

Telkom SA Limited  
(Registration number 1991/005476/06)  
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Telkom SA Limited Group Annual Results for the year ended 31 March 2011

Connecting human potential every second of the day

Telkom is one of Africa's largest integrated communications companies, providing integrated communications solutions to both enterprise and consumer customers.

The information contained in this document is also available on Telkom's investor relations website [www.telkom.co.za/ir](http://www.telkom.co.za/ir).

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Special note regarding 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. Among the factors that could cause our actual results or outcomes to differ materially from our expectations including but not limited to those risks identified in Telkom's most recent annual report which are available on Telkom's website at [www.telkom.co.za/ir](http://www.telkom.co.za/ir).

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.

Group salient features for the year ended 31 March 2011

- Normalised operating revenue down 5.2% to R33.4 billion.
- Voice revenue decreased 16.8% to R13.7 billion.
- Data revenue increased 7.7% to R10.7 billion.
- ADSL subscribers increased 16.1% to 751,625.
- Calling plan subscribers increased 9.5% to 783,193.
- Managed data network sites increased 2.8% to 34,163.
- Normalised operating expenses decreased 1.5% to R29.7 billion.
- Normalised free cash flow decreased 36.8% to R3.5 billion.
- Normalised EBITDA margin decreased to 27.4% from 29.3%.
- Normalised headline earnings per share from continuing operations decreased by 35.2% to 444.9 cents.
- Normalised basic earnings per share decreased 29.9% to 448.1 cents per share.

Normalised Group operating revenue from continuing operations decreased 5.2% to R33.4 billion, while EBITDA decreased 11.4% to R9.2 billion. The normalised Group EBITDA margin decreased to 27.4% as at 31 March 2011, compared to 29.3% at 31 March 2010, mainly due to mobile start-up costs and voluntary severance package expenses incurred.

Normalised headline earnings from continuing operations decreased 35.2% to 444.9 cents per share mainly as a result of the effect of the reduction in mobile termination rates, mobile business start-up costs and the voluntary severance package expenses incurred. Normalised basic earnings per share decreased 29.9% from 639.5 cents per share to 448.1 cents per share at 31 March 2011.

## 1. OVERVIEW

Johannesburg, South Africa - 13 June 2011, Telkom SA Limited (JSE: TKG) today announced Group annual results for the year ended 31 March 2011.

### Segment structure

The Group's reporting segments are business units that are separately managed. The Group consist of three reportable segments.

The Telkom South Africa segment provides fixed-line access and data communications services through Telkom South Africa. The Mobile segment provides mobile voice services, data services and handsets sales through 8•ta. These services were launched on 14 October 2010. The Multi-Links continuing operations segment provides fixed-line and data communications services in Nigeria through our Multi-Links subsidiary.

Following the decision to exit the CDMA business in Nigeria, this portion of the Multi-Links results are presented as discontinued operations.

The "other" category is a reconciling item which is split geographically between International and South Africa. Telkom International category provides internet services outside South Africa, through the iWayAfrica

subsidiary. 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 information was still in the process of being split out. Although 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.

Statement by Nombulelo Moholi, Group Chief Executive Officer:

"The year under review has been tough with revenue declining 5.2% to R33.4 billion. Competition, pricing pressures and regulatory intervention have all had an impact on our revenue. The declines seen in our traditional fixed-line voice revenue are set to continue. Operating expenditure decreased 1.5% to R29.7 billion despite the 10.3% growth in employee expenditure to R9.7 billion and mobile start-up expenditure of R1.2 billion. This decrease is largely as a result of the drop in termination rates payable to the other mobile operators.

The years of investment in our network has allowed our data revenue to grow 7.7% to R10.7 billion. This is a good achievement given the muted economic conditions and intensifying competition.

These basic dynamics demand that we focus our efforts on those areas where we are growing and can differentiate from our competitors. The decision to exit the Multi-Links CDMA business in Nigeria is but one of the key decisions taken in the past financial year. 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 restraint in our capital expenditure is visible in the 27.2% decline in Telkom SA's capital expenditure to R2.8 billion. Capital expenditure going into the future will be aimed at growing our ability to service enterprise customers and other value clusters and providing far superior broadband speeds. It is about increased capacity and connectivity. We have to capitalise on Telkom's strength - the network and relationships with business - to provide higher speeds and end to end reliability that cannot be matched by our competitors.

Our focus areas continue to be as follows:

- Leadership and organisation - stable, quality management, the right structures and enforcing accountability
- EBITDA and cash flow focus - challenge the status quo and demand innovation; drive revenue through our exclusive differentiators; continued commitment to cost efficiency; efficient capital allocation to drive revenue growth
- 8•ta - provide innovative packages that allow people to talk more and take advantage of the full range of telecommunication service that only an integrated fixed and mobile operator can offer
- Drive broadband - through convergence and bundling
- Africa - consolidate existing subsidiaries, exit the Multi-Links business

We were extremely pleased to have launched 8•ta during the past financial year. It is an exciting venture for Telkom and provides an essential tool for providing customers with a differentiated service through our ability to provide the full suite of communication tools. It has not been easy.

The growth of our network and distribution channels has encountered delays. It is coming together though and we look forward to turning our network on and launching services into the enterprise market during the coming year.”

#### Declaration of ordinary dividend

The ordinary dividend has been calculated with reference to Telkom's current and expected future debt and cash flow levels. The level of dividend payments going forward will continue to be based on a number of factors, including the consideration of the financial results, capital and operating expenditure requirements, the Group's debt level, interest coverage, internal cash flows, prospects and available growth opportunities.

Ordinary dividend number 16 of 145 cents per share (2010: 125 cents) in respect of the financial year ended 31 March 2011 have been declared payable on Monday, 11 July 2011 to shareholders recorded in the register of the company at close of business on Friday, 8 July 2011.

#### Holders of ordinary shares

Salient dates with regard to the ordinary dividend 2011

Last date to trade cum dividend	Friday, 1 July 2011
Shares trade ex dividend	Monday, 4 July 2011
Record date	Friday, 8 July 2011
Payment date	Monday, 11 July 2011

Share certificates may not be dematerialised or rematerialised between Monday, 4 July 2011 and Friday, 8 July 2011, both days inclusive.

On Monday, 11 July 2011, dividends due to holders of certificated securities on the South African register will either be transferred electronically to shareholders' bank accounts or, in absence of suitable mandates, dividend cheques will be posted to such shareholders.

Dividends in respect of dematerialised shareholders will be credited to shareholders' accounts with their relevant CSDP or broker.

