICT sector and the Telkom business	Enhancing value added to all stake-holders
Investors	√			√		√	√	√
Governors	√	√	√	√	√	√	√	√
Customers				√			√	√
Government	√					√	√	√
Regulators	√	√				√	√	√
Media				√			√	√
Employees		√			√		√	√
Organised labour		√					√	√
Suppliers/ Partners			√		√	√	√	√
Civil society						√	√	√

Material sustainability issues

The process of identifying our material sustainability issues involved engaging with internal and external stakeholder groups as well as considering our risk management and governance processes.

Sustainability issues (both negative and positive) are determined by:

- stakeholder engagement through Telkom's Enterprise Stakeholder Management and Government Relations division (refer Stakeholder Engagement);
- assessment of our risks and risk factors (refer Enterprise Risk Management); and
- assessment of legislative, social and environmental requirements.

GRI's principles on materiality and relevance were applied to the issues determined above to identify issues that would substantively influence the assessments and decisions of stakeholders as material sustainability issues.

Material sustainability issues were aligned with the relevant GRI performance indicators, including the telecommunications sector supplement, and by observing the GRI guidance for using such indicators. Further relevant performance indicators were identified for each material issue based on other frameworks (e.g. Department of Trade and Industry's Codes of Good Practice on Broad Based Black Economic Empowerment) and our internal reporting processes. Each indicator was assessed in terms of the availability of information over the period 1 April 2010 to 31 March 2011. Indicators on which the relevant information was available have been reported on, thereby ensuring that the minimum number of indicators in each of the respective GRI performance indicator categories observed have been met to achieve a C+ application level sustainability report. Indicators where relevant and reliable information was not readily available have been highlighted as not currently measured but commentary on management's approach to these areas has been provided.

The material issues identified together with the related performance indicators have been summarised in the table below. Each material issue has been linked with the relevant business impacts and strategy as well as the sustainability context. Performance of the organisation against each material issue has been dealt with under the relevant sustainability performance category.

For more details see the full integrated annual report available at www.telkom.co.za/ir

Key risks

Risk	Context	Mitigating factors
Investment in mobile strategy	Our ability to successfully implement the mobile strategy and compete against incumbent cellular operations	• 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	• 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	• 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	• 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.	• 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	• 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	• 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	• 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	• 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	• 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	• 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	• We continue to maintain our fixed-line network • We continue to deploy alternate technologies in high theft areas • We deploy a network security strategy

Our carbon footprint

The carbon footprint was calculated using emission factors provided by the Intergovernmental Panel on Climate Change (IPCC) and the United Kingdom's Department for Environment, Food and Rural Affairs (DEFRA). DEFRA's emission factors are used by organisations worldwide to calculate their carbon footprints. Our overall (Scope 1, 2 and 3) carbon footprint for the year ended 31 March 2011 is 825,673 tCO_2e. Table 1 below provides a breakdown of emissions per scope.

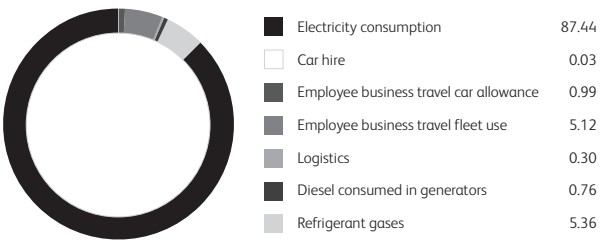
Scope 1, 2 and 3 carbon emissions

Activity	Activity data	Carbon emissions (tCO_2e)
	Scope 1 emissions	
Diesel consumed in generators	2,358,809 litres	6,274
Refrigerant gases	24,463 kg[1]	44,243
Total (tCO_2e)		**50,517**
	Scope 2 emissions	
Activity	**Activity data**	**Carbon emissions (tCO2e)**
Electricity consumption	700,940,529 KWh	721,969
Total (tCO_2e)		**721,969**
	Scope 3 emissions	
Activity	**Activity data**	**Carbon emissions (tCO2e)**
Car hire	1,382,349 km[2]	281
Employee Business Travel – Car allowance	27,829,356 km[3]	8,161
Employee Business Travel – Fleet use	Debis fleet: 144,263,559 km[4] TFMC fleet: 2,593,085 litres	42,257
Logistics	935,627 litres	2,488
Total (tCO_2e)		**53,187**
Total emissions (tCO_2e)		**825,673**

[1] *The refrigerant gas value provided is the total consumption (kg) from several different types of refrigerant gases, each of which have their own Global Warming Potential (GWP).*
[2] *The car hire value provided is the total kilometres travelled in hire cars, which is split according to fuel type and engine size when calculating the associated carbon emissions.*
[3] *The employee business travel/car allowance value provided is the total kilometres travelled in employee owned cars, which is split according to fuel type and engine size when calculating the associated carbon emissions.*
[4] *The Debis vehicle fleet value provided is the total kilometres travelled in Debis fleet vehicles, which is split according to fuel type and engine size when calculating the associated carbon emissions.*

Electricity contributes the majority (87%) of our carbon footprint as illustrated in the chart below:

Carbon emissions (%)



Our carbon footprint continued

Water

For the year under review our total water consumption was 1.487.064.63Kl, down 2.6% from the previous year.

Water consumption (Kl million)

We continue to run water awareness campaigns to educate our employees about the importance of this scarce resource and encourage them to report any water waste issues to our facility management company. The table above highlights how we are steadily decreasing our water use. Space optimisation projects have also contributed to water savings as they identify under used sites and help us relocate employees more efficiently.

Integrated waste and recycling management

Together with our Facility Management Company (TFMC) we compiled an integrated waste management document during the year. As the majority of our waste is managed by the TFMC, it is important for us to ensure that specific processes are implemented to ensure maximum waste management and effective recycling. The document provides guidance for employees about how to manage the associated waste streams and clarifies what and how recyclable waste should be managed. It also clearly defines who is responsible for which waste stream.

Recyclable waste stream management

Indicator	Metric tonnes		
Waste stream	**2008/9**	**2009/10**	**2010/11**
Copper	1,301	2,210	1,387
Optic fibre	282	234	203
Batteries	349	344	348

Copper

Our above and below ground copper cable network is a target for thieves and we have replaced many copper networks with optic fibre and radio technology to mitigate losses.

We have many projects in place to recover as much redundant copper as possible from our equipment rooms to minimise congestion and enhance cooling systems. New technologies also ensure that smaller quantities of this non-renewable resource are used by us.

Optic fibre

Optic fibre plays a significant role in our new communication technologies and where damaged cables are replaced rather than rejoined, the recovered material, which contains large quantities of plastic, is recycled.

Lead acid batteries

In some rural areas where electricity is not accessible, we use batteries as a power source. These are regularly recharged and replaced to ensure minimal service interruption. The batteries have a limited life cycle and the obsolete ones are recovered and recycled for their lead and plastic components by certified hazardous substance disposal service providers.

Compliance

In the period under review we did not incur any fines, penalties or contraventions.

For a full report on environmental management please refer to our website *www.telkom.co.za/ir/sustainability*

Report from the Human Resources Review and Remuneration Committee

Dear shareholder,

This remuneration report is intended to provide an overview and understanding of the Company's remuneration principles and policies with specific emphasis on the non-executive directors, executive directors, Executive Committee and top three earners in the Company. The Company adopted the governance and disclosure requirements stipulated in the King Code of Governance Principles for South Africa 2009 (King III) and incorporated the required information in this report.

The Human Resources Review and Remuneration Committee remains mindful of the remuneration trends in the global environment and carefully considers all practices against the business and remuneration strategies ensuring that the remuneration practices support the achievement of business objectives without introducing additional risks to the organisation.

RJ Huntley

Chairman of the Human Resources Review and Remuneration Committee

15 July 2011

Remuneration report

This report sets out the Company's remuneration policy and practice for executive and non-executive directors and executive management and provides detail of their remuneration and share interests for the financial year ended 31 March 2011.

ROLE OF THE HUMAN RESOURCES REVIEW AND REMUNERATION COMMITTEE AND TERMS OF REFERENCE

The Human Resources Review and Remuneration Committee (HRRRC) is established by the Board in terms of the Company's Articles of Association to assist the Board of Directors to fulfil its responsibility to shareholders and the investment community by making recommendations on policies and processes regarding the appointment, remuneration, development and succession of members of the Executive Committee of the Company in support of the Company's strategic objectives.

The Board mandated the HRRRC to:

- recommend to the Board policy guidelines on human resource development within the Company that supports the achievement of the Company strategy and business plan of the Company;
- recommend to the Board guidelines for transformation within the Company, and monitor compliance with affirmative action and empowerment programmes that duly take into account the recommendations of the Chief of Human Resources, and are in conformity with the business plan of the Company;
- review the terms upon which the executive directors, and the members of the Executive Committee of the Company are employed and remunerated;
- review the remuneration of non-executive directors and make recommendations to the Board;
- approve the disclosure on the remuneration of executive and non-executive directors in the remuneration report and the statement of remuneration policy advised to shareholders. This provides a full detailed breakdown of directors' packages and share scheme awards; and
- review all human resources related policies within the organisation and any significant changes thereto.

The HRRRC held four scheduled meetings and four special meetings during the financial year. A quorum for a meeting is 50% of the members.

MEMBERS OF THE HRRRC

The committee consists of non-executive directors and executive management as provided in the Company's Articles of Association. Ms RJ Huntley, a non-executive director, was appointed Chairman of the HRRRC as of December 2009. In the 2011 financial year the HRRRC comprises the following non-executive directors of (which two are independent) and an executive management member:

RJ Huntley (Chairman)
PL Zim (appointed with effect from 16 February 2011)
B du Plessis (independent)
PG Joubert (independent)
JN Hope
J Molobela
E Spio-Garbrah (retired with effect from 1 May 2010)
RJ September (retired with effect from 7 July 2010)
TE Msubo (Chief of Human Resources)

The Company's chief executive officer attends the HRRRC meetings by invitation and participates in the HRRRC deliberations, except when issues relating to his/her own compensation are discussed. The remuneration of non-executive directors is determined by the Board. In the financial year, the HRRRC was advised by the Company's Human Resources and Finance functions and also took external advice from an independent external consulting firm.

During the financial year, the key remuneration decisions taken were as follows:

- As a result of a benchmarking exercise the Chairman's fee and non-executive directors' fees were increased to be in line with market trend.
- The Board took the decision not to increase the non-executive directors' fees for the 2012 financial year.

REMUNERATION PRINCIPLES AND POLICIES

Remuneration strategy

The Telkom remuneration strategy is designed to attract, retain and motivate high-calibre talent in a challenging business environment. Remuneration is based on performance measures which are aligned to the strategic intent and business plans of the Company.

Dimension	Remuneration tools	Desired outcome
Attract	Guaranteed package Sign-on bonus	Attractive remuneration packages
Motivate	Short term incentives	Attractive rewards for achieving stretch targets
	Long term incentive	Share in long term wealth creation/Sustained performance
Retain	Retention agreements	Retain top business leaders and top talent
	Restraint of trade	Protect commercially sensitive information

The strategy aims to focus the effort and attention of individuals on the Telkom strategic deliverables for long term sustainability, as well as on short term business plan deliverables for profitability, both of which are imperative to shareholder value creation.

The Telkom remuneration structure is designed to ensure that rewards are aligned to strategic and operational outcomes. Our philosophy, which is aligned with market analysis, is to reward all Telkom employees on total earnings of market upper quartile and guaranteed packages will be positioned on market median.

The market environment in which Telkom operates in is characterised by intensifying competition with mobile operators and new entrants to the market which continues to put pressure on the Company. As the market expands with operators in all spheres of our business, the challenge of retaining experienced executive leadership, as well as attracting new talent required for the new and growing areas of our business, such as data and fixed-mobile convergence increases. The demand for talent in the communications industry is increasing. This requires competitive and attractive remuneration offerings, to ensure that Telkom continues to attract, motivate and retain the best in class talent to drive Company strategic intents and to deliver operational results.

Objectives

The remuneration strategy is designed to compete effectively for talent in a competitive labour market in order for Telkom to successfully achieve the following objectives:

- Be an integral part of an overall human resources strategy, geared to support business strategies;
- Emphasise value creation;
- Establish a formal, transparent and fair reward strategy;
- Control and manage total cost of employment;
- Retain competent employees to enhance business performance;
- Motivate individual and team performance to drive shareholder value and employee engagement;
- Differentiate payment based on individual performance; and
- Maintain a balance between guaranteed remuneration, short term incentives and long term incentives.

Principles

Telkom recognises that one of its competitive sources of value is its employees, and believes that in order to meet our business plan objectives our remuneration and reward policies and practices must be based on in the following principles:

- Be designed to motivate and reinforce superior performance;
- Encourage the development of organisational, team and individual performance;
- Encourage the development of competencies required to meet future business needs;
- Be based on the premise that employees should share in the success of the Company;
- Be designed to attract and retain high-quality individuals with the optimum mixture of competencies;
- Be aimed at securing our employees' commitment to Telkom's goals via the optimum combination of financial and non-financial rewards; and
- Be congruent with the anti-discriminatory clause in the Bill of Rights.

Guaranteed packages

Guaranteed packages are influenced by the scope of the role and the knowledge, skills and experience required of the position holder and reflect the market median determined through external market research that yields market data and appropriate salary ranges for specific positions.

Employees do not have a right to annual guaranteed package increases. Annual increases are subject to industry market conditions, employee performance, internal equity, strategic investments and the Company's overall financial position and the ability to pay.

The Company is currently in the process of implementing a Differentiated Reward Model (DRM) in order to phase in the Pay for Performance Concept. DRM consists of three competency stages, namely development stage, intermediary stage and proficient stage. These stages are adjusted to promote exceptional performance by linking rewards and endorse some type of career and salary progression which should then translate into desired business results. Newly appointed graduates will be incentivised to progress and this should have a positive impact on employee engagement and performance.

All positions are evaluated to determine their relative value and contribution in terms of complexity and required outcomes. Positions are evaluated using the Company's job evaluation system (Decision Tree) which correlates with the Paterson grading system as follows:

Hierarchical level	Level of leadership	Telkom grade
Executive	Top Management/ Executive Leadership	**M0**
Managing Directors/ Chief Officers		
Senior Managing Executives		**M1**
Group/Managing Executive		**M2**
Executives	Executive Leadership	**M3**
Senior Manager/Manager	Frontline Leadership	**M4/5**
Operations Manager/ Supervisor	Frontline Leadership	**M6**
Support Staff/Technician/ Specialist	Operational	**OP1/2/A**

Salary structures are benchmarked against the Company's labour market competitors via annual salary surveys which the Company conducts and/or participates in. In this way the Company maintains awareness of market remuneration levels per Paterson job band and per job family.

Group Chief Executive Officer
The Group Chief Executive Officer ('GCEO') is rewarded on the delivery of the strategic and operational deliverables in line with shareholder expectations and business strategy. The remuneration strategy for the GCEO is designed to align remuneration with long term shareholder growth and sustainable profitability. The reward should demonstrate the critical and pivotal role the GCEO plays in the achievement of Company strategic objectives and operational goals. Guaranteed package is set at market median.

Executive Committee and Executive management team
Guaranteed packages are in line with similar roles in the applicable market according to organisational size, profitability and complexity. It is also influenced by the scope of the role and knowledge, skills and experience required of the position holder. Guaranteed packages are also reviewed against individual performance, and set against market median.

For full details on the Executive Committee and the executive management team, refer to page 10 of this report and page 20 of the full integrated report available at www.telkom.co.za/ir.

Management employees
Guaranteed packages for management levels are reviewed annually as part of the Company's overall remuneration review process and are assessed against the individual's performance.

Bargaining unit employees
Telkom follows a balanced approached in granting annual salary increases for bargaining unit employees with due consideration of CPI, market movements and affordability.

Short term incentive
Short term incentive component is an incentive that delivers reward on achievement of annual performance targets. The level of achievement determines the level of payment against each weighted Company performance measure.

The short term incentive paid comprises a cash payment which is payable after finalisation of results at the end of the relevant financial year.

The objectives of the short term incentive plan are as follows:

- To support the achievement of the Group's annual performance targets including the priority focus areas and annual business plan targets;
- To encourage over achievement of Group results;
- To drive a strong performance culture recognising and rewarding exceptional performance of the Company teams and of individuals;
- To adequately differentiate between exceptional and mediocre performance; and
- Ultimately, to reward team and individual contribution and performance "that is good for shareholders, customers and employees".

Performance is typically measured at the levels of Group performance and business unit performance. Telkom's organisational structure and integrated business model is designed to ensure that all business units contribute to the delivery of the overall Telkom Group's strategy. Therefore, there is inter-dependency between the business units in delivering the Group's strategic targets.

The overall Company performance is measured as follows:

Group targets	40%
Business unit targets	60%
Total	100%

The performance of the Group and business units are measured against the following indicators:

- Earnings before interest and taxation;
- Return on assets before taxation;
- Basic earnings per share;
- Free cash flow;
- Customer satisfaction; and
- Organisational transformation.

The short term incentive opportunity payout level is detailed as follows:

Level of performance	% of target achieved	STI payout %
Hurdle	90	25
Target	100	50
Stretch	110	100

Short term incentive award for the 2011 financial year
In respect of the 2011 financial year, the top management performance targets achieved on short term incentive awards were as follows:

	%	Corporate Centre %	Telkom SA %	Data Centre Operations %	Telkom International %
Group STI plan	**40.00**	11.00	11.00	11.00	11.00
Business unit STI plan	**60.00**	54.25	44.88	46.50	27.38
Total	**100.00**	65.25	55.88	57.50	38.38

The maximum bonus achievable for top management under the short term incentive plan, expressed as a percentage of their guaranteed packages, is shown in the table below:

Position	Stretch incentive %	Target incentive %	Hurdle incentive %
Group chief executive officer	100.00	50.00	25.00
Executive committee	80.00	40.00	20.00
Executive management team	55.00	27.50	13.75

Proposed short term incentive plan for the 2012 financial year
In respect of the 2012 financial year short term incentive plan and in line with the new remuneration policy submitted for shareholder approval, the overall Company performance will be measured at Group, business unit and divisional level as indicated below. The corporate centre will be focusing on providing overall policy and steering the Company and business units.

	Business unit %	Corporate centre %
Group STI plan	30	50
Business Unit STI plan	40	20
Divisional STI plan	30	30
Total	100	100

The proposed short term incentive opportunity payout level for the 2012 financial year is detailed as follows:

Level of performance	% of target achieved	STI payout %
Hurdle	90	50
Target	100	100
Stretch	110	110

The maximum bonus achievable for top management under the proposed short term incentive plan, expressed as a percentage of their guaranteed packages, is shown in the table below:

Position	Stretch incentive %	Target incentive %	Hurdle incentive %
Group chief executive officer	110	100	50
Executive committee	88	80	40
Executive management team	60.5	55	27.5

Under the proposed STI plan the performance of the Group and business units will be measured against the following indicators:

- Earnings before interest and taxation measured on Group level;
- Basic earnings per share measured on Group level;
- Returns on assets before taxation measured on Group level;
- Free cash flow measured on Group level;
- Financial performance, customer satisfaction, transformation (culture revitalisation and BBBEE) will be measured on business unit level; and
- Divisional specific measures are measured on divisional level.

The rules, targets and measurements are annually tabled on recommendation of the HRRRC to the Board for approval. The HRRRC will decide on the bonus amount payable to the GCEO subject to the actual audited Company performance reflected in the plan under review. The GCEO is responsible for the allocation of the rest of the amount available to the Executive Committee, executive management team and other employees as per the audited results and the approved plan under review.

Long term incentive awards
We concluded the final vesting of shares in accordance with the Telkom Conditional Share Plan in June 2010 and currently do not have a share plan in place. However, a new share plan for selected management employees will be submitted to the shareholders for approval at the annual general meeting to be held on 30 August 2011.

Proposed share incentive plan
The proposed share incentive plan is structured to optimise the Company's overall position, while providing benefits that will assist the Company to attract, retain and incentivise certain management levels and top talented employees. The share incentive plan is designed to support the principle of alignment between management and shareholder interests with the aim to ultimately ensure growth in shareholder value.

The objectives of the proposed share incentive plan are to motivate long term sustainable performance, align the interests of top management with those of shareholders, retain business critical and top talented employees and provide a long term incentivisation tool for top management.

The proposed share incentive plan will consist of two share based incentive plans. The Share Appreciation Right Scheme is a constitutional share option scheme that is aimed at driving motivation and the long term incentive plan is targeted at ensuring retention.

