Seamlessly connecting our customers to a better life

Telkom SA SOC Ltd

Group Annual Results

For the year ended 31 March 2024

Telkom

Telkom SA SOC Ltd
(Incorporated in the
Republic of South Africa)

Registration number:
1991/005476/30
JSE share code: TKG
JSE bond code: BITEL
ISIN: ZAE000044897
(Telkom, the Company, or the Group)

Telkom SA SOC Ltd is listed on the JSE Ltd. Information can be accessed on LSEG Data & Analytics (Refinitiv) under the symbol TKGJ.J and on Bloomberg under the symbol TKG.SJ. Information 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.

Special note regarding forward-looking statements

Many statements in this document and verbal statements that may be made by Telkom or officers, Directors or employees acting on Telkom's behalf constitute or are based on forward-looking statements.

All statements, other than statements of historical facts, including, among others, statements regarding our strategy, future financial position and plans, objectives, capital expenditure, projected costs and anticipated cost savings and financing plans, and projected levels of growth in the communications market, are forward-looking statements. Forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "envisage", "intend", "plan", "project", "estimate", "anticipate", "believe", "hope", "can", and "is designed to" or similar phrases.

However, the absence of such words does not necessarily mean a statement is not forward looking. Forward-looking statements involve several known and unknown risks, uncertainties and other factors that could cause our actual results and outcomes to be materially different from historical results or any future results expressed or implied by such forward-looking statements. Factors that could cause our actual results or outcomes to differ materially from our expectations include, but are not limited to, those risks identified in Telkom's most recent integrated report available at https://group.telkom.co.za/ir/overview.html.

Telkom cautions readers not to place undue reliance on forward-looking statements. All written and verbal forward-looking statements attributable to Telkom, or persons acting on Telkom's behalf, are qualified in their entirety by these cautionary statements.

Unless we are required by law to update these statements, we will not necessarily update any of these forward-looking statements after the date of this document so that they conform either to actual results or to changes in our expectations.

Any forward-looking financial information disclosed in these Group annual results for the year ended 31 March 2024 ("results announcement") has not been reviewed or reported on by our independent external auditor, PricewaterhouseCoopers Inc.

Pro forma information

The Group presents various non-IFRS financial measures in the results announcement. These non-IFRS financial measures include i) the illustrative write-up of the invested capital of BCX and Gyro to their theoretical fair value which is used in the calculation of the return on invested capital (ROIC), ii) the net debt, iii) the free cash flow (FCF), and iv) the BCX narrative has been prepared excluding the impact of IFRS 15 (principal versus agent) in the current and prior years. Furthermore, the financial information in the current financial year has been prepared, including Swiftnet on a combined basis. In addition to the non-IFRS financial measures noted above, the financial information in the prior year excludes the impact of voluntary severance packages, voluntary early retirement packages and S189 costs, the impairment of asset charges and related tax impact on the results (the "pro forma adjustments").

These measures constitute pro forma financial information and are annotated throughout the results announcement. This pro forma financial information was presented to illustrate the impact of the pro forma adjustments on the audited consolidated annual financial statements for the years ended 31 March 2024 and 31 March 2023 to achieve a comparable year-on-year analysis and show the underlying performance of the business.

The pro forma financial information is the responsibility of the Board of Directors, has been prepared for illustrative purposes only and, due to its nature, may not fairly present Telkom's financial position, changes in equity and results of operations or cash flows.

The pro forma financial information contained in this results announcement was reported on by the Group's independent external auditor. Their unmodified reasonable assurance report was prepared in terms of ISAE 3420 and is set out on page 35.

The independent external auditor's audit report by PricewaterhouseCoopers Inc. does not report on all the information contained in this results announcement. Shareholders are therefore advised that to obtain a full understanding of the nature of the independent external auditor's engagement, they should obtain a copy of the independent auditor's audit report together with the accompanying financial information from Telkom's registered office.

The Board of Directors (Board) takes full responsibility for the preparation of this results announcement, which has been correctly extracted from the underlying audited consolidated annual financial statements. The information contained in this document is also available on Telkom's investor relations website https://group.telkom.co.za/ir/overview.html.

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Key indicators

43 230
Revenue[1,2]
R'million
1.6%
FY2023: 42 534

34 356
Next-generation revenue
R'million
7.0%
FY2023: 32 100

19 026
Mobile service revenue
R'million
6.8%
FY2023: 17 819

5 633
NGN fibre connectivity revenue
R'million
14.5%
FY2023: 4 919

6 140
Information technology revenue
R'million
10.4%
FY2023: 5 564

10 041
EBITDA[1,3,4,5]
R'million
5.2%
FY2023: 9 545

6 134
Capex
R'million
17.1%
FY2023: 7 401

424
FCF[4,6]
R'million
115.6%
FY2023: (2 722)

385.5
BEPS[1,3]
Cents per share
442.8%
FY2023: 71.0

376.0
HEPS[1,3,4,7]
Cents per share
201.3%
FY2023: 124.8

3 939
Cash balance at the end of the year[1]
R'million
13.5%
FY2023: 3 469

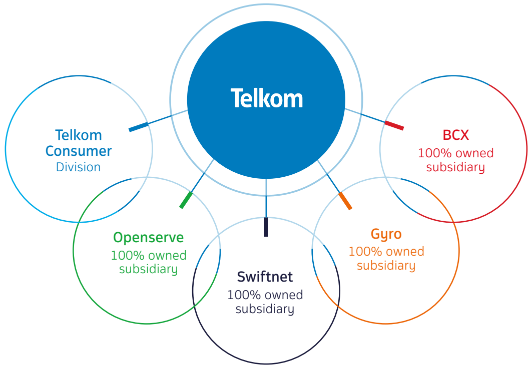
1.7
Net debt[1,4] **to EBITDA**[1,3,4,5]
X times
0.1%
FY2023: 1.8

[1] Includes total operations. Refer to page 5 for the reconciliation of the continuing and total operations figures.
[2] Revenue was restated for the IFRS 15 prior period error and adoption of IFRS 17. Refer to page 3.
[3] Refer to page 4 for the reconciliation of the reported figures to the pro forma adjusted figures.
[4] This is a non-IFRS financial measure.
[5] EBITDA was restated for IFRS 17. Refer to page 3.
[6] Includes restructuring and spectrum acquisition costs paid during FY2024 of R1 068 million and R972 million, respectively.
[7] During the year, we restated the HEPS comparative by 9.7 cents per share. Refer to page 3.

Telkom operating structure

Telkom SA SOC Ltd represents Telkom Group (Telkom or the Group), which comprises Telkom Company and its subsidiaries. Telkom Company includes the division Telkom Consumer. Telkom Group's operating subsidiaries are Openserve, BCX and Gyro Group (including Swiftnet).

In the context of our operating model, business units comprise our division and subsidiaries.



Telkom Consumer is South Africa's largest fixed-broadband provider measured by network deployed, an internet service provider and, together with its mobile network, a converged communications provider. Telkom Small and Medium Business (SMB) is included in this segment.

Openserve is South Africa's leading wholesale infrastructure connectivity provider with the largest open-access network across South Africa.

BCX is a state-of-the-art technology company that provides information and communications technology (ICT) solutions and an integrated portfolio of technology solutions in South Africa.

Swiftnet commercialises the masts and towers portfolio and is managed by Gyro.

Gyro manages the masts and towers portfolio (Swiftnet), Telkom and Gyro properties as well as data centres.

The United Nations Sustainable Development Goals (SDGs)

SUSTAINABLE DEVELOPMENT GOALS

The following four SDGs presented the most material opportunities for Telkom to enhance its positive impacts and minimise its negative impacts:

SDG 4 Quality education

SDG 8 Decent work and economic growth

SDG 9 Industry, innovation and infrastructure

SDG 12 Responsible consumption and production

Telkom can further support and influence the following SDGs:

SDG 1 No poverty

SDG 6 Clean water and sanitation

SDG 10 Reduced inequalities

SDG 16 Peace, justice and strong institutions

The relevant SDG icon indicates where related information is discussed throughout this report.

Re-presentation of financial information

Restatements

Restatement of a prior period error

On 31 March 2023, the Group correctly calculated and accounted for tax in the Group statement of profit or loss and other comprehensive income. However, the Group incorrectly adjusted for tax on the headline earnings, relating to the profit on disposal of property, plant and equipment and intangible assets, write-offs of property, plant and equipment and intangible assets and impairment of property, plant and equipment and intangible assets.

The accounting consequences of this incorrect tax adjustment was a R47 million overstatement of headline earnings or understatement of headline loss that was used in calculating headline earnings per share (HEPS) for the year ended 31 March 2023.

The impact of this restatement on the aggregated amounts previously disclosed is detailed in the table on page 4.

Adoption of IFRS 17

IFRS 17 (Insurance Contracts) has been adopted retrospectively with effect from 1 April 2023. IFRS 17 applies to Guardrisk short-term life insurance cell captive and Mutual and Federal Risk Financing Ltd short-term handset and device insurance (third-party insurance cell captives). The Group qualified to use the premium allocation approach (PAA) IFRS 17 measurement for both cell captives, resulting in an immaterial quantitative impact on adoption.

The Group disaggregated the presentation of its insurance results business on the face of its statement of profit or loss and other comprehensive income. The disaggregation resulted in the Group introducing an insurance revenue line in the income statement of R281 million (FY2023: R203 million) and an insurance service expense line of R184 million (FY2023: R209 million). The impact is neutral on profit after tax.

IFRS 15 prior period error (principal versus agent)

IFRS 15 (Revenue from Contracts with Customers) requires the entity to evaluate certain control indicators when determining whether the entity is acting as a principal or agent in transactions with customers and the recording of revenue on a gross, or net, basis.

In the current financial year, it was identified that a number of revenue transactions, for which the Group would have been considered to be an agent, using information available at that time, were incorrectly recognised and presented on a gross basis (as a principal) in the prior year.

The error resulted in the overstatement of revenue and cost of handsets, equipment, software and directories and other expenses in the statement of profit or loss and other comprehensive income in the comparative period.

This incorrect application of the accounting principles in the prior year has been adjusted as a prior period error through the reversal of revenue and cost of handsets, equipment, software and directories and other expenses only recognising the margin as revenue (on a net basis). Refer to note 2.7 of the audited consolidated annual financial statements for each materially affected line item as part of the correction of the error.

There is no impact on EBITDA, profit before and after tax and retained earnings for the prior year. The error also did not impact the statement of cash flows.

Total operations	Previously reported[1] March 2023 Rm	Prior period error Rm	IFRS 15 prior period error Rm	Adoption of IFRS 17 Rm	Restated March 2023 Rm
Revenue	43 138		(807)	203	**42 534**
Insurance service result	1		–	(1)	**–**
Cost of equipement and software sales	(7 089)		748	–	**(6 341)**
Operating expenses	(22 505)		59	(209)	**(22 655)**
Insurance expense	–		–	(209)	**(209)**
Other expenses	(2 580)		59	–	**(2 521)**
EBITDA[2]	8 487		–	(7)	**8 480**
Operating loss	(12 166)		–	(7)	**(12 173)**
Investment income	148		–	7	**155**
Loss before taxation	(13 502)		–	–	**(13 502)**
Taxation	(3 531)		–	–	**(3 531)**
Loss for the year	(9 971)		–	–	**(9 971)**
BEPS (cents)	(2 058.9)		–	–	**(2 058.9)**
HEPS (cents)[2]	(25.8)	(9.7)	–	–	**(35.5)**
Reconciliation between earnings and headline earnings:					
Loss for the year	(9 971)	–	–	–	**(9 971)**
Non-controlling interests	(2)	–	–	–	**(2)**
Profit attributable to owners of Telkom	(9 973)	–	–	–	**(9 973)**
Profit on disposal of property, plant and equipment and intangible assets	(64)	(21)	–	–	**(85)**
Impairments of property, plant and equipment and intangible assets	9 662	17	–	–	**9 679**
Write-offs and impairments of property, plant and equipment and intangible assets	250	(43)	–	–	**207**
Headline loss	(125)	(47)	–	–	**(172)**

[1] *Includes total operations. Refer to page 5 for the reconciliation of the continuing and total operations figures.*

[2] *This is a non-IFRS financial measure.*

Pro forma financial information

Certain financial information presented in this results announcement constitutes pro forma financial information in terms of the JSE Listings Requirements. The Group presents various non-IFRS financial measures in the results announcement. These non-IFRS financial measures include i) the illustrative write-up of the invested capital of BCX and Gyro to their theoretical fair value which is used in the calculation of the ROIC, ii) the net debt, iii) the FCF, and iv) the BCX narrative has been prepared excluding the impact of IFRS 15 (principal versus agent) in the current and prior years. Furthermore, the financial information in the current financial year has been prepared, including Swiftnet on a combined basis. In addition to the non-IFRS financial measures noted above, the financial information in the prior year excludes the impact of voluntary severance packages, voluntary early retirement packages and S189 costs, the impairment of asset charges and related tax impact on the results (the "pro forma adjustments"). These measures constitute pro forma financial information and are annotated throughout the results announcement. The pro forma financial information is presented to achieve a comparable year-on-year analysis and show the underlying performance of the business.