## 2. OPERATIONAL DATA

	Year ended 31 March		
	2010	2011	%
Telkom South Africa			
ADSL subscribers <sup>1</sup>	647,462	751,625	16.1
Calling plan subscribers	715,221	783,193	9.5
Closer subscribers	694,348	753,951	8.6
Supreme call subscribers	20,873	29,242	40.1
WiMAX subscribers	2,979	3,199	7.4
Internet all access subscribers <sup>2</sup>	511,535	543,316	6.2
Fixed access lines ('000) <sup>3</sup>	4,273	4,152	(2.8)
Postpaid – PSTN	2,625	2,552	(2.8)
Postpaid – ISDN channels	784	772	(1.5)
Prepaid	744	703	(5.5)
Payphones	120	125	4.2
Fixed-line penetration rate (%)	8.7	8.3	(4.6)
Revenue per fixed access line (ZAR)	5,345	4,863	(9.0)
Total fixed-line traffic (millions of minutes)	23,082	20,545	(11.0)

Local	6,963	5,563	(20.1)
Long distance	3,238	2,806	(13.3)
Fixed-to-mobile	3,646	3,563	(2.3)
Fixed-to-fixed	47	104	121.3
International outgoing	595	468	(21.3)
International VoIP	60	69	15.0
Subscription based calling plans	3,805	3,988	4.8
Interconnection	4,728	3,984	(15.7)
Domestic mobile interconnection	2,319	2,053	(11.5)
Domestic fixed interconnection	736	951	29.2
International interconnection	1,673	980	(41.4)
Managed data network sites	33,226	34,163	2.8
Telkom Company employees	23,247	22,884	(1.6)
Fixed access lines per employee <sup>4</sup>	184	182	(1.1)
Telkom Mobile			
Total subscribers	–	1,199,596	
Active subscribers <sup>5</sup>	–	473,604	–
Prepaid	–	440,775	–
Contract	–	32,829	–
Base stations constructed	–	970	–
Employees <sup>6</sup>	–	228	–
ARPU <sup>5</sup> (Rand)	–	22.60	–
Prepaid	–	15.86	–
Contract	–	238.57	–
Multi-Links			
Active fixed-line subscribers	570	2,181	282.6
Employees (including CDMA)	767	617	(19.6)
Permanent	539	419	(22.3)
Expatriate	60	33	(45.0)
Temporary	168	165	(1.8)
Other International			
iWayAfrica			
Active subscribers <sup>7</sup>	35,384	25,184	(28.8)
Employees <sup>7</sup>	562	517	(8.0)
Customer per employee <sup>7</sup>	63	49	(22.2)
Other South African			
Trudon employees	528	520	(1.5)
Swiftnet employees	135	107	(20.7)

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 number of Telkom Company employees, excluding subsidiaries.

5. Based on a subscriber who has participated in a revenue generating activity within the last 90 days.

6. Included in Telkom Company employees.

7. Excluding UUNet joint venture partner's subscribers and employees in Kenya.

### 3. OPERATIONAL 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 declined 16.8% to R13,724 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.

#### 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 is very irregular and driven by exchange rates, 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 Telkom's 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 Telkom's fixed-to-mobile voice revenue by R1,199 million. Telkom elected to pass through 100% of the benefit of the reduction to its customers. Payments to other operators decreased R1,025 million resulting in a net loss for Telkom of R174 million. Telkom 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.

Telkom is 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. Telkom's 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 Telkom. In order to capitalise on this growth it is necessary for Telkom 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 Telkom begin to offer its customers in selected areas all of the above.

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

#### 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, service fees increased 7.2% to R2,891 million mainly due to electricity increases and operating leases grew 11.7% to R848 million. Telkom's start-up mobile business, 8•ta, incurred operating expenses of R1,230 million.

Telkom is firmly committed to reducing its cost base. This must be done in a manner that ensures sustainable, long term benefits. We have continued optimising staff vacancies through natural attrition and have been actively managing overtime and contractors 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. 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.

#### 8•ta - Telkom's mobile service

Telkom is at an inflection point with growth in traditional fixed-line voice revenues declining. We believe that there is a market opportunity in South Africa as mobile voice and especially mobile data are still experiencing growth. Telkom has a competitive advantage by virtue of its existing business and customer base. A product range spanning both mobile and fixed value pools will assist Telkom to defend itself more effectively against competitors and to grow revenues. The mobile business is designed to also assist Telkom in addressing fixed-line cost challenges and to position Telkom more competitively in the market. To this end Telkom will undertake best endeavours to attain the market share required to achieve its required IRR.

8•ta was launched on 14 October 2010. At 31 March 2011 we had 1,199,596 subscribers that have completed the RICA process.

At 31 March 2011 8•ta branding had been completed at 20 Telkom Direct Stores and six new stand-alone 8•ta flagship stores have been completed. We had 51,800 airtime point of sales, 22,300 sim card point of sales and 398 contract point of sales. 970 base stations had been constructed. As previously announced, we are working through an order to build a further 2,000 base stations.

8•ta's approach is one of simplicity, quality, value and authenticity. Marketing has been aimed at creating brand awareness and affinity. Focus has now shifted on to communicating product benefits in key targeted segments within prepaid and postpaid markets. These include consumer and enterprise.

We have experienced start-up challenges particularly in the case of our distribution channel and network build out. Completing complex integrated IT projects is taking longer than expected, delaying the launch of new products. It is vital that these systems are flawless in order to provide our customers with high quality of service and truly innovative products. We are overcoming these issues and ironing out operational processes. To date, products and customer service have been well received.

8•ta achieved revenue of R81 million and an EBITDA loss of R1,103 million. As a result of our delayed launch and network and systems build out our guidance with regard to break-even EBITDA is pushed out to the financial year ending 31 March 2014.

#### 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 moved up the IT value chain and we are working closely with Telkom SA'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 iWay Africa 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 consolidation of Africa Online and MWEB Africa and rebranding it as a single operating unit named iWayAfrica.
- Focusing on enterprise market and reducing consumer orientation.
- Re-orienting sales staff focus and training to target enterprise market.
- Completing the consolidation of distributors, technical and sales force.
- Restructuring of sales staff remuneration.
- Support of the SSA 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 multinational companies that are expanding into the rest of Africa.

#### Multi-Links

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 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 Ltd.

#### Regulatory

The two most pressing regulatory pressures currently are spectrum fees and local loop unbundling. Telkom is committed to continually engage with ICASA for the benefit of both the industry and Telkom.

