

**Telkom SA Limited**  
**(Registration Number 1991/005476/06)**  
**ISIN ZAE000044897**  
**JSE and NYSE Share Code TKG**  
**("Telkom")**

**Telkom preliminary audited Annual Results**

	Year ended March 31		
	2002	2003	% Change
International outgoing	1,175	1,284	9.3
Interconnection	1,798	1,773	1.4
Data	3,913	4,507	15.2
Directories and other	687	759	10.5
Total fixed-line operating revenues	27,976	29,635	5.9

Operating revenue from our fixed-line segment, before inter-segmental eliminations, increased 5.9% (2002: 5.8%) primarily due to increased traffic revenue, as a result of average tariff increases and growth in data services revenue. Traffic was adversely affected in both the 2003 and 2002 financial years by the increasing substitution of calls placed using mobile services rather than fixed-line services. Traffic declined 0.7% (2002: 0.3% decrease), however, revenue per fixed access line continued to improve, increasing 5.5% (2002: 10.1%) to R4,989 (2002: R4,729). This was due to increased average tariffs, higher penetration of value-added voice services and increased penetration of higher revenue generating access services. Data revenue increased 15.2% (2002: 17.6%) mainly due to higher demand for data services.

<b>Fixed-line operating expenses In ZAR millions</b>	Year ended March 31		
	2002	2003	% Change
Employee expenses	6,611	6,698	1.3
Payments to other network operators	6,759	6,726	0.5

SG&A	4,650	3,312	28.8
Services rendered	2,138	2,489	16.4
Operating leases	1,148	1,155	0.6
Depreciation and amortisation	4,363	5,105	17.0
Other income	118	198	67.8
Total fixed-line operating expenses	25,551	25,287	1.0

Fixed-line operating expenses, before inter-segmental eliminations, were relatively flat in the 2003 financial year, decreasing 1.0% (2002: 13.0% increase) to R25,287 million (2002: R25,551 million) primarily due to reduced selling, general and administrative expenses. Selling, general and administrative expenses were impacted in the 2002 financial year by the inclusion of a R346 million write-off of Telcordia-related assets and the inclusion of a R325 million provision, before interest and legal costs, related to the Telcordia dispute. Excluding these items, selling, general and administrative expenses decreased primarily due to a R276 million reduction in the bad debt provision on our balance sheet, as well as lower materials and maintenance expenses due to reduced losses in respect of cable theft and lower fault rates. Bad debts written-off against the provision decreased by 39.5% (2002: 1.8% increase) to R491 million (2002: R812 million). The decrease in fixed-line operating expenses was partially offset by increased depreciation and amortisation and services rendered, while operating leases, payments to other network operators and employee expenses remained relatively constant. Fixed-line operating profits increased 79.3% (2002: 36.5% decrease) to R4,348 million (2002: R2,425 million) with operating margins increasing to 14.7% (2002: 8.7%). Fixed-line EBITDA increased 39.3% (2002: 15.7% decrease) to R9,453 million with EBITDA margins increasing to 31.9% (2002: 24.3%).

### Mobile

The mobile segment accounted for 22.3% of group operating revenues (2002: 19.3%) (after inter-segmental eliminations) and 33.3% of group operating profits (2002: 43.3%). Vodacom is the largest mobile communications network operator in South Africa with an estimated 57% share of mobile customers as of March 31, 2003 based on total estimated customers. Vodacom also has investments in mobile operators in Lesotho, Tanzania and the Democratic Republic of the Congo. Vodacom's operational statistics are presented below at 100%, but all financial figures are the 50% proportionately consolidated into the group.

### Mobile operating revenue In ZAR millions

Year ended March 31

	2002	2003	% Change
Airtime	4,743	5,650	19.1

Interconnection	2,150	2,655	23.5
Equipment sales	814	1,132	39.1
International services	151	270	78.8
Other sales and services	217	183	15.7
Other sales and services	217	183	15.7
Total mobile operating revenue	8,075	9,890	22.5

During the year, the mobile segment delivered strong revenue growth of 22,5%, before inter-segmental eliminations, to R9,890 million (2002: R8,075 million), primarily driven by customer growth and an increase in equipment sales. Revenue from Vodacom's operations outside of South Africa as a percentage of Vodacom's total mobile operating revenue increased to 6.2% (2002: 4.6%). The growth in revenue can largely be attributed to a 26.0% increase in Vodacom's total customers to 8.6 million as of March 31, 2003 (2002: 6.9 million) resulting from strong growth in prepaid customers in South Africa and significant growth in customers outside of South Africa. In South Africa, total average monthly revenue per user (ARPU's) increased marginally to R183 (2002: R182). Contract ARPU's increased by 12.3% to R629 (2002: R560). During the year, South African contract churn decreased to 11.9% in 2003 (2002: 14.5%). Prepaid churn, however, remained relatively high at 34.0% (2002: 30.1%) due to greater competition, lower barriers to entry for prepaid customers and the volatile nature of the prepaid customer base.

<b>Mobile operating expenses In ZAR millions</b>	<b>Year ended March 31</b>		
	<b>2002</b>	<b>2003</b>	<b>% Change</b>
Employee expenses	568	509	10.4
Payments to other network operators	689	1,109	61.0
SG&A	3,688	4,614	25.1
Services rendered	57	65	14.0
Operating leases	237	273	15.2
Depreciation and amortisation	1,035	1,188	14.8
Other operating income	15	34	126.7
Total mobile operating	6,259	7,724	23.4

expenses

Mobile operating expenses, before inter-segmental eliminations, increased by 23.4%, largely in line with the growth in revenue of 22.5%. Mobile selling, general and administrative expenses increased 25.1% in the year ended March 31, 2003 primarily due to an increase in selling and distribution expenses to support the growth in South African and other African operations and the increased competitiveness in the South African market.