Unless otherwise stated, the pro forma consolidated income statement and all related key performance indicators and messages in this results announcement are based on this adjusted base. The applicable criteria against which this pro forma financial information was prepared for the year are set out below.

Masts and towers classified as held for sale

The masts and towers business met the IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations) requirements during the year ended 31 March 2024, and has been classified as held for sale and subsequently presented as a discontinued operation in the audited consolidated annual financial statements. Refer to note 12.2 of the audited consolidated annual financial statements for details.

For purposes of presenting and analysing the total performance of Telkom Group, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and all related key performance indicators and messages in this results announcement for the year ended 31 March 2024 and 31 March 2023 were adjusted to include the profit as well as the assets and liabilities of the masts and towers business, and are therefore based on total operations amounts as per the tables on page 5.

9 877 people employed by Telkom in FY2024 (15% reduction)

Extract of the audited consolidated annual financial statements	Continuing operations March 2024 Rm	Discontinued operations Rm	Total operations March 2024 Rm
Revenue	42 463	767	**43 230**
Operating expenses	(21 728)	(154)	**(21 882)**
Other expenses	(2 195)	–	**(2 195)**
Maintenance	(4 842)	(2)	**(4 844)**
Impairment of receivables and contract assets	(1 688)	4	**(1 684)**
Service fees	(3 849)	(152)	**(4 001)**
Lease-related expenses	(246)	(4)	**(250)**
EBITDA[1]	9 428	613	**10 041**
Depreciation, amortisation, impairment and write-offs	(5 525)	(36)	**(5 561)**
Operating profit	3 903	577	**4 480**
Investment income	229	24	**253**
Finance charges and fair value movements	(2 181)	(16)	**(2 197)**
Profit before taxation	1 951	585	**2 536**
Taxation	(497)	(158)	**(655)**
Profit for the year	1 454	427	**1 881**
BEPS (cents)	297.8	87.7	**385.5**
HEPS (cents)[1,2]	288.1	87.9	**376.0**

Extract of the audited consolidated annual financial statements	Restated continuing operations March 2023 Rm	Discontinued operations Rm	Restated total operations March 2023 Rm
Revenue[3]	41 838	696	**42 534**
Operating expenses	(22 417)	(238)	**(22 655)**
Other expenses	(2 324)	(1)	**(2 325)**
Maintenance	(4 152)	(2)	**(4 154)**
Impairment of receivables and contract assets	(1 237)	(18)	**(1 255)**
Service fees	(3 870)	(210)	**(4 080)**
Lease-related expenses	(325)	(7)	**(332)**
EBITDA[1,4]	8 022	458	**8 480**
Depreciation, amortisation, impairment and write-offs	(20 589)	(64)	**(20 653)**
Operating profit	(12 567)	394	**(12 173)**
Investment income	140	15	**155**
Finance charges and fair value movements	(1 485)	1	**(1 484)**
Profit before taxation	(13 912)	410	**(13 502)**
Taxation	3 644	(113)	**3 531**
Profit for the year	(10 268)	297	**(9 971)**
BEPS (cents)	(2 120.2)	61.3	**(2 058.9)**
HEPS (cents)[1,2]	(99.3)	63.8	**(35.5)**

[1] *This is a non-IFRS financial measure.*

[2] *During the year, we restated the HEPS comparative by 9.7 cents per share. Refer to* *page 3**.*

[3] *Revenue was restated for the IFRS 15 prior period error and adoption of IFRS 17. Refer to* *page 3**.*

[4] *EBITDA was restated for IFRS 17. Refer to* *page 3**.*

Extract of the audited consolidated annual financial statements	Continuing operations March 2024 Rm	Assets held for sale Rm	Total operations March 2024 Rm
Assets			
Non-current assets	43 006	1 551	**44 557**
Property, plant and equipment	26 002	1 360	**27 362**
Right-of-use assets	5 594	179	**5 773**
Intangible assets	5 327	12	**5 339**
Current assets	16 216	418	**16 634**
Income tax receivable	115	2	**117**
Trade and other receivables	8 215	224	**8 439**
Cash and cash equivalents	3 747	192	**3 939**
Asset included in disposal group classified as held for sale	1 969	(1 969)	**–**
Total assets	61 191	–	**61 191**
Non-current liabilites	17 359	189	**17 548**
Lease liability	4 100	141	**4 241**
Deferred taxation	287	48	**335**
Current liabilities	17 176	292	**17 468**
Trade and other payables	8 996	219	**9 215**
Lease liabilities	2 361	39	**2 400**
Deferred revenue	1 651	34	**1 685**
Liabilities included in disposal group classified as held for sale	481	(481)	**–**
Total liabilities	35 016	–	**35 016**

Impairment of assets

During the 31 March 2023 financial year, the Board impaired the Group's cash-generating units (CGU), namely Openserve and Telkom Consumer, in the amount of R13 017 million and the related tax impact of R3 477 million. This was a result of the effect of significant market changes and economic conditions coupled with evolving technological advancements.

The impairment charge is a non-cash item and did not impact the EBITDA that the Group generated from its operations. It is akin to an accelerated depreciation charge that has no impact on the Group's cash position, indebtedness or ability to fund its capital programme from its own resources. However, basic earnings per share was adversely impacted by the once-off non-cash impairment charge, amounting to 2 444.4 cents per share lower for FY2023 than for the current year. The non-cash impairment charge is excluded from headline earnings per share from continuing operations, which is 411.6 cents per share lower than the current year.

Restructuring costs

The Group announced a restructuring process in February 2023 and extended voluntary early retirement packages and voluntary severance packages to all employees in the Group. More than 1 700 employees were affected, and as a result restructuring costs of R1 065 million and the related tax impact of R288 million were recorded in FY2023. Cash flow of R1 068 million for the restructuring cost paid was recorded in the current year.

Invested capital

As a result of the headroom between fair value when compared to the carrying value, the BCX CGU were written up to illustrate their theoretical fair value. This write-up is based on management's independent valuation, determined using the discounted cash flow valuation technique. Similarly, Swiftnet which is included within the Gyro segment, has also been written up to align its fair value based on the base purchase price amounting to R6 750 million in terms of a signed sale agreement.

The R51 270 million invested capital at fair value includes a pro forma adjustment to the invested capital of R11 722 million (FY2023: R10 479 million), representing the illustrative pro forma “write-up” of assets allocated to BCX of R6 239 million (FY2023: R5 156 million) and Swiftnet of R5 483 million (FY2023: R5 323 million). There are no tax implications as this results in permanent differences.

Management presents ROIC to provide shareholders with an indication of the performance of the business and through assessing the value creation of the company based on the capital allocation. ROIC represents net operating profit after tax (NOPAT) divided by invested capital. NOPAT is defined as earnings before interest and tax multiplied by the effective tax rate, and invested capital is defined as total assets less cash and cash equivalents, other financial assets and current liabilities.

Refer to page 32 for the ROIC calculation per technology and segment.

Results from Operations **Extract of the consolidated annual statement of profit or loss**	Pro forma[1] March 2024 Rm	Restated Pro forma March 2023 Rm	Pro forma adjustments Rm	Restated March 2023 Rm
Operating expenses	21 882	21 590	1 065	22 655
Employee expenses[2]	7 895	8 227	1 065	9 292
EBITDA[3]	10 041	9 545	(1 065)	8 480
Depreciation, amortisation, impairment and write-offs	5 561	7 636	13 017	20 653
Operating profit	4 480	1 909	(14 082)	(12 173)
Taxation	655	233	(3 765)	(3 532)
Profit for the year	1 881	346	(10 317)	(9 971)
ROIC (%) – Continuing operations[3]	7.6	3.5		(23.7)
Operating profit after tax[2]	2 909	1 333	(10 317)	(8 984)
Invested capital (closing balance)[3]	38 063	37 965		37 965
ROIC (%) – Total operations[3]	8.4	3.5		(23.7)
Operating profit after tax[2]	3 323	1 333	(10 317)	(8 984)
Invested capital (closing balance)[3]	39 548	37 965		37 965
ROIC at fair value (%) – Total operations[3]	6.5	2.8		(23.7)
Operating profit after tax[1,2]	3 323	1 333	(10 317)	(8 984)
Invested capital at fair value[3]	51 270	48 444	(10 479)	37 965

BCX revenue reconciliation (principal vs agent)

A portion of products and services within the information technology services and Information technology hardware and software line items within the BCX segment are recorded by BCX as an agent in accordance with IFRS 15. The table below is a reconciliation between the gross revenue amounts and the net revenue amounts (as disclosed in the financial statements). The IFRS 15 agent revenue adjustment relates to the adjustment made to revenue for the products that are recorded as an agent.

	Pro forma 31 March 2024	Restated Pro forma 31 March 2023
Revenue from external customers	11 779	12 154
Gross revenue	12 722	12 961
IFRS 15 agent revenue adjustment	(943)	(807)
Information technology services	3 833	3 593
Gross revenue	3 950	3 665
IFRS 15 agent revenue adjustment	(117)	(72)
Information technology hardware and software	2 244	1 929
Gross revenue	3 069	2 664
IFRS 15 agent revenue adjustment	(825)	(735)
Intersegmental operating revenue	1 136	1 062
Gross revenue	1 447	1 291
IFRS 15 agent revenue adjustment	(311)	(229)

Segment reporting

Segment reporting is provided in note 3 of the audited consolidated annual financial statements..

Results from operations

Group profit after tax[1,2] increased by 443.6% to R1 881 million (FY2023: R346 million). This is mainly attributable to a 27.2% decrease in depreciation, amortisation, impairments, and write-offs[1,2], partially offset by a 48.0% increase in finance charges and fair value movements[1]. This resulted in a 201.3% increase in HEPS[1,2,3,4] to 376.0 cents per share.

[1] *Includes total operations. Refer to page 5 for the reconciliation of the continuing and total operations figures.*
[2] *Refer to page 4 for the reconciliation of the reported figures to the pro forma adjusted figures.*
[3] *This is a non-IFRS financial measure.*
[4] *During the year, we restated the HEPS comparative by 9.7 cents per share. Refer to page 3.*

OVERVIEW OF OUR BUSINESS

1

Telkom announced its Group annual results for FY2024 on 18 June 2024 in Centurion, South Africa.

Message from our Group Chief Executive Officer, Serame Taukobong

Telkom made good progress in the 2024 financial year, delivering a stronger operational performance and improved financial results as the leading infrastructure company at the heart of South Africa's digital connectivity.

Group performance for the year improved against a challenging economic backdrop in South Africa. Our data-led strategy delivered ahead of industry trends as we grew mobile service revenue by 6.8% and surpassed 20 million mobile subscribers. Openserve's leading fibre connectivity rate advanced to 48.5% as we prioritised monetising our fixed network and passed more than 1.2 million homes with fibre. BCX made good strides in growing its IT service revenue, and Swiftnet's tower rollout programme and tenant growth further contributed to revenue growth and margin expansion for the Telkom Group.

We invested R6.1 billion towards network resilience, expanding our mobile network, modernising our fixed network infrastructure and fortifying our skills and capabilities for ICT managed services. This investment included spectrum, which is already deployed to further improve our offerings and service levels to retail, enterprise and wholesale customers.

We made excellent progress in delivering on our strategic imperative to unlock value through the proposed disposal of Swiftnet for R6.75 billion. The transaction was presented and approved by shareholders on 24 May 2024. This approval indicates our shareholders' support for management to explore further opportunities that enhance shareholder value.