Share Appreciation Right Scheme ('SARS')
Eligible employees will receive annual grants of Share Appreciation Rights, which are rights to receive shares equal to the value of the difference between the exercise price and the grant price. Vesting of the rights is subject to specific performance conditions.

When the holder elects to exercise the vested right, the Company settles the difference between the market price on grant date and the exercise price in equity.

Long term Incentive Plan ('LTIP')
The LTIP is a conditional award of Company shares offered to eligible employees. The vesting of the conditional shares is subject to performance conditions which should be achieved over a three-year performance period.

The performance condition linked to the vesting of SARS and LTIP will be over a three-year period and measured as follows:

- Total Shareholder Return (TSR) – Telkom's targeted total shareholder return is based on CPI with a productivity factor of 2%;
- Individual performance assessments for the preceding financial year in which vesting occurs; and
- 30% of shares allocated are subjected to total shareholder return and 70% as a retaining measure for management employees.

The Human Resources Review and Remuneration Committee will meet annually in order to consider the selection of eligible employees and will consider the following factors to determine the number and value of rights and conditional awards to be granted to each eligible employee:

- Benchmarked face value of share based incentive awards as a percentage of guaranteed pay. Where employees qualify for both LTIP and SARS participation, 50% of the face value of the awards will be granted in terms of the rules of the SARS and the remaining 50% in terms of the rules of the LTIP;
- Annual guaranteed package on the award date; and
- Individual performance assessment.

The Board will annually determine performance conditions for each allocation.

Limits to the proposed incentive share plans
The aggregate number of shares which may be allocated under the LTIP when added to the total number of conditional awards which have been allocated previously under the LTIP and any shares allocated to employees under any other managerial scheme operated by the Company, shall not exceed 52,078,390 shares equating to approximately 10% of the current number of issued ordinary shares of the Company.

The maximum number of shares allocated to all unvested awards granted to any participant, in respect of the LTIP and any other managerial scheme operated by the Company, shall not exceed 5,207,839 shares, representing approximately 1% of the current issued ordinary share capital of the Company.

The HRRRC may not grant conditional awards to an employee in any financial year if it would at the proposed date of grant cause the face value of the grant which such employee has been granted in that financial year to exceed 120% of the employee's base pay at the proposed date of grant. In order to enhance the Company's ability to attract external candidates, the HRRRC has the discretion to increase such limit to 240% in the year of appointment of an employee.

External appointments
Executive directors are not permitted to hold external directorship or offices without the prior approval of the Board. To avoid conflict of Company interest or impair the employee's ability to render productive service to Telkom, the employee may not accept membership of a board of directors without prior written permission. In the case of a member of the Executive Committee or executive management team permission should be obtained from the GCEO. Telkom may withdraw permission to serve on a board of directors at any stage.

Service agreements
In line with the service agreement of RJ September he announced on 4 June 2010 that he will retire from his position and resign his directorship. RJ September has agreed with the Telkom Board to step down as GCEO and resigned as a director from 7 July 2010.

Effective from 1 April 2011, Telkom entered into a service agreement with NT Moholi, which has a three year term, expiring 31 March 2014, with an annual one year renewal, subject to either party tendering notice of their intention to terminate the agreement on or before 30 June of the applicable year. All other members of the Executive Committee have indefinite service employment contracts with a three month notice period by either party.

Executive directors	Year of employment	Year first appointed to the Board	Year due for re-election
NT Moholi	2011	2011	2014
RJ September	1977	2007	n/a[1]
PG Nelson	2008	2008	n/a[1]

[1] *RJ September retired effective from 7 July 2010 and PG Nelson resigned effective from 25 August 2010.*

Retention and restraint agreements
Restraint agreements have been signed with NT Moholi, GCEO, which prevent her from competing within the communications industry for two years from last day of employment. In addition, TE Msubo, the Chief of Human Resources, is subject to a retention agreement that will lapse on 31 December 2013.

NON-EXECUTIVE DIRECTORS' REMUNERATION KEY PRINCIPLES AND POLICIES

The Board of directors, on the recommendation of the HRRRC, determine the fees of the non-executive directors. These fees are set out on page 36 and in note 42 in the consolidated annual financial statements available at www.telkom.co.za/ir.

Fees for Telkom's non-executive directors are determined by the Board of Directors based on market practice, within the restrictions contained in Telkom's Articles of Association. Telkom's non-executive directors receive no other pay or benefits other than directors' fees, with the exception of reimbursement of expenses incurred in connection with their directorships. The non-executive directors do not participate in the share scheme, bonus scheme or incentive plans outlined herein and are not eligible for pension scheme membership.

At the beginning of the financial year the HRRRC appointed an independent external consultant to undertake a benchmarking exercise, which indicated that the Chairman's fee is well below the average of telecommunication comparator groups and if Telkom wishes to maintain current chairman fees relative to the market it should consider an adjustment in excess of South African inflationary increases. Non-executive directors' fees were roughly equal to the market capitalisation groups but well below the average of telecommunication comparator groups and the consultant also recommended an increase to maintain levels relative to the market.

The remuneration structure is considered to be fair and reasonable and in the best interest of the Company.

Service agreements

Telkom entered into a service agreement with PL Zim effective from 16 February 2011, which has a one year term, expiring 15 February 2012.

Non-executive directors	Year first appointed to the Board	Year last re-elected as a director	Year due for re-election
PL Zim (Chairman)	2011		2014
D Barber	2008	2009	Resigned
B du Plessis	2004	2008	2011
JN Hope	2009	2011	2014
RJ Huntley	2007	2011	
PG Joubert	2008	2008	2011
Dr VB Lawrence	2007		Resigned
N Kapila	2011		2014
PSC Luthuli	2005	2010	
B Molefe	2008		Resigned
J Molobela	2009	2011	2014
Dr E Spio-Garbrah	2007		Resigned
Y Waja	2010		2013

Non-executive directors' remuneration

The fees for the Chairman and directors with effect from 1 April 2010 with an annual review to take place on 1 April each year:

Chairman	R1,110,000 per annum
Ordinary board member	R325,000 per annum
International board member	R449,811 per annum

These fees are payable for the five scheduled Board meetings held per annum and will be proportionate to the period during which office is held.

Each non-executive director will be entitled to an allowance for each Board meeting attended by such director in addition to the five scheduled Board meetings per annum.

Chairman	R20,000 per meeting
Ordinary Board member	R15,000 per meeting
International Board member	R15,000 per meeting

If a Board member or the Chairman is a member of any committee as listed below, they will receive the following in addition to the above:

Audit and Risk Committee	
Chairman	R200,000 per annum
Member	R120,000 per annum
Human Resources Review and Remuneration Committee	
Chairman	R200,000 per annum
Member	R120,000 per annum
Nominations Committee	
Chairman	R80,000 per annum
Member	R60,000 per annum
Investment Committee	
Chairman	R80,000 per annum
Member	R60,000 per annum

These fees are payable for the four scheduled committee meetings held per annum by the Audit and Risk and Human Resources Review and Remuneration committees and for the two scheduled committee meetings held per annum by the Nominations and Investment committees. The fees will be proportionate to the period in which office is held.

A payment of R15,000 will be made for each additional committee meeting held, it being noted that short or preparatory meetings do not qualify for this payment.

Where any Board member voluntarily attends a committee meeting of which they are not a member, no fees will be payable for their attendance.

REMUNERATION AND BENEFITS AWARDED DURING 2011

Executive directors' remuneration

Remuneration and benefits paid, short term incentives approved and shares and dividends received in terms of the Telkom Conditional Share Plan (TCSP) in respect of the 2011 financial year are set out in the following table:

Rand	Salary	Pension fund	Other benefits	Short term incentives	Total 2011	Total 2010
Executive directors						
RJ September[1]	2,583,881	335,905	3,672,323	–	**6,592,109**	9,906,748
PG Nelson[1]	1,316,401	171,132	3,356,492	–	**4,844,025**	7,814,731
Total	3,900,282	507,037	7,028,815	–	**11,436,134**	17,721,479

[1] RJ September and PG Nelson resigned effective from 7 July 2010 and 25 August 2010 respectively and therefore did not qualify for a short term incentive

Other benefits disclosed above include the following:

Rand	Vehicle insurance	Non-pensionable salary	TCSP	Other	Total 2011	Total 2010
Executive directors						
RJ September	7,635	771,473	2,098,451	794,764[1]	**3,672,323**	4,025,455
PG Nelson	–	393,040	1,931,703	1,031,749[2]	**3,356,492**	3,141,550
Total	7,635	1,164,513	4,030,154	1,826,513	**7,028,815**	7,167,005

[1] Represents a leave encashment at retirement

[2] Represents an employment settlement at resignation

Executive Committee

The aggregate remuneration and benefits paid, short term incentives approved and shares and dividends received in terms of the Telkom Conditional Share Plan (TCSP) for the 2011 financial year are set out in the table below:

Rand	Salary	Pension fund	Other benefits	Short term incentives	Total 2011	Total 2010
Executive Committee						
Total	16,647,334	1,376,010	37,570,956	10,567,981	**66,162,281**	40,965,766[2]
Number of members[1]					**9**	5

[1] Two members resigned effective from 30 June 2010 and one member resigned effective from 31 March 2011. Four members were appointed in the Executive Committee during the financial year

[2] Includes a payment for restraint of trade of R9,400,000

Other benefits disclosed above include the following:

Rand	Vehicle insurance	Non-pensionable salary	TCSP	Other[1]	Total 2011	Total 2010
Executive Committee						
Total	41,022	2,457,428	6,779,900	28,292,606	**37,570,956**	23,106,491

[1] Represents a settlement payment following private arbitration proceedings, employment settlements at resignation, retention payment and payments made for acting allowances

[2] Includes a restraint of trade payment and an acting allowance

Top three earners

31 March 2011

The top three earners were identified by the value of total remuneration awarded for the year including the shares vested in terms of the June 2010 vesting of the Telkom Conditional Share Plan. Remuneration and benefits paid and short term incentives approved for the 2011 financial year are set out in the table below:

Top three earners (included in Executive Committee) Rand	Salary	Pension fund	Other benefits	Short term incentives	Total 2011
Employee 1	625,812	81,356	12,306,143	1,670,227	**14,683,538**
Employee 2	6,062,642	–	–	4,158,258	**10,220,900**
Employee 3	510,417	66,354	8,534,751	–	**9,111,522**
Total	7,198,871	147,710	20,840,894	5,828,485	**34,015,960**

Other benefits disclosed above include the following:

Top three earners (included in Executive Committee) Rand	Vehicle insurance	Non-pensionable salary	TCSP	Other	Total 2011
Employee 1		226,880	–	12,079,263[1]	**12,306,143**
Employee 2		–	–	–	**–**
Employee 3	1,908	152,396	2,638,367	5,742,080[2]	**8,534,751**
Total	1,908	379,276	2,638,367	17,821,343	**20,840,894**

[1] *Represents a settlement payment following private arbitration proceedings*

[2] *Represents an employment settlement at resignation*

31 March 2010

The top three earners were identified by the value of total remuneration awarded for the year including the shares vested in terms of the June 2009 vesting of the Telkom Conditional Share Plan. Remuneration and benefits paid and short term incentives approved for the 2010 financial year are set out in the table below:

Top three earners (two are members of the Executive Committee) Rand	Salary	Pension fund	Other benefits	Short term incentives	Total 2010
Employee 1	3,446,667	448,067	11,665,205	1,836,384	17,396,323
Employee 2	3,062,500	398,125	4,654,898	902,300	9,017,823
Employee 3	995,506	129,416	4,764,265	479,371	6,368,558
Total	7,504,673	975,608	21,084,368	3,218,055	32,782,704

Other benefits disclosed above include the following:

Top three earners (two are members of the Executive Committee) Rand	Vehicle insurance	Non-pensionable salary	TCSP	Other	Total 2010
Employee 1	–	413,600	1,851,605	9,400,000[1]	11,665,205
Employee 2	11,892	2,719,057	1,923,949	–	4,654,898
Employee 3	11,892	591,468	728,125	3,432,780[2]	4,764,265
Total	23,784	3,724,125	4,503,679	12,832,780	21,084,368

[1] *Represents a restraint of trade payment*

[2] *Represents a retention payment*

Telkom Conditional Share Plan

We concluded the final vesting of shares in accordance with the Telkom Conditional Share Plan in June 2010.

For full details of the Telkom Conditional Share Plan, including number of shares used in the scheme and dilution to shareholders in this regard and the allocation and vesting of shares to the executive directors, refer to note 26 and 31, respectively, of the consolidated annual financial statements available at www.telkom.co.za/ir

Non-executive directors

The following table details emoluments paid to non-executive directors for services rendered:

Non-executive directors	Directors' fees	Committee and special meeting fees	Total 2011	Total 2010
PL Zim (Chairman)	134,125	76,666	**210,791**	–
ST Arnold				530,833
D Barber	17,255	6,600	**23,855**	444,000
B du Plessis	325,000	600,000	**925,000**	603,000
JN Hope	325,000	490,000	**815,000**	165,333
RJ Huntley	325,000	706,000	**1,031,000**	627,500
PG Joubert	325,000	390,000	**715,000**	462,000
Dr VB Lawrence[1]	397,378	70,000	**467,378**	337,000
N Kapila	53,549	35,000	**88,549**	–
PSC Luthuli	325,000	575,000	**900,000**	644,000
KST Matthews				230,667
B Molefe[2]	17,255		**17,255**	256,000
J Molobela[3]	979,167	408,333	**1,387,500**	409,167
Dr E Spio-Garbrah[1]	37,484	–	**37,484**	496,978
Y Waja	308,983	308,333	**617,316**	–
Total	3,570,196	3,665,932	**7,236,128**	5,206,478

(1) Dr E Spio-Garbrah and Dr VB Lawrence are foreign directors with Ghanaian and American nationalities respectively

(2) Payments for services by B Molefe are paid directly to the Public Investment Corporation

(3) J Molobela retired as Chairman and was re-appointed as non-executive director of the Telkom Board effective from 16 February 2011

Non-executive directors are not eligible to participate in the Telkom Conditional Share Plan.

BENEFICIAL SHAREHOLDING

Directors' shareholding as at 31 March 2011

	Beneficial		Non-beneficial	
Number of shares	**Direct**	**Indirect**	**Direct**	**Indirect**
Non-executive				
J Molobela	**267**	**–**	**–**	**–**
Total	**267**	**–**	**–**	**–**
Directors' shareholding as at 31 March 2010				
Executive				
RJ September	110,070	1,820	–	–
PG Nelson	19,255	19,812	–	–
Non-executive				
J Molobela	267	–	–	–
DD Barber	–	1,200	–	–
Total	129,592	22,832	–	–

None of the directors declared interest in a contract during the year under review.

Audit and Risk Committee report

LEGAL RESPONSIBILITIES

The legal responsibilities of the Audit and Risk Committee (ARC) are set out in the Companies Act of South Africa. These responsibilities, and compliance with appropriate governance and international best practice, are incorporated in the ARC's charter, which is reviewed and approved annually by the Board. The ARC discharged all of those functions delegated to it in terms of the ARC charter, the Companies Act of South Africa, the JSE listings requirements and the recommendations of the King III Code.

ROLE OF THE AUDIT AND RISK COMMITTEE

The ARC assists the Board in discharging its duties including:

- to monitor the integrity of the financial statements of the Company;
- to review the Company's internal financial control system and, unless addressed by a separate risk committee or by the Board itself, risk management systems;
- to monitor and review the effectiveness of the Company's internal audit function;
- to make recommendations to the Board in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor following appointment by the shareholders in General Meeting;
- to monitor the effectiveness of the external auditor's performance and their independence and objectivity;
- to develop and implement policies on the engagement of the external auditor to supply non-audit services;
- to monitor the systems to safeguard the Company's assets;
- to monitor the establishment of and compliance with the enterprise risk management policies and procedures;
- to monitor compliance with applicable laws, regulations and standards;
- to monitor the adequacy of corrective action taken in terms of the recommendations and observations of internal and external auditors;
- to review financial information and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards; and
- to oversee the performance of the internal audit function and the external auditors.

MEMBERSHIP

The ARC is chaired by PCS Luthuli, an independent non-executive director and comprises five non-executive directors of which three are considered independent.

The following non-executive directors served on the committee during the year, except where noted otherwise:

PCS Luthuli (Chairman)	Independent	
DD Barber		Resigned – 20 April 2010
B du Plessis	Independent	
RJ Huntley		
PG Joubert	Independent	
B Molefe		Resigned – 20 April 2010
Y Waja		Appointed – 20 April 2010

Qualification details of the current members of the ARC are set out on pages 8 to 9. Non-executive director fees are included in the remuneration report on page 37.

Four scheduled meetings and five special meetings were held during the 2011 financial year. A quorum for a meeting is a majority of directors.

Attendance was as follows:

	Scheduled		Special	
	Number of meetings	Atten-dance	Number of meetings	Atten-dance
PCS Luthuli (Chairman)	4	4	5	5
B du Plessis	4	4	5	5
Y Waja	3	2	3	2
RJ Huntley	4	4	5	5
PG Joubert	4	4	5	3

ETHICS PERFORMANCE

The current Business Code of Ethics together with certain supplementary policies were recently revised and approved by the Board of Directors. This forms part of the Ethics programme that was developed and which makes provision for the following:

- setting up of an ethics office;
- committed engagement by way of institutionalising a comprehensive ethics programme, which includes the development, implementation and review of the Business Code of Ethics together with the supplementary policies;
- compiling an ethics risk and opportunity profile;
- ethics training and awareness within the organisation; and
- the certification of Company ethics officers.

Currently, reporting of the Company's ethics performance is to the ARC. In future it will be to the Social and Ethics Committee to be established in terms of Section 72 of the new Companies Act no. 71 of 2008, with the provision for ethics as a standard agenda point as well as the escalation of matters related to ethics.

IT GOVERNANCE

In acknowledgement of their responsibility for IT governance, the Board commissioned a Group-wide King III information technology (IT) governance assessment, which highlighted the current state of application of the principles of the Code. As a result, initiatives have been undertaken to further enhance the existing IT governance structures and processes.

As an integral part of the technology investment made by Telkom, and as a telecommunications company, the Board recognises the importance of IT to the performance and sustainability of the organisation. Under the Telkom King III IT governance application project, management are in the process of formalising an IT governance framework to govern the alignment of IT to business objectives, the management of value delivered by investment in IT, management of IT risk, consistent measurement of IT performance, and effective management of IT resources, including information assets.

Audit and Risk Committee report *continued*

The ARC oversees the reporting of IT matters to the Board, through a process currently being implemented to standardise IT reporting across the various organisational levels. Assurance is being obtained from internal and external auditors on IT related matters.

EXPERTISE OF THE FINANCE FUNCTION

The audit and risk committee is satisfied with the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the financial function.

INTERNAL CONTROLS

In order to ensure the independence, permit sufficient objectivity and assure the accomplishment of audit responsibilities, the Managing Executive of Telkom Audit Services functionally reports to the Chairman of the ARC. The Managing Executive of Telkom Audit Services also interacts directly with the Board and reports administratively to the Chief Financial Officer. The Managing Executive of Telkom Audit Services has unlimited access to all employees of the Company, including the Chairman of the Board, the Chairman and members of the ARC as well as the Chief Executive Officer.

Control environment assessment

In accordance with the recommendations of the King Report for Corporate Governance for South Africa 2009 (King III), Telkom Audit Services has prepared and presented to the Chairman of the ARC an assessment of the system of internal controls.

All significant and critical issues identified in the Telkom Audit Services' reports were reported to the ARC.

In accordance with the requirements of King III, Telkom Group has established the Telkom Combined Assurance Forum (TCAF) aimed at collaborating the efforts of all assurance providers at Telkom in a effort to avoid duplication of assurance effort, optimisation of assurance cost and a better understanding of the business by all participants to the forum. TCAF is chaired by the managing executive of Telkom Audit Services. Members of this forum include the Group's external auditors, Telkom Enterprise Risk Management and Compliance and Revenue Assurance. TCAF was established during the current period of assessment and was in operation for the entire period of this assessment.

Internal financial control assessment

Telkom Audit Services has conducted a formal documented review of the design, implementation and effectiveness of the Company's system of internal financial control and submitted a report in this regard to the Chairman of the ARC.