Spectrum licence fees and access - ICASA introduced Administrative Incentive Pricing (AIP) of spectrum through Regulations on 27 August 2010. These Regulations set the various pricing formulae that will be used in future to determine spectrum fees payable by licensees. The main aim of the regulations is to create incentives for spectrum users to optimise the effective and efficient use of the radio frequency spectrum, by incentivising the use of higher frequencies and in non-urban areas. The objective is to ensure that spectrum fees calculated through AIP reflect the market value of the radio frequency spectrum.

Currently there is uncertainty regarding the implementation of the various formulae and data tables. Telkom and other industry players have formally requested further engagements with the Authority on the regulations. The indication from the Authority is that the implementation date of these regulations will be postponed. The implementation of these regulations has been postponed by ICASA to 1 April 2012 to allow ICASA to get the necessary systems in place to implement the new pricing formulae. Telkom is awaiting a formal communication by ICASA in this regard.

The new proposed fee structure is expected to substantially increase the total spectrum fees payable by Telkom. Telkom is working on various options to reduce this amount using the incentive mechanisms built into the pricing formulae; however even after such optimisations, Telkom's spectrum fees are still expected to increase by a significant amount.

Local Loop Unbundling - Local Loop Unbundling (LLU) in its original form is a regulatory mandated process that allows multiple telecommunications operators to access and provide services over the last-mile copper infrastructure (i.e. from the local exchange to the customer premises) that is traditionally owned by the incumbent operator. The risk that LLU poses to Telkom's profitability is dependent upon the form and details of implementation that will be imposed by ICASA, neither of which are known at this point in time. In addition, Telkom is not the same company it was when LLU was first considered and the market has changed significantly,

particularly access technology. Telkom is of the view that any process which ICASA may follow to introduce LLU is likely to be undertaken on a legal basis which is not clearly defined in the EC Act. The process will thus be open to interpretation and possibly result in disputes. Telkom has analysed various LLU options, and will continue to engage with key stakeholders.

#### Strategic direction

Telkom currently has neither the agility to seize market opportunities nor the ability to absorb competitive pressures ad infinitum. Therefore, a step change in the way we invest and operate this business is vital.

Firstly, we have to aggressively tackle the cost conundrum. Labour support is vital in this area. Secondly we need to grow our agility in order to increase our resilience. Operational agility means designing the right business structures and processes to spot and execute quickly on revenue and cost opportunities. Both are equally important. Then we need to identify the most important elements of our business in terms of profitability and growth and equip these areas with financial resources and our best skills.

This will take time and careful capital investment in our differentiators.

#### Guidance

Capital expenditure for the group is expected to range between 20% and 25% of revenue over the current financial year including the impact of our mobile investment.

The targeted net debt to EBITDA is aimed at 1.4 times. In the short term we will operate at lower levels pending the cash outflows associated with the mobile related capital expenditure.

#### 4. FINANCIAL PERFORMANCE

The Telkom Group believes that normalised earnings more accurately reflect the Group's operational performance.

Unless otherwise indicated, the discussion below is based on normalised results, excluding the items below, and is based on continuing operations.

The statement of comprehensive income for the year ended 31 March 2011 has been adjusted to remove the effects of the impact of the Soccer World Cup contract entered into with the Department of Communications, the amortisation of the FIFA brand intangible asset, the impairment of the net asset value of Multi-Links, fair value gain on the Vodacom shares held, STC on the special dividend declared in June 2010 and a tax credit relating to the 2010 capital gains tax liability.

The statement of comprehensive income for the year ended 31 March 2010 has been adjusted to remove the effects of the sale and unbundling of our 50% share in Vodacom, the profit on sale of Telkom Media, the impairment of the goodwill and net asset value of Multi-Links, the impact of the Soccer World Cup contract entered into with the Department of Communications and the amortisation of the FIFA brand intangible asset to enable year on year comparison.

The reported results for March 2010 have been restated for the effect of the CDMA business relating to Multi-Links being classified as a disposal Group held for sale.

The impact of the items discussed above on Group earnings as reported is as follows:

Reconciliation of normalised group statement of comprehensive income

	Reported March 2010	Effects of Vodacom transaction	Other unusual items
Continuing operations In ZAR millions			
Operating revenue	35,611	–	(398) <sup>(6)</sup>
Other income	18,995	(18,535) <sup>(1)</sup>	(68) <sup>(7)</sup>
Operating expenses	34,790	(951)	(3,703)
Employee expenses	9,785	(951) <sup>(2)</sup>	–
Payments to other operators	7,563	–	–
Selling, general and administrative expenses	5,780	–	(357) <sup>(6)</sup>
Service fees	2,696	–	–
Operating leases	759	–	–
Depreciation, amortisation, impairment and write-offs	8,207	–	(3,346) <sup>(8)</sup>
Results from operating activities	19,816	(17,584)	3,237
Investment income	503	–	–
Gain on distribution of asset	25,688	(25,688) <sup>(3)</sup>	–
Finance charges and fair value movements	1,068	(15)	–
Interest	1,143	–	–
Foreign exchange and fair value movement	(75)	(15) <sup>(4)</sup>	–
Profit before taxation	44,939	(43,257)	3,237
Taxation	4,485	(2,751) <sup>(5)</sup>	(168) <sup>(9)</sup>
Profit from continuing operations EBITDA	40,454	(40,506)	3,405
EBITDA margin (%)			
Basic earnings per share – continuing operations	7,994.4		
Headline earnings per share – continuing operations	260.5		
Rand/Naira exchange rate			
Closing rate at beginning of the year			
Closing rate at end of the year			
Year average rate (Source: Reuters)			

	Normalised March 2010	Reported March 2011	Other unusual items
Continuing operations In ZAR millions			
Operating revenue	35,213	33,454	(66) <sup>(6)</sup>
Other income	392	541	–
Operating expenses	30,136	29,924	(253)
Employee expenses	8,834	9,745	–
Payments to other operators	7,563	5,584	–
Selling, general and administrative expenses	5,423	5,772	(66) <sup>(6)</sup>
Service fees	2,696	2,891	–

Operating leases	759	848	–
Depreciation, amortisation, impairment and write-offs	4,861	5,084	(187) <sup>(10)</sup>
Results from operating activities	5,469	4,071	187
Investment income	503	213	–
Gain on distribution of asset	–	–	–
Finance charges and fair value movements	1,053	1,084	25
Interest	1,143	907	–
Foreign exchange and fair value movement	(90)	177	25 <sup>(4)</sup>
Profit before taxation	4,919	3,200	162
Taxation	1,566	985	(35) <sup>(11)</sup>
Profit from continuing operations	3,353	2,215	197
EBITDA	10,330		
EBITDA margin (%)	29.3		
Basic earnings per share – continuing operations	639.5	411.2	
Headline earnings per share – continuing operations	686.7	434.2	
Rand/Naira exchange rate			
Closing rate at beginning of the year	N15.56		
Closing rate at end of the year	N20.58		
Year average rate (Source: Reuters)	N19.34		