"Our data-led strategy delivered a stronger operational performance ahead of some industry trends and improved financial results"

Performance overview

Telkom delivered improved financial results despite inflationary pressures and the added operating cost resulting from power outages in South Africa. Increased operating margins were driven by continued demand for and growth of our next-generation (NGN) offerings. Stronger operational performance along with cost-optimisation initiatives contributed to an EBITDA[1,2,3,4] growth of 5.2% to 10.0 billion. Including non-recurring restructuring costs in the prior year, reported EBITDA[1,2,4] advanced by 18.4%.

Total HEPS[1,2,3] and basic EPS[2,3] increased by >100% to 376.0 cents and 385.5 cents, respectively, driven by improved operational performance. From a loss position in the prior year, profit for the year also increased by >100% to R1.9 billion[2,3], boosted by the non-recurrence of once-off restructuring costs and lower depreciation, while higher interest rates increased net finance costs compared to the prior year.

We put great effort into improving cash generated from operations, which increased by more than R4 billion, excluding restructuring costs. Better-than-expected positive free cash flow[1] of R424 million[5] was driven by improved operational performance and our measured approach towards capital expenditure (capex) this year.

[1] *This is a non-IFRS financial measure.*

[2] *Includes total operations. Refer to page 5 for the reconciliation of the continuing and total operations figures.*

[3] *Refer to page 4 for the reconciliation of the reported figures to the pro forma adjusted figures.*

[4] *EBITDA was restated for IFRS 17. Refer to page 3.*

[5] *Includes restructuring and spectrum acquisition costs paid during FY2024 of R1 068 million and R972 million, respectively.*

Next-generation revenue up 7.0%, now comprises almost 80% of total Group revenue

Openserve

Openserve continued its leadership in the fixed wholesale connectivity market which saw it increase its external channel revenue significantly by 10.7% to R4 526 million, driven by next-generation fibre connectivity that now constitutes more than 93% of Openserve's external wholesale revenue. This external growth contributed to the total NGN fibre revenue which grew by 7.4% and now represents 76.4% of Openserve's overall revenue of R12 511 million. The next-generation fibre revenue growth was driven by continued growth of 16.1% in broadband connectivity (fibre to the home), while the enterprise and carrier segments grew by 4.8% and 2.5%, respectively.

Driving its strategic focus of improving its cost base, Openserve continued to optimise its sites and implemented green energy solutions in the form of solar and lithium-ion batteries to support an always-on network thus reducing its dependency on high-cost energy solutions. These and other cost-reduction initiatives contributed to margin expansion, and EBITDA[1] improved by 6.6% to R3 934 million, yielding an EBITDA margin[1] of 31.4% (+2.8 percentage points (ppts)).

Openserve invested R2 547 million to modernise its network and drive fibre deployment to pass 1 217 110 homes, a 17.0% increase. Its connect-led strategy continues to see positive results, enabling it to increase its homes connected by 19.8% to 590 527, sustaining its leadership in the market with the highest connectivity rate of 48.5% (+1.1 ppts).

Executing on its strategic imperatives to provide a highly reliable and scaled network while providing exceptional customer experience, Openserve continued to show industry-leading network availability uptimes of 99.86%, 99.85% and 100% across its access, transport, and core network layers, respectively. The resilience and high availability of its network could also be seen through the growth in data consumption of 2 307 petabytes, an increase of 21.7%.

Telkom Consumer

Telkom Consumer remained resilient in delivering competitive high-speed broadband solutions across both the mobile and fibre segments, increasing external revenue by 2.2% to R26 140 million. Total external revenue from Mobile operations increased by 4.5% to R22 583 million, driven by 6.8% growth in mobile service revenue. Mobile service revenue growth was primarily due to mobile data revenue, which increased by 10.6%, contributing R14 300 million to total mobile revenue.

As we focused on sustainable growth, we continued to refine our operational efficiencies and optimise cost structures. EBITDA[1,2] grew by 24.2% to R4 093 million as a result, and the EBITDA margin[1] expanded to 15.5% (+2.8 ppts[2]). The Mobile business also improved its EBITDA margin[1] to 22.2% (+1.7 ppts), despite the adverse effects of loadshedding and higher expected credit losses due to economic pressure on consumers.

In a highly competitive market, we grew our mobile subscriber base by 11.9% to 20.4 million, with a blended average revenue per user (ARPU) of R84 (FY2023: R86). Our pre-paid base expanded by 14.3% to reach 17.5 million subscribers. This was fuelled by the acquisition of higher-quality connections and improved recharging behaviour and ARPUs within the existing customer base. The post-paid base remained relatively stable at 2.9 million subscribers. Mobile broadband subscribers increased by 9.5% to 12.7 million, representing 62.3% of our total mobile base now using wireless broadband.

We invested R2 598 million in mobile capex, including R972 million for spectrum. This enabled us to expand our network coverage by 2.5%, grow our presence to 7 738 sites, and maintain network resilience by replacing over 5 688 lithium-ion backup batteries and repairing more than 1 606 sites. Our leading 4G device adoption rate exceeded 92.0%, informed by our data-led strategy. Currently, 51% of data traffic is routed through our 4.5G network (primarily serving fixed wireless access) and 46% through our 4G network (predominantly catering to mobile data services). We have deployed 465 active 5G sites since launching our 5G services in 2022.

BCX

BCX, operating in a highly competitive market, focused on enhancing the quality and sustainability of its client base. Reported revenue declined by 2.3% to R12 915 million.

IT revenue increased by 9.9% to R7 262 million, largely due to a strong performance from the hardware and software business. This performance, albeit at lower average margins, was driven by new product deals, existing software contract renewals, the clearing of prior year backlogs in integration services, and record cross-border sales. BCX complements hardware and software sales with higher-margin IT Services, as much as possible in the form of managed services. IT Services performed well, increasing revenue by 6.6% to R4 789 million. This was supported by strong cybersecurity growth and steady growth of the data centre and infrastructure solutions business as demand for storage and cloud computing continued to grow in the market. We leveraged our partnerships, making significant progress in modernising our own intellectual property (IP) solutions using skills from our previous acquisition, Dotcom. We also expanded our market offering and launched new products in the last quarter, further supporting the 14.0% revenue growth achieved for cybersecurity products. Demand for security advisory services, managed detection, and threat response services continued to increase in South Africa.

Converged Communications revenue declined by 14.5% to R5 653 million as we continued migrating customers to next-generation technologies. Accordingly, revenue from next-generation services grew by 28.7% while legacy products continued to decline as envisaged.

[1] *This is a non-IFRS financial measure.*

[2] *Excludes restructuring cost in FY2023.*

While BCX reduced some operating costs, this was not sufficient to offset the combined effects of revenue mix at lower margins, decline in higher-margin legacy revenue, and higher expected credit losses on trade receivables. Consequently, EBITDA[1,2] reduced by 28.4% to R1 294 million at a margin of 10.0% (-3.7 ppts).

Swiftnet

Swiftnet continued to commercialise its masts and towers portfolio as customers continued to invest in improving their network performance and capacity through equipment upgrades and modernisation. Swiftnet's revenue growth was limited to 1.3% (R1 321 million), impacted by ongoing terminations from two customers. Revenue from other customers increased by 10.7% to R1 018 million on the back of inflationary escalations, new tenancies, 5G rollouts and upgrades.

EBITDA[1,2] increased by 10.4% to R990 million at an EBITDA margin[1] of 74.9%, attributable to the optimisation of tower operating costs.

The masts and towers build programme gained momentum, with 68 towers and eight in-building solution sites being constructed, resulting in 4 047 total productive towers. The rollout of Power-as-a-Service (PaaS) at scale began in the final quarter of the year, with 18 PaaS solutions for customers being built and connected.

Gyro

Gyro shifted its focus in FY2024 following the Board's decision to exit property development and focus on managing the Group's property portfolio for core operational purposes. Gyro focused on optimising the Telkom Group property footprint and improving energy efficiency.

We accelerated the disposal of decommissioned properties no longer required, generating R92 million in cash proceeds from the transfer of 56 sold properties. A further 42 properties with a sale value of R287 million remain in the conveyancing process and are expected to transfer during FY2025.

The implementation of various energy interventions improved the resilience of our mobile and fixed networks and contributed meaningfully to reducing Telkom Group's carbon emissions. We prioritised technologies that maximise energy security and decarbonisation while optimising utilities and diesel costs. Scope 1 and 2 emissions decreased by 65 747 tCO_2e, a 9% reduction that far exceeded the 4.2% target for the year.

Leadership changes to drive strategy

We appointed our new Group Chief Financial Officer, Nonkululeko Dlamini, in December 2023, and further strengthened our leadership team in April 2024 with the appointment of Sello Mmakau as Group Chief Digital Officer. This new position was established in FY2024 to drive the Group's technology and digital transformation journey, with a focus on providing exceptional service to our customers.

Delivering as OneTelkom

In October 2023, we held the GCEO conference with top business leaders across Telkom and collectively identified five shared values to drive better collaboration across our business units that will energise a culture of innovation and performance.

These shared values are Collaboration, Customer Centricity, Accountability, Agility and Simplicity. In the new financial year, we will be cascading this new culture to the rest of the businesses to ensure we leverage our collective strength.

Unlocking value for shareholders

Telkom is pleased to report that the Board is delivering on its commitment to explore all strategic options to unlock value. Our Value Unlock Strategy is premised on the Board's view that Telkom's market capitalisation does not represent the intrinsic value of its underlying assets.

Having approved the outright sale of our masts and towers business, in March 2024 the Board announced the sale of the masts and towers business housed in Swiftnet for R6.75 billion to an infrastructure fund managed by a subsidiary of Actis LLP with Royal Bafokeng Holdings as its B-BBEE partner. By disposing of this non-core asset, we deliver on the Value Unlock Strategy while retaining access to the use of masts and towers infrastructure for our mobile and fibre businesses. The proceeds from the disposal will strengthen the Group's balance sheet and enable Telkom to release free cash flow for investment in our core businesses and pursuit of growth opportunities that will drive future growth.

Telkom has ambitious growth plans across our mobile and fixed-line connectivity businesses, namely Openserve (South Africa's leading wholesale infrastructure connectivity provider, with the largest open-access network across the country) and Telkom Consumer (South Africa's largest fixed-broadband provider measured by network deployed, an internet service provider and, together with its mobile network, a converged communications provider).

The masts and towers disposal is a Category 1 transaction requiring shareholder approval. This was obtained at the shareholders' general meeting held on 24 May 2024. Regulatory approvals are also required from the Independent Communications Authority of South Africa (ICASA) and the Competition Commission of South Africa. We made submissions to both bodies in April 2024 and await their decisions. The disposal is expected to take between six and 12 months to close, pending these approvals.

Telkom has ambitious growth plans across our mobile and fixed-line connectivity businesses

[1] *This is a non-IFRS financial measure.*

[2] *Excludes restructuring cost in FY2023.*

In FY2024, we established a good base to grow from as OneTelkom

Capital allocation priorities and reinstatement of dividend policy

Our capital allocation priorities relate closely to unlocking value for our shareholders. Our short- to medium-term priorities are to strengthen our balance sheet by paying down debt in the prevailing "higher-for-longer" interest rate environment, and to invest in capex to drive future growth. While the proceeds from the disposal of the masts and towers business will boost the Group's cash position and reduce debt to within the targeted 1.0x – 1.5x net debt to EBITDA range in the short term, the repayment of debt from cash generated from operations is also a priority for the medium term. These target debt levels will further free up cash flow by reducing finance costs and will give the Group balance sheet flexibility to gear up at more favourable rates when the interest rate cycle turns.

Linked to this is Telkom's goal to return cash to shareholders after sufficiently funding capex and strengthening our balance sheet. Management has considered the Group's business plans and is confident that Telkom will be in a position to pay dividends in the near term, with FY2025 targeted as the first year-end to consider paying a dividend. A revised dividend policy has been approved by the Board. The new policy will be based on available free cash flow while prioritising a strong balance sheet and future capex requirements. The policy proposes a dividend payout range of 30% to 40% of free cash flow after taking into account capex investments. The dividend will be declared and paid on an annual basis, with a resulting dividend yield comparable with local telecommunications companies.