Mobile payments to other network operators increased 61.0% in the year ended March 31, 2003 as a result of increased outgoing traffic and a higher volume growth of outgoing traffic terminating on the other mobile networks relative to traffic terminating on the fixed-line network. The cost of terminating calls on other mobile networks is higher than calls terminating on Telkom's fixed-line network.

Profit from operations increased 19.3% (2002: 42.2%) to R2,166 million (2002: R1,816 million) and operating profit margin decreased marginally to 21.9% (2002: 22.5%). Mobile EBITDA increased 17.6% (2002: 36.1%) to R3,354 million with EBITDA margins decreasing to 33.9% (2002: 35.3%).

### **Dividends**

The board of directors has decided not to declare a dividend at this time, as it believes it would be prudent to continue to focus on debt reduction in line with the group strategy.

### **Audit report**

The comprehensive financial statements, from which the preliminary results have been derived, have been audited by the joint auditors Ernst & Young and KPMG. Their unqualified opinion is available for inspection at the company's registered office.

### **Outlook**

Increased competition and emerging technologies place greater importance on the need to further develop our group strategy to maintain our leadership position and deliver value for shareholders.

We will continue to improve the competitiveness of our fixed line business by improved customer service, innovative products and competitive pricing. We have also started to work more closely with Vodacom on potential synergies in areas such as marketing, procurement and products, that will build value for both operators. Our performance will be further enhanced by our commitment and ability to drive operational efficiencies, increase cash flows and reduce debt.

**NE Mtshotshisa**

Non-executive chairman

June 23, 2003 Johannesburg Telkom SA

**SE Nxasana**

Chief executive officer

Limited

Registration number: 1991/005476/06

Registered office: Telkom Towers North,  
152 Proes Street,  
Pretoria, 0002, South Africa

Postal address: Private Bag X881, Pretoria,  
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Board of directors: NE Mtshotshisa  
(Chairman), SE Nxasana (CEO),  
SM McKenzie (COO)\*, CK Tan (CSO)#,  
JP Klug\*,  
Tan Sri Dato ir. Md. Radzi Mansor#, RP  
Menell,  
MP Moyo, TA Sekano, CL Valkin, TG  
Vilakazi,  
VV Mashale (Company Secretary)

\* American # Malaysian

Sponsor: UBS Securities South Africa  
(Proprietary) Limited

Transfer secretaries: Computershare  
Investor Services Limited

## Operational data

Summary group financial statements and operational data	Year ended March 31		
	2002	2003	% Change
<b>Fixed-line</b>			
Fixed access lines (thousands)	4,924	4,844	(1.6)
Fixed access lines (thousands)	4,924	4,844	(1.6)
<b>Post paid</b>			
PSTN	3,554	3,285	7.6
ISDN channels	467	563	20.6
Prepaid	708	817	15.4
Payphones	195	179	8.2
Fixed-line penetration rate (%)	11.1	10.7	3.6
Revenue per fixed access line (ZAR)	4,729	4,989	5.5

Total fixed-line traffic (millions of minutes)	32,973	32,868	0.3
Local	20,252	20,396	0.7
Long distance	4,895	4,728	3.4
Fixed-to-mobile	4,390	4,135	5.8
International outgoing	375	439	17.1
Interconnection	3,06	3,170	3.6
Internet customers	48,995	98,690	101.4
Managed data network sites	5,684	7,729	36.0
Number of full-time, fixed-line employees(excluding TDS and Swiftnet)	39,444	35,361	10.4
Fixed lines per fixed-line employee	125	137	9.6
<b>Mobile</b>			
Total customers (thousands)	6,863	8,647	26.0
South Africa			
Customers (thousands)	6,557	7,874	20.1
Contract	1,090	1,181	8.3
Prepaid	5,439	6,664	22.5
Community services telephones	28	29	3.6
Churn (%)	27.2	30.4	11.8
Contract (%)	14.5	11.9	17.9
Prepaid (%)	30.1	34.0	13.0
Average monthly revenue per customer (ZAR)	182	183	0.5
Contract	560	629	12.3
Prepaid	93	90	3.2
Community services	93	90	3.2
Number of employees	3,859	3,904	1.2
Number of customers per employee	1,699	2,017	18.7

**Other African countries**

Customers (thousands)	306	773	152.6
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**Average monthly revenue per customer**

Lesotho (ZAR)	144	104	27.8
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Tanzania (USD)	27	22	18.5
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Democratic Republic of the Congo (USD)	n/a	20	n/a
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Number of employees	494	502	1.6
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Number of customers per mobile employee	619	1,540	148.8
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**Audited consolidated income statements in ZAR millions**

Year ended March 31

	2002	2003	% Change
Operating revenue	34,197	37,600	10.0
Other income	144	234	62.5
Employees expenses	7,166	7,208	0.6
Payments to other operators	5,762	6,185	7.3
SG&A	8,402	7,888	6.1
Services rendered	2,195	2,541	15.8
Operating leases	1,217	1,205	1.0
Depreciation and amortisation	5,408	6,293	16.4

Johannesburg  
23 June 2003

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