Continuing operations	Normalised	Variance
In ZAR millions	March 2011	%
Operating revenue	33,388	(5.2)
Other income	541	38.0
Operating expenses	29,671	1.5
Employee expenses	9,745	(10.3)
Payments to other operators	5,584	26.2
Selling, general and administrative expenses	5,706	(5.2)
Service fees	2,891	(7.2)
Operating leases	848	(11.7)
Depreciation, amortisation, impairment and write-offs	4,897	(0.7)
Results from operating activities	4,258	(22.1)
Investment income	213	(57.7)
Gain on distribution of asset	–	–
Finance charges and fair value movements	1,109	(5.3)
Interest	907	20.6
Foreign exchange and fair value movement	202	(324.4)
Profit before taxation	3,362	(31.7)
Taxation	950	39.3
Profit from continuing operations	2,412	(28.1)
EBITDA	9,155	(11.4)
EBITDA margin (%)	27.4	(6.5)
Basic earnings per share – continuing operations	448.1	(29.9)
Headline earnings per share –	444.9	(35.2)

continuing operations		
Rand/Naira exchange rate		
Closing rate at beginning of the year	N20.58	32.3
Closing rate at end of the year	N22.90	11.3
Year average rate (Source: Reuters)	N21.16	9.4

- (1) Profit on disposal of our 15% share in Vodacom.
- (2) Compensation expense recognised in terms of IFRS2 relating to the amendment of the Telkom Conditional Share Plan.
- (3) Gain on distribution of our 35% share in Vodacom.
- (4) Fair value (loss)/gain on the Vodacom shares held.
- (5) Includes R1,353 million capital gains taxation on the sale of Vodacom, R977 million secondary taxation on companies on the R19 special dividend and R421 million reversal of the deferred taxation asset raised.
- (6) Revenue and expenses recognised on the contract entered into with the Department of Communications.
- (7) Profit on sale of Telkom Media.
- (8) Includes R3,266 million impairment of Multi-Links goodwill and R80 million amortisation of the FIFA brand intangible asset.
- (9) Includes R135 million secondary taxation on companies on the R2.60 special dividend paid and R33 million reversal of the Swiftnet deferred taxation asset raised.
- (10) Includes R99 million impairment of Multi-Links assets, R47 million amortisation of the FIFA brand intangible asset and R41 million impairment of the iWay brand intangible asset.
- (11) Includes R90 million secondary taxation on companies on the R1.75 special dividend paid, R65 million taxation credit relating to the 2010 capital gains taxation liability and R10 million derecognition of the deferred taxation liability as a result of the impairment of the iWay brand.

#### NORMALISED GROUP OPERATING REVENUE

	Year ended 31 March		
In ZAR millions	2010	2011	%
Telkom South Africa	33,448	31,467	(5.9)
Telkom Mobile	-	81	-
Multi-Links	70	151	115.7
Other International			
iWayAfrica	465	413	(11.2)
Other South African			
Trudon	1,114	1,167	4.8
Swiftnet	111	127	14.4
Data Centre Operations	39	1,240	3,079.5
Corporate centre	91	83	(8.8)
Eliminations	(125)	(1,341)	972.8
Total	35,213	33,388	(5.2)

Group operating revenue decreased by 5.2% to R33,388 million (2010: R35,213 million) in the year ended 31 March 2011. The decrease is mainly due to the 100% pass through to customers of the reduction in mobile termination rates effective from 1 March 2010, lower switched hubbing activities and lower traffic volumes. Data Centre Operations includes R1,165 million of revenue from Telkom SA in terms of the transfer pricing

policy effective from 1 April 2010. This revenue is eliminated on consolidation.

#### Normalised Telkom South Africa operating revenue

	Year ended 31 March		
In ZAR millions	2010	2011	%
Subscriptions and connections	6,814	6,763	(0.7)
Traffic	13,893	12,045	(13.3)
Local	3,205	2,836	(11.5)
Long distance	1,805	1,588	(12.0)
Fixed-to-mobile	6,452	5,181	(19.7)
Fixed-to-fixed	37	78	110.8
International outgoing	910	725	(20.3)
Subscription based calling plans	1,484	1,637	10.3
Interconnection	2,608	1,679	(35.6)
Mobile	1,043	684	(34.4)
Fixed	228	328	43.9
International	1,337	667	(50.1)
Data	9,930	10,699	7.7
Leased lines and other	7,922	8,517	7.5
Mobile leased facilities	2,008	2,182	8.7
Other	203	281	38.4
Total	33,448	31,467	(5.9)

Operating revenue from the Telkom South Africa segment decreased by 5.9% to R31,467 million (2010: R33,448 million) primarily due to lower fixed-to-mobile traffic revenue and lower international and mobile interconnection revenue, partially offset by growth in data revenue.

Subscription and connections revenue decreased slightly by 0.7% to R6,763 million (2010: R6,814 million) largely as a result of a decrease in the number of postpaid and prepaid access lines.

Traffic revenue decreased by 13.3% mainly due to a reduction in mobile termination rates and lower fixed-to-mobile volumes due to the increasing substitution of calls placed using mobile services rather than fixed-line services. This was partially offset by an increase in revenue from subscription based calling plans by 10.3% to R1,637 million primarily due to increased volumes as a result of a 9.5% increase in the number of subscribers to 783,193 (2010: 715,221).

Interconnection revenue decreased by 35.6% to R1,679 million (2010: R2,608 million) largely as a result of a decrease of 50.1% in international interconnection revenue and a 34.4% decrease in mobile interconnection revenue. International interconnection revenue decreased primarily due to lower volumes on switched hubbing. The decrease in mobile interconnection revenue is mainly as a result of the decrease in mobile termination rates. Fixed interconnection revenue increased mainly due to increased volumes from Neotel, Sentech and VANS.

Data revenue increased 7.7% to R10,699 million (2010: R9,930 million) mainly due to revenue generated by the 2010 Soccer World Cup, a growing demand for services, including ADSL, a 7.5% increase in revenue from leased line facilities to mobile operators, growth in managed data network services and an increase in internet access and related services.