Regulatory and legal update

Review of call termination rates by ICASA ongoing

ICASA began its review of call termination rates in May 2021 and commenced with its cost modelling exercise on 26 May 2023. The purpose of the exercise was to determine the appropriate call termination rates for calls terminating on fixed and mobile networks. ICASA published the Draft Amendment to the Call Termination Regulations on 22 March 2024. In the draft regulations, ICASA proposes the removal of asymmetrical rates for smaller operators over a period of two years. In Telkom's view, this proposal will do little to promote competition in the voice market but will rather serve to maintain the currently skewed market structure. The draft regulations also include provisions that purport to regulate termination rates for calls originating outside South Africa. Telkom is of the view that ICASA's attempts to prescribe termination rates for international calls will limit the negotiating power of local operators when negotiating with international operators. ICASA has indicated that it intends to publish the final regulations in June 2024 and implement the new glide path on 1 July 2024.

High-demand radio frequency spectrum

The Minister of Communications and Digital Technologies declared 31 July 2023 as the final analogue television switch-off date for the frequency spectrum above 694 MHz. The switch-off process was finally concluded by 30 September 2023. This means that the sub 1 GHz spectrum obtained in the auction concluded in March 2022 is now available nationally for deployment of mobile systems. Telkom paid its final auction fee of R972 million to ICASA on 29 December 2023 in respect of the 2x10 MHz in the 800 MHz band obtained by Telkom during the auction.

ICASA has indicated that the second spectrum auction will take place in the 2025/26 financial year and that preparations for the auction will continue during this financial year.

Electronic Communications Amendment Bill

The Department of Communications and Digital Technologies published the Electronic Communications Amendment Bill, 2022 on 23 June 2023. The Bill deals with critical issues such as spectrum trading and sharing, roaming, mobile virtual network operators (MVNOs), passive infrastructure, competition, and facilities access. Telkom submitted a comprehensive response to the Bill by the due date of 31 August 2023.

SIU matter – Proclamation set aside being appealed

On 19 July 2023, the Pretoria High Court handed down judgment, setting aside Presidential Proclamation 49 of 2022. The proclamation gave the Special Investigating Unit (SIU) authority to investigate various matters, including contracting for network and advisory services and the disposal of former Telkom subsidiaries. The Court declared both the proclamation and the SIU investigation into Telkom as unconstitutional, invalid and of no force or effect. The President of the Republic of South Africa and the SIU were granted leave to appeal the judgment on 11 December 2023, and the appeal is currently pending before the Supreme Court of Appeal.

Outlook

In FY2024, we established a good base to grow as OneTelkom using our extensive digital infrastructure – including our mobile and fixed networks as well as our ICT capabilities. The objective of Telkom operating as an infrastructure company (InfraCo) is to grow sustainably by pooling our assets and capabilities and going to the market as OneTelkom. This will improve returns for the Group on our existing and future digital infrastructure. We will invest capex in identified growth areas ahead of time to improve our future operating profit, cash flow and, ultimately, returns on the capital invested.

With the proposed disposal of Swiftnet, our future areas of growth have been brought into focus as we enter our next phase of monetising Telkom's existing and future digital infrastructure as an InfraCo. This will entail efficiently investing in our mobile and fibre network businesses while expanding our ICT capabilities anchored by data centres (own and through partnerships) as a base from which to grow our IT managed services offering.

Future growth for the Group will be facilitated by efficient deployment of capex for our Mobile business, exploring radio access network sharing with other mobile network operators (MNOs) enabling us to capture high-traffic activity while keeping capex at manageable levels.

Our fibre business, Openserve, has a national footprint that gives it access to 8 million homes within a 5 km radius of its last-mile infrastructure. Openserve will continue monetising this footprint as it rolls out fibre and connects homes and enterprises across South Africa, with the ambition of continuously driving our connectivity rate to reach 50%. The immediate to long-term rollout of 5G, and equipment upgrades by MNOs to migrate 2G and 3G customers by the end of 2027 to newer-generation mobile connectivity through 4G and 5G technologies, will continue to drive fibre connectivity rollouts to towers and 5G small cell sites.

Capex for BCX is generally project-based. With the data centres serving as the anchor, we aim to grow our IT managed services to diversify our revenue base and improve margins for this business as we optimise its operating structure in the coming year.

We will continue to operate Swiftnet as part of the Group while regulatory approvals for its disposal are pending, and have refocused Gyro on optimising the Group's core property portfolio while delivering on the sustainability goals of the Telkom Group.

Serame Taukobong
Group Chief Executive Officer

Financial capital

Financial information summary

Group EBITDA[1,3,4,5] up **5.2%** to R10 041 million with an EBITDA margin[1,3,4,5] of **23.2%**

Revenue[1,2] up **1.6%** to R43 230 million

BEPS[1,3] and HEPS[1,3,4,7] up by **442.8%** and **201.3%**, respectively

Financial performance

Total operations	Pro forma March 2024 Rm	Restated Pro forma March 2023 Rm	Variance %
Revenue[1,2]	**43 230**	42 534	1.6
EBITDA[1,3,4,5]	**10 041**	9 545	5.2
EBITDA margin (%)[1,3,4,5]	**23.2**	22.4	0.8
Capex	**6 134**	7 401	(17.1)
FCF[4,6]	**424**	(2 722)	115.6
BEPS (cents)[1,3]	**385.5**	71.0	442.8
HEPS (cents)[1,3,4,7]	**376.0**	124.8	201.3
Net debt [1,4] to EBITDA[1,3,4,5] (times)	**1.7**	1.8	(0.1)

[1] *Includes total operations. Refer to page 5 for the reconciliation of the continuing and total operations figures.*

[2] *Revenue was restated for the IFRS 15 prior period error and adoption of IFRS 17. Refer to page 3.*

[3] *Refer to page 4 for the reconciliation of the reported figures to the pro forma adjusted figures.*

[4] *This is a non-IFRS financial measure.*

[5] *EBITDA was restated for IFRS 17. Refer to page 3.*

[6] *Includes restructuring and spectrum acquisition costs paid during FY2024 of R1 068 million and R972 million, respectively.*

[7] *During the year, we restated the HEPS comparative by 9.7 cents per share. Refer to page 3.*

Group revenue

Group revenue[1,2] increased by 1.6% to R43 230 million, driven by an increase in mobile data and NGN fibre data connectivity revenue of 10.6% and 14.5%, respectively. This was partially offset by a 23.4% decrease in fixed-voice revenue due to the ongoing migration to modern technologies such as fibre and LTE, a 20.7% decrease in customer premises equipment and a 6.8% decrease in mobile handset sales.

Group EBITDA

Group EBITDA[1,3,4,5] increased by 5.2% to R10 041 million, with the EBITDA margin[1,3,4,5] expanding 0.8 ppts to 23.2% compared to FY2023. The Group revenue[1,2] increase of 1.6% and decrease in cost of handset, equipment and directories and payments to other operators of 3.4% and 2.1%, respectively, were offset by 1.4% higher operating expenditure (opex)[1,2] and a 9.0% increase in sales commission and incentives from Mobile.

The opex[1,3] increase is mainly attributable to the 16.6% increase in maintenance, in line with the growth in mobile sites integrated and increased sub-contractor expenses and the 34.2% increase in impairments of receivables[1] due to the deterioration of macro-economic conditions. This was partially offset by a 12.9% decrease in other expenses[1], mainly due to lower third-party costs and the containment of discretionary spend, as well as a 4.0% decrease in employee expenses[1,3] due to the 15.0% reduction in headcount, 0% salary increases for management and the 5.0% average salary increase for bargaining unit employees, only effected in the third quarter of FY2024.

Mobile cost to serve improved by 0.7 ppts to 27.7% compared to 28.4% in the prior year. The year-on-year decrease in cost to serve was mainly driven by the optimisation of roaming costs as we maintained stringent roaming traffic thresholds and our focus on migrating traffic to our network.

HEPS growth

HEPS[1,3,4,7] increased by 201.3% to 376.0 cents while BEPS[1,3] increased by 442.8% to 385.5 cents compared to the prior year. The BEPS[1,3] increase was mainly due to a 134.7% increase in operating profit[1,3], which was driven by a 27.2% decrease in depreciation and amortisation expenses[1,3], partially offset by a 48.0% increase in finance charges and fair value movements[1] and a higher taxation expense[1,3]. The latter was driven by the 337.2% increase in profit before taxation[1,3].

Capital allocation

Capital investment decreased 17.1% to R6 134 million at a capex-to-revenue ratio of 14.2%. The decrease aligns with our strategy and the cyclical nature of capital expenses. The decline in mobile capex spent was due to the investment in batteries in the prior year to mitigate the impact of accelerated loadshedding. Our Mobile business footprint expanded by 2.5% to 7 738 integrated sites. A fibre to the home (FTTH) connectivity rate of 48.5% was maintained as we continued to accelerate our fibre rollout, increasing homes passed by 17.0% and homes connected by 19.8% year on year. We will continue to focus on expanding our FTTH footprint while simultaneously connecting premises to ensure we maintain a high connectivity rate.

Capex	March 2024 Rm	March 2023 Rm	Variance %
Fibre related	**1 594**	1 794	(11.1)
Mobile	**2 598**	3 724	(30.2)
IT solutions	**410**	452	(9.3)
Network rehabilitation/sustainment	**278**	187	48.7
Core network	**548**	549	(0.2)
Masts and towers	**309**	224	37.9
Digital platforms and innovation	**75**	63	19.0
Property development and optimisation	**84**	57	47.4
Shared services and other	**238**	351	(32.2)
Total operations	**6 134**	7 401	(17.1)
Capex to revenue[1] ratio (%)	**14.2%**	17.2%	

Statement of financial position

Bank and cash balances[2] increased by 13.5% to R3 939 million from the prior year and borrowings[2] increased 3.0% to R20 858 million. This resulted in a net debt increase of 0.9%. Net debt[2,5] to EBITDA[2,3,5] improved slightly to 1.7x compared to 31 March 2023 driven by higher earnings.

Statement of financial position	March 2024 Rm	March 2023 Rm	Variance %
Bank and cash balances[2]	**3 939**	3 469	13.5
Current borrowings[2]	**(5 082)**	(3 629)	(40.0)
Non-current borrowings[2]	**(15 776)**	(16 616)	5.0
Net debt[2,5]	**(16 919)**	(16 776)	(0.9)
Net debt[2,5] to EBITDA[2,3,5] (times)	**1.7**	1.8	(0.1)

Free cash flow[4,5] increased by 115.6% to R424 million

Free cash flow supported by improved working capital management

FCF[4,5] increased 115.6% to R424 million (FY2023: negative R2 722 million). Excluding restructuring and the spectrum acquisition costs paid, FCF increased by 190.5% to R2 464 million. The increase is primarily due to the 68.6% increase in cash generated from operations, mainly driven by a R1 915 million working capital improvement due to the efficient working capital management and the increase in profit before taxation[2,6] of 337.2% or R1 956 million compared to the prior year.

Free cash flow[5]	March 2024 Rm	March 2023 Rm	Variance %
Cash receipts from customers	**43 469**	40 422	7.5
Cash paid to suppliers and employees (excluding restructuring cost paid)	**(32 166)**	(33 717)	4.6
Cash paid to suppliers and employees	**(33 234)**	(33 717)	1.4
Add back: Restructuring cost paid	**1 068**	–	100.0
Cash generated from operations excluding restructuring cost paid	**11 303**	6 705	68.6
Repayment of lease liability	**(1 201)**	(1 086)	(10.6)
Interest received	**447**	282	58.5
Finance charges paid	**(2 304)**	(1 456)	(58.2)
Taxation paid	**(422)**	(547)	22.9
Cash generated from operations before dividend paid (excluding restructuring cost paid)	**7 823**	3 898	100.7
Spectrum acquisition	**(972)**	–	(100.0)
Cash paid for capex (excluding spectrum acquisition)	**(5 359)**	(6 620)	19.0
Adjusted free cash flow[5] (excluding restructuring cost paid)	**1 492**	(2 722)	154.8
Restructuring cost paid	**(1 068)**	–	(100.0)
Free cash flow[4,5]	**424**	(2 722)	115.6

[1] *Revenue was restated for the IFRS 15 prior period error and adoption of IFRS 17. Refer to page 3.*
[2] *Includes total operations. Refer to page 5 for the reconciliation of the continuing and total operations figures.*
[3] *EBITDA was restated for IFRS 17. Refer to page 3.*
[4] *Includes restructuring and spectrum acquisition costs paid during FY2024 of R1 068 million and R972 million, respectively.*
[5] *This is a non-IFRS financial measure.*
[6] *Refer to page 4 for the reconciliation of the reported figures to the pro forma adjusted figures.*

Productive capital

31.4% EBITDA margin[1]

48.5% Highest market connectivity rate

93% External revenue from NGN

Openserve

Delivering on its ambition of being the open-access wholesale market leader in fibre connectivity across South Africa, Openserve continued to provide reliable and innovative connectivity solutions and exceptional customer experience. The business unit achieved significant growth in its next-generation data-led products and services, which now contribute 76.4% of its total revenue, up from 69% in the previous year. This shift in its revenue mix underscores the success of Openserve's strategy to drive the adoption of fibre-based services, unlock new revenue streams through strategic partnerships, and leverage innovation and process automation as it positions itself at the forefront of the digital transformation journey.

