

Telkom SA SOC Limited
Group Interim Results
for the six months ended 30 September 2012



Telkom SA SOC Limited

Group Interim Results

for the six months ended 30 September 2012

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

Telkom SA SOC Limited is listed on the JSE Limited. Information may be accessed on Reuters under the symbols TKGJ.J and on Bloomberg under the symbol TKG.SJ. Information contained on Reuters and Bloomberg is provided by a third party and is not incorporated by reference herein. Telkom has not approved or verified such information and does not accept any liability for the accuracy of such information.

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Telkom SA SOC Limited

(Registration number 1991/005476/06)

JSE share code: TKG

ISIN: ZAE000044897

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: 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.

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Telkom SA SOC Limited

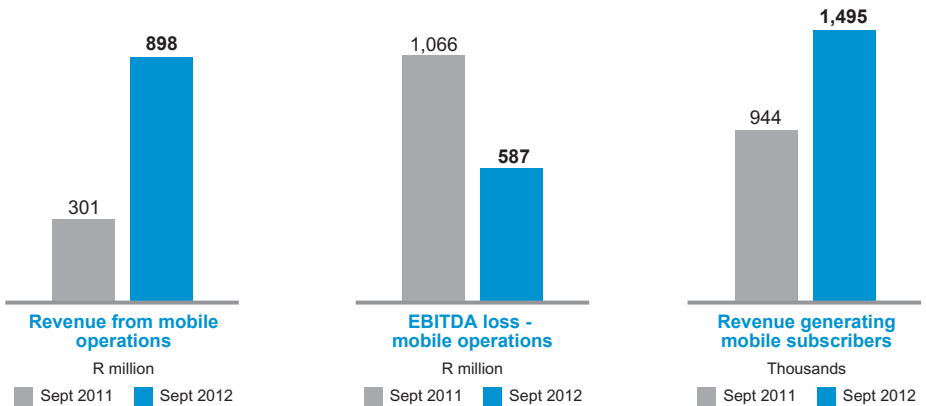
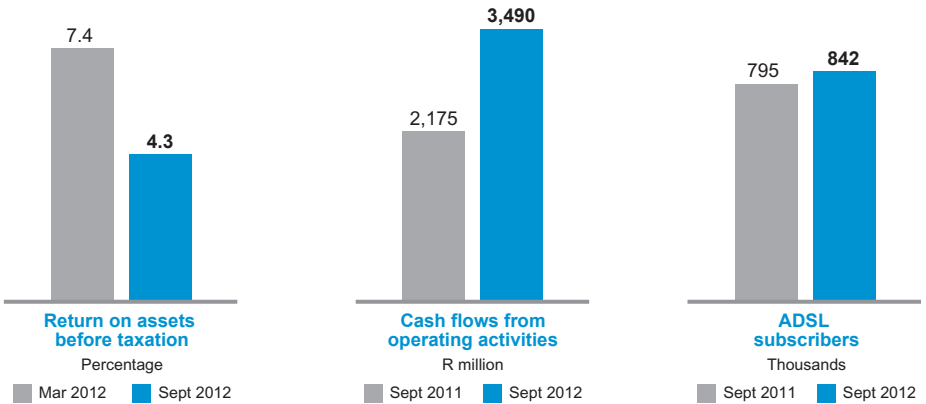
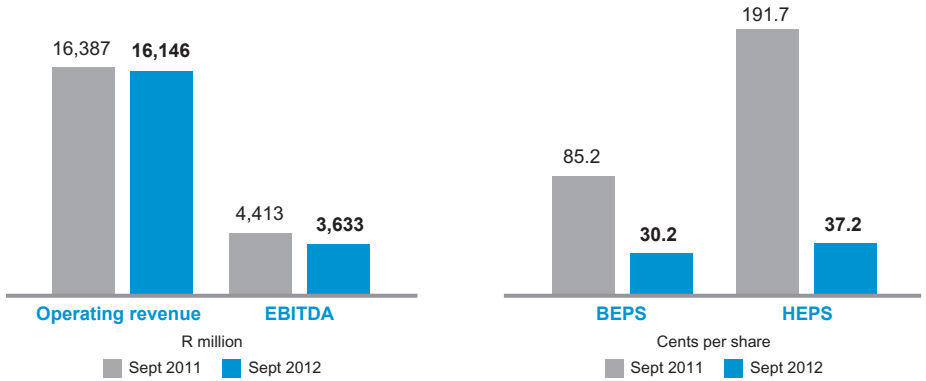
Group Interim Results

for the six months ended 30 September 2012

GROUP SALIENT FEATURES FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

- ADSL subscribers increased 5.8% to 841,831.
- Calling plan subscribers increased 5.7% to 843,491.
- Internet all access subscribers decreased 7.3% to 516,423.
- Managed data network sites increased 8.3% to 40,284.
 - Active mobile subscribers of 1,495,083 with a blended ARPU of R68.62
 - Operating revenue down 1.5% to R16.1 billion.
 - Voice usage revenue decreased 10.2% to R4.4 billion.
 - Voice subscriptions revenue increased 0.8% to R3.9 billion.
 - Data revenue increased 3.0% to R5.2 billion.
 - Mobile revenue increased 198.3% to R898 million.
- Operating expenses increased 1.6% to R15.6 billion.
- Fixed-line operating expenses increased 4.9% to R12.3 billion.
- EBITDA margin decreased to 22.5% from 26.9%.
 - Basic earnings per share decreased 64.5% to 30.2 cents.
 - Headline earnings per share from continuing operations decreased by 80.6% to 37.2 cents.
- The Group generated free cash flow of R1.5 billion, the same as the previous period.

Financial highlights



1. OVERVIEW

Johannesburg, South Africa – 19 November 2012, Telkom SA SOC Limited (JSE: TKG) today announced Group interim results for the six months ended 30 September 2012.

The results reflect Group profit before tax of R547 million. This is R523 million or 48.9% lower than the previous reporting period mainly due the impact of the provision for the penalty imposed by the Competition Tribunal, higher employee expenses due to annual salary increases and lower fixed-line revenue, partially offset by lower mobile termination rates and no impairment charge.

Revenue continues to reflect the impact of fixed mobile substitution that has become more prevalent over the last few years being partially offset by growth in revenue from our own mobile offering and limited revenue growth in fixed-line data. Lower prices on data due to competitive offerings continue to negate the volume growth experienced in this area.

Segment structure

The Group's reporting segments are business units that are separately managed. The Group consists of two reportable segments. The fixed-line segment provides fixed-line access and data communications services through Telkom South Africa. The mobile segment provides mobile voice services, data services and handset sales through 8•ta.

The "other" category is split geographically between International and South Africa. The International category provides internet services outside South Africa, through the iWayAfrica Group. The South African category includes Trudon Group, Swiftnet, Data Centre Operations and the Group's corporate centre.

Statement by Nombulelo Moholi, Group Chief Executive Officer:

Strategically, Telkom has reached a pivotal cross road. Telkom is engaged in constructive dialogue with its key stakeholders to chart a successful way forward.

While we also anticipate government providing an understanding of the policy direction; we will remain focused on achieving our current business strategy.

The results for the half-year to September 2012 reflect the on-going challenging environment for fixed-line incumbents. Headline earnings from continuing operations declined 80.6% to 37.2 cents from 191.7 cents in the prior reporting period largely due to the impact of the provision for the penalty handed down by the Competition Tribunal. Revenue declined marginally by 1.5% to R16.1 billion with the pressure experienced in the traditional fixed-line business through lower fixed-line traffic revenue being partly offset by the growth of mobile revenue. We are encouraged by the improvement in the mobile business, which showed a 198.3% improvement in revenue largely as a result of increased ARPU's and number of revenue generating subscribers.

Operating expenses for the Group increased 1.6% to R15.6 billion due to the provision for the penalty imposed by the Competition Tribunal. Our margins declined from 26.9% to 22.5% compared to the prior reporting period. Our capital structure remains strong with cash balances of R4,829 million and net debt of R2,700 million.

While the industry landscape remains challenging for the Group we are determined to strengthen our competitiveness, improve our operating model and carefully manage our financial resources.

Our focus will remain on utilising internally generated funding for capital expenditure planned over the next year.

2. OPERATIONAL DATA

	Six months ended		%
	2012	2011	
Fixed-line			
ADSL subscribers ¹	841 831	795 419	5,8
Calling plan subscribers	843 491	797 827	5,7
Closer subscribers	814 888	767 121	6,2
Supreme call subscribers	28 603	30 706	(6,8)
WiMAX subscribers	3 168	3 364	(5,8)
Internet all access subscribers ²	516 423	556 886	(7,3)
Fixed access lines ('000) ³	3 894	4 073	(4,4)
Post-paid	2 465	2 513	(1,9)
Post-paid – ISDN channels	761	767	(0,8)
Pre-paid	571	675	(15,4)
Payphones	97	118	(17,8)
Fixed-line penetration rate (%) ⁴	7,5	7,9	(5,1)
Revenue per fixed access line (ZAR)	2 413	2 402	0,5
Total fixed-line traffic (millions of minutes)	9 273	9 797	(5,3)
Managed data network sites	40 284	37 181	8,3
Telkom Company employees ⁵	21 217	20 953	1,3
Fixed access lines per employee ⁵	184	194	(5,4)
Telkom Mobile			
Active subscribers ⁶	1 495 083	993 764	50,4
Pre-paid	1 121 967	736 363	52,4
Post-paid	373 116	257 401	45,0
Base stations constructed	2 067	1 399	47,7
Employees ⁷	436	267	63,3
ARPU (Rand) ⁶	68,62	66,36	3,4
Pre-paid	23,12	21,65	6,8
Post-paid	169,30	286,09	(40,8)
Churn % – pre-paid	52	41	(26,8)
Other International			
iWayAfrica			
Active subscribers ⁸	21 064	23 326	(9,7)
Employees ⁸	433	494	(12,3)
Customer per employees ⁸	49	47	3,5
Other South African			
Trudon employees	527	528	(0,2)
Swiftnet employees	114	114	–

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. Penetration rate is based on the 2011 Census population statistics. Prior year information has been restated.