Telkom decided before the advent of the requirements of the Companies Act and recommendations of the King III Code to continue its efforts in assuring internal financial control over financial reporting through the legacy requirements imposed upon the Group via its compliance to the Sarbanes-Oxley Act. Albeit that the full scope approach adopted to comply to the Sarbanes-Oxley Act is no longer followed in its entirety, financial control management still receives separate and specific attention at Telkom.

Based on the results of the formal documented review of the Company's system of internal controls and risk management, including the design, implementation and effectiveness of the internal financial controls conducted by Telkom Audit Services during the 2011 financial year and considering information and explanations given by management and discussions with the external auditor on the results of the audit, nothing has come to the attention of the audit and risk committee that caused it to believe that the Company's system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements.

INTEGRATED REPORT

The ARC recommended the 2011 consolidated annual financial statements and the integrated report for approval by the Board of directors on 6 June 2011 and 15 July 2011, respectively.

EXTERNAL AUDITORS

The ARC is satisfied that Ernst & Young Inc. is independent in accordance with section 270A of the Corporate Laws Amendment Act, and nominated the re-appointment of Ernst & Young Inc. as registered auditors for the 2012 financial year.

PCS Luthuli
Chairman of the Audit and Risk Committee

15 July 2011

AUDIT OPINION

The consolidated annual financial statements, from which these condensed consolidated financial statements have been derived, have been audited by the Company's auditors, Ernst & Young Inc. Their unmodified audit opinion is included in the integrated annual report.

Directors' report

To the members of Telkom SA Limited

The directors have pleasure in submitting the condensed consolidated annual financial statements for the year ended 31 March 2011.

NATURE OF BUSINESS

Telkom is a leading integrated communications service provider in South Africa and on the African continent.

FINANCIAL RESULTS

Profit from continuing operations attributable to owners of Telkom for the year ended 31 March 2011 was R2,095 million (2010: R40,327 million) representing basic earnings per share from continuing operations of 411.3 cents (2010: 7,994.4 cents). Full details of the financial position and results of the Group are set out in the Company and Group annual financial statements included in the full integrated annual report.

DIVIDENDS

The following dividend was declared in respect of the year ended 31 March 2011:

- Ordinary dividend number 16 of 145 cents per share (2010: 125 cents).

The level of dividend payments will be based upon a number of factors, including the consideration of financial results, capital and operating expenditure requirements, the Group's debt level, interest coverage, internal cash flows, prospects and available growth opportunities.

SUBSIDIARIES, ASSOCIATES AND OTHER INVESTMENTS

Particulars of the significant subsidiaries of the Group are set out in notes 43 and 44 of the full set Group annual financial statements.

The attributable interest of the Group in the after tax earnings from continuing operations of its subsidiaries for the year ended 31 March 2011 were:

	2010 Rm	**2011** **Rm**
Aggregate amount of loss after taxation	(2,920)	**(110)**

SHARE CAPITAL

Details of the authorised, issued and unissued share capital at 31 March 2011, are contained in note 17 of the condensed consolidated annual financial statements respectively.

SHARE REPURCHASE

The Company did not repurchase any shares during the year under review.

BORROWING POWERS

In terms of the Company's articles of association, Telkom has unlimited borrowing powers subject to the restrictive financial covenants of the TL 20 bond and syndicated loans.

CAPITAL EXPENDITURE AND COMMITMENTS

Details of the Group's capital expenditure on property, plant and equipment as well as intangibles are set out in note 13 of the condensed consolidated financial statements, while details of the Group's capital commitments are set out in note 25.

EVENTS SUBSEQUENT TO REPORTING DATE

Events subsequent to the reporting date are set out in note 29 of the condensed consolidated financial statements.

DIRECTORATE

The following changes occurred in the composition of the Board of Directors from 1 April 2010 to date of this report.

Appointments

PL Zim	16 February 2011
N Kapila	16 February 2011
NT Moholi	1 April 2011

Resignations

B Molefe	20 April 2010
D Barber	20 April 2010
E Spio-Garbrah	1 May 2010
RJ September	Effective 7 July 2010
PG Nelson	Effective 25 August 2010
VB Lawrence	15 February 2011

The Board of Directors at the date of this report is as follows:

PL Zim	(Chairman)
NT Moholi	(Group Chief Executive Officer)
B du Plessis	
JN Hope	
N Kapila	
PCS Luthuli	
PG Joubert	
RJ Huntley	
Y Waja	
J Molobela	

Details of each director may be found in the Group review section of this integrated report.

DIRECTORS' INTERESTS

At 31 March 2011, none of Telkom's directors other than Mr J Molobela held any direct and indirect, beneficial and non-beneficial interests in the share capital of the Company. Mr J Molobela directly held 267 ordinary shares in Telkom.

Details of the Company Secretary's business address and the Company's registered office are set out in this integrated report.

The full set of consolidated and Company annual financial statements are available on our website at www.telkom.co.za/ir

Condensed consolidated statement of comprehensive income

for the year ended 31 March 2011

	Notes	Restated* 2010 Rm	**2011 Rm**
Continuing operations			
Total revenue	4.1	36,474	**34,026**
Operating revenue	4.2	35,611	**33,454**
Other income	5	18,995	**541**
Operating expenses		34,790	**29,924**
Employee expenses	6.1	9,785	**9,745**
Payments to other operators	6.2	7,563	**5,584**
Selling, general and administrative expenses	6.3	5,780	**5,772**
Service fees	6.4	2,696	**2,891**
Operating leases	6.5	759	**848**
Depreciation, amortisation, impairment and write-offs	6.6	8,207	**5,084**
Results from operating activities		19,816	**4,071**
Investment income		503	**213**
Gain on distribution of assets	5	25,688	**–**
Finance charges and fair value movements	7	1,068	**1,084**
Interest		1,143	**907**
Foreign exchange and fair value (gains)/losses		(75)	**177**
Profit before taxation		44,939	**3,200**
Taxation	8	4,485	**985**
Profit from continuing operations		40,454	**2,215**
Loss from discontinued operations	9	2,869	**873**
Profit for the year		37,585	**1,342**
Other comprehensive income			
Exchange differences on translating foreign operations		(1,676)	**30**
Realised exchange differences on translating foreign operations		(193)	**–**
Defined benefit plan actuarial gains/(losses)		130	**(741)**
Defined benefit plan asset limitations		(597)	**584**
Income tax relating to components of other comprehensive income	10	463	**44**
Other comprehensive income for the year, net of taxation		(1,873)	**(83)**
Total comprehensive income		35,712	**1,259**
Profit attributable to:			
Owners of Telkom		37,458	**1,222**
Non-controlling interests		127	**120**
Profit for the year		37,585	**1,342**
Total comprehensive income attributable to:			
Owners of Telkom		35,585	**1,139**
Non-controlling interests		127	**120**
Total comprehensive income for the year		35,712	**1,259**
Total operations			
Basic and diluted earnings per share (cents)	11	7,425.7	**239.9**
Continuing operations			
Basic and diluted earnings per share (cents)	11	7,994.4	**411.3**

** The amounts have been restated for the effect of the CDMA business relating to Multi-Links Telecommunications Limited being classified as a disposal group held for sale.*

Condensed consolidated statement of financial position

at 31 March 2011

	Notes	Audited 2010 Rm	**2011 Rm**
ASSETS			
Non-current assets		44,518	**43,943**
Property, plant and equipment		37,938	**37,304**
Intangible assets		4,338	**3,965**
Investments		1,437	**2,103**
Deferred expenses		156	**83**
Finance lease receivables		250	**239**
Deferred taxation	14	58	**56**
Other financial assets		341	**193**
Current assets		12,301	**10,315**
Inventories	15	1,274	**1,121**
Income tax receivable		2	**105**
Current portion of deferred expenses		48	**10**
Current portion of finance lease receivables		109	**118**
Trade and other receivables		5,981	**5,503**
Other financial assets		1,032	**1,674**
Cash and cash equivalents	16	3,855	**1,784**
Assets of disposal groups classified as held for sale	9	–	**89**
Total assets		56,819	**54,347**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent		29,925	**29,635**
Share capital	17	5,208	**5,208**
Treasury shares	18	(1,171)	**(771)**
Share-based compensation reserve	19	2,060	**–**
Non-distributable reserves		620	**1,764**
Retained earnings		23,208	**24,467**
Reserves of disposal groups classified as held for sale	9	–	**(1,033)**
Non-controlling interests		339	**387**
Total equity		30,264	**30,022**
Non-current liabilities		14,204	**14,974**
Interest-bearing debt	20	7,925	**8,198**
Other financial liabilities		19	**69**
Employee related provisions	21	4,315	**4,711**
Non-employee related provisions	21	40	**29**
Deferred revenue		1,068	**1,073**
Deferred taxation	14	837	**894**
Current liabilities		12,351	**8,899**
Trade and other payables	22	5,549	**4,782**
Shareholders for dividend	23	23	**21**
Current portion of interest-bearing debt	20	1,812	**157**
Current portion of employee related provisions	21	1,963	**1,932**
Current portion of non-employee related provisions	21	593	**86**
Current portion of deferred revenue		2,051	**1,771**
Income tax payable		165	**16**
Other financial liabilities		133	**123**
Credit facilities utilised	16	62	**11**
Liabilities of disposal groups classified as held for sale	9	–	**452**
Total liabilities		26,555	**24,325**
Total equity and liabilities		56,819	**54,347**

Condensed consolidated statement of changes in equity

for the year ended 31 March 2011

	Attributable to equity holders of Telkom								
	Share capital Rm	Treasury shares Rm	Share-based compen-sation reserve Rm	Non-distribu-table reserves Rm	Retained earnings Rm	Discon-tinued operations Rm	Total Rm	Non-controlling interests Rm	Total equity Rm
Restated opening balance at 1 April 2009	5,208	(1,517)	1,076	1,758	27,241	876	34,642	853	35,495
Total comprehensive income				(1,345)	37,123	(193)	35,585	127	35,712
Profit for the year					37,458		37,458	127	37,585
Other comprehensive income				(1,345)	(335)	(193)	(1,873)	–	(1,873)
Exchange differences on translating foreign operations				(1,345)			(1,345)		(1,345)
Exchange differences realised						(193)	(193)		(193)
Net defined benefit plan losses					(335)		(335)		(335)
Transactions with owners recorded directly in equity									
Contributions by and distributions to owners	–	346	984	–	(41,632)	–	(40,302)	–	(40,302)
Dividends paid					(11,275)		(11,275)		(11,275)
Vodacom dividends paid					(30,357)		(30,357)		(30,357)
Increase in share-based compensation			379				379		379
Vodacom transaction			951				951		951
Shares vested and re-issued		346	(346)				–		–
Reserves realised on disposal of Vodacom					683	(683)	–		–
Revaluation of the Cell Captive transferred to non-distributable reserves				287	(287)		–		–
Realised gains of the Cell Captive				(80)	80		–		–
Changes in ownership interests							–		–
Disposal of non-controlling interest							–	(536)	(536)
Contributions by and distributions to non-controlling interest									
Dividends declared							–	(105)	(105)
Balance at 31 March 2010	5,208	(1,171)	2,060	620	23,208	–	29,925	339	30,264
Balance at 1 April 2010	**5,208**	**(1,171)**	**2,060**	**620**	**23,208**	**–**	**29,925**	**339**	**30,264**
Total comprehensive income				**1,063**	**1,109**	**(1,033)**	**1,139**	**120**	**1,259**
Profit for the year					**1,222**		**1,222**	**120**	**1,342**
Other comprehensive income				**1,063**	**(113)**	**(1,033)**	**(83)**	**–**	**(83)**
Exchange differences on translating foreign operations				**1,063**		**(1,033)**	**30**		**30**
Net defined benefit plan losses					**(113)**		**(113)**		**(113)**
Transactions with owners recorded directly in equity									
Contributions by and distributions to owners	**–**	**400**	**(314)**	**–**	**(1,515)**	**–**	**(1,429)**	**–**	**(1,429)**
Dividends paid					**(1,515)**		**(1,515)**		**(1,515)**
Increase in share-based compensation			**(314)**				**(314)**		**(314)**
Shares vested and re-issued		**400**					**400**		**400**
Transfer of iWayAfrica reserves				**(75)**	**75**		**–**		**–**
Transfer of compensation reserve to equity			**(1,746)**		**1,746**		**–**		**–**
Revaluation of the Cell Captive transferred to non-distributable reserves				**156**	**(156)**		**–**		**–**
Contributions by and distributions to non-controlling interest									
Dividends declared							**–**	**(72)**	**(72)**
Balance at 31 March 2011	**5,208**	**(771)**	**–**	**1,764**	**24,467**	**(1,033)**	**29,635**	**387**	**30,022**

Condensed consolidated statement of cash flows

for the year ended 31 March 2011

	Notes	2010 Rm	**2011 Rm**
Cash flows from operating activities		(3,317)	**5,188**
Cash receipts from customers		36,925	**33,200**
Cash paid to suppliers and employees		(24,198)	**(25,107)**
Cash generated from operations		12,727	**8,093**
Interest received		802	**498**
Finance charges paid		(578)	**(635)**
Taxation paid		(4,888)	**(1,178)**
Cash generated from operations before dividend paid		8,063	**6,778**
Dividend paid	23	(11,380)	**(1,590)**
Cash flows from investing activities		15,580	**(4,545)**
Proceeds on disposal of property, plant and equipment and intangible assets		21	**297**
Proceeds on disposal of investment		20,599	**–**
Additions to property, plant and equipment and intangible assets		(4,545)	**(4,333)**
Acquisition of subsidiaries and joint venture		(495)	**(9)**
Additions to other investments		–	**(500)**
Cash flows from financing activities		(10,098)	**(2,715)**
Loans raised		2,727	**980**
Loans repaid		(11,315)	**(2,399)**
Acquisition of non-controlling interests		(2)	**–**
Finance lease capital repaid		(399)	**(165)**
Increase in net financial assets		(1,109)	**(1,131)**
Net increase/(decrease) in cash and cash equivalents		2,165	**(2,072)**
Net cash and cash equivalents at beginning of year		1,780	**3,793**
Effect of foreign exchange rate differences of cash and cash equivalents		(152)	**52**
Net cash and cash equivalents at end of year*	16	3,793	**1,773**

**For 2011 cash flow activities on discontinued operation refer to note 9.*

Notes to the condensed consolidated annual financial statements

for the year ended 31 March 2011

1. CORPORATE INFORMATION

Telkom SA Limited ('Telkom') is a company incorporated and domiciled in the Republic of South Africa ('South Africa') whose shares are publicly traded. The main objective of Telkom, its subsidiaries and joint ventures ('the Group') is to supply telecommunication, multimedia, technology, information and other related information technology services to the general public, as well as mobile communication services in South Africa and certain other African countries. The Group's services and products include:

- fixed-line subscription and connection services to post-paid, prepaid and private payphone customers using PSTN ('Public Switched Telephone Network') lines, including ISDN ('Integrated Services Digital Network') lines, and the sale of subscription based value-added voice services and customer premises equipment rental and sales;
- fixed-line traffic services to postpaid, prepaid and payphone customers, including local, long distance, fixed-to-mobile, international outgoing and international voice-over-internet protocol traffic services;
- interconnection services, including terminating and transiting traffic from South African mobile operators, as well as from international operators and transiting traffic from mobile to international destinations;
- fixed-line data centre operations and internet services, including domestic and international data transmission services, such as point-to-point leased lines, ADSL ('Asymmetrical Digital Subscriber Line') services, packet-based services, managed data networking services and internet access and related information technology services;
- e-commerce, including internet access service provider, application service provider, hosting, data storage, e-mail and security services;
- W-CDMA ('Wideband Code Division Multiple Access'), a 3G next generation network, including fixed voice services, data services and nomadic voice services;
- mobile communication services, including voice services, data services and handset sales through its mobile brand called 8•ta; and
- other services including directory services, through Trudon (Proprietary) Limited, wireless data services, through Swiftnet (Proprietary) Limited, internet services outside South Africa, through iWayAfrica Group (Integration of Africa Online Limited and MWEB Africa Limited) and information, communication and telecommunication operating services in Nigeria, through Multi-Links Telecommunications Limited. Multi-Links has decided to discontinue the CDMA business line.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated annual financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and in compliance with the Listing Requirements of the JSE Limited and the Companies Act of South Africa, 1973.

These condensed consolidated annual financial statements are presented in Rand, which is the Group's functional currency. All financial information presented in Rand has been rounded to the nearest million.

The condensed consolidated annual financial statements are prepared on the historical cost basis with the exception of certain financial instruments that are measured at fair value and share-based payments which are measured at grant date fair value.

Significant accounting policies

Except as described below the accounting policies applied by the Group in the condensed consolidated annual financial statements are consistent with those applied in the previous year.

Adoption of amendments to standards and new interpretations

IAS 24 (revised) Related Party Disclosures

The Group has early adopted the revised IAS 24 in full. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for Government-related entities to disclose details of all transactions with Government and other Government-related entities, refer to note 22. The change in the definition of a related party has no material impact on the Group.

The disclosures relating to the relief for Government-related entities to disclose details of all transactions with Government and Government-related entities have been applied retrospectively. Telkom discloses only those transactions that are individually or collectively significant when transacting with Government and major public entities.

IFRIC 13 (amendment) Customer Loyalty Programmes

The Group has early adopted the amendment to IFRIC 13. The interpretation addresses the accounting by an entity that grants award credits to its customers. The amendment clarifies that the fair value of the award credits takes into account the amount of discounts or incentives that would otherwise be offered to customers who have not earned award credits from the initial sale.

These principles were already incorporated in determining the fair values of award credits subject to customer loyalty programmes on the Group accounting policies, therefore, there was no material retrospective impact on the Group financial statements.

IFRIC 18 Transfers of Assets from Customers

As of 1 April 2010, the Group adopted IFRIC 18. The interpretation clarifies the requirements of IFRS for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services.

This interpretation does not have a material impact on contracts that Telkom has with external customers.

Change in accounting policy

IAS 31 Interests in Joint Ventures

As of 1 April 2010, the Group changed its accounting policy for interests in joint ventures from proportionate consolidation to equity accounting.

The Group believes that equity accounting aligns it with the expected changes that will be introduced with IFRS 11 Joint Arrangements.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting policy (continued)

The Number Portability Company which was acquired in April 2010 and the Group's share in UUNET, through iWayAfrica Group, will be accounted for in terms of the new policy.

This change in accounting policy had no retrospective impact on the Group financial statements. The impact of UUNET is not material.

The following new standards, amendments to standards and interpretations which are mandatory for financial periods beginning on or after 1 January 2010 have been adopted and do not have a material impact on the Group:

IFRS 8 (amendment) Operating Segments – Disclosure of information about segment assets

IAS 1 (amendment) Presentation of Financial Statements – Current/Non-current classification of convertible instruments

IAS 7 (amendment) Statement of Cash Flows – Classification of expenditures on unrecognised assets

IAS 17 (amendment) Leases – Classification of leases of land and buildings

IAS 32 (amendment) Financial Instruments – Classification of rights issue

IAS 36 (amendment) Impairment of Assets – Unit of accounting for goodwill impairment test

IAS 38 (amendment) Intangible Assets – Additional consequential amendments arising from revised IFRS 3

IAS 38 (amendment) Intangible Assets – Measuring the fair value of an item of an intangible asset acquired in a business combination

IAS 39 (amendment) Financial Instruments – Scope exemption for business combination contracts

IAS 39 (amendment) Financial Instruments – Cash flow hedge accounting

IAS 39 (amendment) Financial Instruments – Assessment of loan prepayments penalties as embedded derivatives

IAS 39 (amendment) Financial Instruments – Eligible hedged items

IFRIC 9 (amendment) Reassessment of Embedded Derivatives – Scope of IFRIC 9 and revised IFRS 3

IFRIC 16 (amendment) Hedges of a Net Investment in a Foreign Operation – Amendment to the restriction on the entity that can hold hedging instruments

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

Standards and interpretations in issue not yet adopted and not yet effective

The new standards, amendments to standards and interpretations in issue have not yet been adopted and are not yet effective. All standards are effective for annual periods beginning on or after the stated effective date.