Performance overview

Openserve's next-generation fixed data-led products grew by 7.4% from the previous year, driven by continued growth of 16.1% in NGN broadband connectivity, while the enterprise and carrier segments grew by 4.8% and 2.5%, respectively. Openserve's contribution to Telkom's overall revenue increased significantly by 10.7% to R4 526 million, underpinned by the diversification of external wholesale channels. These showed strong NGN revenue growth of 12.9%, resulting in NGN connectivity constituting more than 93% of Openserve's total external wholesale revenue.

The strong growth in NGN services has played a pivotal role in transforming Openserve's overall revenue mix, offsetting its managed decline in fixed-voice revenue of R743 million or 26.5% (FY2023: R992 million) and the decline of R308 million or 32% (FY2023: R418 million) in legacy data revenue predominately experienced through the Telkom channels, resulting in an overall revenue decrease of 3.0% to R12 511 million (FY2023: R12 897 million).

As Openserve continued commercialising the NGN network, it focused on driving cost efficiencies throughout the organisation, including optimising headcount and simplifying its network through legacy decommissioning, leading to site optimisation. It also focused on implementing green energy solutions such as solar and lithium-ion batteries, resulting in a decrease of R82 million or 15.8% in diesel spend despite higher levels of loadshedding across its national footprint. This multi-faceted approach towards cost optimisation contributed to a strong financial performance, with EBITDA[1] increasing to R3 934 million (FY2023: R3 692 million[2]) at an EBITDA margin[1] of 31.4% (FY2023: 28.6%[2]).

[1] *This is a non-IFRS financial measure.*

[2] *Excludes restructuring cost in FY2023.*

Scalable network

In line with our strategic focus on building a future-proof network, Openserve made significant strides in expanding and enhancing its infrastructure. It invested R2 547 million in modernising its network in the past year, with an emphasis on fibre rollout. As a result, the number of homes passed with fibre increased by 17%, reaching 1 217 110 homes. This enables us to meet the growing demand for high-speed connectivity while enabling a thriving digital ecosystem.

Openserve's ongoing investments in upgrading its existing fibre nodes, coupled with building strategic partnerships, reinforced its position as the leading connectivity provider in South Africa. This was evident during the recent undersea cable breaks, when Openserve played a key role in automatically rerouting traffic to unaffected routes, enabling uninterrupted connectivity through its network redundancy and diversity across international internet access.

As Openserve continued to provide the infrastructure that is driving today's innovation for tomorrow's demands, it saw a continued increase in data consumption, reaching a high of 2 307 petabytes, a 21.7% increase from the prior year. With the continued focus on modernising its network infrastructure, Openserve is confident in its ability to ensure its network remains scalable, resilient, and prepared to meet exponential growth in data demand and high-speed connectivity in South Africa.

Commercialise the network

Openserve has made significant progress in commercialising its network by adopting a customer-centric approach and introducing innovative solutions to meet evolving market needs. Its efforts to grow its fibre footprint in high-demand areas yielded impressive results, with the number of homes connected to its fibre network increasing by 19.8% to 590 527, enabling it to lead the market with a connectivity rate of 48.5%. These achievements highlight Openserve's ability to monetise its infrastructure investments and deliver value to its customers.

To further enhance its product and price offerings and cater to the diverse needs of its customers, Openserve launched Openserve Fibre to the Room (FTTR). Openserve FTTR offers high-speed coverage throughout the home with minimal disruption, together with Prepaid Connect, an end-to-end fibre service delivered in selected areas over Openserve's Gigabit Passive Optical Network (GPON). Free speed upgrades were also offered across Openserve's fibre broadband portfolio, including a free 30-day uncapped internet promotional offer.

The number of homes passed with fibre increased by 17%, reaching 1 217 110 homes

Transform service delivery

Openserve's journey to redefine service experience and delivery is driven by its commitment to operational excellence and the adoption of cutting-edge technologies. A key building block of this transformation was successfully delivered through the implementation of its integrated wholesale business support system (BSS) application. This enables automated billing and product catalogue management and fully integrated order management and client relationship capabilities. Through these advancements, Openserve has re-engineered its order-to-cash and billing processes, enhanced its client onboarding journey and automated its invoice validation while providing an omni-channel experience.

In addition, Openserve has implemented a robust network resilience strategy to further enhance service reliability and mitigate the impact of external challenges such as power outages and infrastructure vandalism. Advanced monitoring systems and predictive maintenance tools are being deployed, enabling Openserve to proactively identify and address potential issues. These efforts contributed to an industry-leading network availability, with its access, transport and core network layers consistently achieving uptimes of 99.86%, 99.85% and 100%, respectively. In keeping with its promise of exceptional customer experience in every interaction, Openserve received positive feedback from customers through its Interaction Net Promotor Score (iNPS) of approximately 70.

Looking ahead, Openserve remains committed to elevating its service excellence by continuously driving innovation through industry-leading technologies, process improvement and automation, thereby setting new benchmarks in service delivery and positioning itself as the leader in network infrastructure connectivity solutions.

Telkom Consumer

Telkom Consumer

In the dynamic and challenging landscape we operate in, exacerbated by the financial pressures facing consumers, we remain steadfast in our commitment to delivering competitive high-speed broadband solutions across both the mobile and fibre segments.

Total external revenue from Mobile operations reached R22 583 million, a 4.5% increase, driven by a 6.8% growth in mobile service revenue. In line with our data strategy, our fibre revenue increased by 26.4%, supported by a 9.2% growth in the subscriber base and a 12.2% rise in ARPU, partially offsetting the decrease in legacy revenue. Our EasyConnect products, aimed at providing cost-effective data connectivity for price sensitive segments, expanded impressively and now constitute 11.2% of our fibre base. The total Telkom Consumer revenue increased by 1.8% to R26 329 million.

Accelerated Mobile growth

Despite the adverse economic climate, our mobile subscriber base now stands at 20.4 million, an 11.9% increase, with a blended ARPU of R84 (FY2023: R86). The post-paid subscriber base remained relatively stable at 2.9 million subscribers with an ARPU of R180 (FY2023: R201). The pre-paid customer base expanded by 14.3% to 17.5 million, maintaining a stable ARPU of R65 (FY2023: R64). This growth is well within our optimal target range and followed a rigorous subscriber base evaluation, underscoring our commitment to delivering unparalleled customer value and experience while maintaining optimal financial performance.

The Mobile business delivered impressive results despite the challenging operating environment, increasing EBITDA[1,2] by 12.6% to R5 036 million at an EBITDA margin[1] of 22.2% (up 1.7 ppts[2]). Our focus on sustainable growth involves continuous refinement of operational efficiency and optimisation of cost structures. Pressures on Mobile EBITDA[1] came primarily from the adverse effects of loadshedding (R236 million) and increased impairment of receivables and contract assets (R348 million), reflecting escalated allocations for impaired debt due to ongoing consumer stress.

At the broader Telkom Consumer level, EBITDA[1,2] grew by 24.2% to R4 093 million at an EBITDA margin[1] of 15.5% (up 2.8 ppts[2]).

[1] *This is a non-IFRS financial measure.*
[2] *Excludes restructuring cost in FY2023.*

Drive broadband adoption

Economic challenges have prompted a noticeable shift in consumer behaviour regarding acquisition contributions between smartphone voice-inclusive plans and LTE data plans. Notwithstanding the improvement in LTE data plans' contribution, which indicates a deliberate choice for data connectivity over traditional voice services, the post-paid portfolio still experienced stunted growth. Encouragingly, within the smartphone plans segment, there has been a transition from entry-level FlexOn plans to mid-tier ones, driven by customers' desire to capitalise on larger mobile data allocations.

In the pre-paid portfolio, the growth was fuelled by the acquisition of higher-quality connections and improved recharging behaviour and ARPUs within the existing customer base.

The preference for personalised pricing was evident in the significant contribution of Mo'Nice, which accounted for over 50% of monthly pre-paid revenue. To cater for the micro-purchase behaviour prevalent in the pre-paid segment, we have expanded our offerings with youth and mass-market-oriented propositions, including TikTok and WhatsApp bundles. The introduction of these bundles, along with the pre-paid LTE offerings, continues to stimulate the adoption of mobile broadband services, further enhancing connectivity for our customers.

Our Mobile data revenue increased by 10.6% to R14 300 million. The mobile broadband subscriber base increased by 9.5% to 12.7 million, representing 62.3% of our total mobile base now using wireless broadband.

Expand mobile network

The persistent demand for data continued, resulting in a notable 21.4% increase in data traffic to 1 417 petabytes. In line with our strategic resolve of leading in data, we allocated capex of R2 598 million to the mobile programme, including R972 million for spectrum investments. This facilitated a 2.5% expansion of our network's coverage, now comprising 7 738 sites. Currently, 51% of data traffic is routed through the 4.5G network, primarily serving fixed wireless access, while 46% continues through the 4G network, predominantly catering to mobile data services. Since the launch of our 5G services, we have deployed 465 active 5G sites. We continue to expand our 4G and 5G fixed wireless access (FWA) footprint and this has resulted in an FWA population coverage of 69%. Additionally, our 4G device adoption rate exceeds 92%, in line with financial prudence and regulatory directives to phase out all legacy technologies, including 3G, by 2025.

To address the impact of loadshedding, we replaced over 5 688 lithium-ion backup batteries and repaired more than 1 606 sites as part of our efforts to restore services and maintain network resilience. Additionally, 58 sites were completely vandalised, requiring reconstruction and reinforcement with security measures.

51% of our data traffic is routed through the 4.5G network (fixed wireless access) while 46% is through the 4G network (mobile data services).

Drive revenue though digital and financial services

Telkom remains committed to the continued adoption of airtime lending, a service business segment that now represents 31.3% of total pre-paid recharges. Presently, approximately 7.2 million unique customers have leveraged this offering in FY2024, and we have broadened our purview by introducing an auto top-up service for clients who elect to use it. Our beyond connectivity revenue proved to be a strong contributor to our overall growth, exhibiting double-digit growth with a 14% uptick in our mobile financial and micro-content services, yielding R1 665 million.

Our financial services portfolio predominantly consists of our insurance offerings, where we saw 38.4% revenue growth to R281 million, primarily fuelled by an uptick in the average premium. The provision of financial services products and channels not only mitigates risks in our Mobile business but also facilitates the expansion of sales channels and creation of new revenue streams. Anchored by data-driven insights, we are committed to maintaining a pricing strategy centred on delivering value while concurrently offering segmented value propositions.

BCX

BCX operated in a challenging trading environment marked by increased competition, continued enterprise migration from legacy systems, volatile exchange rates and declining voice connectivity subscribers. Despite these challenges, our business strategy has begun to bear fruit. Revenue growth in the Information Technology business increased by 11.4%, bolstered by double-digit growth in hardware and software sales. This includes international business revenue, which exceeded R1 billion for the first time and now provides a solid base to start introducing higher-margin services in these markets.

Performance overview

BCX continued to focus on enhancing the quality and sustainability of its client base, with key metrics being new business growth and growth in the total contract value (TCV) of our top clients. New business outside of hardware and software sales grew by 12.9%, and the in-year TCV of our top 50 clients improved by 13.4%. This countered the effects of continued legacy churn, with the net impact being that total revenue[1] managed by BCX decreased by 0.6% to R14 169 million.