5. Based on number of Telkom Company employees, excluding subsidiaries. Telkom Company headcount includes 346 temporary (2011: Nil) workers that were appointed as permanent employees during the period.

6. Based on a subscriber who has participated in a revenue generating activity within the last 90 days. During the period we changed the definition of a revenue generating activity to exclude recharge events as the revenue is deferred until actual usage occurs. The comparative period's ARPU was restated accordingly.

7. Included in Telkom Company employees.

8. Excluding UUNet joint venture partner's subscribers and employees.

3. OPERATIONAL OVERVIEW

Voice revenue

Voice revenues declined 5.4% to R8,266 million as a result of lower minutes of use due to mobile substitution, migration of customers to calling plans and, to a lesser extent, lower tariffs. Most categories of voice revenue declined and we expect traditional voice revenue to continue declining.

Interconnection revenue

Interconnection revenue increased 1.1% to R843 million reflecting an increase in international interconnection tariffs. There is a plethora of capacity in the international connectivity market and prices are expected to continue declining.

Broadband and data revenue

Total data revenue increased 3.0% to R5,210 million as a result of higher data sales, which were partly offset by lower margins.

ADSL subscribers increased 5.8% to 841,831 when compared to the 30 September 2011 reporting period. We are enabling our target offering through high speeds and caps which include consistently greater value for the same price and an uncapped offerings.

We have simplified and streamline our product offerings and communication. Additionally we offered the first converged products to the market during July. We have taken steps to increase our retail footprint and to improve our billing systems.

Operating expenses

Operating expenditure increased 1.6% to R15,630 million. This was largely as a result of the provision for the penalty handed down by the Competition Tribunal and the average annual salary increases of 6.5%. This was partially offset by the R445 million goodwill impairment of iWayAfrica included in the comparative period and a decrease in payments to other operators due to the decrease in mobile termination rates.

4. STRATEGIC FOCUS

Our strategy remains to:

- Lead in data and broadband and in Fixed Mobile Convergence;
- Grow Telkom Business revenue by diversifying the service portfolio;
- Building a successful mobile business;
- Regain market competitiveness in the consumer market;
- Consolidate our position as wholesaler of choice;
- Focus on profitable market segments and services; and
- Enhance operational efficiency.

It is against the above strategic imperatives that we wish to report back on the key business highlights during the past six months to 30 September 2012:

Telkom Business highlights:

- Solid sales performance and healthy pipeline of deals;
- Continued excellence in project delivery and service levels to Corporate customers;
- Return to growth of data revenues;
- Launched FMC commercial bundles offering pre-packaged voice, data and combo deals; revised pricing on bundle offers;
- Traction in IT and Cloud services portfolio;
- New fibre offers launched;
- Developed retention bundles at the low end of the broadband product base and repositioned ISP portfolio; and
- Steady progress made with the expansion of African Services capability.

Telkom Consumer highlights:

- Roll out of the 40 Telkom Express stores and 30 3rd Party retail channels;
- NGNEC pilot launched;
- Customer service experience improvements
 - Flexible and Simplified Broadband service;
 - Simplified customer interface processes;
 - Resolving 85% of billing disputes within 3 days; and
 - Simplified self-service portals (Internet; IVR; SMS).

Telkom Mobile highlights:

- Prepaid subscribers increased 52.4% to 1.1 million since September 2011;
- 2.2% market share (0.9% September 2011);
- Improved on net voice (65.4%) and data (93.6%) traffic volume;
- Improved product offerings: Prepaid offer (8•ta more), Unlimited voice and smartphone facelifit bundles;
- Progress on innovation and first to market in areas such as:
 - Unlimited voice;
 - Google Freezone;
 - Free Wi-Fi in cabs; and
 - Data applications for Android devices.

Wholesale and Networks highlights

- Renewed focus on customer service delivery implementing geographical and customer service differentiation;
- Network transformation on track;
- First Telkom traffic successfully activated on WACS; and
- Strong growth in services provided to our Wholesale customers.

The above business highlights, demonstrate the actions taken by Telkom to execute on its strategic imperatives.

5. FINANCIAL PERFORMANCE

GROUP OPERATING REVENUE

In ZAR millions	Six months ended 30 September		%
	2012	2011	
Fixed-line	14 867	15 345	(3,1)
Mobile	898	301	198,3
Other International iWayAfrica	185	175	5,7
Other South African Trudon	600	639	(6,1)
Swiftnet	59	65	(9,2)
Data Centre Operations	691	695	(0,6)
Corporate centre	35	21	66,7
Eliminations	(1 189)	(854)	39,2
Total	16 146	16 387	(1,5)

Group operating revenue decreased by 1.5 % to R16,146 million (30 September 2011: R16,387 million) in the six months ended 30 September 2012. The decrease is mainly due to lower fixed-line voice usage revenue, partially offset by an increase in mobile revenue. The decrease in voice usage is mainly due to the continued substitution of fixed-line traffic by mobile traffic.

The increase in eliminations is mainly as a result of R257 million bulk minutes purchased by the fixed-line segment from the Telkom mobile segment for the convergence strategy.

Fixed-line operating revenue

We have changed the fixed-line revenue presentation to align to internal business focus areas. Prior year numbers have been restated to reflect the new presentation format.

In ZAR millions	Six months ended		
	30 September 2012	2011	%
Fixed-line revenue			
Voice	8 266	8 738	(5,4)
Usage	4 408	4 909	(10,2)
Subscriptions	3 858	3 829	0,8
Interconnection	843	834	1,1
Domestic	292	311	(6,1)
International	551	523	5,4
Data	5 210	5 057	3,0
Data connectivity	2 761	2 657	3,9
Leased line facilities	1 160	1 143	1,5
Internet access and related services	798	791	0,9
Managed data network services	464	442	5,0
Multi-media services	27	24	12,5
Customer premises equipment sales and rentals	503	536	(6,2)
Sales	156	199	(21,6)
Rentals	347	337	3,0
Other	45	180	(75,0)
Total	14 867	15 345	(3,1)

Operating revenue from the fixed-line segment decreased by 3.1% to R14,867 million (30 September 2011: R15,345 million) primarily due to lower voice usage revenue, partially offset by an increase in data revenue due to higher leased line revenue received from 8•ta and growth in ADSL revenue.

Voice revenue decreased 5.4% to R8,266 million (30 September 2011: R8,738 million) largely as a result of lower usage volumes mainly due to continued mobile substitution partially offset by higher subscriptions revenue due to tariff increases.

International interconnection revenue increased by 5.4% to R551 million (30 September 2011: R523 million) largely as a result of higher tariffs on mobile international interconnection and switched hubbing, partially offset by lower volumes. Domestic interconnection revenue decreased 6.1% primarily due to a decrease in volumes on mobile incoming calls.

Data revenue increased 3.0% to R5,210 million (30 September 2011: R5,057 million) mainly due to R173 million received from our mobile business for leased lines (2011: R74 million), which is eliminated on consolidation and an increase in volumes as a result of a 5.8% growth in our ADSL subscriber base.

GROUP OTHER INCOME

In ZAR millions	Six months ended		
	30 September 2012	2011	%
Fixed-line	111	109	1,8
Mobile	–	51	–
Other International			
iWayAfrica	7	4	75,0
Telkom International	27	10	170,0
Other South African			
Trudon	14	20	(30,0)
Swiftnet	3	2	50,0
Corporate centre	76	101	(24,8)
Eliminations	(74)	(79)	(6,3)
Total	164	218	(24,8)

Other income includes profit on the disposal of investments, property, plant and equipment and intangible assets, royalty income as well as interest received from debtors. Mobile other income in the prior period relates to a donation of two base station controllers received.

GROUP OPERATING EXPENSES

In ZAR millions	Six months ended		
	30 September 2012	2011	%
Employee expenses	4 738	4 542	(4,3)
Payments to other operators	2 458	2 653	7,4
Selling, general and administrative expenses	3 567	3 124	(14,2)
Service fees	1 472	1 476	0,3
Operating leases	442	397	(11,3)
Depreciation, amortisation, impairments and write-offs	2 953	3 190	7,4
Total	15 630	15 382	(1,6)

Group operating expenses increased by 1.6% to R15,630 million (30 September 2011: R15,382 million) in the six months ended 30 September 2012, primarily due to the provision for the penalty handed down to Telkom by the Competition Tribunal and the average annual salary increase of 6.5%. This was partially offset by the R445 million goodwill impairment of iWayAfrica included in the comparative period and a decrease in payments to other operators due to the decrease in mobile termination rates.