IFRS 3 Business Combinations – Amendments resulting from May 2010 Annual improvements to IFRSs (effective 1 July 2010)

IFRS 7 Financial Instruments Disclosures – Amendments resulting from May 2010 Annual improvements to IFRSs (effective 1 January 2011)

IFRS 7 Financial Instruments Disclosures – Amendments enhancing disclosures about transfers of financial assets (effective 1 July 2011)

IFRS 9 Financial Instruments – Classification and Measurement (effective 1 January 2013)

IFRS 10 Consolidated Financial Statements (effective 1 January 2013)

IFRS 11 Joint Arrangements (effective 1 January 2013)

IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)

IFRS 13 Fair Value Measurements (effective 1 January 2013)

IAS 1 Presentation of Financial Statements – Amendments resulting from May 2010 Annual improvements to IFRSs (effective 1 January 2011)

IAS 12 Income Taxes – Limited scope amendment (recovery of underlying assets) (effective 1 January 2012)

IAS 27 Consolidated and Separate Financial Statements – Amendments resulting from May 2010 Annual Improvements to IFRSs (effective 1 July 2010)

IAS 34 Interim Financial Reporting – Amendments resulting from May 2010 Annual Improvements to IFRSs (effective 1 January 2011)

IFRIC 14 Prepayments of a minimum funding requirement (effective 1 January 2011)

The condensed consolidated annual financial statements were authorised for issue by the Board of Directors on 10 June 2011.

3. SEGMENT INFORMATION

The Group's reporting segments are business units that are separately managed.

The Group consists of three reportable segments namely Telkom South Africa, Telkom Mobile and Multi-Links.

The Telkom South Africa segment provides fixed-line access, fixed-mobile and data communications services through Telkom South Africa.

The Telkom Mobile segment provides mobile voice services, data services and handset sales through 8•ta.

The Multi-Links segment provides fixed-line, data and international communications services in Nigeria through the Multi-Links subsidiary.

The Other category is a reconciling item which is split geographically between International and South Africa.

The International category provides internet services outside South Africa, through the iWayAfrica Group (formerly Africa Online Limited and MWEB Africa Limited) and management services through the Telkom Management Services Company.

The South African category includes Trudon Group, Swiftnet, Data Centre Operations and the Group's Corporate Centre.

The Data Centre Operations was shown as part of the Telkom South Africa segment in the March 2010 results as the financial information was still in the process of being split out. As the information is now available the results of the Data Centre Operations were moved to the Other category as it does not meet the quantitative thresholds for disclosure as a separate segment. In addition a transfer pricing policy was implemented with effect from 1 April 2010 for internal transactions between the Data Centre Operations and other business units. Included in the Data Centre Operations under the Other category is internal revenue of R1,165 million for the year ended 31 March 2011 that is eliminated on consolidation.

Telkom Mobile is a new segment following the launch of 8•ta on 14 October 2010.

The Multi-Links comparatives have been restated to show the effect of the discontinued operations of the CDMA business.

	Restated 2010 Rm	**2011 Rm**
Business segments		
Consolidated operating revenue	35,611	**33,454**
Telkom South Africa	33,846	**31,533**
Telkom Mobile	–	**81**
Multi-Links	70	**151**
Other	1,820	**3,030**
International	465	**413**
South African	1,355	**2,617**
Elimination of intersegmental revenue	(125)	**(1,341)**
Consolidated operating profit	5,429	**4,211**
Telkom South Africa	8,568	**7,147**
Telkom Mobile	(45)	**(1,149)**
Multi-Links	(253)	**(233)**
Other	(2,509)	**(1,496)**
International	(278)	**(166)**
South African	(2,231)	**(1,330)**
Elimination of intersegmental transactions	(332)	**(58)**

	Restated 2010 Rm	**2011 Rm**
3. SEGMENT INFORMATION (continued)		
Reconciliation		
Adjusted EBIT for reportable segments	5,429	**4,211**
Gain on sale of investment	18,603	**–**
Compensation expense	(951)	**–**
Impairment of property, plant and equipment and intangible assets	(3,265)	**(140)**
Operating profit	19,816	**4,071**
Investment income	503	**213**
Gain on distribution of asset	25,688	**–**
Finance charges and fair value movement	(1,068)	**(1,084)**
Profit before taxation and discontinued operations	44,939	**3,200**
Other segment information		
Capital expenditure for property, plant and equipment	4,964	**4,333**
Telkom South Africa	3,533	**2,454**
Telkom Mobile	181	**1,475**
Multi-Links	1,036	**223**
Other	214	**181**
International	47	**10**
South African	167	**171**
Capital expenditure for intangible assets	413	**431**
Telkom South Africa	359	**381**
Other	54	**50**
International	3	**1**
South African	51	**49**
Depreciation and amortisation	4,624	**4,758**
Telkom South Africa	3,931	**3,966**
Telkom Mobile	–	**46**
Multi-Links	114	**20**
Other	551	**717**
International	59	**50**
South African	492	**667**
Elimination of intersegmental transactions	28	**9**

	Restated 2010 Rm	2011 Rm
3. SEGMENT INFORMATION (continued)		
Other segment information .		
Impairment and asset write-offs	3,597	**326**
Telkom South Africa	267	**170**
Multi-Links	3,266	**99**
Other	64	**58**
International	11	**41**
South African	53	**17**
Elimination of intersegmental transactions	–	**(1)**
Voluntary employee severance packages cost	–	**739**
Geographical segments		
Consolidated operating revenue	35,611	**33,454**
South Africa	35,083	**32,912**
Other African countries	528	**542**
Non-current assets	42,632	**41,541**
South Africa	41,290	**40,772**
Other African countries	1,342	**769**
The following is the analysis of the Group's revenue from its major products and services:		
	35,611	**33,454**
Subscriptions, connections and other usage	6,813	**6,763**
Traffic	13,893	**12,045**
Interconnection	2,608	**1,679**
Data	9,969	**10,774**
Sundry revenue	2,328	**2,193**

Notes to the condensed consolidated annual financial statements

continued for the year ended 31 March 2011

		Restated 2010 Rm	**2011 Rm**
4.	**REVENUE**		
4.1	**Total revenue**	36,474	**34,026**
	Operating revenue	35,611	**33,454**
	Other income (excluding profit on disposal of property, plant and equipment, intangible assets and investments, refer to note 5)	360	**359**
	Investment income	503	**213**
4.2	**Operating revenue***	35,611	**33,454**
	Telkom South Africa	33,846	**31,533**
	Telkom Mobile	–	**81**
	Multi-Links	70	**151**
	Other	1,820	**3,030**
	International	465	**413**
	South Africa	1,355	**2,617**
	Elimination of intersegmental revenue	(125)	**(1,341)**

Operating revenue decreased mainly due to a reduction in interconnection revenue as a result of the mobile termination rate cut and lower volumes on switched hubbing.

** For a breakdown of the Group's revenue from its major products and services refer to note 3.*

5.	**OTHER INCOME**	18,995	**541**
	Other income (included in Total revenue, refer to note 4)	360	**359**
	Interest received from trade receivables	294	**285**
	Sundry income	66	**74**
	Profit on disposal of property, plant and equipment and intangible assets	32	**182**
	Profit on disposal of subsidiary and joint venture	18,603	**–**

The increase in the profit on disposal of assets is mainly due to a finance lease arrangement relating to indefeasible rights of use (IRUs) in respect of the S3SW and EIG cable system.

The R18,603 million profit on disposal in the 2010 financial year relates to R18,535 million for Vodacom (15% holding) and R68 million for Telkom Media.

In the 2010 financial year, Telkom also unbundled the remaining 35% share in Vodacom to existing shareholders in Telkom. A gain on distribution of assets of R25,688 million was recognised in the profit for the year.

		Restated 2010 Rm	2011 Rm
6.	**OPERATING EXPENSES**		
	Operating expenses comprise:		
6.1	**Employee expenses**	9,785	**9,745**
	Salaries and wages	6,718	**7,085**
	Medical aid contributions	17	**19**
	Retirement contributions	528	**581**
	Post-retirement pension and retirement fund	(129)	**(160)**
	Current service cost	5	**5**
	Interest cost	577	**670**
	Expected return on plan assets	(711)	**(783)**
	Curtailment gain	–	**(52)**
	Post-retirement medical aid	388	**425**
	Current service cost	97	**115**
	Interest cost	460	**588**
	Expected return on plan asset	(169)	**(237)**
	Curtailment gain	–	**(41)**
	Telephone rebates	49	**67**
	Current service cost	6	**7**
	Interest cost	41	**50**
	Past service cost	2	**2**
	Curtailment loss	–	**8**
	Share-based compensation expense	1,330	**86**
	Other benefits*	1,442	**2,077**
	Employee expenses capitalised	(558)	**(435)**

**Other benefits include skills development, annual leave, performance incentive, service bonuses and voluntary employee severance packages costs.*

Voluntary employee severance packages cost amounted to R739 million (2010: RNil million).

The increase in salaries and wages is mainly due to an average salary increase of 8.3% and a percentile adjustment for bargaining unit as agreed upon with unions in September 2010.

The share-based compensation expense has decreased by R1,244 million due to the final vesting in June 2010 and the impact of the Vodacom deal.

6.2	**Payments to other operators**	7,563	**5,584**

Payments to other network operators consist of expenses in respect of interconnection with other network operators.

The decrease in payment to mobile operators is mainly due to mobile termination rates reduction and volume decrease that can be attributed to the growth in the mobile market.

Notes to the condensed consolidated annual financial statements

continued for the year ended 31 March 2011

		Restated 2010 Rm	**2011 Rm**
6.	**OPERATING EXPENSES** (continued)		
6.3	**Selling, general and administrative expenses**	5,780	**5,772**
	Selling and administrative expenses	1,882	**1,565**
	Maintenance	2,750	**2,512**
	Marketing	736	**1,006**
	Mobile direct costs	–	**78**
	Fixed-line dealer incentives	–	**132**
	Impairment of receivables	412	**479**
	Maintenance expenses decreased as a result of lower material cost and also from cost saving initiatives. The increase in marketing expenses relate mainly to the FIFA Soccer World Cup. Previously dealer incentives were set-off directly against revenue.		
6.4	**Service fees**	2,696	**2,891**
	Facilities and property management	1,382	**1,468**
	Consultancy services	191	**361**
	Security and other	1,069	**1,008**
	Auditors' remuneration	54	**54**
	Audit services	48	**47**
	Company auditors	45	**40**
	Other auditors – current year	3	**7**
	Other services	6	**7**
	Included in the 2011 financial year consultancy services are services primarily relating to Telkom Mobile.		
6.5	**Operating leases**	759	**848**
	Land and buildings	242	**312**
	Transmission and data lines	29	**31**
	Equipment	78	**52**
	Vehicles	410	**453**
6.6	**Depreciation, amortisation, impairment and write-offs**	8,207	**5,084**
	Depreciation of property, plant and equipment	3,896	**4,025**
	Amortisation of intangible assets	728	**733**
	Impairment of property, plant and equipment and intangible assets	3,266	**140**
	Write-offs of property, plant and equipment and intangible assets	317	**186**
	The impairment charge for the 2011 financial year relates to iWayAfrica Group brand impairment of R41 million (2010: RNil million) and Multi-Links' fixed-line business, R99 million (2010: R3,263 million).		
	In recognition of the changing usage patterns of certain items of property, plant and equipment and intangible assets, the Group reviews their remaining useful lives quarterly.		

Notes to the condensed consolidated annual financial statements

continued for the year ended 31 March 2011

	Restated 2010 Rm	**2011 Rm**
7. FINANCE CHARGES AND FAIR VALUE MOVEMENTS	1,068	**1,084**
Finance charges on interest-bearing debt	1,143	**907**
Local debt	1,365	**1,021**
Foreign debt	11	**3**
Less: Finance charges capitalised	(233)	**(117)**
Foreign exchange gains and losses and fair value movement	(75)	**177**
Foreign exchange (gains)/losses	(133)	**50**
Fair value adjustments on derivative instruments	58	**127**
Capitalisation rate for borrowing costs (%)	11.7	**11.4**

Included in finance charges is an amount of R895 million (2010: R1,323 million) which relates to interest expense on financial liabilities not measured at fair value through profit or loss.

Fair value adjustments on derivative instruments were due to currency fluctuations and lower interest rates impacting negatively on forward exchange contracts and interest rate swap agreements, partially reduced by the growth in the assets held by the Cell Captive.

8. TAXATION	4,485	**985**
South African normal company taxation	2,772	**722**
Current taxation	2,789	**938**
Overprovision for prior year	(17)	**(216)**
Deferred taxation (refer to note 19)	780	**103**
Temporary differences – normal company taxation	55	**83**
Temporary difference – Secondary Taxation on Companies ('STC') tax credits utilised/(raised)	266	**(7)**
Capital Gains Taxation ('CGT') asset	454	**–**
Underprovision for prior year	5	**27**
Secondary Taxation on Companies	931	**157**
Foreign taxation	2	**3**

Included in the current year's normal company taxation and deferred taxation expense is CGT of RNil million (2010: R1,345 million) and a reversal of RNil million (2010: R454 million) relating to deferred taxation assets on the investments which were held for sale.

The STC expense was provided for at a rate of 10% on the amount by which dividends declared by Telkom exceeded dividends received. Included in the 2010 financial year is the impact of the Vodacom transaction dividend.

	Restated 2010 Rm	2011 Rm
9. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS HELD FOR SALE		
9.1 Discontinued operations		
Telkom Media (Proprietary) Limited		
On 4 May 2009 Telkom sold its 75% shareholding in Telkom Media to Shenzhen Media South Africa (Proprietary) Limited for a nominal amount. The results and cash flows of the subsidiary are disclosed as a discontinued operation in accordance with IFRS.		
Analysis of the results of discontinued operations:		
Revenue*	2	–
Expenses*	104	–
Profit before taxation of discontinued operations	106	–
Taxation	–	–
Profit after taxation of discontinued operations	106	–

** Revenue comprises operating revenue, other income and investment income. Expenses comprise operating expenses and finance charges and reversal of onerous lease in Telkom Media in 2010.*

Operating results for 2010 were all non-cash items, thus there were no cash flows for the one month in 2010.

9.2 Disposal groups held for sale		
CDMA business of Multi-Links Telecommunications Limited		
On 26 November 2010 the Telkom Board announced its decision to exit the CDMA business of Multi-Links Telecommunications Limited ('Multi-Links'). On 31 March 2011, Telkom and Visafone Communications Limited ('Visafone') entered into a legally binding agreement regarding the sale of the Multi-Links' CDMA business through a number of transaction steps. The sale is conditional on *inter alia* regulatory approvals and renegotiation of the Helios contract. Upon the successful closing of the transaction, Telkom will retain Multi-Links' fibre network and fixed-line operations in Nigeria.		
Analysis of the results of discontinued operations:		
Revenue*	1,832	**1,033**
Expenses*	(4,807)	**(1,691)**
Loss before taxation of discontinued operations	(2,975)	**(658)**
Taxation	–	**–**
Loss after taxation of discontinued operations	(2,975)	**(658)**
Pre-tax loss recognised on the re-measurement of assets of disposal group to fair value less costs to sell	–	**(215)**
Taxation	–	**–**
After-tax loss recognised on the re-measurement of assets of disposal group to fair value less costs to sell	(2,975)	**(873)**
Loss for the year from discontinued operations	(2,975)	**(873)**

** Revenue comprises operating revenue, other income and investment income. Expenses comprise operating expenses, finance charges and impairment of R139 million (2010: R1,897 million).*

		Restated 2010 Rm	2011 Rm
9.	**DISCONTINUED OPERATIONS AND DISPOSAL GROUPS HELD FOR SALE** (continued)		
9.2	**Disposal groups held for sale** (continued)		
	The major classes of assets and liabilities of the business classified as a disposal group:		
	Assets		**89**
	Property, plant and equipment		**29**
	Inventories		**13**
	Trade and other receivables		**23**
	Cash and cash equivalents		**14**
	Deferred expenses		**10**
	Liabilities		**452**
	Interest-bearing debt		**7**
	Non-current portion of provisions		**5**
	Current portion of provisions		**2**
	Trade and other payables		**367**
	Current portion of deferred revenue		**18**
	Credit facilities utilised		**53**
	Reserve of disposal group held for sale		
	Exchange difference on translating the disposal group (included in other comprehensive income)		**(1,033)**
	The net cash flows attributable to the operating, investing and financing activities of discontinued operations:		
	Operating cash flows		**(607)**
	Investing cash flows		**(118)**
	Financing cash flows		**693**
	Total cash outflow		**(32)**

		2010 Rm	2011 Rm
10.	**TAXATION EFFECTS OF OTHER COMPREHENSIVE INCOME**		
	Tax effects relating to each component of other comprehensive income		
	Exchange differences on translating foreign operations	(1,676)	**30**
	Tax effect of exchange differences on translating foreign operations	331	**–**
	Net foreign currency translation differences for foreign operations	(1,345)	**30**
	Realised exchange differences on translating foreign operations	(193)	**–**
	Tax effect of realised exchange differences on translating foreign operations	–	**–**
	Net realised exchange differences on translating foreign operations	(193)	**–**
	Defined benefit plan actuarial gains/(losses)	130	**(741)**
	Tax effect of defined benefit plan actuarial balance	(35)	**207**
	Net defined benefit plan actuarial gains/(losses)	95	**(534)**
	Defined benefit plan asset limitations	(597)	**584**
	Tax effect of defined benefit plan asset limitations	167	**(163)**
	Net defined benefit plan asset limitations	(430)	**421**
	Other comprehensive income for the year before taxation	(2,336)	**(127)**
	Tax effect of other comprehensive income for the year	463	**44**
	Other comprehensive income for the year net of taxation	(1,873)	**(83)**

		Restated 2010	2011
11.	**EARNINGS PER SHARE**		
	Total operations		
	Basic and diluted earnings per share (cents)	7,425.7	**239.9**
	The calculation of earnings per share is based on profit attributable to equity holders of Telkom for the year of R1,222 million (2010: R37,458 million) and 509,311,296 (2010: 504,437,832) weighted average number of ordinary shares in issue. **		
	Headline earnings and diluted headline earnings per share (cents)*	67.8	**332.4**
	The calculation of headline earnings per share is based on headline earnings of R1,693 million (2010: R342 million) and 509,311,296 (2010: 504,437,832) weighted average number of ordinary shares in issue. **		
	Continuing operations		
	Basic and diluted earnings per share (cents)	7,994.4	**411.3**
	The calculation of earnings per share is based on profit attributable to equity holders of Telkom for the year of R2,095 million (2010: R40,327 million) and 509,311,296 (2010: 504,437,832) weighted average number of ordinary shares in issue. **		
	Headline earnings and diluted headline earnings per share (cents)*	260.5	**434.2**
	The calculation of headline earnings per share is based on headline earnings of R2,212 million (2010: R1,314 million) and 509,311,296 (2010: 504,437,832) weighted average number of ordinary shares in issue. **		
	Discontinuing operations		
	Basic and diluted earnings per share (cents)	(568.8)	**(171.4)**
	The calculation of earnings per share is based on loss attributable to equity holders of Telkom for the year of R873 million (2010: R2,869 million) and 509,311,296 (2010: 504,437,832) weighted average number of ordinary shares in issue. **		
	Headline earnings and diluted headline earnings per share (cents)*	(192.7)	**(101.9)**
	The calculation of headline earnings per share is based on headline earnings of R519 million (2010: R972 million) and 509,311,296 (2010: 504,437,832) weighted average number of ordinary shares in issue. **		
	Reconciliation of weighted average number of ordinary shares:		
	Ordinary shares in issue (refer to note 24)	520,783,900	**520,783,900**
	Weighted average number of treasury shares	(16,346,068)	**(11,472,604)**
	Weighted average number of shares outstanding	504,437,832	**509,311,296**
	Reconciliation of diluted weighted average number of ordinary shares		
	Weighted average number of shares outstanding	504,437,832	**509,311,296**
	Expected future vesting of shares	–	**–**
	Diluted weighted average number of shares outstanding	504,437,832	**509,311,296**

* *The disclosure of headline earnings is a requirement of the JSE Limited and is not a recognised measure under IFRS. It has been calculated in accordance with the South African Institute of Chartered Accountants' circular 3/2009 issued in this regard.*

** *The Telkom Conditional Share Plan was concluded with a final vesting in June 2010, therefore there is no adjustment in the weighted average number of shares as a result of the expected future vesting of shares allocated to employees under this plan. Due to the plan being concluded, there is no further dilutive effect on basic earnings per share.*