Reported revenue of R12 915 million was down 2.3%. The difference between managed and reported revenue largely relates to the hardware and software business to the extent of R1 137 million, being 90.6% of the total R1 254 million adjustment. The impact of the adjustment is that revenue from contracts with customers where BCX is seen as a third party (reseller) is recognised net of related costs. This adjustment has no impact on EBITDA[2], cash generated by the business, or management of working capital. Further, the quantum of the adjustment will vary each year as it is dependent on the nature of the contracted performance obligation for new business. BCX will continue to track both gross revenue (a reflection of the total managed revenue base) and reported revenue. The performance commentary from hereon is based on the total managed revenue base.

[1] *Refer to page 4 for the reconciliation of the reported figures to the pro forma adjusted figures.*

[2] *This is a non-IFRS financial measure.*

BCX's performance is segmented into two main business areas: Information Technology (IT) and Converged Communications.

- IT comprises two broad business areas offering a) IT Services including technology-related services, products, and platforms that provide system integration, Infrastructure-as-a-Service (IaaS), Platform-as-a-Service (PaaS) and Software-as-a-Service (SaaS) solutions that support our clients with their digital and cloud transformation journeys; b) IT Hardware and Software segment that operates through our Integrated Technology Solution Sales (ITSS) division in South Africa, and our International division operating in five markets outside of South Africa.
- Converged Communications provides connectivity to clients and consists of both legacy and next-generation data and voice solutions.

Overall **IT business** revenue increased by 11.4% (9.9% reported) to R8 516 million (R7 262 million reported), largely driven by the strong hardware and software business performance. BCX achieved 17.1% (16.8% reported) revenue growth in the hardware and software business across all our markets, primarily driven by new product deals, existing software contract renewals, and the clearing of the prior year backlog in the International, Cisco, and Technology Integration businesses. This expansion gives us more opportunities to serve different clients, albeit at lower average margins, hence the focus on complementing the hardware and software sales with higher-margin IT Services revenue. IT Services revenue saw growth of 7.5% (6.6% reported) to R4 906 million (R4 789 million reported), supported by strong Cybersecurity growth and steady growth in the Data Centre and Infrastructure Solutions business.

[1] *This is a non-IFRS financial measure.*

[2] *Excludes the restructuring cost in FY2023.*

BCX saw a 14.5% drop in the **Converged Communications** business revenue to R5 653 million as we keep moving customers to newer technologies. The legacy fixed-voice business has seen a decline in the number of lines, usage, and average revenue per client due to the impact of migration as we continue to migrate to next-generation technologies. We have managed to migrate 11.8% of our legacy lines and increase the next-generation lines by 12.1%, which bodes well for BCX's competitive positioning within the connectivity sector. Revenue from next-generation services grew by 28.7%.

BCX reduced operating costs[2] by R76 million in FY2024, including cost reductions from lower indirect employee expenses[2] (down 6.1%) and shared services costs (down 0.5%). However, these were not sufficient to offset the combined effects of the lower margin impact due to the revenue mix, the decline in higher-margin legacy revenue, and higher expected credit losses on trade receivables. As a result, EBITDA[1,2] decreased by 28.4% to R1 294 million despite stable revenue performance, while the EBITDA margin[1] declined by 3.7 ppts[2] to 9.1% (10.0% reported). BCX management has accelerated the comprehensive margin improvement programme, which aims to win higher-margin IT Services revenue and re-base the cost structure of the business over the next two years. The programme is helping to change sales skills in the organisation, improve our solutions portfolio and programme delivery efficiency, and adjust the business's operating model to ensure the right attention to client needs and remove redundancies and wastefulness in process, structures and technology.

IT Business segment

The IT Business segment houses business units that provide solutions to enable the digital and cloud journeys of our clients. BCX is amplifying its use of Everything-as-a-Service (XaaS) to manage a spectrum of offerings that address customers' needs aligned to their position in their digital transformation journey. IaaS entails on-demand access to cloud-hosted computing infrastructure, storage capacity, and networking resources that customers can provision, configure and use. Dotcom, Enterprise Infrastructure Solutions (incorporating BCX One Cloud together with our partnerships with the large hyperscalers), Alibaba, Cloud Consulting, and Digital Workspace Management business units are included in IaaS. PaaS entails a cloud-based platform for developing, running and managing applications. Enterprise Application Solutions (incorporating SAP and our various owned IP solutions), Business and Digital Advisory, and Internet of Things (IoT) business units are included in PaaS.

The revenue increase of 11.0% from IaaS was boosted by increased revenue from the Data Centre and Infrastructure Solutions business, Dotcom, and the Alibaba partnership. Data Centre and Infrastructure Solutions maintained steady growth of 2.2% as the demand for storage and cloud computing continued to grow.

Dotcom, a Microsoft Azure solutions company that we acquired in FY2023, supported revenue growth from Microsoft Solutions of 77.0% and enabled this business to become more profitable. This strategic acquisition, along with our existing partnerships with other hyperscalers, the BCX One Cloud solution and the Alibaba partnership, has allowed us to expand our portfolio of offerings and provide comprehensive solutions to clients who want to leverage the power of cloud technology.

The strategic partnership BCX signed with Alibaba resulted in the official launch of the Alibaba Local Public (ALP) cloud in South Africa on 5 October 2023. The Mozambique launch is now expected in the first half of FY2025.

The partnership enables BCX to be the sole Alibaba cloud distributor for South Africa and in African countries where the organisation has a presence. It provides a local public cloud offering that enables client requirements for data sovereignty – an increasing focus of financial services organisations and government departments across the continent. It enables billing in local currency, thus providing a natural currency hedge for our clients and providing access to local operational support.

Alibaba supplies several industry solutions and best practices to support organisations in financial services, retail, gaming and media. It also provides access to technologies such as generative artificial intelligence (AI). BCX and Alibaba have launched a training academy, and the first batch of BCX-Alibaba cloud students have graduated. Alibaba is also helping BCX to offer different delivery models to our clients based on their consumption. By the end of the year, BCX had started five proof of concept initiatives with key clients who are interested in using the technology in their environments. The revenue from Alibaba depends on the consumption level, which means that it will grow relatively slower than our current project-based contracts, but it also has more retention potential.

International business revenue exceeded R1 billion for the first time in FY2024

In addition to strengthening our cloud offerings, we have made significant progress in modernising our own IP solutions with the help of skills from Dotcom. This initiative has not only enhanced the efficiency of our operations but also positions us as leaders in delivering cutting-edge solutions tailored to the unique needs of clients in the retail, pharmaceutical, energy and municipal sectors.

The Cybersecurity business revenue increased by 14.0% due to the demand for security advisory services, managed detection, and threat response services. Our new market offering, the Threat Defence Centre (TDC), which we launched in the fourth quarter of FY2024, aligns well with the growing trend of malicious activities, as evidenced by the higher number of Security Incident Response services carried out in the year.

Revenue from PaaS decreased by 1.4% due to a decline in the IoT business and the Enterprise Application Solutions business remaining flat. The IoT business saw a 12.9% drop in revenue, mostly because of big projects that finished at the beginning of the year. New business continues to grow, albeit at a slower pace due to significant pressure on customer spend in the industrial space, which has caused project delays and scope reductions.

While ITSS revenue declined by 3.0%, the size of this business provides BCX with access to a large network of clients. The strong partnership with original equipment manufacturers also gives us a strong competitive position and enables the growing demand we are seeing in the market for integrated solutions that combine hardware, software and IT services.

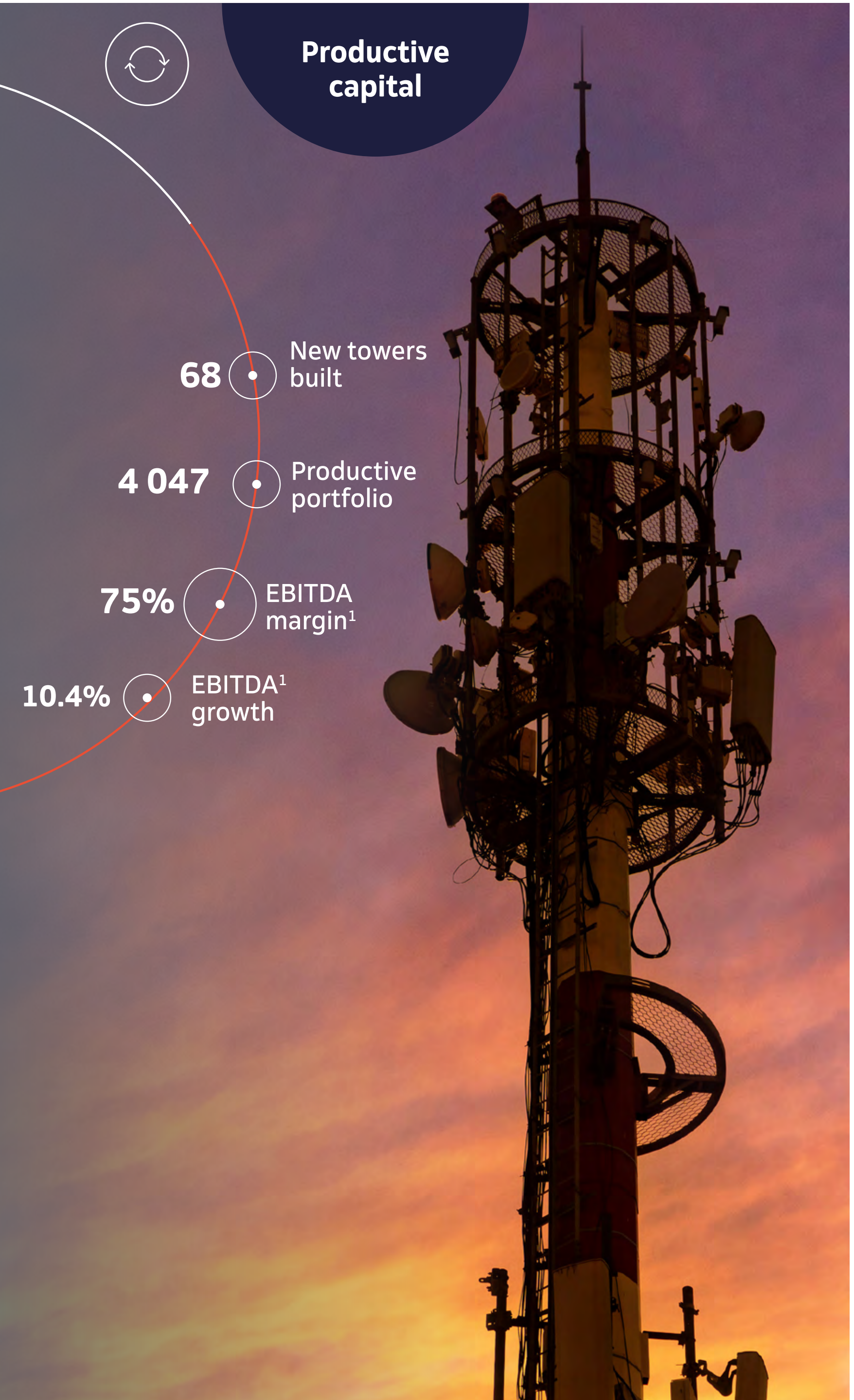
Gross revenue from the International business is mainly derived from hardware and software sales and grew by 34.6% to R1 027 million. The scale enables us to focus on the next stage of growth in these markets with the introduction of IT services-related solutions.

Converged Communications

BCX continues to leverage the profitable legacy business as a source of funding for its increased investments in the IT sector. As a result, the previously expected five-year transition period for Converged Communications' legacy migration will be longer and match the migration pace of our key clients, especially for voice solutions. The success of the legacy migration strategy depends on BCX's ability to retain clients as we move them to newer technologies and then cross-sell the higher-margin IT services.

As we continue to migrate customers from legacy systems to next-generation technologies, we have witnessed an increased demand for newer voice services. Revenue from legacy voice systems fell to 68.8% of the Unified Communications revenue, from 85.2% in the previous year. Legacy telephone lines have decreased by 25.2% year-on-year. Data services, which make up 46.0% of Converged Communications revenue, have reached an inflection point, with 77.1% of Data Access revenue now coming from next-generation services.