#### NORMALISED GROUP OTHER INCOME

In ZAR millions	Year ended 31 March		%
	2010	2011	
Telkom South Africa	263	409	55.5
Telkom Mobile	–	–	
Multi-Links	3	1	(66.7)
Other International			
iWay Africa	18	15	(16.7)
Telkom Management Services	–	8	–
Telkom International	77	19	(75.3)
Other South African			
Trudon	55	41	(25.5)
Swiftnet	6	6	–
Corporate centre	395	150	(62.0)
Eliminations	(425)	(108)	(74.6)
Total	392	541	38.0

Other income includes profit on the disposal of investments, property, plant and equipment and intangible assets as well as interest received from debtors and on loans to subsidiaries. The increase is mainly due to profit on the sale of a portion of our right of use in the SAT-3 undersea cable, partially offset by lower interest received from debtors due to the lowering of the interest rate charged. Interest received from subsidiaries by the corporate centre was significantly lower for the year ended 31 March 2011 due to the impairment of the Multi-Links loans as well as part of the Multi-Links loan being interest free from 30 September 2009 onwards. Interest received from subsidiaries is eliminated on consolidation.

#### NORMALISED GROUP OPERATING EXPENSES

In ZAR millions	Year ended 31 March		%
	2010	2011	
Employee expenses	8,834	9,745	(10.3)
Payments to other operators	7,563	5,584	26.2
Selling, general and administrative expenses	5,423	5,706	(5.2)
Service fees	2,696	2,891	(7.2)
Operating leases	759	848	(11.7)
Depreciation, amortisation, impairments and write-offs	4,861	4,897	(0.7)
Total	30,136	29,671	1.5

Group operating expenses decreased by 1.5% to R29,671 million (2010: R30,136 million) in the year ended 31 March 2011, primarily due to a decrease in payments to other operators partially offset by the expenditure incurred by the mobile business and an increase in employee expenses. The decrease in payments to other operators is mainly due to the reduction in mobile termination rates and lower international switched hubbing volumes in Telkom South Africa. The increase in employee expenses is primarily due to voluntary employee severance package expenses incurred of R739 million. Higher selling, general and administrative expenses are mainly attributable to the start-up of the Mobile business, 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 as a result of higher consulting fees paid mainly for the start-up of the mobile business and the exit of the CDMA business in Nigeria. Operating leases increased mainly as a result of an increase in vehicle leases.

## Normalised operating expenditure contribution per segment

	Year ended 31 March		
In ZAR millions	2010	2011	%
Telkom South Africa	25,103	24,682	1.7
Telkom Mobile	45	1,230	–
Multi-Links	326	385	(18.1)
Other International			
iWay Africa	510	515	(1.0)
Telkom International	314	70	77.7
Telkom Management Services	14	36	(157.1)
Other South African			
Trudon	644	695	(7.9)
Swiftnet	111	124	(11.7)
Data Centre Operations	957	1,054	(10.1)
Corporate centre	2,330	2,271	2.5
Eliminations	(218)	(1,391)	(538.1)
Total	30,136	29,671	1.5

The 1.5% decrease in group operating expenses was primarily driven by a decrease in Telkom SA and Telkom International's operating expenses partially offset by the inclusion of mobile operating expenditure in the current year. Telkom SA's operating expenses decreased mainly as a result of the reduction in mobile termination rates partially offset by voluntary employee severance package expenses incurred. Also included in Telkom SA expenditure in the 2011 financial year is service fees paid to data centre operations in terms of the transfer pricing policy of R1,165 million that is eliminated on consolidation. Telkom international's operating expenditure is lower mainly as a result of lower expat fees incurred for Multi-Links.

## Normalised Telkom South Africa operating expenditure (excluding mobile)

	Year ended 31 March		
In ZAR millions	2010	2011	%
Employee expenses	7,109	7,977	(12.2)
Salaries and wages	5,604	5,909	(5.4)
Benefits	2,059	1,851	10.1
Voluntary employee severance packages	–	650	–
Employee related expenses capitalised	(554)	(433)	21.8
Payments to other network operators	7,443	5,193	30.2
Mobile network operators	4,847	3,704	23.6
International network operators	2,323	1,085	53.3
Fixed-line network operators	273	404	(48.0)
Selling, general and administrative expenses	3,610	3,443	4.6
Materials and maintenance	2,035	1,843	9.4
Marketing	273	377	(38.1)
Bad debts	357	361	(1.1)
Other	945	862	8.8
Service fees	2,214	3,333	(50.5)
Property management	1,278	1,336	(4.5)
Security and other	936	954	(1.9)
Data Centre Operations transfer pricing	–	1,043	–
Operating leases	623	647	(3.9)
Buildings	158	164	(3.8)
Equipment	55	31	43.6

Vehicles	410	452	(10.2)
Depreciation, amortisation, impairments and write-offs	4,104	4,089	0.4
Depreciation	3,367	3,394	(0.8)
Amortisation	480	525	(9.4)
Impairments and write-offs	257	170	33.9
Total	25,103	24,682	1.7

Telkom South Africa's operating expenses, excluding mobile expenditure, decreased by 1.7% in the year ended 31 March 2011, to R24,682 million (2010: R25,103 million), primarily due to lower payments to international operators as a result of lower volumes on switched hubbing and lower payments to mobile operators due to the reduction in mobile termination rates, partially offset by the introduction of a transfer pricing policy from 1 April 2010 for services rendered by Cybernest of R1,165 million and voluntary employee severance package expenses.

Employee expenses increased by 12.2% in the year ended 31 March 2011, primarily due to voluntary employee severance package expenses incurred of R650 million incurred and higher salaries and wages as a result of average annual salary increases of 8.3% partially offset by lower headcount and Telkom Conditional Share Plan expenses included in the prior year.

Payments to international network operators decreased 53.3% due to lower volumes on switched hubbing and mobile international traffic. Payments to mobile operators decreased 23.6%, largely due to the reduction in mobile termination rates with effect from 1 March 2010. The decrease in mobile termination rates contributed to a R1,199 million decrease in fixed-to-mobile revenue and R1,025 million to the decrease in payments to mobile operators.

Selling, general and administrative expenses decreased by 4.6% primarily as a result of lower materials and maintenance resulting from cost saving initiatives and lower provision for licence fees due to lower gross profit generated from Electronic Communications Services and Electronic Communication Network Services, partially offset by higher marketing expenses mainly relating to the 2010 Soccer World Cup.

Service fees increased by 50.5% primarily due to a R1,043 million intercompany charge by Cybernest for services performed as the transfer pricing policy was introduced on 1 April 2010. This cost is eliminated on consolidation.