	Gross Rm	Net* Rm
11. EARNINGS PER SHARE (continued)		
Total operations		
2011		
Reconciliation between earnings and headline earnings:		
Profit from total operations		**1,342**
Non-controlling interests		**(120)**
Earnings as reported		**1,222**
Profit on disposal of property, plant and equipment and intangible assets	**(182)**	**(157)**
Impairment loss on property, plant and equipment and intangible assets	**494**	**494**
Write-offs of property, plant and equipment and intangible assets	**186**	**134**
Headline earnings		**1,693**
2010		
Reconciliation between earnings and headline earnings:		
Profit from total operations		37,585
Non-controlling interests		(127)
Earnings as reported		37,458
Profit on disposal of investments	(18,603)	(16,829)
Profit on disposal of property, plant and equipment and intangible assets	(32)	(27)
Impairment loss on property, plant and equipment and intangible assets	5,163	5,163
Write-offs of property, plant and equipment and intangible assets	317	265
Gain on distribution of assets	(25,688)	(25,688)
Headline earnings		342
Continuing operations		
2011		
Reconciliation between earnings and headline earnings:		
Profit from continuing operations		**2,215**
Non-controlling interests		**(120)**
Earnings from continuing operations attributable to equity holders of Telkom		**2,095**
Profit on disposal of property, plant and equipment and intangible assets	**(182)**	**(157)**
Impairment loss on property, plant and equipment and intangible assets	**140**	**140**
Write-offs of property, plant and equipment and intangible assets	**186**	**134**
Headline earnings		**2,212**
2010		
Reconciliation between earnings and headline earnings:		
Profit from continuing operations		40,454
Non-controlling interests		(127)
Earnings from continuing operations attributable to equity holders of Telkom		40,327
Profit on disposal of investments	(18,603)	(16,829)
Profit on disposal of property, plant and equipment and intangible assets	(32)	(27)
Impairment loss on property, plant and equipment and intangible assets	3,266	3,266
Write-offs of property, plant and equipment and intangible assets	317	265
Gain on distribution of assets	(25,688)	(25,688)
Headline earnings		1,314

Notes to the condensed consolidated annual financial statements

continued for the year ended 31 March 2011

		Gross Rm	Net * Rm
11.	**EARNINGS PER SHARE** (continued)		
	Discontinuing operations		
	2011		
	Reconciliation between earnings and headline earnings:		
	Loss from discontinued operations		**(873)**
	Non-controlling interests		**–**
	Earnings from discontinued operations attributable to equity holders of Telkom		**(873)**
	Impairment loss on property, plant and equipment and intangible assets	**354**	**354**
	Headline earnings		**(519)**
	2010		
	Reconciliation between earnings and headline earnings:		
	Loss from discontinued operations		(2,869)
	Non-controlling interests		–
	Earnings from discontinued operations attributable to equity holders of Telkom		(2,869)
	Impairment loss on property, plant and equipment and intangible assets	1,897	1,897
	Headline earnings		(972)

**Net of tax and non-controlling interests*

		2010 Rm	**2011 Rm**
12.	**NET ASSET VALUE PER SHARE (CENTS)**	5,919.9	**5,803.5**
	The calculation of net asset value per share is based on net assets of R29,635 million (2010: R29,925 million) and 510,638,289 (2010: 505,496,644) number of ordinary shares outstanding.		
13.	**CAPITAL EXPENDITURE INCURRED**		
	Property, plant and equipment	4,964	**4,333**
	Intangible assets	910	**431**
	Capital expenditure was for the deployment of technologies to support the growing data services business, links to the mobile cellular operators, expenditure for access line deployment and construction of mobile base stations. Included in intangible assets for 2010 was the acquisition of MWEB Africa Group for R497 million.		

		2010 Rm	**2011 Rm**
14.	**DEFERRED TAXATION**	(779)	**(838)**
	Deferred taxation assets	58	**56**
	Deferred taxation liabilities	(837)	**(894)**
	Unutilised STC credits	70	**140**
	STC is provided for at a rate of 10% on the amount by which dividends declared exceed dividends received in the specified dividend cycle. The deferred taxation asset is raised as it is probable that it will be utilised in future. The asset will be released as a taxation expense when dividends are declared.		
	The deferred taxation asset represents STC credits on past dividends received that are available to be utilised against dividends declared.		
15.	**INVENTORIES**	1,274	**1,121**
	Gross inventories	1,861	**1,392**
	Write-down of inventories to net realisable value	(587)	**(271)**
	Inventories consist of the following categories:	1,274	**1,121**
	Installation material, maintenance material and network equipment	851	**823**
	Merchandise	423	**298**

The decrease in gross inventory was mainly due to the reduction of cable holding and outside plant material within the installation and maintenance category. This is then offset by an increase in Telkom mobile handsets and microwave equipment for backbone.

The decrease in write-down of inventory is due to a lower provision for technology obsolescence as stock holding levels have decreased from prior year.

The reclassification of Multi-Links Telecommunications Limited inventories as assets held for sale also contributed to the decrease in gross inventories.

	2010 Rm	**2011 Rm**
16. NET CASH AND CASH EQUIVALENTS	3,793	**1,773**
Cash shown as current assets	3,855	**1,784**
Cash and bank balances	828	**757**
Short term deposits	3,027	**1,027**
Credit facilities utilised	(62)	**(11)**
Undrawn borrowing facilities	5,757	**7,558**

The undrawn borrowing facilities are unsecured. When drawn, the facilities bear interest at a rate that will be mutually agreed between the borrower and lender at the time of drawdown. These facilities are subject to annual review and are in place to ensure liquidity. At 31 March 2011, R4,820 million (2010: R2,000 million) of these undrawn facilities were committed by Telkom.

Short term deposits

Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates.

Borrowing powers

To borrow money, Telkom's directors may mortgage or encumber Telkom's property or any part thereof and issue debentures, whether secured or unsecured, whether outright or as security for debt, liability or obligation of Telkom to any third party. For this purpose the borrowing powers of Telkom are unlimited, but are subject to the restrictive financial covenants of the loan facilities indicated in note 20.

The significant decrease in cash and bank balances and short term deposits is due to the payment of mobile expansion capital expenditure and operating expenses, the advancement of USD132 million (R956 million) to Multi-Links for operational expenses, the settlement of the Telcordia dispute of R608 million as well as the repayment of the Private Placing debt instruments (PP02 and PP03) of a nominal value of R1,780 million.

17. SHARE CAPITAL

Authorised and issued share capital is made up as follows:

Authorised	10,000	**10,000**
1,000,000,000 (2010: 999,999,998) ordinary shares of R10 each	10,000	**10,000**
1 Class A ordinary share of R10*	–	**–**
1 Class B ordinary share of R10*	–	**–**
Issued and fully paid	5,208	**5,208**
520,783,900 (2010: 520,783,898) ordinary shares of R10 each	5,208	**5,208**
1 (2010: 1) Class A ordinary share of R10*	–	**–**
1 (2010: 1) Class B ordinary share of R10*	–	**–**

The following table illustrates the movement within the number of shares issued:

	Number of shares	**Number of shares**
Shares in issue at beginning of year	520,783,900	**520,783,900**
Shares in issue at end of year	520,783,900	**520,783,900**

The unissued shares are under the control of the directors until the next Annual General Meeting. The directors have been given the authority by the shareholders to buy back Telkom's own shares up to a limit of 20% of the current issued share capital.

** Class A and Class B shares became ordinary shares during the year with the lapsing of their rights.*

		2010 Rm	**2011 Rm**
18.	**TREASURY SHARES**	(1,171)	**(771)**

The reserve represents amounts paid by Telkom to Rossal No 65 (Proprietary) Limited and Acajou Investments (Proprietary) Limited, subsidiaries for the acquisition of Telkom's shares to be utilised in terms of the Telkom Conditional Share Plan. The Telkom Conditional Share Plan was closed in June 2010. The future use of the remaining shares is subject to management review.

At 31 March 2011, 2,002,055 (2010: 7,143,700) and 8,143,556 (2010: 8,143,556) ordinary shares in Telkom, with a fair value of R74 million (2010: R244 million) and R301 million (2010: R278 million) are held as treasury shares by its subsidiaries Rossal No 65 (Proprietary) Limited and Acajou Investments (Proprietary) Limited, respectively.

The decrease in the number of treasury shares is due to 5,141,645 (2010: 4,457,699) shares that vested in terms of the Telkom Conditional Share Plan during the current financial year.

The fair value of these shares at the date of vesting was R194 million (2010: R169 million).

19. SHARE-BASED COMPENSATION RESERVE

This reserve represents the cumulative grant date fair value of the equity-settled share-based payment transactions recognised in employee expenses during the vesting period of the equity instruments granted to employees in terms of the Telkom Conditional Share Plan.

No consideration is payable on the shares issued to employees, but performance criteria will have to be met in order for the granted shares to vest. The ultimate number of shares that will vest may differ based on certain individual and Telkom performance conditions being met. The related compensation expense is recognised over the vesting period of shares granted, commencing on the grant date.

The following table illustrates the movement within the share-based compensation reserve:

	2010 Rm	**2011 Rm**
Balance at beginning of year	1,076	**2,060**
Transfer to retained income*	–	**(1,746)**
Net increase in equity	984	**(314)**
Employee cost	379	**86**
Vodacom sale related transaction	951	**–**
Vesting and transfer of shares	(346)	**(400)**
Balance at end of year	2,060	**–**

At 31 March 2011 the estimated total compensation expense to be recognised over the vesting period was RNil million (2010: R2,803 million), of which R86 million (2010: R1,330 million) was recognised in employee expenses for the respective years.

** The Telkom Conditional Share Plan came to an end at 30 June 2010, when final vesting occurred. The reserve was transferred to retained income.*

	2010 Rm	**2011 Rm**
20. INTEREST-BEARING DEBT		
Non-current interest-bearing debt	7,925	**8,198**
Local debt	6,863	**6,918**
Foreign debt	156	**429**
Finance leases	906	**851**
Current portion of interest-bearing debt	1,812	**157**
Local debt	1,711	**–**
Foreign debt	55	**98**
Finance leases	46	**59**

Repayments/refinancing

The Group repaid Private Placings debt instruments (PP02 and PP03) with a nominal value of R1,780 million on maturity.

The R157 million nominal value of the current portion of interest-bearing debt as at 31 March 2011 is expected to be repaid/refinanced from available cash, operational cash flows and issue of new debt instruments.

Management believes that sufficient funding will be available at the date of repayment/refinancing.

The Group entered into a USD127 million Export Credit Agency (ECA) facility agreement during the year. This facility is being utilised to finance equipment for the 8•ta network roll out. The facility is expected to be fully utilised during the next financial year and is repayable over five years.

21. PROVISIONS		
Non-current portion of provisions	4,355	**4,740**
Employee related	4,315	**4,711**
Non-employee related	40	**29**
Current portion of provisions	2,556	**2,018**
Employee related	1,963	**1,932**
Non-employee related	593	**86**

The increase in non-current provisions is due to the increase in post-retirement medical aid. This is due to the interest cost, service fee and the change in actuarial assumptions.

The reduction of the current portion of provisions is attributable to the settlement of the Telcordia dispute of R608 million.

In the current year the provisions have been split between employee related and non-employee related.

Notes to the condensed consolidated annual financial statements

continued for the year ended 31 March 2011

		2010 Rm	**2011 Rm**
22.	**TRADE AND OTHER PAYABLES**	5,549	**4,782**
	Trade payables	3,455	**2,572**
	Finance cost accrued	182	**146**
	Accruals and other payables	1,912	**2,064**
	The decrease in vendors' balances is due to reduced purchases requirements for projects made in the current year and also due to the strengthening of the Rand against major currencies in the financial year.		
	Included in the current financial year is voluntary early retirement packages ('VERP') and voluntary severance packages ('VSP') of R592 million, partially offset by the reclassification of certain Multi-Links Telecommunication Limited trade and other payables as liabilities held for sale.		
	Telkom's standard payment terms of trade payables is at the end of the following month following the date of the invoice. This averages to 45 days. Telkom does not allow for interest on late payments, and none has been paid in the 2010 and 2011 financial year.		
23.	**DIVIDEND PAID**	(11,380)	**(1,590)**
	Dividend payable at beginning of year	(23)	**(23)**
	Declared during the year – Dividend on ordinary shares:	(11,275)	**(1,516)**
	Final dividend for 2009: 375 cents	(11,275)	**–**
	Final dividend for 2010: 300 cents	–	**(1,516)**
	Dividends paid to non-controlling interests	(105)	**(72)**
	Dividend payable at end of year	23	**21**
24.	**DIVIDEND PER SHARE**		
	Dividend per share (cents)	375.0	**300.0**
	The calculation of dividend per share is based on dividends of R1,532 million (2010: R1,894 million) and 510,638,013 (2010: 505,008,190) number of ordinary shares outstanding on the date of dividend declaration.		
	Vodacom dividend (cents)	7,750.0	**–**
	The Vodacom dividend consists of a once-off cash dividend of Nil cents (2010: 1,900.0 cents) per share totalling RNil million (2010: R9,740 million) and a 35% unbundling share valued at Nil cents (2010: 5,850.0 cents) per share with a total value of RNil million (2010: R29,990 million).		

	2010 Rm	**2011 Rm**
25. COMMITMENTS		
Capital commitments authorised	7,270	**7,522**
Telkom South Africa	7,041	**4,613**
Telkom Mobile	–	**2,005**
Multi-Links	108	**–**
Other	121	**904**
International	74	**3**
South Africa	47	**901**
Commitments against authorised capital expenditure	1,680	**1,072**
Telkom South Africa	1,568	**184**
Telkom Mobile	–	**873**
Multi-Links	108	**–**
Other	4	**15**
International	1	**–**
South Africa	3	**15**
Authorised capital expenditure not yet contracted	5,590	**6,450**
Telkom South Africa	5,473	**4,429**
Telkom Mobile	–	**1,132**
Other	117	**889**
International	73	**3**
South Africa	44	**886**

Capital commitments comprise commitments for property, plant and equipment and software included in intangible assets.

Management expects these commitments to be financed from internally generated cash and other borrowings.

26. CONTINGENCIES

Supplier dispute

Telcordia settlement

The arbitrator's award was delivered on 11 June 2010. The arbitrator awarded an amount of USD30.5 million, excluding interest from March 2001, to Telcordia. Telkom paid an amount of USD8.7 million during 2007, which was in respect of conceded claims. The amount of the claim, plus interest thereon, as at 30 June 2010 was approximately USD82.7 million. The parties settled the matter on the basis that Telkom pay an amount of USD80 million, plus applicable VAT, which was paid.

Radio Surveillance Security Services (Proprietary) Limited ('RSSS')

RSSS has invoiced Telkom for an amount of R97 million for apparent system upgrades in terms of M3010 standards and/or replacement of alarm systems, dating back to 2008. According to Telkom's investigations, there are no records of any contracts concluded with RSSS for the upgrade and/or replacements of alarm systems, nor are there any acceptance of quotations previously provided by RSSS. Telkom also has no record of any written instructions to RSSS in this regard or purchase orders being placed for the provision of M3010 upgrades and/or system alarm replacements. Telkom's internal legal counsel has advised that this invoice should not be paid.

Helios Towers Nigeria ('Helios')

Multi-Links has on 20 December 2010, initiated a civil action against Helios regarding the validity of the Master Lease Agreement. The matter has been heard and judgement was passed on 7 June 2011 in favour of Helios.

Helios brought a counter application against Multi-Links on 23 December 2010 in which they, amongst other things, requested an interim status quo order (to keep the status of the parties' positions in terms of the contract intact for an interim period); an interdict against the sale of Multi-Links' assets and a claim for damages in the amount of USD252 million relating to so called "anticipatory breach of contract". The interim status quo order was granted to Helios in December 2010 but, in terms of Nigerian Court rules, expired seven days after it was granted. The Court refused the interdict preventing the sale. The damages claim of Helios has not yet been heard. Certain cost orders have been awarded against Helios. The parties are still continuing to perform in terms of the Master Lease Agreement.

Telkom remains committed to exiting Multi-Links' CDMA business.

Africa Prepaid Services Nigeria ('APSN')

Multi-Links has terminated the Super Dealer Agreement with APSN on 25 November 2010, as a result of their breach of contract. APSN has in turn terminated the agreement based on alleged breaches by Multi-Links. In terms of the agreement, the parties agreed that any dispute will be referred to arbitration in South Africa. APSN has indicated that they will refer their claim to arbitration. Multi-Links has not yet received APSN's particulars of claim. Multi-Links is preparing its counter claim.

Competition Commission

Telkom is party to a number of legal proceedings filed by several parties with the South African Competition Commission ('CC') alleging anti-competitive practices described below. Some of the complaints filed at the CC have been referred by the CC to the Competition Tribunal ('CT') for adjudication.

Should the CT find that Telkom committed a prohibited practice as set out in the Competition Act for each of the cases, the CT may impose a maximum administrative penalty of 10% of Telkom's annual turnover in the Republic of South Africa and its exports from the Republic of South Africa during Telkom's preceding financial year. However, Telkom has been advised by external legal counsel that the CT has to date not imposed the maximum penalty on any offender in respect of the contraventions Telkom is being accused of.

The South African Value Added Network Services ('SAVA') and Omnilink

This matter relates to the complaints filed by SAVA on 7 May 2002 and a complaint filed by Omnilink (in August 2002) against Telkom at the CC, regarding certain alleged anti-competitive practices by Telkom.

The CC requested an order in the following terms:

"1. CONTRACTUAL RESTRICTIONS ON COMPETITION:
- 1.1 Declaring that the respondent commits a prohibited practice under section 8(b) and/or 8(c) of the Competition Act 89 of 1998 ('the Act') by
  - 1.1.1) requiring licensees of Value Added Network Services ('VANS'), as a precondition for providing them with backbone and access facilities ('facilities'), to submit to contractual undertakings that oblige them not to compete with it by utilising or exploiting the facilities in breach of its conception of its exclusive rights as the provider of such services;
  - 1.1.2) enforcing such undertakings by withdrawing the facilities when it considers that a breach has been committed or otherwise;
- 1.2 Interdicting the respondent from acting in the said manner;

2. REFUSING TO LEASE TO VANS LICENSEES:
- 2.1 Declaring that the respondent commits a prohibited practice under section 8(b) and/or 8(c) and/or 8(d)(i) of the Act by refusing to lease the facilities to VANS licensees as principals;
- 2.2 Interdicting the respondent from acting in the said manner;

3. OVERCHARGING:
- 3.1 Declaring that the respondent commits a prohibited practice under section 8(b) and/or 8(c) and/or 9 of the Act by charging;
  - 3.1.1) more for access facilities that connect to the networks of private VANS licensees and for the rental of end connections than it charges for those that connect with its own VANS networks;
  - 3.1.2) Interdicting the respondent from acting in the said manner;

4. REFUSING TO PEER:
- 4.1 Declaring that the respondent commits a prohibited practice under section 8(b) and/or 8(c) of the Act by;
  - 4.1.1) refusing to peer with AT&T Global Network Services South Africa (Proprietary) Limited ('AT&T');
  - 4.1.2) refusing to provide facilities to enable Satellite Date Network ('SDN') to peer with AT&T;
- 4.2 Interdicting the respondent from acting in the said manner;

26. CONTINGENCIES (continued)

Competition Commission (continued)

The South African Value Added Network Services ('SAVA') and Omnilink (continued)

5. Imposing an administrative penalty in an amount equal to 10% of the annual turnover of the respondent in the Republic and its exports from the Republic during the respondent's preceding financial year;
6. Granting the applicant such further and/or alternative relief as the CT considers appropriate."

The matter is proceeding before the CT. Telkom filed its opposing affidavit and the CC filed its replying affidavit. The CC also filed an amendment application to include allegations of alleged contraventions of sections 8(a) and 8(c) of the Competition Act. It is Telkom's view that this was an attempt by the CC to include excessive price and margin squeeze cases respectively. The application was heard on 21 April 2011. The CT issued its ruling on 4 May 2011, granting the CC leave to amend its papers in certain nominal respects, but dismissed the CC's application to include the allegation of an alleged contravention of sections 8(a) and 8(c) of the Competition Act. The CC delivered its amended complaint referral on 12 May 2011. The main matter has been set down for hearing at the CT from 17 to 28 October 2011 and from 1 to 9 December 2011.

Internet Solutions ('IS')

IS filed a complaint at the CC in December 2007, alleging certain anti-competitive practices by Telkom, including excessive pricing, margin squeeze, bundling, price discrimination and exclusionary acts.

Certain parts of this complaint were referred to the CT by the CC. The non-referred parts of the complaint were self-referred by IS. In its self-referral, IS alleged that Telkom engaged in: exclusionary conduct in respect of the retail broadband (including ADSL) market, excessive pricing in respect of ADSL and leased lines below 2 Mbps and price discrimination with regard to Telkom's VPN Supreme product.