Converged Communications' priority remains the standardisation of newer products and services and cost optimisation to lower the cost to serve, with the continued focus on legacy to next-generation migration. Products such as UCaaS (Unified-Communications-as-a-Service) and CCaaS (Contact-Centre-as-a-Service) will facilitate the transition to next-generation services.



Swiftnet

Swiftnet continued to commercialise its masts and towers portfolio. Our customers intensified their focus on improving existing network capacity and performance. This included additional tenancy take-up on the existing portfolio, ongoing equipment upgrades and 5G deployment, as well as new tower builds and in-building solutions (IBS). Focused demand for equipment upgrades and modernisation was the primary driver of revenue growth in the 2024 financial year.

Swiftnet also commenced the rollout of its PaaS commercial offering in the second half of the financial year.

Swiftnet's financial performance resulted in strong earnings growth in FY2024.

Optimise and grow masts and towers portfolio

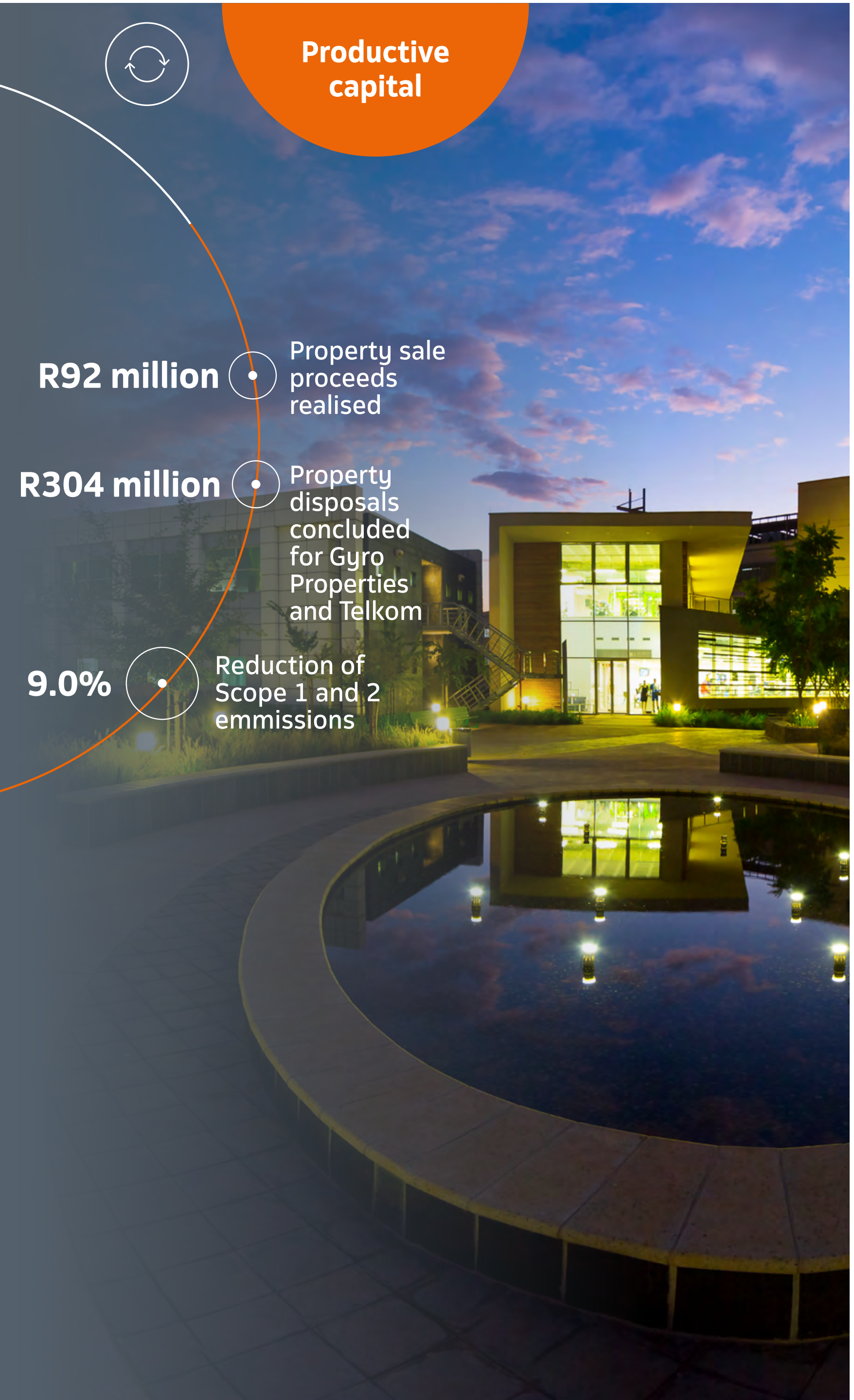
Swiftnet's revenue increased by 1.3% to R1 321 million against the prior year. Revenue from continuing customers increased by 10.7% to R1 018 million, underpinned by inflationary escalations, new tenancies, customer 5G rollouts and existing tenant installation upgrades. This growth was offset by a combined 21% reduction in revenue to R303 million from ongoing terminations by an MNO customer and Openserve's continued optimisation of legacy-based technologies. Swiftnet's EBITDA[1] increased by 10.4% to R990 million at an EBITDA margin[1] of 74.9%. The improvement in earnings was attributable mainly to the optimisation of tower operating costs and the non-occurrence of once-off transaction advisory costs incurred during the prior financial year.

The masts and towers build programme gained momentum during the year, with 68 towers and eight IBS sites being constructed, resulting in 4 047 total productive towers. The tenancy ratio at year-end of 1.36 (FY2023: 1.38) reflects the current market preference for upgrading existing sites as opposed to building new sites.

The rollout of PaaS at scale began in the final quarter of the year, and 18 PaaS solutions were built and connected to customers.

The primary focus for the next financial year will be a more expansive rollout of PaaS solutions. This value-added offering provides our customers with an alternative source of power security, allowing them to focus on their core business of network expansion and antennae upgrades on Swiftnet's masts and towers. The rollout of new tower builds, IBS solutions, and 5G outdoor distributed antenna system (oDAS) small cell sites, will continue based on market demand. Our proactive site acquisition and permitting initiatives are sufficient to support planned new site builds.

[1] *This is a non-IFRS financial measure.*



Gyro

Gyro

Gyro continued to rationalise the property portfolio through the accelerated disposal of decommissioned properties that are no longer required for core operational purposes, thereby realising value and optimising the property footprint of Telkom Group. Properties that have advanced in terms of development planning will be sold during the new financial year.

The implementation of various energy interventions in our core operational properties during the year helped us improve our power supply resilience and will contribute to reducing Telkom Group's carbon emissions.

Gyro realised R92 million of proceeds from 56 properties sold

Commercialise the property portfolio

Various property development projects advanced in terms of property development planning. As property developments are deemed non-core for Telkom Group, certain of these properties will be sold during the new financial year.

Reduce building costs and enhance operational efficiencies

Gyro realised R92 million in cash proceeds from the transfer of 56 properties sold. A further 42 properties with a sale value of R287 million remain in the conveyancing process and are expected to transfer during FY2025. We plan to dispose of more non-core properties (including some that were earmarked for property development) in the new financial year. This will further reduce property operating costs and improve our cash position.

We continued to enhance the resilience and energy efficiency of Telkom Group's network and operations while reducing carbon emissions. This resulted in Telkom Group reducing its Scope 1 and Scope 2 emissions by 65 747 tCO_2e (a 9% year-on-year reduction) and achieving and exceeding the 4.2% (39 429 tCO_2e) annual emissions reduction target. We prioritised technologies that maximise energy security and decarbonisation while optimising utilities and diesel costs. The solutions deployed include solar photovoltaic (PV), lithium-ion batteries and other energy-efficiency interventions.

Human capital

We are advancing our impact through purpose-led and sustainable initiatives in education, entrepreneur development and the environment. We advance our people by putting people first, winning together in an inclusive environment, and focusing on continuous improvement, versatility, openness and trustworthiness.

Strategic focus areas	Key achievements in FY2024	Contributing to UN SDGs
Learning for growth and sustainability Driving a high-performance culture Engaged, agile and productive workforce Employee experience	- Telkom Group spent R168.0 million on employee training and development - Telkom was certified as a Top Employer by the Top Employers Institute for the second year in a row, and BCX for the third year - Over 50% of employees completed online courses - Continued with Female Leadership Development Programmes (FLDP) (89 current delegates) - 533 employees benefited from structured learning programmes - Over 53% of our employees participated in the FY2024 employee engagement survey	4 Quality Education 8 Decent Work and Economic Growth 5 Gender Equality
Diversity, equality and inclusion	- We have 34.1% female representation in leadership positions - 71% of our permanent employees are black South Africans - We have appointed a female Group Chief Financial Officer - 118 differently-abled employees, a 14% increase	
Organisational wellbeing	- We held wellness days in seven regions to ensure our employees are empowered and have access to wellbeing information	3 Good Health and Well-Being

We focused on evaluating high-potential talent and creating individualised development plans for key talent employees

Driving a high-performance culture

The FY2024 employee engagement survey saw an increase in participation, with 53% of Group employees taking part, a 9% increase from the previous year.

The survey assessed various areas, including the work environment, the drive towards a high-performance culture, our values, employee wellbeing, development and growth, reward and recognition, employee engagement, and Telkom's reputation. It also provided insights into Telkom's organisational dynamics. While Telkom's work environment maintained a "good" rating, there was a slight decline, attributed to the S189 process and lack of bonuses and salary increments due to financial constraints in the previous financial year.

These insights will serve as a valuable foundation for addressing areas of improvement and reinforcing positive aspects of Telkom's organisational culture.

Learning for growth and sustainability

We spent R168.0 million on training in FY2024, with over 50% of employees completing online courses. In total, 533 employees participated in structured learning programmes, covering management and leadership development across three levels, as well as future skills initiatives such as innovation, design thinking, and digital skills. Moving forward, our focus will be on expanding our Learning4Growth culture through an enhanced learning framework.

Talent review and succession planning

In FY2024, we reviewed our succession pipelines, identifying risks and developing plans to address them. We focused on evaluating high-potential talent and creating individualised development plans for key talent employees.

In the fourth quarter, we launched new executive leadership programmes aimed at enhancing leadership capabilities, including the Strategic Leadership Executive MBA and the FLDP Pinnacle programme for female executives.

Intellectual capital

We remain committed to leveraging IT's transformative potential in alignment with the PIVOT Strategy. Our ongoing multi-year IT digital transformation initiative continues to elevate customer experiences and achieve strategic objectives.

Our digital strategy is integral to enhancing key business capabilities and IT advancements, prioritising API-driven services to refine our IT architecture, and enhancing service offerings' simplicity and security.

Strategic focus areas	Key achievements in FY2024	Contributing to UN SDGs
Order-to-cash transformation	- Modernised BSS application landscape for enhanced operational efficiency - Consolidated customer relationship management (CRM) systems for improved customer engagement - Openserve was rated the Preferred Fibre Network Operator in South Africa by the Internet Service Providers' Association (ISPA)	
Customer experience	- Implemented self-service initiatives leading to increased satisfaction and loyalty - Introduced a new customer self-service portal for seamless engagement - Increased digital channel utilisation through MyTelkom app downloads and usage	
Data-driven insights	- Leveraged data for optimised sales and marketing strategies - Introduced AI capabilities and cloud migration for enhanced profitability	9 Industry, innovation and infrastructure
Operational efficiency	- Initiated modernisation projects, resulting in improved efficiency and automation - Implemented BSS upgrades for increased stability and service delivery	
Innovation	- The Telkom Centres of Excellence (CoE) programme spent R9 million in FY2024 - Pioneered tech solutions in key areas	9 Industry, innovation and infrastructure

Customer experience

Our customer satisfaction approach revolves around self-service, service accessibility and stability, and simplified engagement channels.

Highlights of the year include:

- Implementation of the Unified Partner Platform offering, enabling internet service providers to manage offers and users with streamlined processes
- Enhanced the Openserve Connect app to improve customer interactions through enhanced self-service capabilities
- Modernised the MyTelkom app to increase digital channel utilisation, reduce call centre traffic and enhance responsiveness to customer needs

Data-driven insights

Leveraging insights from historical and churn data, Openserve and Telkom Consumer optimised sales and marketing strategies, enhancing revenue and enabling data-driven business decisions.