Vehicle leases increased as a result of inflation increases, partially offset by a 4.1% reduction in the number of vehicles from 7,928 to 7,606.

Mobile operating expenses (part of Telkom South Africa operating expenses but excluded from above)

In ZAR millions	Year ended 31 March		%
	2010	2011	
Employee expenses	19	140	-
Payments to other network operators	-	161	-
Selling, general and administrative expenses	21	769	-
Service fees	3	87	-
Operating leases	2	27	-
Depreciation, amortisation,	-	46	-

impairments and write-offs

Total	45	1,230	-
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8•ta employed 228 employees at 31 March 2011. Payments to other operators consist mainly of payments to MTN in terms of the roaming agreement. Selling, general and administrative expenses relate mostly to network maintenance, cost of handsets sold and marketing expenses. Service fees relate to consultants assisting with the implementation of the business plan. Operating leases relate mostly to rental of buildings.

#### NORMALISED EBITDA PER SEGMENT

In ZAR millions	Year ended 31 March		
	2010	2011	%
Telkom South Africa	12,712	11,283	(11.2)
EBITDA margin (%)	38.0	35.9	
Telkom Mobile	(45.0)	(1,103.0)	-
EBITDA margin (%)	-	(1,361.7)	
Multi-Links	(139)	(213)	(53.2)
EBITDA margin (%)	(198.6)	(141.1)	
Other International	(211)	(116)	45.0
EBITDA margin (%)	(45.4)	(28.1)	
Other South African	(1,685)	(646)	61.7
EBITDA margin (%)	(124.4)	(24.7)	
Eliminations	(302)	(50)	83.4
Total	10,330	9,155	(11.4)

#### INVESTMENT INCOME

Investment income consists of interest received on short-term investments and bank accounts. Investment income decreased by 57.7% to R213 million (2010: R503 million), largely as a result of lower cash balances and short term deposits.

#### NORMALISED FINANCE CHARGES AND FAIR VALUE MOVEMENTS

Finance charges include interest paid on local and foreign borrowings, amortised discounts on bonds and commercial paper bills, fair value gains and losses on financial instruments and foreign exchange gains and losses on foreign currency denominated transactions and balances.

Finance charges and fair value movements increased by 5.3% to R1,109 million (2010: R1,053 million) in the year ended 31 March 2011. The increase was mainly as a result of foreign exchange and fair value losses of R202 million (2010: R90 million gain) due to lower investment growth in assets held by the cell captive compared to 2010 and the revaluation of the Telcordia provision on settlement of this liability. This was partly offset by a 20.6% decrease in interest expense to R907 million (2010: R1,143 million) as a result of 14.2% decrease in the Group's interest bearing debt to R8,355 million (2010: R9,737 million) and lower prevailing interest rates.

#### NORMALISED TAXATION

The consolidated taxation expense from continuing operations decreased to R950 million (2010: R1,566 million) due to lower profit levels and taxation concessions. The consolidated effective taxation rate for the year ended 31 March 2011 was 28.3% (2010: 31.8%).

#### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Group's financial position remains strong. Net debt, after financial assets and liabilities, from continuing operations decreased by 3.9% to R4,907 million from R4,723 million as at 31 March 2010 resulting in a net debt to EBITDA ratio of 0.5 times at 31 March 2011. On 31 March 2011, the Group had cash balances of R1,773 million (2010: R3,793 million). The proceeds retained from the Vodacom transaction contributed to the higher balances as at 31 March 2010.

The decrease in cash is mainly attributable to the mobile expansion capital and operational expenditure, the settlement of the Telcordia dispute (approximately R608 million) and the repayment of private placing debt instruments with a nominal value of R1,780 million on maturity and the dividend payment of R3 per share.

#### NORMALISED FREE CASH FLOW

In ZAR millions	Year ended 31 March		%
	2010	2011	
Cash generated from operations	8,063	6,778	(15.9)
Add back: Capital gains taxation on Vodacom transaction	1,353	-	-
Add back: STC on R19 dividend	977	-	-
Add back: STC on special dividend	135	90	(33.3)
Add back: Payment to Telcordia	-	608	-
Add back: Voluntary severance package expenditure	-	147	-
Less: Saving from voluntary severance packages	-	(97)	-
Less: Cash flows from investing activities excluding Vodacom proceeds and investment in cell captive.	(5,021)	(4,045)	(19.4)
Normalised free cash flow	5,507	3,481	(36.8)

Excluding the effects of the R608 million payment to Telcordia regarding the supplier dispute, STC on the special dividend and voluntary severance packages the Group's free cash flow decreased 36.8% to R3,481 million from R5,507 million as at 31 March 2010.

#### GROUP CAPITAL EXPENDITURE

Group capital expenditure which includes spend on intangible assets, decreased by 11.4% to R4,763 million (2010: R5,377 million) and represents 14.3% of group revenue.

In ZAR millions	Year ended 31 March		%
	2010	2011	
Telkom South Africa	3,892	2,835	(27.2)
Telkom Mobile	181	1,475	714.9
Multi-Links	1,036	223	(78.5)
Other International			
iWay Africa	49	11	(77.6)
Telkom International	1	-	-
Other South African			
Trudon	42	53	26.2
Swiftnet	22	16	(27.3)
Data Centre Operations	97	107	10.3
Corporate centre	57	44	(22.8)
Total	5,377	4,764	(11.4)

The decrease in capital expenditure was mainly driven by a decrease in the capital expenditure of Multi-Links as a result of the decision to exit the CDMA business, partially offset by an increase in mobile capital expenditure.

#### Telkom South Africa capital expenditure

In ZAR millions	Year ended 31 March		%
	2010	2011	
Baseline	2,380	1,736	(27.1)
Network evolution	654	550	(15.9)
Sustainment	58	101	74.1
Effectiveness and efficiency	402	155	(61.4)
Support	381	265	(30.4)
Regulatory and other	17	28	64.7
Total	3,892	2,835	(27.2)

Telkom South Africa's capital expenditure, which includes spending on intangible assets, decreased by 27.2% to R2,835 million (2010: R3,892 million) and represents 9.0% of Telkom South Africa's revenue (2010: 11.6%).

Baseline capital expenditure of R1,736 million (2010: R2,380 million) was largely for the deployment of technologies to support the growing data services business (including the ADSL footprint), links to the mobile cellular operators and expenditure for access line deployment in selected high growth commercial and business areas. The lower expenditure for the period can be attributed to a more measured approach to the rollout of infrastructure to meet short-term demand and revenue generating services.