Operating expenditure contribution per segment

In ZAR millions	Six months ended		
	30 September 2012	2011	%
Fixed-line	12 283	11 710	(4,9)
Mobile	1 651	1 493	(10,6)
Other International			
iWayAfrica	234	657	64,4
Telkom International	64	15	(326,7)
Other South African			
Trudon	359	372	3,5
Swiftnet	58	58	–
Data Centre Operations	556	547	(1,6)
Corporate centre	1 667	1 415	(17,8)
Eliminations	(1 242)	(885)	(40,3)
Total	15 630	15 382	(1,6)

Fixed-line, mobile and corporate centre's operating expenses are discussed in detail below.

The decrease in iWayAfrica's operating expenses is due to the R445 million impairment included in the prior period.

The increase in eliminations is mainly as a result of R257 million bulk minutes purchased by the fixed-line segment from the Telkom mobile segment for the convergence strategy.

Fixed-line operating expenses

In ZAR millions	Six months ended		
	2012	2011	%
Employee expenses	3 597	3 492	(3,0)
Salaries and wages	2 969	2 815	(5,5)
Benefits	841	873	3,7
Workforce reduction expenses	6	6	–
Employee-related expenses capitalised	(219)	(202)	(8,4)
Payments to other network operators	2 137	2 395	10,8
Payment to mobile operators	1 296	1 614	19,7
Payment to international operators	516	493	(4,7)
Data commitments	156	136	(14,7)
Payment to fixed-line operators	169	152	(11,2)
Selling, general and administrative expenses	2 127	1 701	(25,0)
Materials and maintenance	1 033	981	(5,3)
Marketing	312	210	(48,6)
Bad debts	117	91	(28,6)
Other	665	419	(58,7)
Service fees	1 615	1 562	(3,4)
Property management	696	645	(7,9)
Consultants and security	919	917	(0,2)
Operating leases	331	315	(5,1)
Buildings	89	79	(12,7)
Equipment	6	7	14,3
Vehicles	236	229	(3,1)
Depreciation, amortisation, impairments and write-offs	2 476	2 245	(10,3)
Depreciation	2 074	1 869	(11,0)
Amortisation	351	270	(30,0)
Write-offs	51	106	51,9
Total	12 283	11 710	(4,9)

Fixed-line expenditure increased 4.9% in the six months ended 30 September 2012, to R12,283 million (30 September 2011: R11,710 million), primarily due to selling, general and administrative expenses, higher depreciation, and employee expenses, partially offset by lower payments to mobile operators.

Employee expenses increased by 3.0% in the six months ended 30 September 2012, primarily due to the average annual salary increase of 6.5%.

Payments to mobile operators decreased 19.7% largely due to the reduction in mobile termination rates.

Selling, general and administrative expenses increased by 25.0% primarily as a result of R257 million bulk minutes purchased from Telkom mobile for the convergence strategy, higher maintenance expenditure on a programme to integrate independent business systems, higher marketing due to more sponsorships and higher bad debts due to the reversal of the provision, in the prior year, of certain wholesale debtors. Internal payments to Telkom mobile are eliminated on consolidation.

Service fees increase by 3.4% primarily attributable to higher property utility costs driven by increased electricity tariffs.

Depreciation increased 10.3% as a result of the review of the useful lives of property, plant and equipment given the current focus on the modernisation of the network.

Mobile operating expenses

In ZAR millions	Six months ended		
	2012	2011	%
Employee expenses	152	90	(68,9)
Payments to other network operators	191	169	(13,0)
Selling, general and administrative expenses	789	984	19,8
Service fees	292	136	(114,7)
Operating leases	61	39	(56,4)
Depreciation, amortisation, impairments and write-offs	166	75	(121,3)
Total	1 651	1 493	(10,6)

Employee expenses increased as a result of a 63.3% increase in headcount to 436 employees from 267 employees.

The increase in payments to other operators is driven by an increase in traffic to other networks.

Selling, general and administrative expenses decreased 19.8% as a result of a decrease in sales and acquisition cost as we refocus our strategy.

Operating leases increased 56.4% as a result of an increase in site acquisitions.

Depreciation, amortisation, impairments and write-offs increased as a result of the additional investment in the mobile network.

Corporate centre operating expenses

In ZAR millions	Six months ended 30 September		
	2012	2011	%
Employee expenses	625	628	0,5
Selling, general and administrative expenses	550	149	(269,1)
Service fees	374	464	19,4
Operating leases	12	9	(33,3)
Depreciation, amortisation, impairments and write-offs	106	165	35,8
Total	1 667	1 415	(17,8)

Selling, general and administrative expenses increased significantly due to the inclusion of a provision for the penalty imposed by the Competition Tribunal.

Service fees decreased 19.4% as a result of a lower spend on consulting fees during the period.

EBITDA PER SEGMENT (before eliminations)

In ZAR millions	Six months ended 30 September		
	2012	2011	%
Fixed-line	5 171	5 989	(13,7)
EBITDA margin (%)	34,8	39,0	
Mobile	(587)	(1 066)	44,9
EBITDA margin (%)	(65,4)	(354,2)	
Other International	(57)	(17)	(235,3)
EBITDA margin (%)	(30,8)	(9,7)	
Other South African	(852)	(446)	(91,0)
EBITDA margin (%)	(61,5)	(31,4)	
Eliminations	(42)	(47)	10,6
Total	3 633	4 413	(17,7)

INVESTMENT INCOME

Investment income consists of interest received on short-term investments and bank accounts. Investment income increased by 34.2% to R149 million (30 September 2011: R111 million) as a result of higher cash balances.

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. Foreign exchange and fair value gains decreased 47.8% to R60 million (30 September 2011: R115 million). Lower exchange rate gains were incurred on the mark to market valuation of forward exchange contracts as a result of the sharper weakening of the Rand against major currencies in the prior period. This was partially offset by a higher fair value gain on assets held by the Cell Captive, a special purpose vehicle used to fund the post-retirement medical aid liability. The interest expense decreased 9.8% to R342 million (30 September 2011: R379 million) mainly as a result of lower interest rates.

TAXATION

The consolidated tax expense from continuing operations decreased to R325 million (30 September 2011: R568 million). The consolidated effective tax rate for the six months ended 30 September 2012 was 59.4% (30 September 2011: 53.1%). The high effective tax rate is mainly as a result of the non-deductible provision for competition tribunal penalty in the current period and non-deductible impairment of the loan to Multi-Links and impairment of the investment and loans to iWayAfrica in the prior period.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Group's capital structure remains strong. Debt, after financial assets and liabilities, from continuing operations decreased by 41.4% to R2,700 million from R4,605 million as at 30 September 2011 resulting in a debt to EBITDA ratio of 0.4 times at 30 September 2012 and 0.5 times at 30 September 2011. On 30 September 2012, the Group had cash balances of R4,829 million (30 September 2011: R2,580 million).

The Group's current assets exceeded current liabilities by R2.3 billion (30 September 2011: R59 million).

FREE CASH FLOW

In ZAR millions	Six months ended 30 September		
	2012	2011	%
Cash generated from operations before dividends paid	3 595	2 987	20,4
Add back: Multi-Links operating cash flows	–	75	(100,0)
Less: Cash flows from investing activities	(2 085)	(1 629)	28,0
Add back: Multi-Links cash flows from investing activities	–	21	(100,0)
Free cash flow	1 510	1 454	3,9

Free cash flow increased 3.9% in the period despite lower EBITDA and higher capital expenditure. This is mainly as a result of higher non-cash expenditure.

GROUP CAPITAL EXPENDITURE

Group capital expenditure which includes spend on intangible assets, increased by 17.6% to R2,123 million (30 September 2011: R1,805 million) and represents 13.1% of Group operating revenue (30 September 2011: 11.0%).

In ZAR millions	Six months ended 30 September		
	2012	2011	%
Fixed-line	1 496	1 152	(29,9)
Mobile	521	558	6,6
Other International			
iWayAfrica	2	4	50,0
Other South African			
Trudon	48	44	(9,1)
Swiftnet	14	23	39,1
Data Centre Operations	14	4	(250,0)
Corporate centre	28	20	(40,0)
Total	2 123	1 805	(17,6)

Fixed-line capital expenditure

In ZAR millions	Six months ended 30 September		
	2012	2011	%
Baseline	956	747	(28,0)
Network evolution	344	237	(45,1)
Sustainment	89	57	(56,1)
Effectiveness and efficiency	14	64	78,1
Support	80	35	(128,6)
Regulatory and other	13	12	(8,3)
Total	1 496	1 152	(29,9)

Fixed-line capital expenditure, which includes spending on intangible assets, increased by 29.9% to R1,496 million (2011: R1,152 million) and represents 10.1% of fixed-line revenue (September 2011: 7.5%).

Baseline capital expenditure of R956 million (September 2011: R747 million) was largely for the deployment of technologies to support the growing data services business, links to the mobile cellular operators and expenditure for access line deployment in selected high growth commercial and business areas. The increased expenditure for the period can be attributed to growth in the IP Network and Customer Specific Solutions.