In the IS matter, Telkom also filed an exception to IS' referral papers. The CT ruled that IS must amend its papers, and IS filed its amended papers on 4 March 2010. However, the papers remained excipiable and Telkom filed a second exception application on 4 April 2011. IS did not deliver answering papers to Telkom's application within the requisite time period. Should Telkom's exception application be upheld, IS' amended referral may be set aside, alternatively the CT may order IS to amend its papers, in which case Telkom will have to plead to IS' amended papers. Telkom has not set the matter down for hearing as yet.

Competition Commission Multiple Complaints Referral

The CC served a notice of motion on Telkom on 26 October 2009, in which it referred complaints against Telkom by MWEB and IS as well as the Internet Service Providers Association ('ISPA'), MWEB, IS and Verizon respectively to the CT.

In the notice of motion the CC requests an order against Telkom in the following terms:

1) Declaring that over the complaint period:

- The prices charged by the respondent ('Telkom') to other first-tier Internet Service Providers ('ISPs') for high bandwidth national leased lines (above 2Mbps) were excessive in contravention of s8(a) of the Competition Act, 89 of 1998 ('the Act');
- The prices charged by Telkom to other first-tier ISPs for international private lease circuits were excessive in contravention of s8(a) of the Act;
- Telkom contravened s8(b), 8(c), 8(d)(ii) and 8(d)(iii) of the Act by setting its prices for diginet access lines, high bandwidth leased lines and for IP connect as charged to other first-tier ISPs (or, in the case of Diginet access lines, to end-customers using the IP networks of such first-tier ISPs) at levels which, in relation to the prices charged by Telkom for the same services to its own retail and wholesale customers acquiring bundled Diginet or ADSL access and IP network services from Telkom, made it impossible for such other first ISPs to compete cost-effectively with Telkom;

2) Interdicting Telkom from continuing with the conduct referred to in paragraph 1 above.

3) In respect of the contraventions of s8(a), 8(b), 8(d)(ii) and 8(d)(iii) of the Act, directing Telkom pay a penalty equal to 10% of its turnover for the financial year ended 31 March 2009.

4) In order to discourage the perpetuation by Telkom of the conduct referred to above, directing Telkom on an annual basis to furnish to the Commission such data and information as is necessary to enable the Commission to assess whether Telkom is charging prices for the services, which are the subject matter of the order in paragraph 1 above, which prevent the other first-tier ISPs from competing cost-effectively with Telkom – such data and information to be provided in such a manner and form as agreed to between Telkom and the Commission within two months from the date of the CT's order and which agreement shall be made an order of the Tribunal. Failing agreement within the said two month period, the data and information shall be provided in the manner and form directed by the CT after hearing further submissions from the Commission and Telkom.

Telkom opposed the Multiple Complaints Referral and filed an exception application on 15 March 2010 in respect thereof, and the CC filed its answer to the exception application.

Telkom's exception application was dismissed on 4 February 2011 and Telkom is preparing its responding affidavit to the main referral.

26. CONTINGENCIES (continued)

Competition Commission (continued)

Phuthuma Networks (Proprietary) Limited ('Phuthuma')

Telkom was informed by the CC that a complaint was filed by Phuthuma at the CC, wherein Phuthuma alleges that Telkom has contravened section 8(c) of the Competition Act no. 89 of 1998, as amended, by abusing its dominant position in engaging in anti-competitive conduct in the telegraphic and telex maritime services market by unilaterally awarding these services to Networks Telex. The CC non-referred the complaint on 28 June 2010.

However, Phuthuma self-referred its complaint to the CT on 20 July 2010, alleging that Telkom engaged in an exclusionary act by appointing Network Telex in 2007 "without any formal procurement process". Telkom filed its opposing affidavit in which it raised certain preliminary points, and Phuthuma filed its replying affidavit. Telkom's preliminary points were upheld by the CT on 2 March 2011 and Phuthuma's complaint was dismissed with costs. Phuthuma is appealing this decision and has filed a notice of appeal to the Competition Appeal Court on 24 March 2011.

High Court

Phuthuma Networks (Proprietary) Limited ('Phuthuma')

On 20 August 2009 Phuthuma served a summons on Telkom for damages arising from a tender published on 30 November 2007 for outsourcing of the Telex and Gentex services and for the provision of a solution to support the maritime industry requirements. The tender was cancelled on 10 June 2009, without any award being made, due to the expiration of the validity period. Phuthuma has alleged that Telkom had awarded the tender to a third party outside a fair, transparent, competitive and cost effective procurement process. It has claimed damages of R3,730,433,545.00, alternatively R5,513,876,290.00, and further alternatively R1,771,683,580.00 plus interest at 15.5% per annum to date of payment from April 2008, alternatively from 30 April 2009 being the date of notice in terms of Act 40 of 2002, further alternatively from date of service of this summons plus costs of suit and further and/or alternative relief. Telkom is defending the matter, which is set down for hearing from 24 October 2011 to 18 November 2011 in the North Gauteng High Court.

South African National Road Agency ('SANRAL')

During October 2009, SANRAL served an application in which it requested the KwaZulu Natal High Court to grant an interdict and declaratory order against Telkom. The application arose due to Telkom proceeding to install facilities along the N2 National road reserve within the proximity of Pongola, KwaZulu Natal as part of its FIFA requirements, after SANRAL refused permission. On 25 October 2010, the Court granted a declaratory order in terms of which Telkom was prohibited from entering upon SANRAL's land without obtaining prior permission from SANRAL in line with the SANRAL Act. On 18 January 2011 Telkom was granted leave to appeal against the full judgement. Telkom has now filed its appeal papers and is awaiting a date for appeal before the full bench of the KwaZulu Natal High Court.

Bihati Solutions (Proprietary) Limited ('Bihati')

The matter arises from a tender which was published on 8 November 2007 for the construction of network services. Telkom made an award in November 2008 after the validity period of 120 days had expired. In November 2009 the Board resolved to apply to the North Gauteng High Court to set aside the aforementioned award after obtaining legal advice. Bihati applied to the North Gauteng High Court to grant an order for the review and setting aside of the Board's decision to take the decision to make an award on review and to compel Telkom to commence with the negotiations in respect of the award Telkom made in 2008 to Bihati. On 7 January 2011 the North Gauteng High Court dismissed Bihati's application with costs. On 25 March 2011, Bihati applied for leave to appeal against the judgement of 7 January 2011. Bihati's application was dismissed with costs. Bihati has now filed a petition in the Supreme Court of Appeals for leave to appeal against the North Gauteng High Court decision.

	Restated 2010 Rm	**2011 Rm**
27. RELATED PARTIES		
Details of material transactions and balances with related parties not disclosed separately in the consolidated annual financial statements were as follows:		
With shareholders:		
Government of South Africa		
Related party balances		
Trade receivables	353	**354**
Related party transactions		
Revenue	(2,861)	**(2,904)**
Individually significant revenue*	(1,070)	**(1,151)**
City of Cape Town	(75)	**(95)**
Department of Correctional Services	(73)	**(66)**
Department of Health: Gauteng	(36)	**(65)**
Department of Justice	(78)	**(97)**
South African National Defence Force (CSF)	(72)	**(68)**
South African Police Services	(523)	**(557)**
South African Revenue Services	(68)	**(49)**
S.I.T.A. (Proprietary) Limited	(145)	**(154)**
Collectively significant revenue*	(1,791)	**(1,753)**

**The nature of the individually and collectively significant revenue consists mostly of data revenue. The prior year revenue stream consisted mostly of voice revenue.*

At 31 March 2011, the Government of South Africa held 39.76% (2010: 39.76%) of Telkom's shares and the Public Investment Corporation held 3.92% (2010: 3.92%) of Telkom's shares and a further 8.95% (2010: 8.95%) through Black Ginger 33 (Proprietary) Limited.

With entities under common control:		
Major public entities		
Related party balances		
Trade receivables	39	**25**
Trade payables	(8)	**(1)**
The outstanding balances are unsecured and will be settled in cash in the ordinary course of business.		
Related party transactions		
Revenue	(381)	**(332)**
Expenses	222	**163**
Individually significant expenses	190	**151**
South African Post Office	110	**55**
Eskom	72	**84**
South African Broadcast Corporation	8	**12**
Collectively significant expenses	32	**12**

	Restated 2010 Rm	**2011 Rm**
27. RELATED PARTIES (continued)		
Major public entities (continued)		
Rent received	(29)	**(28)**
Individually significant rent received: *South African Post Office*	(25)	**(24)**
Collectively significant rent received	(4)	**(4)**
Rent paid	22	**24**
Individually significant rent paid: *South African Post Office*	13	**14**
Collectively significant rent paid	9	**10**
Key management personnel compensation:		
(Including directors' emoluments)		
Related party transactions		
Short term employee benefits	137	**137**
Post-employment benefits	7	**7**
Equity compensation benefits	21	**12**
The fair value of shares that vested in the current year is R8.9 million (2010: R2.7 million).		
Terms and conditions of transactions with related parties		
Except as indicated above, outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for related party receivables or payables.		

28. SIGNIFICANT EVENTS

Resignation of Telkom Group Chief Executive Officer

Telkom announced on 4 June 2010 that Mr Reuben September will retire as Group Chief Executive Officer ('GCEO') and also relinquish his directorship at the expiry of his contract. Mr Reuben September agreed with the Telkom Board to step down as GCEO and resigned as a director from 7 July 2010.

Appointment and resignation of Acting Group Chief Executive Officer

Mr Jeffrey Hedberg served as Acting GCEO. His contract expired at the end of March 2011. The Board of directors have requested Mr Hedberg to remain at Telkom in an advisory capacity until the release of the Group's annual results in June 2011.

Appointment of Group Chief Executive Officer

On 17 March 2011, the Telkom Board announced the appointment of Nombulelo Moholi as GCEO with effect from 1 April 2011.

The Telkom Board believes that this appointment provides leadership, continuity and stability at an important time given the number of key strategic and operational deliverables.

Resignation of Telkom Group Chief Financial Officer

Telkom announced on 13 July 2010 that Mr Peter Nelson resigned as Group Chief Financial Officer ('GCFO') and also relinquished his directorship on 25 August 2010.

Appointment of Acting Group Chief Financial Officer

While under the leadership of the Acting Group CEO, Jeffrey Hedberg, the Group has initiated the process of appointing a new GCFO. Mr Deon Fredericks, Group Executive: Accounting Services is acting as GCFO until the process is finalised.

Change in Chairman and directors of Telkom

Mr Jeff Molobela retired as Chairman of Telkom and he was re-appointed as a non-executive director of the Telkom Board for a period of three years with effect from 16 February 2011.

Telkom is grateful to Mr Molobela for his leadership, dedication, contribution and service during his tenure as chairman of the Board.

Mr Polelo Lazarus Zim was appointed as a non-executive director for a three year period and as Chairman for a one year period with effect from 16 February 2011.

Mr Brian Molefe resigned as a non-executive director of the Board of Telkom with effect from 20 April 2010 as a result of the end of his employment contract with the Public Investment Corporation Limited.

Mr Younaid Waja was appointed as a non-executive director on the Board of Telkom with effect from 20 April 2010.

Mr David Barber resigned as a non-executive director of the Board of Telkom with effect from 20 April 2010.

Dr Ekwow Spio-Garbrah's appointment as a non-executive director of the Board of Telkom was terminated with effect from 1 May 2010.

Dr Victor Lawrence's appointment as a non-executive director was terminated with effect from 15 February 2011.

Mr Navin Kapila was appointed as a non-executive director for a three year period with effect from 16 February 2011.

Ms Reitumetse Jackie Huntley and Ms Julia Ntombikayise Hope were re-appointed as non-executive directors for a period of three years, with effect from 16 February 2011.

Telkom concluded a roaming agreement with MTN South Africa

On 14 April 2010, Telkom announced that in line with its mobile strategy it concluded a five year national roaming agreement with MTN South Africa in terms of which Telkom and its customers will have national access to MTN's 2G and 3G network throughout South Africa. Telkom placed orders to build 2,000 new base stations in selected high density areas over the next two years.

The capital outlay for mobile related investments over the next five years is expected to be approximately R6 billion. The conclusion of the roaming agreement with MTN South Africa enhances Telkom's ability to offer Telkom customers extensive national mobile coverage from day one of launch and accordingly, is key to the delivery of a successful mobile strategy.

Voluntary severance packages

The Telkom Board approved the offering of voluntary severance packages ('VSPs') and voluntary early retirement packages ('VERPs') to all management and bargaining unit employees. The key exit dates were 28 April 2010 until 2 July 2010 for the management employees and 31 March 2011 and 30 April 2011 for the bargaining unit employees. 186 management employees accepted packages resulting in a cost of R147 million. 1,632 bargaining unit employees accepted packages at 31 March 2011 resulting in a cost of R536 million. 189 bargaining unit employees accepted packages at 30 April 2011 resulting in a cost of R53 million. It is expected that nine bargaining unit employees will accept packages at the end of July 2011 at a cost of R3 million. Employees exiting on 31 March 2011 qualified for six months' notice pay and those exiting on 30 April 2011 qualified for four months' notice pay.

The offer is aimed at enabling the Group to achieve its business objectives by specifically focusing on implementing a strategic workforce plan linked to the long term business strategy and optimising staff levels.

28. SIGNIFICANT EVENTS (continued)

Integration of MWEB Africa Limited and Africa Online Limited

During the year management initiated the integration of MWEB Africa Limited and Africa Online Limited subsidiaries under the brand of iWayAfrica Group. Management believes the integration will achieve financial synergies by improving economies of scale and eliminating duplication of functions. The integration process is ongoing.

Telkom launches its mobile brand under a new name called 8•ta

On 18 October 2010 Telkom launched its new mobile brand called "8•ta".

The launch of Telkom's mobile brand under the new name 8•ta is undoubtedly the most significant achievement to date, one that will allow Telkom to not only counter the threat posed by competition such as fixed-to-mobile substitution (and the resulting decline in fixed-line voice revenue) but also grow Telkom revenue by providing mobile services and products to consumer and business markets. Launching a retail brand is a massive undertaking that consists of a myriad of components – among other things the network and technology aspects, billing, products and services, distribution channels and the marketing drive to create awareness and generate sales.

Key brand attributes:

8•ta is built on a number of core pillars. These give the brand a unique personality that tells the customer what 8•ta stands for and why it is different to other brands in the mobile market:

- Value: "more bang for your buck", in other words more value for your money.
- Simplicity: products that are easy to understand, buy and use.
- Quality: network clarity and reliability, as well as the quality of the customer experience we offer.
- Innovation: deploying new mobile technologies and rapidly bringing new services to the market.
- Authenticity: a South African brand for South Africa.

Public Finance Management Act ('PFMA')

Telkom's three year exemption from certain sections of the PFMA ended on 25 October 2010. On 17 November 2010 the Minister of Finance approved a further three year exemption expiring on 26 October 2013.

Disposal of Multi-Links CDMA business

On 26 November 2010, Telkom announced that the Board had mandated management to review options for the exit of the CDMA business of Multi-Links Telecommunications Limited in Nigeria.

On 31 March 2011, Telkom and Visafone Communications Limited ('Visafone') entered into a legally binding agreement regarding the sale of the Multi-Links' CDMA business to Visafone.

The sale is conditional on *inter alia* regulatory approvals and renegotiation of the Helios contract. Upon the successful closing of the transaction, Telkom will retain Multi-Links' fibre network and fixed-line operations in Nigeria.

Expiry of the Class A and B shares in terms of Telkom's Articles of Association

In terms of Telkom's Memorandum and Articles of Association, the holder of the Class A and B shares in the ordinary share capital of Telkom were defined as a "significant shareholder", which were afforded certain extraordinary rights. The Government of the Republic of South Africa was the A shareholder and Thintana Communications (the previous strategic equity partner) was the B shareholder. Thintana Communications ceased to be a significant shareholder in November 2005.

The Government of the Republic of South Africa is the largest shareholder in Telkom SA Limited, holding 39.8% of Telkom's issued share capital. The Government's extraordinary rights as contained in Telkom's Memorandum and Articles of Association persisted until 4 March 2011 – eight years from the listing date of Telkom on the JSE, the date also, upon which the Government ceased to be a significant shareholder. The Class A share has *ipso facto* been converted into ordinary shares.

The Memorandum and Articles of Association of Telkom will be harmonised into a Memorandum of Incorporation ('MOI') to bring it in line with the JSE Listings Requirements, King III and the new Companies Act 71 of 2008.

29. SUBSEQUENT EVENTS

Multi-Links Telecommunications Limited

On 31 March 2011, Telkom and Visafone Communications Limited ('Visafone') entered into a legally binding agreement to sell Multi-Links' CDMA business to Visafone, subject to certain conditions precedent. Certain conditions precedent have not been met and the transaction will not proceed.

The Telkom Board resolved on 10 June 2011 to stop all funding to Multi-Links Telecommunications Limited.

Dividends

The Telkom Board declared an ordinary dividend of 145 cents (2010: 125 cents) per share and a special dividend of Nil cents (2010: 175 cents) per share on 10 June 2011, payable on 11 July 2011 to shareholders registered on 8 July 2011. The Secondary Taxation on Companies impact is R47 million.

Other matters

The directors are not aware of any other matter or circumstance since the financial year ended 31 March 2011 and the date of this report, or otherwise dealt with in the financial statements, which significantly affects the financial position of the Group and the results of its operations.

Notice of annual general meeting

Telkom SA Limited
(Incorporated in the Republic of South Africa)
(Registration number 1991/005476/06
(JSE share code: TKG)
ISIN: ZAE000044897)
('Telkom' or the 'Company')

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the action that you should take, please consult your broker, CSDP, banker, legal adviser, accountant or other professional adviser immediately. If you have disposed of all your Shares in Telkom, please forward this Notice, together with the attached proxy form, to the purchaser of such Shares or the broker, CSDP, banker or other agent through whom such disposal was effected.

Certificated Shareholders or Dematerialised "own name" Shareholders (those shareholders whose shareholding is recorded in their own name in the sub-register maintained by their CSDP) entitled to attend and vote at the annual general meeting to be held in the Gallagher Grill, Gallagher Convention Centre, 19 Richards Drive, Midrand at 10:00 on Tuesday, 30 August 2011 may appoint one or more proxy or proxies to attend, participate and vote in his/her/its stead. A proxy does not have to be a Shareholder of the Company. The appointment of a proxy will not preclude the Shareholder who appointed that proxy from attending the annual general meeting and participating and voting in person thereat to the exclusion of any such proxy. A form of proxy for use at the annual general meeting is attached.

Dematerialised Shareholders (other than Dematerialised "own name" Shareholders) must provide their CSDP or broker with their voting instructions or if they wish to attend the annual general meeting in person and must request their CSDP or broker to provide them with the necessary Letter of Representation to do so in terms of the custody agreement entered into between the Dematerialised Shareholders and the CSDP or broker.

Included in this document are:

- The notice of meeting, setting out the resolutions to be proposed thereat, together with explanatory notes or reasons therefore. There are also guidance notes if you wish to attend the meeting (for which purpose the meeting location map is included) or to vote by proxy.
- A proxy form for use by shareholders holding Telkom ordinary shares in certificated form or recorded in sub registered electronic form in "own name".

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given to the shareholders of the Company that the nineteenth annual general meeting of the shareholders of the Company (the 'Annual General Meeting') will be held in the Gallagher Grill, Gallagher Convention Centre, 19 Richards Drive, Midrand on Tuesday, 30 August 2011 at 10:00 South African time to (i) deal with such other business as may lawfully be dealt with at the meeting and (ii) consider and, if deemed fit, to pass, with or without modification, the following Ordinary Resolutions and Special Resolutions in the manner required by the Companies Act, No 71 of 2008, as amended ('the Companies Act') as read with the Listings Requirements of JSE Limited ('Listings Requirements'), which meeting is to be participated in and voted at by shareholders of the Company as at the record date of Thursday, 25 August 2011 in terms of section 62(3)(a), read with section 59 of the Companies Act. The last date to trade in the securities of the Company in order to be eligible to vote will be Thursday, 18 August 2011.

NB: Section 63 (1) of the Companies Act – Identification of meeting participants
Kindly note that, meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Forms of identification include valid identity documents, driver's licences and passports.

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The consolidated audited annual financial statements of the Company and its subsidiaries (as approved by the Board of Directors of the Company), including the directors' report, the Audit and Risk Committee report and the external auditors' report for the year ended 31 March 2011, have been distributed as required and will be presented to shareholders.