Expenditure on network evolution of R550 million (2010: R654 million) was mainly to continue with the submarine cable projects to address international growth expected during the next decade and to provide next generation voice infrastructure on the national switching layer to relieve identified legacy capacity requirements.

The sustainment category expenditure of R101 million (2010: R58 million) was largely for the replacement of obsolete batteries and direct-current power systems.

Telkom continues to focus on its operations support systems with current emphasis on provisioning and fulfilment, assurance and customer care and hardware technology upgrades on the enterprise networks. During the year ended 31 March 2011, R155 million (2010: R402 million) was spent on the implementation of several systems.

The support capital expenditure of R265 million (2010: R381 million) is mainly for provision of new buildings and building extensions in support of network growth and for the development and upgrading of existing equipment buildings, including the associated AC power and air conditioning.

The expenditure on regulatory requirements of R28 million (2010: R17 million) is primarily for a system to store and manage customer identification documentation and for the initial phase of the Number Portability project.

## Audit opinion

The consolidated annual financial statements, from which these provisional condensed consolidated financial statements have been derived, have been audited by the Company's auditors, Ernst & Young Inc. Their unqualified audit opinion is available for inspection at the Company's registered office.

## Condensed consolidated provisional statement of comprehensive income for the year ended 31 March 2011

		Restated*	
		2010	2011
	Notes	Rm	Rm
Continuing operations			
Total revenue	4	36,474	34,026
Operating revenue		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		5,780	5,772
Service fees		2,696	2,891
Operating leases		759	848
Depreciation, amortisation, impairment and write-offs	6.3	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	11	7,425.7	239.9
(cents)			
Continuing operations			
Basic and diluted earnings per share	11	7,994.4	411.3
(cents)			

\* 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 provisional 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		58	56
Other financial assets		341	193
Current assets		12,301	10,315
Inventories	14	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	15	3,855	1,784
Assets of disposal group 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		5,208	5,208
Treasury shares	16	(1,171)	(771)
Share-based compensation reserve*		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	17	7,925	8,198
Other financial liabilities		19	69
Employee related provisions	18	4,315	4,711

Non-employee related provisions	18	40	29
Deferred revenue		1,068	1,073
Deferred taxation		837	894
Current liabilities		12,351	8,899
Trade and other payables	19	5,549	4,782
Shareholders for dividend		23	21
Current portion of interest-bearing debt	17	1,812	157
Current portion of employee related provisions	18	1,963	1,932
Current portion of non-employee related provisions	18	593	86
Current portion of deferred revenue		2,051	1,771
Income tax payable		165	16
Other financial liabilities		133	123
Credit facilities utilised	15	62	11
Liabilities of disposal group classified as held for sale	9	-	452
Total liabilities		26,555	24,325
Total equity and liabilities		56,819	54,347

\* Share-based compensation reserve has been transferred to retained earnings as a result of the final vesting and closure of the Telkom Conditional Share Scheme in June 2010.

#### Condensed consolidated provisional statement of changes in equity for the year ended 31 March 2011

	2010	2011
	Rm	Rm
Balance at 1 April	35,495	30,264
Attributable to owners of Telkom	34,642	29,925
Non-controlling interests	853	339
Total comprehensive income for the year	35,712	1,259
Profit for the year	37,585	1,342
Other comprehensive income	(1,873)	(83)
Exchange differences on translating foreign operations	(1,345)	30
Exchange differences realised	(193)	-
Net defined benefit plan losses and asset limitations	(335)	(113)
Dividend declared	(41,737)	(1,587)
Increase in share-based compensation reserve	1,330	86
Disposal of non-controlling interests	(536)	-
Balance at 31 March	30,264	30,022
Attributable to owners of Telkom	29,925	29,635
Non-controlling interests	339	387

#### Condensed consolidated provisional statement of cash flows for the year ended 31 March 2011

	2010	2011
	Rm	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	(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*	15	3,793
		1,773

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

## Notes to the condensed consolidated provisional 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.

### 2. Basis of preparation and significant accounting policies

#### Basis of preparation

The condensed consolidated provisional 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 provisional 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 provisional 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 provisional 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.

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.

## 2. Basis of preparation and significant accounting policies (continued)

### Significant accounting policies (continued)

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 provisional 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)
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
4. 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
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.		
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 (IRU's) 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		
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)
Post-retirement medical aid	388	425
Telephone rebates	49	67
Share-based compensation expense	1,330	86
Other benefits*	394	1,166
Bonuses	1,048	911
Employee expenses capitalised	(558)	(435)

\*Other benefits

Other benefits include skills development, annual leave, performance incentive 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.

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

6.3 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 to Multi-Links' fixed-line business, R99 million (2010: R3,263 million).

	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

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 growth in the assets held by the Cell Captive.

8. Taxation	4,485	985
South African normal company taxation	2,772	722
Deferred taxation	780	103
Secondary Taxation on Companies ('STC')	931	157
Foreign taxation	2	3

Included in the current year's normal company taxation and deferred taxation expense is capital gains tax 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	2011
Rm	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 comprises 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. Discontinued operations and disposal groups held for sale (continued)

### 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	–	(215)

assets of disposal group to fair value less cost to sell		
Taxation	-	-
After-tax loss recognised on the re-measurement of assets of disposal group to fair value less cost 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 comprises operating expenses, finance charges and impairment of R139 million (2010: R1,897 million).		

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	(193)	-

foreign operations		
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
Headline earnings and diluted headline earnings per share (cents)*	67.8	332.3
Continuing operations		
Basic and diluted earnings per share (cents)**	7,994.4	411.3
Headline earnings and diluted headline earnings per share (cents)*	260.5	434.2
Discontinuing operations		
Basic and diluted earnings per share (cents)**	(568.8)	(171.3)
Headline earnings and diluted headline earnings per share (cents)*	(192.7)	(101.8)
Reconciliation of weighted average number of ordinary shares:		
Ordinary shares in issue	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 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.