Expenditure on network evolution of R344 million (September 2011: R237 million) was mainly for the pilot phase rollout of the Next Generation Network to modernise the legacy voice network and to provide high speed ADSL service in selected areas and address the associated operational and business support systems.

The sustainment category expenditure of R89 million (September 2011: R57 million) was largely for the replacement of obsolete power systems as well as the replacement and modernisation of the access and core network.

The decrease in the effectiveness and efficiency category was mainly due to expenditure on performance management systems in the prior period not recurring.

The support capital expenditure of R80 million (September 2011: R35 million) is mainly for provision of new buildings and building extensions in support of network growth and for the compliance upgrading of existing equipment buildings, including the associated AC power and air-conditioning.

The expenditure on regulatory requirements of R13 million (September 2011: R12 million) is primarily to institute regulatory changes to customer-facing functions.

Telkom SA SOC Limited

Group Interim Results

for the six months ended 30 September 2012

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Auditors' review report

Our auditors, Ernst & Young Inc. have reviewed the condensed consolidated interim financial statements. The unmodified review report is available for inspection at the Company's registered office.

Board approval

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 19 November 2012.

Preparer and supervisor of annual financial statements

These condensed consolidated interim financial statements were prepared by Mrs Dashni Sinivasan (Executive: Statutory Reporting) and supervised by Mr Robin Coode (Group Executive: Accounting Services).

Condensed consolidated interim statement of profit or loss and other comprehensive income

for the six months ended 30 September 2012

	Notes	Reviewed 30 September 2012 Rm	Reviewed 30 September 2011 Rm
Continuing operations			
Total revenue	4	16 454	16 701
Operating revenue		16 146	16 387
Other income		164	218
Operating expenses		15 630	15 382
Employee expenses	5.1	4 738	4 542
Payments to other operators	5.2	2 458	2 653
Selling, general and administrative expenses	5.3	3 567	3 124
Service fees	5.4	1 472	1 476
Operating leases	5.5	442	397
Depreciation, amortisation, impairment and write-offs	5.6	2 953	3 190
Results from operating activities		680	1 223
Investment income		149	111
Finance charges and fair value movements		282	264
Interest		342	379
Foreign exchange and fair value movement		(60)	(115)
Profit before taxation		547	1 070
Taxation	6	325	568
Profit from continuing operations		222	502
Loss from discontinued operations	7	–	(269)
Profit for the period		222	233
Other comprehensive income			
Items that will be reclassified subsequently to profit and loss			
Exchange differences on translating foreign operations		10	50
		10	50
Items that will not be reclassified subsequently to profit and loss			
Defined benefit plan actuarial losses		(30)	(44)
Defined benefit plan asset limitations		(24)	3
Income tax relating to items that will not be reclassified to profit and loss		15	11
		(39)	(30)
Other comprehensive (loss)/income for the period, net of taxation	8	(29)	20
Total comprehensive income for the period		193	253
Profit attributable to:			
Owners of Telkom		154	166
Non-controlling interest		68	67
Profit for the period		222	233
Total comprehensive income attributable to:			
Owners of Telkom		125	186
Non-controlling interest		68	67
Total comprehensive income for the period		193	253
Total operations			
Basic and diluted earnings per share (cents)	9	30.2	32.5
Continuing operations			
Basic and diluted earnings per share (cents)	9	30.2	85.2

Condensed consolidated interim statement of financial position

at 30 September 2012

	Notes	Reviewed 30 September 2012 Rm	Audited 31 March 2012 Rm
ASSETS			
Non-current assets		41 484	42 362
Property, plant and equipment		35 405	36 155
Intangible assets		3 429	3 555
Investments		2 301	2 260
Deferred expenses		46	47
Finance lease receivables		234	244
Deferred taxation	11	8	53
Other financial assets	12	61	48
Current assets		11 809	10 206
Inventories		1 065	993
Income tax receivable		35	26
Current portion of finance lease receivables		131	128
Trade and other receivables		5 652	5 696
Other financial assets	12	4 362	2 195
Cash and cash equivalents	13	564	1 168
Total assets		53 293	52 568
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent		29 831	29 707
Share capital		5 208	5 208
Treasury shares		(771)	(771)
Non-distributable reserves		1 968	1 887
Retained earnings		23 426	23 383
Non-controlling interests		396	434
Total equity		30 227	30 141
Non-current liabilities		13 514	12 718
Interest-bearing debt	15	6 123	5 897
Other financial liabilities		34	26
Employee-related provisions	16	5 047	4 880
Non-employee-related provisions	16	602	36
Deferred revenue		1 166	1 132
Deferred taxation	11	542	747
Current liabilities		9 552	9 709
Trade and other payables		4 325	4 291
Shareholders for dividend		22	23
Current portion of interest-bearing debt	15	1 433	1 289
Current portion of employee-related provisions	16	1 460	1 652
Current portion of non-employee-related provisions	16	139	240
Current portion of deferred revenue		1 892	1 995
Income tax payable		184	87
Other financial liabilities		94	129
Credit facilities utilised	13	3	3
Total liabilities		23 066	22 427
Total equity and liabilities		53 293	52 568

Condensed consolidated interim statement of changes in equity

for the six months ended 30 September 2012

	Reviewed 30 September 2012 Rm	Reviewed 30 September 2011 Rm
Balance at 1 April	30 141	30 022
Attributable to owners of Telkom	29 707	29 635
Non-controlling interests	434	387
Total comprehensive income for the period	193	253
Profit for the period	222	233
Other comprehensive income	(29)	20
Exchange differences on translating foreign operations	10	50
Net defined benefit plan losses and asset limitations	(39)	(30)
Acquisition of subsidiaries and non-controlling interests	(2)	-
Dividend paid*	(105)	(814)
Balance at 30 September	30 227	29 461
Attributable to owners of Telkom	29 831	29 087
Non-controlling interests	396	374

* Dividend paid to the non-controlling interests of the Trudon Group.

Condensed consolidated interim statement of cash flows

for the six months ended 30 September 2012

	Reviewed 30 September 2012 Rm	Reviewed 30 September 2011 Rm
Cash flows from operating activities	3 490	2 175
Cash receipts from customers	16 146	15 914
Cash paid to suppliers and employees	(12 161)	(12 553)
Cash generated from operations	3 985	3 361
Interest received	243	311
Finance charges paid	(243)	(413)
Taxation paid	(390)	(272)
Cash generated from operations before dividend paid	3 595	2 987
Dividend paid	(105)	(812)
Cash flows from investing activities	(2 085)	(1 629)
Proceeds on disposal of property, plant and equipment and intangible assets	–	10
Additions to property, plant and equipment and intangible assets	(2 085)	(1 639)
Cash flows from financing activities	(2 007)	(1 046)
Loans raised	2 012	851
Loans repaid	(1 715)	(2 079)
Finance lease capital repaid	(93)	(87)
(Increase)/decrease in repurchase agreements**	(2 272)	561
Decrease/(increase) in net derivatives	61	(292)
Net decrease in cash and cash equivalents	(602)	(500)
Net cash and cash equivalents at 1 April	1 165	1 773
Effect of foreign exchange rate differences	(2)	(6)
Net cash and cash equivalents at end of period*	561	1 267

* For September 2011 cash flow activities on discontinued operations refer to note 7.

** Repurchase agreements which have a short-term maturity averaging between 7 and 21 days form part of other financial assets. The investment was made to take advantage of favourable interest rate. Refer to note 12. Including repurchase agreements, cash and cash equivalents would have been R2,833 million (2011: R706 million).

Notes to the condensed consolidated interim financial statements

for the six months ended 30 September 2012

1. Corporate information

Telkom SA SOC 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, associates and joint ventures (the Group) is to supply telecommunication, broadcasting, 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 accounting policies

Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and in compliance with the Listings Requirements of the JSE Limited and the South African Companies Act, 2008.

The condensed consolidated interim financial statements are presented in South African Rand, which is the Group's functional currency. All financial information presented in Rand has been rounded off to the nearest million.

The condensed consolidated interim financial statements are prepared on the historical cost basis, with the exception of certain financial instruments initially (and sometimes subsequently) measured at fair value. The results of the interim period are not necessarily indicative of the results for the entire year, and these reviewed financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2012.

The preparation of the condensed consolidated interim financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Although these estimates are based on management's best knowledge of current events and actions that the Group may undertake in the future, actual results may differ from those estimates.

Significant accounting judgements, estimates and assumptions

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those applied to the consolidated financial statements for the year ended 31 March 2012.

Significant accounting policies

The condensed consolidated interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 31 March 2012, except for the adoption of the amendments and new standards described below.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these condensed consolidated interim financial statements.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements, that deals with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. Management assessed whether or not the Group has control over its investees in accordance with the new definition of control and the related guidance set out in IFRS 10. The standard does not have an impact on the Group as entities controlled by Telkom have not changed as a result of adopting IFRS 10.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. There are two types of joint arrangements under IFRS 11: joint operations and joint ventures. These two types of joint arrangements are distinguished by parties' rights and obligations under the arrangements. Management reviewed and assessed the legal form and terms of the contractual arrangements in relation to the Group's investments in joint arrangements. The application of IFRS 11 has changed the classification of the Group's investment in the Number Portability Company, which was classified as a jointly controlled entity under the previous standard and was accounted for using the equity method. Under IFRS 11, the Number Portability Company is classified as an associate and will continue to be accounted for using the equity method.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 specifies the minimum disclosures that are applicable to entities that have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities. The objective of IFRS 12 is that entities should disclose information that helps users of financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on their financial statements. The adoption of the new standard will result in more extensive disclosures at year-end reporting.