The complete consolidated audited annual financial statements are set out on pages 138 to 225 of the integrated annual report.

ORDINARY RESOLUTIONS

ORDINARY RESOLUTION NUMBER 1: ELECTION OF MR I KGABOESELE AS A DIRECTOR

RESOLVED THAT Mr I Kgaboesele be elected as a director of the Company.

Age: 39

First appointed: 1 July 2011

Educational qualifications: CA (SA), BComm, post graduate diploma in accountancy

Directorship:
Sphere Holdings (Proprietary) Limited
Sphere Fund I GP (Proprietary) Limited
Sphere Investments (Proprietary) Limited
Sphere Private Equity (Proprietary) Limited
Sphere RB Investments (Proprietary) Limited
Sphere RMB JV (Proprietary) Limited
Wiphold Financial Services Number One (Proprietary) Limited
Ditswammung Mineral Resources Consortium (Proprietary) Limited
Babcock Ntuthuko Engineering (Proprietary) Limited
Babcock Ntuthuko Aviation (Proprietary) Limited
Barone, Budge & Dominick (Proprietary) Limited
Four Fillan Forest (Proprietary) Limited
Honeywell Automation and Control Solutions South Africa (Proprietary) Limited
Brandcorp Holdings (Proprietary) Limited
Brandcorp (Proprietary) Limited
Target Cranes (Proprietary) Limited
Wheatfields Investments 216 (Proprietary) Limited

ORDINARY RESOLUTION NUMBER 2: RE-ELECTION OF MR B DU PLESSIS AS A DIRECTOR

RESOLVED THAT Mr B du Plessis, who retires by rotation in terms of the Memorandum of Incorporation of the Company and who is eligible and available for re-election, is re-elected as a director of the Company.

Age: 57

First appointed: 2 December 2004

Educational qualifications: BA, LLB, LLM

Directorship: None.

Reason for Ordinary Resolutions Numbers 1 and 2
The reason for the proposed Ordinary Resolutions numbers 1 and 2 is to elect and re-elect, in accordance with article 21.4 read with article 35 of the Memorandum of Incorporation of the Company and by way of a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy, as required under section 68(2) of the Companies Act, Mr I Kgaboesele and Mr B du Plessis as directors of the Company, and as regards Mr B du Plessis, him having retired by rotation in terms of article 35 of the Company's Memorandum of Incorporation and being eligible for re-election.

ORDINARY RESOLUTION NUMBER 3: ELECTION OF MR PCS LUTHULI AS MEMBER AND CHAIRPERSON OF THE AUDIT AND RISK COMMITTEE

RESOLVED THAT Mr PCS Luthuli be elected a member and Chairperson of the Audit and Risk Committee with effect from the end of this meeting in terms of section 94(2) of the Companies Act.

Age: 38

First appointed: 29 July 2005

Educational qualifications: CA (SA), BComm, post graduate diploma in accountancy

Directorships:
Cipla Medpro Pharmaceuticals South Africa Limited
Luthuli & Luthuli Investments Limited (Proprietary) Limited
Hloba Clothing (Proprietary) Limited
Jicama 333 (Proprietary) Limited

ORDINARY RESOLUTION NUMBER 4: ELECTION OF MS RJ HUNTLEY AS MEMBER OF THE AUDIT AND RISK COMMITTEE

RESOLVED THAT Ms RJ Huntley be elected a member of the Audit and Risk Committee with effect from the end of this meeting in terms of section 94(2) of the Companies Act.

Age: 48

First appointed: 20 September 2007

Educational qualifications: BProc and LLB

Directorships:
Mkhabela Huntley Adekeye Incorporated
Rorisang Basadi Investments (Proprietary) Limited
Rorisang Professional Women Investments (Proprietary) Limited
Nthwese Investments (Proprietary) Limited
Kutana Investment Group Limited
Ufhata Investment (Proprietary) Limited
Capitec Bank Limited

ORDINARY RESOLUTION NUMBER 5: ELECTION OF MR Y WAJA AS MEMBER OF THE AUDIT AND RISK COMMITTEE

RESOLVED THAT Mr Y Waja be elected a member of the Audit and Risk Committee with effect from the end of this meeting in terms of section 94(2) of the Companies Act.

Age: 59

First appointed: 20 April 2010

Educational qualifications: CA (SA), BComm, BCompt (Hons)

Directorships:
AIDC Development Centre (Proprietary) Limited
Blue IQ Investment Holdings (Proprietary) Limited
Cast Arena Trade and Invest 63 (Proprietary) Limited
Imperial Holdings Limited
Innovation Technology Solutions Africa (Proprietary) Limited
Pareto Limited
Phetoho Technologies (Proprietary) Limited
Public Investment Corporation Limited
Real Africa Holdings Limited
Supplier Park Development Company (Proprietary) Limited
The Innovation Hub Management Company (Proprietary) Limited
Waja Trading Enterprises Close Corporation

ORDINARY RESOLUTION NUMBER 6: ELECTION OF MR B DU PLESSIS AS MEMBER OF THE AUDIT AND RISK COMMITTEE

RESOLVED THAT Mr B du Plessis be elected a member of the Audit and Risk Committee with effect from the end of this meeting in terms of section 94(2) of the Companies Act.

Age: 57

First appointed: 2 December 2004

Educational qualifications: BA, LLB, LLM

Directorship: None.

ORDINARY RESOLUTION NUMBER 7: ELECTION OF MR I KGABOESELE AS THE MEMBER OF THE AUDIT AND RISK COMMITTEE

RESOLVED THAT Mr I Kgaboesele be elected as a member of the Audit and Risk Committee with effect from the end of this meeting in terms of section 94(2) of the Companies Act.

Age: 39

First appointed: 1 July 2011

Educational qualifications: CA (SA), BComm, post graduate diploma in accountancy

Directorship:
Telkom SA Limited
Sphere Holdings (Proprietary) Limited
Sphere Fund I GP (Proprietary) Limited
Sphere Investments (Proprietary) Limited
Sphere Private Equity (Proprietary) Limited
Sphere RB Investments (Proprietary) Limited

Sphere RMB JV (Proprietary) Limited
Wiphold Financial Services Number One (Proprietary) Limited
Ditswammung Mineral Resources Consortium (Proprietary) Limited
Babcock Ntuthuko Engineering (Proprietary) Limited
Babcock Ntuthuko Aviation (Proprietary) Limited
Barone, Budge & Dominick (Proprietary) Limited
Four Fillan Forest (Proprietary) Limited
Honeywell Automation and Control Solutions South Africa (Proprietary) Limited
Brandcorp Holdings (Proprietary) Limited
Brandcorp (Proprietary) Limited
Target Cranes (Proprietary) Limited
Wheatfields Investments 216 (Proprietary) Limited

Reason for Ordinary Resolutions Numbers 3 to 7
In terms of the Companies Act, the audit committee is no longer a committee of the board but a committee elected by the shareholders at each annual general meeting. In terms of the Companies Regulations, at least one-third of the members of a company's audit committee at any particular time must have academic qualifications, or experience, in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management. The Company has established an Audit and Risk Committee which fulfils the functions of the audit committee contemplated in the Companies Act and the persons nominated to be appointed to the Company's Audit and Risk Committee were nominated having regard and consideration to the requirements of the Companies Act and Companies Regulations referred to herein.

ORDINARY RESOLUTION NUMBER 8: RE-APPOINTMENT OF AUDITORS

RESOLVED THAT Ernst & Young is re-appointed as auditors of the Company until the conclusion of the next annual general meeting.

Reason for Ordinary Resolution Number 8
In compliance with section 90 of the Companies Act, Ernst & Young is proposed to be re-appointed as auditors for the financial year ending 31 March 2012 and until the conclusion of the next annual general meeting.

ORDINARY RESOLUTION NUMBER 9: ADOPTION OF EMPLOYEE SHARE PLANS

RESOLVED THAT the Company adopts two new share incentive plans for the benefit of selected management employees of the Company, namely –

- the Telkom SA Limited Share Appreciation Rights Scheme 2010; and
- the Telkom SA Limited Long Term Incentive Plan 2010

(collectively hereinafter referred to as the 'New Employee Share Plans').

Copies of each of the New Employee Share Plans have been tabled at this annual general meeting and initialled by the Chairman for the purpose of identification.

Ordinary Resolution Number 9 must, in terms of and for purposes of paragraph 14.1 of Schedule 14 to the Listings Requirements, be approved by 75% of the votes cast by shareholders present or represented at this Annual General Meeting.

The salient features of the proposed New Employee Share Plans are contained in Annexure A to this notice of Annual General Meeting. In addition the terms and conditions of the New Employee Share Plans are attached as Annexures B and C to this notice of Annual General Meeting and copies of both plans are available for inspection at the Company's registered office during normal business hours at any time prior to the commencement of the Annual General Meeting.

Reason for Ordinary Resolution Number 9
In 2004, Telkom adopted an employee share incentive scheme, namely the Conditional Share Plan, to benefit employees of Telkom. Shareholders had at the time of approval and for purposes, of the Conditional Share Plan, authorised the issuing to qualifying employees of Telkom, Shares not exceeding 4% of the total issued share capital of Telkom. Telkom first allocated Shares to qualifying employees in June 2004 and has over a period of time incentivised those qualifying employees of Telkom in terms of the Conditional Share Plan. The final allocation was made in June 2007 and vested in June 2010. There are no more allocations to be made in terms of the Conditional Share Plan and it is thus no longer applicable.

The following reasons have also necessitated the adoption of the New Employee Share Plans:

- Best practice in the United Kingdom and the United States of America, as well as emerging practice in South Africa encourage the use of regular annual allocations of instruments, rather than large irregular allotments. This approach mitigates the risk underlying the employee share incentive plans as a member now has a number of smaller active tranches of scheme instruments that are exposed to the market prices at different time periods;

- In line with the aforesaid practice, companies changed the vesting periods of the share allotments from staggered vesting to cliff vesting, usually after three years;
- The use of performance conditions to govern the vesting of share awards is a universal practice in the United Kingdom and is now an established trend in the South African market. This ensures alignment between shareholder and management interest;
- With the change in income tax legislation in 2004, the door for deferral of income tax obligations was forever closed.

Telkom has considered ways and methods which are compliant with best practices relating to incentivising employees of a company of the size of Telkom. To this end, Telkom considered adopting two new employee share incentive plans, namely the Long Term Incentive Plan and the Share Appreciation Scheme. The purpose of the Long Term Incentive Plan and the Share Appreciation Scheme is to:

- incentivise and benefit selected fulltime salaried managerial employees, including executive directors of Telkom by providing them with an opportunity to receive and hold shares in the Company (on the terms and conditions of the New Employee Share Plans), so as to provide an incentive for these employees to advance the interests of the Telkom Group;
- ensure that Telkom attracts and retains the core competence required for formulating and implementing the business strategies of the Telkom Group.

ORDINARY RESOLUTION NUMBER 10: GENERAL AUTHORITY TO DIRECTORS TO ALLOT AND ISSUE ORDINARY SHARES

RESOLVED THAT, as required by and subject to the Company's Memorandum of Incorporation, and subject to the provisions of the Companies Act and the Listings Requirements, each as presently constituted and as amended from time to time, the directors are authorised, as they in their discretion think fit, to allot, issue and grant options over and to undertake to allot, issue and grant options over shares, subject to the following –

- Any issue of shares shall be to public shareholders as defined by the Listings Requirements.
- The shares will also be reserved for allotment and issue to participating employees of the new employee share schemes proposed to be adopted by the Company in terms of this notice.
- This authority shall only be valid until the next annual general meeting of the Company but shall not endure beyond the period of 15 (fifteen) months from the date set down for the Annual General Meeting.
- A paid press announcement giving details, including the impact on net asset value and earnings per share, will be published at the time of any such allotment and issue of shares representing, on a cumulative basis within one year, 5% (five percent) or more of the number of shares of that class in issue prior to any such issues.
- That issues in the aggregate in any one financial year shall not exceed 5% (five percent) of the number of shares of any class of the Company's issued share capital less any shares that may be issued during the financial year arising from the exercise of share options in the normal course. The number of shares to be issued in terms of this resolution shall not include any shares that may be issued by the Company to participating employees pursuant to the New Employee Share Plans proposed to be adopted in terms of Ordinary Resolution Number 9.
- That, in determining the price at which an allotment and issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price of the class of shares to be issued over the 30 (thirty) days prior to the date that the price of issue is determined or agreed by the directors of the Company.

Reason for Ordinary Resolution Number: 10

The directors wish to be granted authority to place the authorised but unissued Shares under their control so as to be able allot and issue such Shares from time to time as they in their discretion think fit, subject to the provisions of the Company's Memorandum of Incorporation and the Listings Requirements. In terms of article 8.2 of the Company's Memorandum of Incorporation, the Shareholders may authorise the Directors to issue unissued securities or give options over them as the Directors may think fit, subject to the approval of JSE Limited ('JSE'), the provisions of the Listings Requirements and the Companies Act. The number of shares to be issued in terms of Ordinary Resolution Number 10 shall not include any shares that may be issued by the Company to participating employees pursuant to the New Employee Share Plans proposed to be adopted in terms of Ordinary Resolution Number 9.

ORDINARY RESOLUTION NUMBER 11: AUTHORITY TO DIRECTORS TO ISSUE SHARES FOR CASH

RESOLVED THAT, as required by and subject to the Company's Memorandum of Incorporation, and subject to the provisions of the Companies Act and the Listings Requirements (and to any other restrictions set out in the mandate relating to such issue of equity securities), each as presently constituted and as amended from time to time, the directors are authorised, as they in their discretion think fit, to allot and issue equity securities for cash, subject to the following –

- The equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- The equity securities must be issued to public shareholders, as defined in the Listings Requirements, and not to related parties;
- The securities which are the subject of general issues for cash:
  - in the aggregate in any one financial year may not exceed 15% (fifteen percent) of the Company's relevant number of equity securities in issue of that class (for purposes of determining the securities comprising the 15% (fifteen percent) number in any one year, account must be taken of the dilution effect, in the year of issue of options/convertible securities, by including the number of any equity securities which may be issued in future arising out of the issue of such options/convertible securities);
  - of a particular class, will be aggregated with any securities that are compulsorily convertible into securities of that class, and, in the case of the issue of compulsorily convertible securities, aggregated with the securities of that class into which they are compulsorily convertible;
  - as regards the number of securities which may be issued (the 15% number), shall be based on the number of securities of that class in issue added to those that may be issued in future (arising from the conversion of options/convertible securities), at the date of such application:
    - less any securities of the class issued, or to be issued in future arising from options/convertible securities issued, during the current financial year;
    - plus any securities of that class to be issued pursuant to:
      - a rights issue which has been announced, is irrevocable and is fully underwritten; or
      - acquisition (which has had final terms announced) may be included as though they were securities in issue at the date of application;
- The maximum discount at which equity securities may be issued is 10% (ten percent) of the weighted average traded price of such equity securities measured over the 30 business days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the securities. JSE should be consulted for a ruling if the Company's securities have not traded in such 30 business day period;
- The approval of the general issue for cash ordinary resolution by achieving a 75% (seventy five percent) majority of the votes cast. The resolution must be worded in such a way as to include the issue of any options/convertible securities that are convertible into an existing class of equity securities, where applicable.

Reason for Ordinary Resolution Number: 11
The directors wish to be granted authority to place the authorised but unissued equity securities under their control so as to be able allot and issue such securities for cash from time to time as they in their discretion think fit, subject to the provisions of the Company's Memorandum of Incorporation and in particular section 5.52 of the Listings Requirements.

ORDINARY RESOLUTION NUMBER 12: ENDORSEMENT OF THE REMUNERATION POLICY

RESOLVED THAT, through a non-binding advisory vote, the Company's remuneration policy (excluding the remuneration of the non-executive directors and the members of Board committees for their services as directors and members of committees), as set out in the Remuneration Report contained in the Integrated Annual Report, is endorsed.

Reason for Ordinary Resolution Number 12
In terms of the King Report on Corporate Governance for South Africa, 2009 ('King III') recommendations, every year, the Company's remuneration policy should be tabled for a non-binding advisory vote at the Annual General Meeting. The essence of this vote is to enable the shareholders to express their views on the remuneration policies adopted in the remuneration of executive directors and on their implementation. Accordingly, the shareholders are requested to endorse the Company's remuneration policy as recommended by King III.

SPECIAL RESOLUTIONS

SPECIAL RESOLUTION NUMBER 1: REPURCHASE OF SHARES ISSUED BY THE COMPANY

RESOLVED THAT, pursuant to the Company's Memorandum of Incorporation, the Company and/or any of its subsidiaries is hereby authorised by way of a general approval, to purchase or repurchase as the case may be and from time to time ordinary shares issued by the Company from any person, upon such terms and conditions and in such number as the directors of the Company or subsidiary may determine, but in accordance with and subject to the provisions of the Company's Memorandum of Incorporation, the Companies Act and the Listings Requirements, provided that:

- the general authority granted to the directors shall be valid only until the Company's next annual general meeting and shall not extend beyond 15 (fifteen) months from the date of this Special Resolution Number 2;
- any general purchase by the Company of its ordinary shares in issue shall not in aggregate in any one financial year exceed 20% (twenty percent) of the Company's issued ordinary share capital at the time that the authority is granted;
- no acquisition may be made at a price more than 10% (ten percent) above the weighted average of the market value of the ordinary share for the 5 (five) business days immediately preceding the date of such acquisition;
- the repurchase of the ordinary shares are effected through the order book operated by JSE trading system and done without any prior understanding or arrangement between the Company and the counter party (reported trades are prohibited);
- the Company may only appoint one agent at any point in time to effect any repurchase(s) on the Company's behalf;
- the number of shares purchased by subsidiaries of the Company shall not exceed 10% (ten percent) in the aggregate of the number of issued shares in the Company at the relevant times;
- the repurchase of shares by the Company and/or any of its subsidiaries may not be effected during a prohibited period as defined in the Listings Requirements;
- after a repurchase, the Company will continue to comply with all the Listings Requirements concerning shareholder spread requirements;
- a resolution by the Board of Directors of the Company that they authorised the repurchase, that the Company passed the solvency and liquidity test and that since the test was done there have been no material changes to the financial position of the Telkom Group;
- the general authority may be varied or revoked by Special Resolution of the members prior to the next annual general meeting of the Company; and
- should the Company and/or any subsidiary cumulatively repurchase and/or acquire, as the case may be, redeem or cancel 3% (three percent) of the initial number of the Company's ordinary shares in terms of this general authority and for each 3% (three percent) in aggregate of the initial number of that class repurchased and/or acquired, as the case may be, thereafter in terms of this general authority, an announcement shall be made in terms of the Listings Requirements.

Any decision by the directors, after considering the effect of a repurchase of up to 20% (twenty percent) of the Company's issued ordinary shares, to use the general authority to repurchase shares of the Company will be taken with regard to the prevailing market conditions and other factors and provided that, after such repurchase, the directors are of the opinion that:

- the Company and/or any of its subsidiaries will be able in the ordinary course of business to pay its debts for a period of 12 (twelve) months after the date of this notice of the Annual General Meeting;
- the assets of the Company and its subsidiaries will be in excess of the liabilities of the Company and its subsidiaries for a period of 12 (twelve) months after the date of this notice of Annual General Meeting which assets and liabilities have been valued in accordance with the accounting policies used in the audited financial statements of the Group for the year ended 31 March 2011;
- the share capital and reserves of the Company and its subsidiaries will be adequate for the ordinary business purposes for a period of 12 (twelve) months after the date of this notice of Annual General Meeting; and
- the working capital of the Company and its subsidiaries are considered adequate for ordinary business purposes for a period of 12 (twelve) months after the date of this notice of Annual General Meeting.

The Board of Directors of the Company will, through the Company's sponsor, provide the JSE with the necessary report on the adequacy of the working capital of the Company and its subsidiaries in terms of the Listings Requirements prior to the commencement of any share repurchase in terms of Special Resolution Number 1.

This resolution is required to be passed, on a show of hands, by not less than 75% (seventy five percent) of the number of shareholders of the Company entitled to vote on a show of hands, at the meeting who are present in person or by proxy or, where a poll has been demanded, by not less than 75% of the voting rights exercisable by the shareholders present in person or represented by proxy at the Annual General Meeting and entitled to vote in respect of this resolution.