	Restated 2010 Rm	2011 Rm
Total operations		
Reconciliation between earnings and headline earnings:		
Profit from total operations	37,585	1,342
Non-controlling interests	(127)	(120)
Earnings as reported	37,458	1,222
Profit on disposal of investments	(18,603)	–
Profit on disposal of property, plant and equipment and intangible assets	(32)	(182)
Impairment loss on property, plant and equipment and intangible assets	5,163	494
Write-offs of property, plant and equipment and intangible assets	317	186
Gain on distribution of assets	(25,688)	–
Tax effects	1,727	(27)
Headline earnings	342	1,693
Continuing operations		
Reconciliation between earnings and headline earnings:		
Profit from continuing operations	40,454	2,215
Non-controlling interests	(127)	(120)
Earnings from continuing operations attributable to equity holders of Telkom	40,327	2,095
Profit on disposal of investments	(18,603)	–
Profit on disposal of property, plant and equipment and intangible assets	(32)	(182)
Impairment loss on property, plant and equipment and intangible assets	3,266	140
Write-offs of property, plant and equipment and intangible assets	317	186
Gain on distribution of assets	(25,688)	–
Tax effects	1,727	(27)
Headline earnings	1,314	2,212
Discontinuing operations		
Reconciliation between earnings and headline earnings:		
Loss from discontinued operations	(2,869)	(873)
Non-controlling interests	–	–
Earnings from discontinued operations attributable to equity holders of Telkom	(2,869)	(873)
Impairment loss on property, plant and equipment and intangible assets	1,897	354
Headline earnings	(972)	(519)
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	-
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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
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.

14. Inventories	1,274	1,121
Gross inventories	1,861	1,392
Write-down of inventories to net realisable value	(587)	(271)

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

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.

	2010	2011
	Rm	Rm
15. Net cash and cash equivalents	3,793	1,773
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)

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 R1,780 million.

16. Treasury shares	(1,171)	(771)
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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 ('TCSP'). The TCSP 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 TCSP during the current financial year.

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

	2010	2011
	Rm	Rm
17. 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.

#### 18. 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.

19. Trade and other payables	5,549	4,782
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The decrease in vendors' balances is due to reduced purchases requirements for projects made in the current financial 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 Telecommunications Limited trade and other payables as liabilities held for sale.

	2010 Rm	2011 Rm
20. Commitments		
Capital commitments authorised	7,270	7,522
Commitments against authorised capital expenditure	1,680	1,072
Authorised capital expenditure not yet contracted	5,590	6,450

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

Included in the commitments against authorised capital expenditure and authorised capital expenditure not yet contracted, is R873 million (2010: RNil million) and R1,132 million (2010: RNil million) respectively which relates to Telkom Mobile.

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

## 21. 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 is 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

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.

#### African 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 certain 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, the CT may impose a maximum administrative penalty of 10% of Telkom's annual turnover in the RSA during Telkom's preceding financial year, in respect of the SAVA and Omnilink, Internet Solutions and Multiple Complaints Referral matter respectively. In the IS matter, IS has requested that the CC imposes two administrative penalties. 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 such as refusal to give a competitor access to an essential facility, engaging in

exclusionary acts, inducing a supplier not to deal with a competitor and price discrimination. 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 an allegation of an alleged contravention 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 section 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 such as 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. IS self-referred allegations such as exclusionary conduct in respect of the retail broadband (including ADSL) market, excessive pricing in respect of ADSL and leased lines below 2Mbps and price discrimination with regard to Telkom's VPN Supreme product. Telkom filed an exception to IS' referral papers. The CT ruled that IS must amend its papers, and IS filed its amended papers. However, the papers remain excipiable and Telkom has thus 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 Internet Solutions ('IS') as well as the Internet Service Providers Association ('ISPA'), MWEB, IS and Verizon SA respectively, to the CT. The CC alleged certain anti-competitive practices by Telkom, such as excessive pricing, refusal of access to an essential facility, exclusionary acts, refusal to supply scarce goods to a competitor and bundling.

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. The exception application was heard on 11 October 2010 and dismissed on 4 February 2011. Telkom is preparing its responding affidavit to the main referral.

#### 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 Network 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.

Bihati Solutions (Proprietary) Limited ('Bihati')

The matter arises from a tender award which was made on 8 November 2007 outside the validity period of 120 days, relating to construction of network services. In November 2009 the Board resolved to apply to the North Gauteng High Court to set aside the aforementioned award. Concurrently with the Telkom application to set aside the award, Bihati also applied to the North Gauteng High Court for the review and setting aside of the Board's decision. On 7 January 2011 the North Gauteng High Court granted Telkom's application and dismissed Bihati's application. Bihati's application for leave to appeal was dismissed on 25 March 2011. Bihati has petitioned for leave to appeal against the North Gauteng High Court decision.

South African National Road Agency ('SANRAL')

During October 2009, SANRAL applied to the KwaZulu Natal High Court for an interdict and declaratory order against Telkom. SANRAL requested the Court to grant an order preventing Telkom from installing facilities without compliance to the SANRAL Act and to remove facilities installed by Telkom in the N2 National road reserve in KwaZulu Natal as part of Telkom's FIFA project. On 25 October 2010, the Court granted a declaratory which prohibits Telkom from entering SANRAL's land without compliance to the SANRAL Act. On 18 January 2011 Telkom was granted leave to appeal against the full judgement and is awaiting a date for appeal.

Restated	
2010	2011
Rm	Rm

#### 22. Related parties

Details of material transactions and balances with related parties were as follows:

With shareholders:

Government of South Africa

Related party balances

Trade receivables	353	354
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Related party transactions

Revenue	(2,861)	(2,904)
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Individually significant revenue*	(1,070)	(1,151)
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City of Cape Town	(75)	(95)
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Department of Correctional Services	(73)	(66)
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Department of Health: Gauteng	(36)	(65)
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Department of Justice	(78)	(97)
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South African National Defence Force (CSF)	(72)	(68)
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South African Police Services	(523)	(557)
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South African Revenue Services	(68)	(49)
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S.I.T.A. (Pty) Limited	(145)	(154)
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Collectively significant revenue*	(1,791)	(1,753)
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\* 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.

Restated	
2010	2011
Rm	Rm

With entities under common control:

Major public entities

Related party balances

Trade receivables	39	25
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Trade payables	(8)	(1)
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The outstanding balances are unsecured and will be settled in cash in the ordinary course of business.

Related party transactions

Revenue	(381)	(332)
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Expenses	222	163
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Individually significant expenses	190	151
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South African Post Office	110	55
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Eskom	72	84
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South African Broadcast Services	8	12
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Collectively significant expenses	32	12
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Rent received	(29)	(28)
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Individually significant rent received: South	(25)	(24)
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African Post Office

Collectively significant rent received	(4)	(4)
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Rent paid	22	24
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Individually significant rent paid: South African	13	14
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Post Office

Collectively significant rent paid	9	10
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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

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.

### 23. 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 Group Chief Executive Officer ('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.

#### 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 9 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.

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 holders 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.

#### 24. Subsequent events

##### Multi-Links

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 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 Ltd.

##### 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.