2. Basis of preparation and accounting policies (continued)

IFRS 13 Fair Value Measurement

IFRS 13 provides a new definition of fair value and a single source of guidance for (almost) all fair value measurements used in IFRS financial statements. The proposed disclosures increase transparency about fair value measurements, including the valuation techniques and inputs used to measure fair value. The standard will have a potential measurement impact on non-recurring non-financial assets and liabilities that are measured at fair value less cost to sell (i.e. IFRS 5 and IAS 36) and fair value disclosure impact for IFRS 5. The impact will be assessed as soon as IFRS 5 and IAS 36 are triggered. The Group is already complying with the enhanced disclosures.

IAS 1 (amendment) Presentation of Financial Statements

The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single continuous statement or in two separate but consecutive statements. The amendments require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that might be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. Entities also have the option of changing the title of the 'Statement of comprehensive income' to 'Statement of profit or loss and other comprehensive income'. Telkom opted to change the name accordingly. The amendments will result in a change in presentation but will have no impact on the recognition or measurement of items in the financial statements. The relevant disclosures are provided in the Statement of profit or loss and other comprehensive income.

The amendment clarifies the difference between voluntary additional comparative information and the minimum required comparative information. The requirements for comparative information have been clarified in two areas. Firstly when an entity voluntarily presents comparative information in excess of the minimum requirements, the additional comparative information disclosed need not represent a full set of financial statements, but must include notes. Secondly, when there is a change in accounting policy, retrospective restatement or reclassification, an entity must present a third statement of financial position at the beginning of the preceding period, but need not present notes for the opening statement (of financial position). The Group will apply the amendment when appropriate.

IAS 27 (amendment) Separate Financial Statements

The revised IAS 27 supersedes the previous IAS 27 (2008). The standard requires an entity that prepares separate financial statements, to account for the investments in subsidiaries, joint ventures and associates either at cost or in accordance with IFRS 9. The adoption of the standard will not have an impact on the Group as the Group already accounts for all investments either at cost or in accordance with IAS 39.

IAS 28 (amendment) Investments in Associates and Joint Ventures

The main purpose of revising the standard was to include consequential amendments of issuing a new standard, IFRS 11 Joint Arrangements, which replaced IAS 31 Interests in Joint Ventures. The standard outlines how to apply, with certain limited exceptions, the equity method to investments in associates and joint ventures. The standard also defines an associate by reference to the concept of 'significant influence', which requires power to participate in financial and operating policy decisions of the investee but not joint control or control of those policies. As a consequence of the amendment the Group changed the classification of the Number Portability Company from Joint Venture to Associate. All Joint Ventures and Associates were previously accounted for according to the equity method and this will not change.

Circular 3/2012 Headline Earnings

Two amendments were made to Circular 3/2009 Headline Earnings and consequently a replacement circular, Circular 3/2012 Headline Earnings, was issued. The first amendment made to the rule table ensures that the tax effects of items excluded from headline earnings are also excluded from the calculation of headline earnings. The second amendment relates to the compensation received from third parties for items of property, plant and equipment that were impaired, lost or given up. The amendment ensures that the treatment of this compensation is excluded from the calculation of headline earnings in order to achieve consistency with the manner in which the loss was treated for headline earnings. The first amendment is immaterial on the Group. The Group self insures losses to a certain maximum value. Compensation for losses from third parties is not material in the Group financial statements.

The following new standards, amendments to standards and interpretations have been adopted and do not have a material impact on the Group:

IFRS 1 Severe Hyperinflation – Amendments regarding severe hyperinflation provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time (*effective 1 July 2011*).

IFRS 1 Removal of Fixed Dates for First-time Adopters. The amendments regarding the removal of fixed dates provide relief to first-time adopters of IFRSs from reconstructing transactions that occurred before their date of transition to IFRSs (*effective 1 July 2011*).

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

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

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 not yet effective. All standards are effective for annual periods beginning on or after the stated effective date.

IFRS 7 Financial Instruments Disclosures – Amendments enhancing disclosures about offsetting of financial assets and financial liabilities (*effective 1 January 2013*).

Notes to the condensed consolidated interim financial statements *(continued)*

for the six months ended 30 September 2012

2. Basis of preparation and accounting policies *(continued)*

IFRS 7 Financial Instruments Disclosures – Amendments requiring disclosures about the initial application of IFRS 9 *(effective 1 January 2015)*.

IFRS 9 Financial Instruments – Classification and measurement of financial assets and financial liabilities *(effective 1 January 2015)*.

IAS 16 Property, Plant and Equipment – Classification of service equipment *(effective 1 January 2013)*.

IAS 19 Employee Benefits *(effective 1 January 2013)*.

IAS 32 Financial Instruments: Presentation – Amendments to clarify tax effect of distribution to holders of equity instruments *(effective 1 January 2013)*.

IAS 32 Financial Instruments: Presentation – Amendments to application guidance on the offsetting of financial assets and financial liabilities *(effective 1 January 2014)*.

IAS 34 Interim Financial Reporting – Interim financial reporting and segment information for total assets and total liabilities *(effective 1 January 2013)*.

3. Segment information

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

The Executive Committee assesses the performance of the operating segments based on a measure of operating profit. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

The Group consists of two reportable segments, namely Telkom Fixed-line and Telkom Mobile.

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

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

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.

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

	30 September 2012 Rm	30 September 2011 Rm
Consolidated operating revenue	16 146	16 387
Telkom Fixed-line	14 867	15 345
Telkom Mobile	898	301
Other	1 570	1 595
International	185	175
South African	1 385	1 420
Elimination of inter-segmental revenue	(1 189)	(854)
Consolidated operating profit	680	1 668
Telkom Fixed-line*	2 695	3 744
Telkom Mobile	(753)	(1 141)
Other	(1 241)	(887)
International	(79)	(38)
South African	(1 162)	(849)
Elimination of inter-segmental transactions	(21)	(48)
Reconciliation of operating profit, profit before tax and discontinued operations:		
Adjusted EBIT for reportable segments	680	1 668
Impairment of goodwill and property, plant and equipment	–	(445)
Operating profit	680	1 223
Investment income	149	111
Finance charges and fair value movement	(282)	(264)
Profit before taxation and discontinued operations	547	1 070

* Certain selling, general and administrative expenses for the prior period were reclassified from the fixed-line to the mobile segment.

	30 September 2012 Rm	30 September 2011 Rm
4. Total revenue	16 454	16 701
Operating revenue	16 146	16 387
Other income (excluding profit on disposal of property, plant and equipment and intangible assets)	159	203
Investment income	149	111
Operating revenue decreased mainly due to the reduction in fixed-line voice traffic revenue partly offset by an increase in mobile revenue.		
5. Operating expenses	15 630	15 382
5.1 Employee expenses	4 738	4 542
The increase in employee expenses is mainly due to the average salary increase of 6.5% as agreed with the unions for the current financial year.		
5.2 Payments to other operators	2 458	2 653
The decrease in payment to other operators is mainly due to the reduction of mobile termination rates.		
5.3 Selling, general and administrative expenses*	3 567	3 124
Selling, general and administrative expenses increased mainly as a result of an increase in the provision for certain legal matters and Next Generation Network (NGN) sub-contractors costs and higher bad debts offset partly by lower mobile direct costs.		
<i>* Included in selling, general and administrative expenses is write-down of inventories to the value of R68 million (September 2011: R51 million).</i>		
5.4 Service fees	1 472	1 476
5.5 Operating leases	442	397
Operating leases increased as a result of annual contractual escalations and an increase in vehicle lease tariffs.		
5.6 Depreciation, amortisation, impairment and write-offs	2 953	3 190
Depreciation of property, plant and equipment	2 461	2 251
Amortisation of intangible assets	436	339
Impairment of property, plant and equipment and intangible assets	–	445
Write-offs of property, plant and equipment and intangible assets	56	155
The increase in depreciation is due mainly to the review of the useful lives of property, plant and equipment, given the current focus on the modernisation of the network.		
The increase in amortisation was mainly due to an acceleration on system software.		
The impairment charge in the prior year relates to the iWayAfrica Group goodwill.		
The decrease in write-offs is due to the scrapping of assets in the prior period due to technical obsolescence.		