For the purpose of considering the Special Resolution and in compliance with paragraph 11.26 of the Listings Requirements, the information listed below has been included in the integrated annual report of the Company, in which this notice of Annual General Meeting is included, at the places indicated:

- directors and management – refer to pages 16 to 19 of the integrated annual report;
- major shareholders – refer to page 9 of the integrated annual report;
- directors' interests in securities – refer to page 217 of the integrated annual report;

- share capital of the Company – refer to page 191 of the integrated annual report;
- the directors, whose names are set out on pages 16 to 17 of the integrated annual report, collectively and individually accept full responsibility for the accuracy of the information contained in this Special Resolution and certify that to the best of their knowledge and belief, there are no other facts, the omission of which, would make any statement false or misleading and that they have made all reasonable enquiries in this regard.

Litigation statement
In terms of paragraph 11.26 of the Listings Requirements, the directors, whose names appear on pages 16 to 17 of the integrated annual report, are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or had in the recent past, being at least the previous 12 (twelve) months, a material effect on the Company's financial position other than those currently disclosed in the most recent financial statements.

Material changes
Other than the facts and developments reported on in the integrated annual report which was posted to shareholders with this notice, there have been no material changes in the affairs or financial position of the Company and its subsidiaries since the date of signature of the annual financial statements and the date of this notice.

The directors have no specific intention, at present, for the Company or its subsidiaries to repurchase any of the Company's shares but consider that such a general authority should be put in place should an opportunity present itself to do so during the year which is in the best interests of the Company and its shareholders.

Reason for Special Resolution Number 1
The reason for and effect of this Special Resolution is to allow the Company and/or its subsidiaries by way of a general authority to repurchase and/or acquire shares issued by the Company.

SPECIAL RESOLUTION NUMBER 2: DETERMINATION AND APPROVAL OF THE REMUNERATION OF NON-EXECUTIVE DIRECTORS

RESOLVED THAT in terms of article 21.10 of the Memorandum of Incorporation of the Company and subject to the terms thereof, the remuneration of the non-executive directors of the Company for their services as directors of the Company, payable quarterly in arrears, be as set out below with effect from 16 August 2011:

	Annual retainer fee	Special meeting attendance fee
Telkom SA Limited Board	Amount	Amount
Chairperson	R1,110,000	R20,000
Ordinary Board Member	R325,000	R15,000
International Board Member	R449,811	R15,000
Audit and Risk Committee		
Chairman	R200,000	R15,000
Member	R120,000	R15,000
Social and Ethics Committee		
Chairman	R80,000	R15,000
Member	R60,000	R15,000
Nominations Committee		
Chairman	R80,000	R15,000
Member	R60,000	R15,000
Human Resources Review and Remuneration Committee		
Chairman	R200,000	R15,000
Member	R120,000	R15,000
Investment and Transactions Committee		
Chairman	R80,000	R15,000
Member	R60,000	R15,000

Special Resolution Number 2 is proposed in order to comply with the requirements of the Companies Act and the Company's Memorandum of Incorporation. The above rates were selected to ensure that the remuneration of non-executive directors remains competitive in order to enable the Company to retain and attract persons of the calibre, appropriate capabilities, skills and experience required in order to make meaningful contributions to the Company, given its global footprint and growth rate.

The remuneration proposed to be paid to non-executive directors in terms of Special Resolution Number 2 is the same as that which the Company paid to these directors during the financial year ended 31 March 2011, i.e. the Board of Directors has considered the remuneration payable to the non-executive directors for the year ended 31 March 2011 and is of the view that there should be no increase to the remuneration. However and notwithstanding the consideration by and the view of the Board, the remuneration payable to non-executive directors is subject to the approval of the shareholders in terms of the provisions of the Companies Act.

The proposed remuneration is considered to be fair and reasonable and in the best interests of the Company.

Reason for Special Resolution Number 2
In terms of sections 66(8) and (9) of the Companies Act remuneration may only be paid to directors for their service as directors in accordance with a Special Resolution approved by the shareholders within the previous two years and if not prohibited in terms of a company's memorandum of incorporation. In terms of article 21.10 read with articles 21.11 and 21.12 of the Company's Memorandum of Incorporation, the remuneration of directors for their services as such shall be determined from time to time by the directors of the Company, taking into account the recommendations of the Remuneration Committee. Directors shall also be paid travelling, subsistence and other expenses properly incurred by them in the execution of their duties, including attendance of meetings of directors and of committees of directors authorised or ratified by directors. A director who serves on any committee or devotes special attention to the business of the Company may be paid an extra remuneration or allowances in addition to the remuneration he may be entitled to.

The Board of Directors has considered the remuneration payable to the non-executive directors for the year ended 31 March 2011 and is of the view that there should be no increase to the remuneration. However and notwithstanding the consideration by and the view of the Board, the remuneration payable to non-executive directors is subject to the approval of the shareholders in terms of the provisions of the Companies Act. The last increase to the remuneration of the non-executive directors of the Company was approved on 7 July 2010. Full particulars of remuneration paid to non-executive directors for the financial year ended 31 March 2011 are set out on page 137.

SPECIAL RESOLUTION NUMBER 3: FINANCIAL ASSISTANCE TO SUBSIDIARIES AND OTHER RELATED ENTITIES AND INTER-RELATED ENTITIES AND TO DIRECTORS AND PRESCRIBED OFFICERS AND OTHER PERSONS WHO MAY PARTICIPATE IN THE NEW EMPLOYEE SHARE PLANS OR ANY OTHER EMPLOYEE SHARE SCHEME

RESOLVED THAT, to the extent required by the Companies Act, the Board of Directors of the Company may, subject to compliance with the requirements of the Company's Memorandum of Incorporation, the Companies Act and the Listings Requirements, each as presently constituted and as amended from time to time, authorise the Company to provide direct or indirect financial assistance by way of loan, guarantee, the provision of security or otherwise, to:-

1. any of its present or future subsidiaries and/or any other company or corporation that is or becomes related or inter-related to the Company for any purpose or in connection with any matter, including, but not limited to, the subscription of any option, or any securities issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company; and

2. any of its present or future directors or prescribed officers (or any person related to any of them or to any company or corporation related or inter-related to any of them), or to any other person who is or may be a participant in any of the Company's New Employee Share Plans proposed to be adopted at the Annual General Meeting or any or other employee incentive schemes, for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company, where such financial assistance is provided in terms of any such scheme that does not satisfy the requirements of section 97 of the Companies Act, such authority to endure until the forthcoming annual general meeting of the Company.

Reason for Special Resolution Number 3
Notwithstanding the title of section 45 of the Companies Act, being "Loans or other financial assistance to directors", on a proper interpretation, the body of the section may also apply to financial assistance provided by a company to related or inter-related companies and corporations, including, *inter alia*, its subsidiaries, for any purpose.

Furthermore, section 44 of the Companies Act may also apply to the financial assistance so provided by a company to related or inter-related companies, in the event that the financial assistance is provided for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company.

Both sections 44 and 45 of the Companies Act provide, *inter alia*, that the particular financial assistance must be provided only pursuant to a Special Resolution of the shareholders, adopted within the previous two years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category and the board of directors must be satisfied that –

(a) immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test; and

(b) the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

Telkom, when the need previously arose, had to provide loans to and guarantee loans or other obligations of subsidiaries and was not precluded from doing so in terms of its articles of association or in terms of the Companies Act, 61 of 1973, as amended. Telkom would like the ability to provide financial assistance, if necessary, also in other circumstances, in accordance with section 45 of the Companies Act. Furthermore, it may be necessary or desirous for Telkom to provide financial assistance to related or inter-related companies and corporations to subscribe for options or securities or purchase securities of Telkom or another company related or inter-related to it. Under the Companies Act, Telkom will however require the Special Resolution referred to above to be adopted. In the circumstances and in order to, *inter alia*, ensure that Telkom's subsidiaries and other related or inter-related companies and corporations have access to financing and/or financial backing from Telkom (as opposed to banks), it is necessary to obtain the approval of shareholders, as set out in Special Resolution Number 3.

The Company requires approval of the Shareholders at the Annual General Meeting to adopt the New Employee Share Plans. A proposed resolution for adoption of the New Employee Share Plans in set forth in this notice of Annual General Meeting. In terms of the New Employee Share Plans, Telkom will allocate and issue shares to participating employees of Telkom. Sections 44 and 45 contain exemptions in respect of employee share schemes that satisfy the requirements of section 97 of the Companies Act. To the extent that any of Telkom's share or other employee incentive schemes do not satisfy such requirements, financial assistance (as contemplated in sections 44 and 45) to be provided under such schemes will, *inter alia*, also require approval by special resolution. Accordingly, Special Resolution Number 3 authorises financial assistance to any of Telkom's directors or prescribed officers (or any person related to any of them or to any company or corporation related or inter-related to them), or to any other person who is or may be a participant in the New Employee Share Plans proposed to be adopted at the Annual General Meeting or any other employee incentive schemes of the Company, in order to facilitate their participation in any such schemes that do not satisfy the requirements of section 97 of the Companies Act.

SPECIAL RESOLUTION NUMBER 4: PROPOSED AMENDMENT OF ARTICLE 21.1 OF THE COMPANY'S MEMORANDUM OF INCORPORATION TO INCREASE THE MAXIMUM NUMBER OF DIRECTORS OF THE COMPANY

RESOLVED THAT the memorandum of incorporation of the Company be and is hereby amended by replacing existing article 21.1 with the following new article:

"21.1 Subject to the provisions of the Act, the number of directors shall not be less than 8 (eight) and not more than 14 (fourteen)."

Reason for Special Resolution Number 4

In terms of the Company's memorandum of incorporation, currently the maximum number of directors that the Company is able to appoint is 12 (twelve). The Board has considered that having regard to the strategy of the Company, there may well be a need to appoint additional directors with a variety of skills and expertise to the Board in order to assist in taking the Company's strategy forward. It will therefore be necessary to increase the maximum number of directors to 14 (fourteen).

The proposed amendment to the memorandum of incorporation of the Company is not an attempt at harmonising the memorandum of incorporation with the Companies Act.

VOTING AND PROXIES

A shareholder is entitled to attend and vote at the Annual General Meeting or may appoint a proxy or proxies to attend, participate, vote or abstain from voting in such shareholder's stead. A proxy need not be a shareholder of the Company.

On a show of hands, every shareholder of the Company who is present in person or represented by proxy at the Annual General Meeting, shall have one vote irrespective of the number of shares he/she/it holds or represents, provided that a proxy will only have one vote irrespective of the number of shareholders he/she/it represents, and on a poll, every shareholder of the Company who is present in person or represented by proxy or proxies at the Annual General Meeting shall have that proportion of the total votes in the Company which the aggregate amount of the nominal value of the shares held by that shareholder bears to the aggregate amount of the nominal value of all the shares issued by the Company.

A form of proxy in which is set out the relevant instructions for its completion, is attached for use by Certificated Shareholders and "own-name" Dematerialised Shareholders who are unable to attend in person at the Annual General Meeting, but who wish to be represented thereat by proxy or proxies. The instrument appointing a proxy and the authority, if any, under which it is signed must be received by Telkom or its Transfer Secretaries at the addresses given below by not later than 10:00 South African time on Monday, 29 August 2011. Forms of proxy that have not been lodged by this time may be handed to the chairperson of the meeting immediately prior to the commencement of the meeting or at least prior to voting on the particular resolution in respect of which the proxy may have been appointed to vote on.

Dematerialised Shareholders (who are not "own name" dematerialised shareholders) who wish to cast their votes, should contact their Central Securities Depository Participant ('CSDP') or broker or nominee and all beneficial shareholders who hold certificated shares through a nominee and instruct their CSDP or broker or nominee as to how they wish to cast their votes at the Company's Annual General Meeting in order for their CSDP or broker or nominee to vote in accordance with such instructions. Voting instructions must reach the CSDP, broker or nominee in sufficient time and in accordance with the agreement between the beneficial owner, and the CSDP, broker or nominee (as the case may be) to allow the CSDP, broker or nominee to carry out the instructions and lodge the requisite authority by 10:00 (South African time) on Monday, 29 August

2011. Shareholders who hold certificated shares in their own name and shareholders who have dematerialised their shares in "own name" registration must lodge their completed proxy forms at the registered office of the Company or with the Company's South African transfer secretaries at the address below not later than 10:00 (South African time) on Monday, 29 August 2011. If such shareholders wish to attend at the Annual General Meeting in person or to vote by way of proxy, they must contact their CSDP or broker or nominee who will furnish them with the necessary letter of representation to attend at the Annual General Meeting in person or be represented thereat by proxy. This must be done in terms of the agreement entered into between the dematerialised shareholder and the CSDP or broker.

The completion of the proxy form will not preclude a shareholder from attending the Annual General Meeting.

By order of the Board

Telkom SA Limited

ML Lephadi
Company Secretary

15 July 2011

Registered office
Telkom Towers North
152 Proes Street
Pretoria 0002
South Africa
(Private Bag X881, Pretoria 0001)

Transfer Secretaries
Computershare Investor Services (Proprietary) Limited
Ground Floor
70 Marshall Street
Marshalltown 2107
South Africa
(PO Box 61051, Marshalltown 2107)

Form of proxy

Telkom SA Limited
(Incorporated in the Republic of South Africa)
(Registration number 1991/005476/06
(JSE share code: TKG)
ISIN: ZAE000044897)
('Telkom' or the 'Company')

FORM OF PROXY FOR THE ANNUAL GENERAL MEETING

(For completion by Certificated Shareholders and own-name Dematerialised Shareholders. Shareholders entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend, vote and speak at the Annual General Meeting in his stead. Such proxy/ies need not be a shareholder/s of Telkom.)

For use at the Annual General Meeting of shareholders of Telkom to be held in the Gallagher Grill, Gallagher Convention Centre, 19 Richards Drive, Midrand on Tuesday, 30 August 2011 at 10:00 (South African time)

I/We _____ (name in BLOCK LETTERS)

Of _____ (address in BLOCK LETTERS)

Being a shareholder/shareholders of the Company holding _____ ordinary shares in the Company,

do hereby appoint: _____ of _____

or failing him/her _____ of _____

or failing him/her, the Chairman of the Annual General Meeting as my/our proxy to represent me/us at the Annual General Meeting to be held at 10:00 (South African time) on Tuesday, 30 August 2011, in the Gallagher Grill, Gallagher Convention Centre, 19 Richards Drive, Midrand or at any adjournment thereof, for purposes of considering and if deemed fit, passing with or without modification, the resolutions to be proposed thereat and at each adjournment, as follows:

Resolution	For	Against	Abstain
ORDINARY RESOLUTIONS			
Ordinary Resolution Number 1: Election of Mr I Kgaboesele as a director			
Ordinary Resolution Number 2: Re-election of Mr B du Plessis as a director			
Ordinary Resolution Number 3: Election of Mr PCS Luthuli as member of Audit and Risk Committee			
Ordinary Resolution Number 4: Election of Ms RJ Huntley as member of Audit and Risk Committee			
Ordinary Resolution Number 5: Election of Mr Y Waja as member of Audit and Risk Committee			
Ordinary Resolution Number 6: Election of Mr B du Plessis as member of Audit and Risk Committee			
Ordinary Resolution Number 7: Election of Mr I Kgaboesele as member of Audit and Risk Committee			
Ordinary Resolution Number 8: Re-appointment of Auditors			
Ordinary Resolution Number 9: Adoption of Employee Share Plans			
Ordinary Resolution Number 10: General Authority to Directors to Allot and Issue Ordinary Shares			
Ordinary Resolution Number 11: General Authority to Directors to Issue Securities for Cash			
Ordinary Resolution Number 12: Endorsement of the Remuneration Policy			
SPECIAL RESOLUTIONS			
Special Resolution Number 1: Repurchase of Shares Issued by the Company			
Special Resolution Number 2: Determination and Approval of the Remuneration of Non-executive Directors			
Special Resolution Number 3: Financial Assistance to Subsidiaries and Other Related Entities or Inter-related Entities and to Directors and Prescribed Officers and Other Persons who may participate in the New Employee Share Plans or any other employee share scheme			
Special Resolution Number 4: Proposed amendment of Article 21.1 of the Company's Memorandum of Incorporation to Increase the Maximum Number of Directors of the Company			

and generally to act as my/our proxy at the said general meeting.
(Please indicate with an "x", in the applicable spaces, how you wish your votes to be cast.)
Please read the notes on the reverse side hereof.

Unless otherwise directed the proxy will vote as he/she thinks fit.

Signed at _____ this _____ day of _____ 2011

Signature of member _____ assisted by (where applicable) _____

Notes

1. A shareholder entitled to attend, participate and vote at the Annual General Meeting may appoint one or more proxies to attend, vote and speak in his/her/its stead at the general meeting. A proxy need not be a shareholder of the Company.
2. Only shareholders who are registered in the register or sub-register of the Company under their own name may complete a proxy or alternatively attend the meeting. Beneficial owners who are not the registered holder and who wish to attend the meeting in person, may do so by requesting the registered holder, being their Central Security Depository Participant ('CSDP'), broker or nominee, to issue them with a letter of representation in terms of the custody agreements entered into with the registered holder. Letters of representation must be lodged with the Company's registrars by no later than 10:00 on Monday, 29 August 2011.
3. Beneficial owners who are not the registered holder and who do not wish to attend the meeting in person must provide the registered holder, being the CSDP, broker or nominee, with their voting instructions. The voting instructions must reach the registered holder in sufficient time to allow the registered holder to advise the Company or the Company's registrar of their instructions by no later than 10:00 on Monday, 29 August 2011.
4. A shareholder may insert the name of a proxy or the names of two alternative proxies of his/her choice in the space(s) provided, with or without deleting "the Chairman of the Annual General Meeting", but any such deletion or insertion must be initialled by the shareholder. Any insertion or deletion not complying with the aforegoing will be declared not to have been validly effected. The person whose name stands first on this form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow. In the event that no names are indicated, the proxy shall be exercised by the Chairman of the General Meeting.
5. A shareholder's instructions to the proxy must be indicated by the insertion of an "X" or the relevant number of votes exercisable by that shareholder in the appropriate box provided. An "X" in the appropriate box indicates the maximum number of votes exercisable by that shareholder. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the Annual General Meeting as he/she/its deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or his/her/its proxy is not obliged to use all the votes exercisable by the shareholder or by his/her/its proxy, but the total of the votes cast and in respect of which abstention is recorded, may not exceed the maximum number of votes exercisable by the shareholder or by his/her/its proxy.
6. To be effective, completed forms of proxy must be lodged with the Company at its registered address or at the Company's South African transfer secretaries at the addresses stipulated below, no less than 24 hours before the time appointed for the holding of the Annual General Meeting in accordance with article 20.3.3 of the Company's memorandum of incorporation. As the Annual General Meeting is to be held at 10:00 on 30 August 2011 forms of proxy must be lodged no later than 10:00 on 29 August 2011.
7. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat instead of any proxy appointed in terms hereof.
8. The Chairman of the Annual General Meeting may reject or accept any form of proxy which is not completed and/or received other than in compliance with these notes.
9. Any alteration to this form of proxy, other than a deletion of alternatives, must be initialled by the signatory.
10. Documentary evidence establishing the authority of the person signing this form of proxy in a representative or other legal capacity must be attached to this form of proxy unless previously recorded by the Company or the transfer secretaries or waived by the Chairman of the Annual General Meeting.
11. Where there are joint holders of shares:
    - any one holder may sign this form of proxy; and
    - the vote of the senior shareholder (for that purpose, seniority will be determined by the order in which the names of the shareholders appear in the Company's register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholders.
12. A minor must be assisted by his/her parent or legal guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
13. A proxy may not delegate his/her authority to act on behalf of the shareholder, to another person.

South African transfer secretaries
Computershare Investor Services (Proprietary) Limited
Ground Floor, 70 Marshall Street
Johannesburg, South Africa, 2001
(PO Box 61051, Marshalltown 2107)

Telkom Registered Office
Telkom Towers North
152 Proes Street
Pretoria, 0002
(Private Bag X881, Pretoria 0001)

Administration

COMPANY REGISTRATION NUMBER
1991/005476/06

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TELKOM SHARE REGISTER HELPLINE
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Pynee Chetty
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e-mail: shareowner-svcs@bankofny.com

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REGULATORY AND PUBLIC POLICY
Adv. Ouma Rasethaba
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Illovo 2196
Private Bag X14
Northlands 2116
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Wierda Valley
Sandton 2196

For the first time in Telkom's annual report history, the photographs of the Annual Report theme, Telkom Board and Executive Management team were taken by two of our own employees, Riekie Grobler and Wayne Paterson. We appreciate it very much and thank them.

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