Notes to the condensed consolidated interim financial statements *(continued)*

for the six months ended 30 September 2012

	30 September 2012 Rm	30 September 2011 Rm
6. Taxation	325	568
South African normal company taxation	470	536
Deferred taxation	(145)	(38)
Secondary Taxation on Companies (STC)	–	69
Foreign taxation	–	1
The decrease in deferred taxation is mainly due to the shorter taxation write-off periods on property, plant and equipment.		
The decrease in STC is due to no dividend being paid during the period. The new withholding taxation on dividends is effective for dividends declared on or after 1 April 2012 at a rate of 15%.		
7. Discontinued operations		
Multi-Links Telecommunications Limited (Multi-Links)		
On 26 June 2011 the Telkom Board made a decision to sell the entire issued share capital of Multi-Links to HIP Oils Topco Limited. The Multi-Links business was classified as held for sale on 26 June 2011. Multi-Links was disposed of on 3 October 2011.		
Analysis of the results of discontinued operations:		
Revenue*	–	159
Expenses*	–	(428)
Loss before taxation of discontinued operations	–	(269)
Taxation	–	–
Loss after taxation of discontinued operations	–	(269)
Pre-tax loss recognised on the re-measurement of assets of disposal group to fair value less costs to sell**	–	–
Loss for the year from discontinued operations	–	(269)
* Revenue comprises operating revenue, other income and investment income. Expenses comprises operating expenses, finance charges and impairment of R198 million in the prior year.		
** The carrying amount and fair value less cost to sell are both negative, thus limited to nil.		
The net cash flows attributable to the operating, investing and financing activities of discontinued operations		
Operating cash flows	–	(75)
Investing cash flows	–	(21)
Financing cash flows	–	143
Total cash inflow	–	47

	30 September 2012 Rm	30 September 2011 Rm
8. Taxation effects of other comprehensive income		
Taxation effects relating to each component of other comprehensive income:		
Items that will be reclassified subsequently to profit and loss		
Exchange differences on translating foreign operations	10	50
Net foreign currency translation differences for foreign operations	10	50
Items that will not be reclassified subsequently to profit and loss		
Defined benefit plan actuarial losses	(30)	(44)
Taxation effect of defined benefit plan actuarial losses	8	12
Net defined benefit plan actuarial losses	(22)	(32)
Defined benefit plan asset limitations	(24)	3
Taxation effect of defined benefit plan asset limitations	7	(1)
Net defined benefit plan asset limitations	(17)	2
Other comprehensive (loss)/income for the period before taxation	(44)	9
Taxation effect of other comprehensive income for the period	15	11
Other comprehensive (loss)/income for the period net of taxation	(29)	20
9. Earnings per share		
Total operations		
Basic and diluted earnings per share (cents)	30.2	32.5
Headline earnings and diluted headline earnings per share (cents)	37.2	177.8
Continuing operations		
Basic and diluted earnings per share (cents)	30.2	85.2
Headline earnings and diluted headline earnings per share (cents)	37.2	191.7
Discontinued operations		
Basic and diluted loss per share (cents)	-	(52.7)
Headline loss and diluted headline loss per share (cents)	-	(13.9)
Reconciliation of weighted average number of ordinary shares:		
Ordinary shares in issue	520 783 900	520 783 900
Weighted average number of treasury shares	(10 190 084)	(10 145 611)
Weighted average number of shares outstanding	510 593 816	510 638 289
Reconciliation of diluted weighted average number of ordinary shares:		
Diluted weighted average number of shares outstanding	510 593 816	510 638 289
Total operations		
Reconciliation between earnings and headline earnings:		
Profit attributable to equity holders of Telkom	154	166
Adjustments:		
Profit on disposal of property, plant and equipment and intangible assets	(5)	(15)
Impairment loss on property, plant and equipment and intangible assets	-	643
Write-offs of property, plant and equipment and intangible assets	56	155
Taxation effects	(15)	(41)
Headline earnings	190	908

Notes to the condensed consolidated interim financial statements *(continued)*

for the six months ended 30 September 2012

	30 September 2012 Rm	30 September 2011 Rm
9. Earnings per share (continued)		
Continuing operations		
Reconciliation between earnings and headline earnings:		
Profit from continuing operations	222	502
Non-controlling interest	(68)	(67)
Earnings from continuing operations attributable to equity holders of Telkom	154	435
Profit on disposal of property, plant and equipment and intangible assets	(5)	(15)
Impairment loss on property, plant and equipment and intangible assets	–	445
Write-offs of property, plant and equipment and intangible assets	56	155
Taxation effects	(15)	(41)
Headline earnings	190	979
Discontinued operations		
Reconciliation between earnings and headline earnings:		
Loss from discontinued operations attributable to equity holders of Telkom	–	(269)
Impairment loss on property, plant and equipment and intangible assets	–	198
Headline loss	–	(71)
Dividend per share (cents)	–	145,0

The calculation of dividend per share is based on dividends of RNil million (30 September 2011: R740 million declared on 10 June 2011) and a number of ordinary shares on the date of dividend declaration of 510,593,816 (30 September 2010: 510,638,289). The reduction in the number of shares represents the number of treasury shares held on date of payment.

The ordinary dividend has been considered with reference to Telkom's current and expected future challenges, performance, debt and cash flow levels. The Board has decided that it is prudent to allow for more internally-generated funding for the capital expenditures planned and has thus not declared a dividend. This will better position Telkom to weather uncertainties as we advance our value building strategy.

	30 September 2012 Rm	31 March 2012 Rm
10. Capital additions and disposals		
Property, plant and equipment	1 801	3 892
Additions	1 806	4 022
Disposals	(5)	(130)
Intangible assets	316	813
Additions	317	813
Disposals	(1)	–
The capital expenditure for the six months was largely due to the deployment of the Next Generation Network, mobile cellular services and baseline technologies.		

	30 September 2012 Rm	31 March 2012 Rm
11. Deferred taxation	(534)	(694)
Deferred tax assets	8	53
Deferred tax liabilities	542	747
The deferred taxation liability mainly decreased due to the shorter taxation write-off periods on property, plant and equipment.		
12. Other financial assets and liabilities		
Non-current other financial assets	61	48
Total other financial assets	4 423	2 243
Held-to-maturity		
Repurchase agreements	4 281	2 009
At fair value through profit or loss	142	234
Forward exchange contracts	74	193
Cross-currency swaps	68	41
Less: Current portion of other financial assets	4 362	2 195
Held-to-maturity		
Repurchase agreements	4 281	2 009
At fair value through profit or loss		
Forward exchange contracts	74	186
Cross-currency swaps	7	-
Repurchase agreements		
Telkom manages a portfolio of repurchase agreements with a view to generating additional investment income on the favourable interest rates provided by these transactions.		
13. Net cash and cash equivalents	561	1 165
Cash shown as current assets	564	1 168
Cash and bank balances	159	713
Short-term deposits	405	455
Credit facility utilised	(3)	(3)
The decrease in cash and bank balances and short-term deposits is mainly due to the repayment of the TL12 bond of R1,060 million during the period partly offset by the refinancing of Commercial Paper bills.		

14. Financial risk management

Exposure to continuously changing market conditions has made management of financial risk critical for the Group. Treasury policies, risk limits and control procedures are continuously monitored by the Board of Directors through its Audit Committee.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2012.

14.1 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group is exposed to liquidity risk as a result of uncertain cash flows as well as capital commitments of the Group.

Liquidity risk is managed by the Group's Treasury team in accordance with policies and guidelines formulated by the Group's Executive Committee. In terms of its borrowing requirements, the Group ensures that sufficient facilities exist to meet its immediate obligations.

Compared to the 2012 financial year-end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

Notes to the condensed consolidated interim financial statements *(continued)*

for the six months ended 30 September 2012

14. Financial risk management (continued)

The carrying amounts of financial instruments approximate fair value, with the exception of interest-bearing debt (at amortised cost) which has a fair value of R8,638 million.

14.2 Fair value of financial instruments

Valuation techniques and assumptions applied for the purposes of measuring fair value:

The estimated net fair values as at the reporting date, have been determined using available market information and appropriate valuation methodologies as outlined below. This value is not necessarily indicative of the amounts that the Group could realise in the normal course of business.

Derivatives are recognised at fair value. The fair values of derivatives are determined using quoted prices or, where such prices are not available, discounted cash flow analysis is used. These amounts reflect the approximate values of the net derivative position at the reporting date. The fair values of listed investments are based on quoted market prices.

The fair values of the borrowings disclosed below are based on quoted prices or, where such prices are not available, the expected future payments discounted at market interest rates. As a result they differ from carrying values.

The fair value of receivables, bank balances, repurchase agreements and other liquid funds, payables and accruals, approximate their carrying amount due to the short-term maturities of these instruments.

14.3 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method.

The different levels have been defined as follows:

- Quoted prices in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices, that are observable for the asset or liability (level 2).
- Inputs for the asset or liability that are not based on observable market data (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value:

30 September 2012	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Assets measured at fair value				
Forward exchange contracts	74	–	74	–
Investment in Cell Captive	2 286	403	1 883	–
Transfer to level 1*	–	1 883	(1 883)	–
Cross-currency swaps	68	–	68	–
Liabilities measured at fair value				
Interest rate swaps	(78)	–	(78)	–
Forward exchange contracts	(50)	–	(50)	–
31 March 2012	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Assets measured at fair value				
Forward exchange contracts	193	–	193	–
Investment in Cell Captive	2 248	518	1 730	–
Cross-currency swaps	41	–	41	–
Liabilities measured at fair value				
Interest rate swaps	(50)	–	(50)	–
Forward exchange contracts	(105)	–	(105)	–

The fair value of the financial assets and financial liabilities are sensitive to exchange rates and interest rates movements. The Rand depreciated against major currencies during September 2012 resulting in unrealised fair value gains. The volatility of the exchange rates also had an impact on the fair values of these instruments.

* During the six-month period ended 30 September 2012, the Investment in Cell Captive's Coronation Absolute Portfolio with a market value of R1,883 million was transferred from fair value level 2 to fair value level 1. The reason for transfer is that the prices for each of the assets held in the absolute portfolio was obtained from recognised market sources.

	30 September 2012 Rm	31 March 2012 Rm
15. Interest-bearing debt		
Non-current interest-bearing debt	6 123	5 897
Local debt	4 882	4 649
Foreign debt	497	478
Finance leases	744	770
Current portion of interest-bearing debt	1 433	1 289
Local debt	1 194	1 060
Foreign debt	170	148
Finance leases	69	81
Repayments/refinancing/new issue		
The TL12 bond of R1,060 million was repaid on maturity during the period with funding from commercial paper bills.		
The current portion of interest-bearing debt is expected to be repaid from available operational cash flows and/or the issue of new debt instruments.		
Management believes that sufficient funding facilities will be available at the date of repayment/refinancing.		
16. Provisions		
Non-current portion of provisions	5 649	4 916
Employee related	5 047	4 880
Non-employee related	602	36
Current portion of provisions	1 599	1 892
Employee related	1 460	1 652
Non-employee related	139	240
The increase in non-current employee-related provisions is mainly due to the increase in the post-retirement medical aid provisions as a result of medical inflation. The increase in the non-employee-related portion is attributable to the provision for certain legal matters.		
The reduction of the current portion of employee-related provisions is attributable to a six-month bonus provision.		
17. Commitments		
Capital commitments authorised	5 391	7 480
Commitments against authorised capital expenditure	2 709	827
Authorised capital expenditure not yet contracted	2 682	6 653
Capital commitments are largely attributable to purchases of property, plant and equipment and software (included in intangible assets).		
Included in commitments against authorised capital expenditure and authorised capital expenditure not yet contracted for is R1,898 million (31 March 2012: R546 million) and R563 million (31 March 2012: R1,160 million), respectively, which relates to Telkom Mobile.		
Management expects these commitments to be financed from internally-generated cash and borrowings.		

Notes to the condensed consolidated interim financial statements *(continued)*

for the six months ended 30 September 2012

18. Contingencies

The contingencies must be read in conjunction with 31 March 2012 Group annual financial statements (pages 267 to 269).

COMPETITION MATTERS

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

Should the CT find that Telkom committed a prohibited practice as set out in the Competition Act for each of the cases, the CT may impose a maximum administrative penalty of 10% of Telkom's annual turnover in the Republic of South Africa and its exports from the Republic of South Africa during Telkom's preceding financial year. However, Telkom has been advised by external legal counsel that the CT has to date not imposed the maximum penalty on any offender in respect of the contraventions 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. These complaints were referred by the CC to the CT on 24 February 2004.

The CT handed down its ruling on 7 August 2012 and found Telkom guilty of the refusal to provide essential facilities to VANS licensees and of requiring or inducing customers of VANS not to deal with the VANS. The CT made no findings as regards the complaint of exclusionary conduct. As regards the complaint of price discrimination, the CT found no contravention by Telkom on the basis that the CC did not lead sufficient evidence to prove that Telkom's conduct caused consumer harm. The CT imposed a penalty of R449 million on Telkom, 50% of which was payable within six months of the order and the remainder within 18 months of the order. On 29 August 2012, Telkom filed a notice of appeal against the CT's ruling and the CC filed a notice of cross-appeal on 11 September 2012. Telkom is endeavouring to file the record of appeal by 27 November 2012, after which the Competition Appeal Court (CAC) will allocate a date for hearing of the matter.

Internet Solutions (IS)

IS filed a complaint at the CC in December 2007 (which was dealt with by the CC as part of the Multiple Complaints Referral referred to below) alleging certain anti-competitive practices by Telkom.

Certain parts of this complaint were referred to the CT by the CC and these are dealt with in the Multiple Complaints Referral reported on below. The non-referred parts of the complaint were self-referred by IS. Telkom raised various exceptions in relation to certain aspects of the IS self-referral. IS brought an amendment application which ostensibly addressed Telkom's exceptions. This application was heard by the CT on 26 June 2012 and dismissed with costs by the CT on 2 July 2012. In August 2012 IS filed a notice of appeal to the CAC against the CT's order.

Competition Commission Multiple Complaints Referral

The CC served a notice of motion on Telkom in October 2009, in which it referred complaints against Telkom filed by MWEB and IS as well as the Internet Service Providers Association (ISPA), MWEB, IS and Verizon, respectively, to the CT. The CC alleged certain anti-competitive practices by Telkom. The matter is set down for trial during June 2013. Telkom and the CC are busy with preparations for trial and, in this regard, the discovery process is nearing completion.

Phutuma Networks (Pty) Limited (Phutuma)

Telkom was informed by the CC that a complaint was filed by Phutuma at the CC wherein Phutuma alleges that, "Telkom has contravened section 8(c) of the Competition Act, 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, Phutuma 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 answer in which it raised certain preliminary points, and Phutuma filed its reply. Telkom's preliminary points were upheld by the CT on 2 March 2011 and Phutuma's self-referral was dismissed with costs. Phutuma appealed this decision to the CAC and the appeal was heard on 28 May 2012. The parties are still awaiting a ruling from the CAC.

MATTERS BEFORE ICASA

Phutuma Networks (Pty) Limited (Phutuma)

Phutuma filed a complaint against Telkom at the Complaints and Compliance Committee of ICASA (CCC) in February 2010. After various amendments to the complaint sheet, Phutuma filed a final complaint sheet which consisted of six complaints. Telkom responded to this amended complaint sheet on 7 December 2011 and Phutuma filed its reply thereto on 19 January 2012. The matter, has been set down for hearing before the CCC from 15 to 18 April 2013.

End-User and Service Charter Regulations

Allegations have been made at the CCC regarding Telkom's alleged non-compliance with the requirements of the End-User and Service Charter regulations relating to the clearance of reported faults. A hearing has taken place and the CCC has ruled that Telkom is not in breach of the regulations and recommend that ICASA review the regulations which, as they stand, are not capable of implementation. Telkom, however, has already initiated administrative review proceedings seeking to set-aside the applicability of the regulations.

18. Contingencies (continued)

MATTERS BEFORE ICASA (continued)

Neotel (Pty) Limited (Neotele)

On 2 December 2011, the CCC notified Telkom of having received ICASA's referral of notification of dispute. A dispute was lodged by Neotel that broadly relates to Telkom's alleged refusal to lease its unbundled local loop (LLU) constituting a portion of Telkom's electronic communication network.

The CCC heard arguments from both parties in the above matter in May 2012. At the culmination of proceedings, the CCC ruled that Neotel's request to access Telkom's local loop was a valid request and that Telkom's response to the same was inadequate. However, the CCC also ruled that there currently exists no regulatory framework to give practical effect to LLU. In the circumstance the CCC has ordered that Telkom and Neotel reconsider the issue and revert to ICASA within three months and that ICASA consider the matter within the context of its December 2011 LLU determinations. Telkom is in the process of instituting High Court proceedings to interdict ICASA from implementing the CCC order and further to have the CCC order reviewed and set aside.

SUPPLIER DISPUTE

Radio Surveillance Security Services (Pty) Limited (RSSS)

During September 2011 RSSS served two summons on Telkom for the sum of R215,661,865.88 (including VAT) and R9,913,782.00 (including VAT), respectively. In the summons for R215,661,865.88 RSSS alleged that Telkom was indebted to it for the rendering and upgrading of 440 alarm systems to be M3010 compliant. Telkom had previously purchased the alarm systems from RSSS.

The claim for R9,913,782.00 related to rentals, monitoring and maintenance costs for alarm systems which were rented and/or purchased by Telkom from RSSS. Telkom defended both summons. During November 2011 RSSS withdrew both actions against Telkom in terms of a settlement agreement. Subsequent to the withdrawal of action RSSS disputed the grounds of the settlement agreement and reissued summons for the same amounts in December 2011. The action instituted against Telkom for R9,913,782.00 was withdrawn recently after a settlement agreement was concluded between the parties. Telkom is defending the action for R215,661,865.88 and has served a notice of exception on RSSS.

HIGH COURT

Phutuma Networks (Pty) Limited (Phutuma)

On 20 August 2009 Phutuma 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. Phutuma 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, alternately 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 suite and further and/alternative relief. The matter was originally set down for hearing from 24 October 2011 to 18 November 2011 in the North Gauteng High Court. Phutuma applied for an adjournment of the trial 'sine die' which application was granted subject to Phutuma paying costs which included Senior Counsel's fees on trial for two days plus 50% of Senior Counsel's costs for preparation for trial. The matter has been set down for hearing on 20 May 2013.

Bihati Solutions (Pty) Limited (Bihati) and Merid Trading (Pty) Limited (Merid)

The matter arises from the award of a tender by Telkom in November 2008 after the validity period had expired. Telkom successfully applied to the North Gauteng High Court to set aside its award. Bihati's application to the North Gauteng High Court to review and set aside the Telkom Board's decision and for an order compelling Telkom to commence with the negotiations in respect of the award, was dismissed with costs. Merid and Bihati were granted leave to appeal against the judgements granted in favour of Telkom. The appeals which were set down in August 2012 were withdrawn by Bihati and Merid after they concluded confidential settlement agreements with Telkom.

ZTE Mzansi South Africa (Pty) Limited (ZTE)

During 2011, Telkom awarded a tender to Huawei Technologies Africa and Alcatel-Lucent. In January 2012, an unsuccessful bidder, ZTE, brought an interdict application on Telkom, in which it sought an order for an interim interdict, to restrain and interdict Telkom from implementing the tender and concluding any service level agreements with the successful bidders, pending the finalisation of the dispute resolution process between Telkom and ZTE. In March 2012 the High Court granted the interim interdict in favour of ZTE. Telkom has filed an application for leave to appeal to the Supreme Court of Appeal, which was granted on 23 May 2012. Telkom has filed its notice of appeal and copies of the record in the SCA. ZTE has until 16 November 2012 to file its opposing heads of argument.

African Pre-paid Services Nigeria Limited (APSN) v Multi-Links: Arbitration matter

Multi-Links, a previously wholly-owned subsidiary of Telkom in Nigeria, concluded a Super Dealer agreement with African Pre-Paid Services (APS), in December 2008 in terms of which APS was appointed for an initial period of ten years to sell, market and procure customers for Multi-Links range of products and services in Nigeria (the agreement). On 29 May 2009, APS ceded and assigned all of its rights and obligations in terms of the agreement to APSN. On 26 November 2010 APSN cancelled the agreement on the basis of an alleged repudiation by Multi-Links of the agreement. On 13 June 2011 APSN launched arbitral proceedings in South Africa (as per contract) against Multi-Links claiming damages (nine claims) in the total sum of USD481,199,101.00. Multi-Links is defending the matter and has filed a counterclaim in the amount of USD123 million. Telkom sold its shareholding in Multi-Links to HIP Oils Topco Limited (HIP Oils) during October 2011. In addition, in terms of an indemnity contained in the sale and purchase agreement between Telkom and HIP Oils concluded in August 2011, Telkom has indemnified Multi-Links/HIP Oils for all amounts in excess of USD10 million in respect of the claim between APSN and Multi-Links. Recently APSN filed an amendment in which it abandoned some of its claims and reduced its total claim to US\$457,638,256.00. The arbitration will be heard from 5 November to 14 December 2012.

Notes to the condensed consolidated interim financial statements (continued)

for the six months ended 30 September 2012

18. Contingencies (continued)

OTHER

HIP Oils Topco Limited (HIP Oils)

With the sale of Telkom's shares in Multi-Links to HIP Oils, Telkom provided a taxation indemnity and a "creditors" indemnity to HIP Oils and Multi-Links where such liability or obligation was incurred prior to 3 October 2011 and to the extent that such liability was not disclosed or exceed the amounts set out in Schedule 4 (creditors list) to the Sale and Purchase Agreement.

Consumer Protection Act (CPA)/National Consumer Commission (NCC)

On 25 August 2011 the NCC served compliance notices on Telkom for both fixed-line and mobile services to be brought in line with CPA. The NCC alleges that Telkom's terms and conditions for fixed-line and mobile services (8•ta) were, at that stage, not compliant with the CPA. Telkom has filed an objection to these compliance notices. On 28 September 2011, Telkom submitted its revised terms and conditions to the NCC. Telkom is of the view that the revised terms and conditions are in compliance with the provisions of the CPA. The NCC is not in agreement with Telkom's interpretation of the CPA in respect of certain clauses of our standard terms and conditions. Telkom has further amended those clauses to give the NCC more comfort and has implemented its revised/compliant terms and conditions. Telkom has met with the NCC to ascertain how the matter can be settled.

Telkom has applied for a new date for set down but to date has not received a response from the Consumer Tribunal. On 9 October 2012, Telkom made an application to the National Consumer Tribunal to consolidate the fixed line and 8•ta matters. To date, the Tribunal has not advised as to the outcome of the application.

TAX MATTERS

The Group is regularly subject to an evaluation, by tax authorities, of its direct and indirect tax filings. The consequence of such reviews is that disputes can arise with tax authorities over the interpretation or application of certain tax rules applicable to the Group's business. These disputes may not necessarily be resolved in a manner that is favourable to the Group. Additionally, the resolution of the disputes could result in an obligation to the Group.

	30 September 2012 Rm	30 September 2011 Rm	31 March 2012 Rm
19. Related parties			
Details of material transactions and balances with related parties are as follows:			
With shareholders:			
Government of South Africa			
<i>Related party balances</i>			
Trade receivables	413	355	371
Trade payables			
<i>Department of Communications</i>	(73)	(374)	(71)
<i>Related party transactions</i>			
Revenue	(1 988)	(1 597)	(3 064)
Individually significant revenue*	(547)	(550)	(1 105)
<i>City of Cape Town</i>	(33)	(47)	(84)
<i>Department of Correctional Services</i>	(41)	(35)	(73)
<i>Department of Health: Gauteng</i>	(24)	(30)	(63)
<i>Department of Justice</i>	(52)	(52)	(104)
<i>South African National Defence Force</i>	(31)	(30)	(59)
<i>South African Police Services</i>	(265)	(257)	(522)
<i>South African Revenue Services</i>	(19)	(22)	(41)
<i>S.I.T.A. (Pty) Limited</i>	(82)	(77)	(159)
Collectively significant revenue*	(1 441)	(1 047)	(1 959)
* The nature of the individually and collectively significant revenue consists mostly of data revenue.			

19. **Related parties** (continued)

At 30 September 2012, the Government of South Africa held 39.76% (March 2012: 39.76%) of Telkom's shares and the Public Investment Corporation held 3.92% (March 2012: 3.92%) of Telkom's shares and a further 8.95% (March 2012: 8.95%) through Black Ginger 33 (Proprietary) Limited.

	30 September 2012 Rm	30 September 2011 Rm	31 March 2012 Rm
With entities under common control:			
Major public entities			
<i>Related party balances</i>			
Trade receivables	17	15	11
Trade payables	–	(1)	(1)
The outstanding balances are unsecured and will be settled in cash in the ordinary course of business.			
<i>Related party transactions</i>			
Revenue	(222)	(218)	(383)
Expenses	126	106	223
Individually significant expenses	119	99	207
<i>South African Post Office</i>	48	47	95
<i>Eskom</i>	71	52	107
<i>South African Broadcast Corporation</i>	–	–	5
Collectively significant expenses	7	7	16
Rent received	(13)	(13)	(26)
Individually significant rent received:			
<i>South African Post Office</i>	(11)	(11)	(22)
Collectively significant rent received	(2)	(2)	(4)
Rent paid	13	11	21
Individually significant rent paid:			
<i>South African Post Office</i>	9	7	13
Collectively significant rent paid	4	4	8
Key management personnel compensation:			
<i>Related party transactions</i>			
Short-term employee benefits	96	76	188
Post-employment benefits	5	4	8
Equity compensation benefits	1	–	3
Termination benefits	16	–	6

Terms and conditions of transactions with related parties

Outstanding balances at period-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for related party receivables or payables.

Notes to the condensed consolidated interim financial statements *(continued)*

for the six months ended 30 September 2012

20. Subsequent events

Resignation of Chairman of the Telkom Board

On 9 September 2012, Mr Lazarus Zim has informed the Telkom Board of his retirement as Chairman and Director with effect from 24 October 2012.

Resignation of Telkom Group Chief Executive Officer

Telkom announced on 5 November 2012 that the Group Chief Executive Officer, Ms Nombulelo Moholi, has notified the Board of her intention to step down before the end of her contract period.

Resignation of Independent non-executive Directors

On 1 October 2012, Ms Jacky Huntley and Ms Julia Hope have informed the Telkom Board of their retirement as directors with effect from 24 October 2012. Mrs NP Dongwana has informed the Telkom Board of her resignation as director effective 2 November 2012.

Resignation of Company secretary

Ms Mmathotho Lephadi resigned as Company secretary of Telkom with effect from 31 October 2012. Ms Andisa Ditle has been appointed acting Company secretary with effect from 1 November 2012.

Results of the Telkom Annual General Meeting regarding Directors' appointments

The ordinary resolution to appoint Dr Sibusiso Sibisi and Ms NP Mnxasana as directors and to re-elect Mr PCS Luthuli and Mr Y Waja as directors was not passed by the requisite majority of shareholders. The ordinary resolution for the election of Mr PCS Luthuli as member and chairperson of the Audit Committee and Ms NP Mnxasana as member of the Audit Committee were withdrawn, given their non-appointment as directors.

Appointment of Chairman of the Telkom Board

On 16 November 2012 Telkom announced the appointment of Mr JA Mabuza as chairman of the Telkom Board with immediate effect.

Appointment of Independent non-executive Directors

Telkom announced on 14 November 2012 that Mr Jabulane Albert Mabuza and Ms Kholeka Mzondeki, and on 16 November 2012 that Mr Leslie Maasdorp, have been appointed as Independent non-executive directors with immediate effect.

Board update

Following the changes in the Board of Directors after the Annual General Meeting, the continuing directors are in the process of reconstituting the Telkom Board, its committees as well as statutory committees.

Other matters

The directors are not aware of any other matter or circumstance since the financial period ended 30 September 2012 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.



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