Telkom Consumer introduced AI capabilities on its SMME platform and migrated machine learning to the cloud to improve cost posture, processing time, and customer engagement.

Openserve utilised data insights for focused marketing campaigns, contributing to improved service rates and operational efficiency.

Furthering innovation

In response to the industry's rapid evolution, Telkom remains committed to fostering innovation through dedicated research and development initiatives. These efforts are vital to addressing emerging challenges, driving operational efficiencies, and delivering cutting-edge solutions.

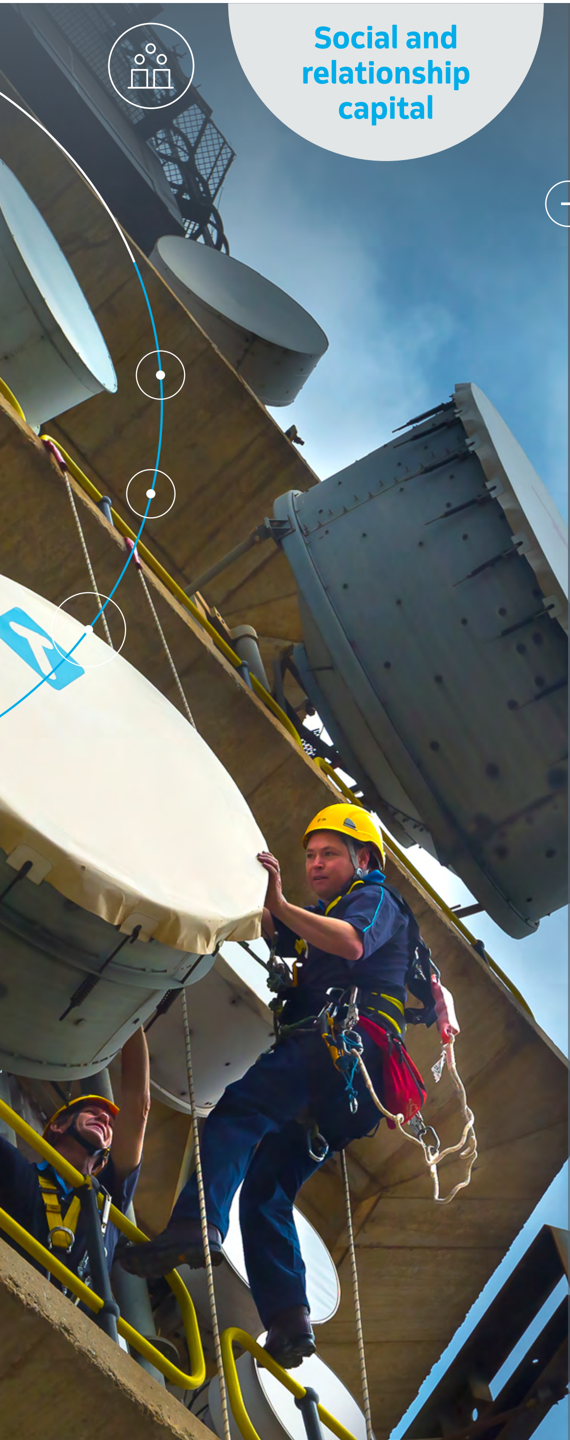
In FY2024, Telkom focused on advancing its innovation agenda through two flagship programmes: the Telkom Industry Solutions Lab and the Telkom CoE programme.

- Telkom Industry Solutions Lab

The Telkom Industry Solutions Lab, established in March 2023 through a strategic partnership with Wits University, represents a cornerstone of Telkom's innovation ecosystem. This initiative aims to develop commercially viable and socially impactful solutions to address pressing challenges faced by both industry and society. By leveraging multi-disciplinary teams of experts and technologists, the Lab focuses on three core areas: customer experience insights and tools, automation and omni-channel solutions, and advanced sensing through virtual platforms.

- Telkom Centres of Excellence Programme

The Telkom CoE programme, now in its 27th year, is a cornerstone of Telkom's research and development strategy. By funding postgraduate learners and supporting research initiatives, the CoE programme aims to nurture talent, drive innovation, and address critical challenges facing the ICT sector. The programme supports cutting-edge research across 15 South African centres. It encompasses a wide range of research domains, including alternative energy, cybersecurity, networking technologies, customer experience, virtualisation, software-defined networking, cloud/fog computing, smart technologies, IoT, 5G, and language technologies.



Social and relationship capital

Telkom strives to create shared value for its business and society through strategic interventions that meaningfully impact the South African economy, creating social and commercial value.

Strategic focus areas	Key achievements in FY2024	Contributing to UN SDGs
Diversify our supply chain and sales value chain (such as dealers) and accelerate innovation in the technology sector, focusing on SMMEs	- 428 SMMEs registered on our FutureMakers Programme (FY2023: 320) - A total of 69 500 jobs on the FutureMakers programme - R339 million (FY2023: R191 million) worth of procurement opportunities supporting SMMEs and innovation programmes - Honoured at the 12th Proudly South African Localisation Dinner - Afforded prime exhibition opportunities at GEC+Africa's 12th Buy Local Summit - 228 594 lives impacted (FY2023: 129 561) through SMME development	8 Decent work and economic growth
Digital skills development and digital literacy	- R71.2 million (including administration costs) invested in Telkom Foundation during the period	4 Quality education
Holistic school development and integrating ICT in schools	- Telkom Foundation has reached over 32 279 learners nationally - Invested R9 million (FY2023: R29 million) through the CoE programme	
Supporting B-BBEE	- Telkom Group continued investing in skills development and enterprise and supplier development to retain its current B-BBEE Level 1 status	10 Reduced inequalities

Supporting ESD: FutureMakers

Telkom through the FutureMakers programme supported enterprises through procurement opportunities worth R339 million (FY2023: R191 million) and innovation programmes. These businesses created 69 500 job opportunities, demonstrating how Telkom, through FutureMakers, is creating real value for South Africans and connecting them to better lives.

Our investments in SMMEs and development programmes resulted in positive social and commercial outcomes in the following ways in FY2024:

- A contribution to Telkom's ESG strategy to impact 100 000 lives through SMME development by FY2025 resulted in the target being met in FY2023. The target has been revised to 250 000 lives impacted by FY2026
- Telkom Consumer distribution channels: R104 million in sales (FY2023: R152 million)
- SMMEs in our programmes generated revenue of R399 million
- 69 500 new jobs created and sustained (FY2023: 39 261), resulting in 229 350 lives impacted

Supporting education

The Telkom Foundation invested R71 million (FY2023: R64 million) in programmes to improve teaching and learning in science, technology, English and mathematics (STEM) as gateway subjects for accessing science and technology post-schooling studies and future economic opportunities.

Of the total invested, R29.8 million was invested in education, R33 million in digital skills, and R1.5 million in social development programmes.

The Foundation reached 32 279 learners nationally, including both face-to-face and virtual components.

Developing skills for the future

Telkom invested R9 million (FY2023: R29 million) in the CoE programme, with other industry partners investing R1.3 million. This supported 333 postgraduate students in the 2023 and 2024 academic years; 21% of these students were female.

Maintaining our Level 1 B-BBEE score

Telkom Group was verified in May 2023 and achieved a Level 1 contributor status, improving on the previous year's result. Telkom Group improved on all scorecard elements, specifically increasing procurement recognition and skills development. The current B-BBEE certificate expires in July 2024 and the new certificate will be issued before the current one expires. Telkom continues investing in skills development and enterprise and supplier development to retain its B-BBEE Level 1 status.

Natural capital

Telkom continues to focus on energy efficiency and provision of alternative energy supply while decarbonising and optimising our diesel cost.

Strategic focus areas	Key achievements during the period	Contributing to UN SDGs
Energy-efficiency initiatives - Reducing Telkom's carbon footprint	- Scope 1 emissions decreased by 22% from 85 100 tCO_2e - Scope 2 emissions declined by 8% from 619 640 tCO_2e - Diesel consumption for backup generators decreased by 15% in FY2024 - Developed an energy strategy - Submitted our energy and net zero science-based targets	7 Affordable and clean energy 9 Industry, innovation and infrastructure
Smart meters - Reducing our water consumption	- 16% decrease in water consumption compared to the prior period - A total of 52 smart water meters installed by the end of FY2024 - Disputes logged for high-consumption sites were successfully resolved with municipalities	6 Clean water and sanitation
E-waste recycling	- 19% increase in e-waste recycling during the year, mainly due to Openserve's ongoing legacy equipment decommissioning project	3 Good health and well-being 12 Responsible consumption and production

Driving energy efficiency and alternative energy

Telkom has developed an energy strategy to focus on crucial asset classes where business interruption (including loadshedding) would significantly impact contractual obligations and customer experience. This will optimise diesel usage and cost, provide energy security and assist in meeting decarbonisation targets.

The strategy prioritises technologies that maximise energy security and decarbonisation and optimise utilities.

Telkom continued its focus on driving energy efficiency and providing alternative energy to reduce our emissions. Our ambition is to be carbon neutral by 2035 and net zero by 2040. Aligned with this, Telkom has committed to setting science-based targets to reduce its carbon footprint. We have submitted our near-term and net zero science-based targets to the Science Based Targets initiative (SBTi) for validation and approval.

Telkom has been aggressively installing solar and lithium-ion batteries in key sites, decommissioning legacy equipment and implementing various energy-efficiency initiatives for energy resilience and diesel optimisation.

Our Scope 1 emissions decreased due to ongoing diesel optimisation projects (lithium-ion battery installations) that reduced our diesel usage by 15% in FY2024. Our Scope 2 emissions decreased because of account terminations and re-billings through cost optimisation initiatives where anomalies and disputes were logged with municipalities and Eskom. The decrease in the grid emission factor from 1.04 to 1.00 in FY2024 also contributed to our Scope 2 emissions reduction.

Water consumption

Telkom's water consumption decreased by 16% to 777 722 kl. This was mainly due to site terminations and ongoing site monitoring, resulting in water leakages being repaired and accounts corrected. We also installed smart water meters at 52 sites and commissioned the meters on an IoT platform at 46 sites.

Water management is part of our ESG strategy, and we are committed to a 50% reduction in water usage by 2030.

E-waste

Telkom continued to focus on reducing e-waste by implementing practices to reuse, resell or recycle network waste and other waste generated by our operations. We increased our e-waste recycling from 5 427 tonnes in FY2023 to 6 458 tonnes in FY2024. This was mainly due to ongoing decommissioning of legacy equipment.

Operational data

	March 2024	March 2023	Variance %
Network			
Fibre to the home	**1 217 110**	1 040 565	17.0
Fibre homes passed and connected	**590 527**	492 812	19.8
Enterprise business services	**41 951**	41 898	0.1
Next-generation technology services	**73 392**	72 974	0.6
Carrier services	**20 071**	20 192	(0.6)
Fibre to base station connections	**9 131**	9 003	1.4
Mobile sites integrated	**7 738**	7 546	2.5
Active fibre connectivity rate (%)	**48.5**	47.4	1.1
Subscribers			
Broadband subscribers			
Fixed-broadband subscribers/lines[1]	**554 953**	567 289	(2.2)
Mobile broadband subscribers	**12 740 658**	11 633 561	9.5
Fixed subscribers			
Internet all-access subscribers[2]	**246 398**	240 401	2.5
Fixed access lines ('000)[3]	**609**	793	(23.2)
Revenue per fixed access line (rand) (per annum)	**5 036**	5 049	(0.3)
Fixed-voice ARPU (rand)	**298.70**	292.83	2.0
Fixed-broadband ARPU (rand)	**312.24**	280.96	11.1
Managed data network sites	**25 401**	27 323	(7.0)
Mobile subscribers			
Active mobile subscribers[4]	**20 438 983**	18 262 331	11.9
Pre-paid	**17 493 045**	15 301 339	14.3
Post-paid	**2 945 938**	2 960 992	(0.5)
ARPU (rand)	**84.10**	86.43	(2.7)
Pre-paid	**64.86**	63.74	1.8
Post-paid	**180.48**	200.69	(10.1)
Volumes			
Fixed broadband (petabytes)	**2 307**	1 895	21.7
Mobile broadband (petabytes)	**1 417**	1 167	21.4
Total fixed-line traffic (millions of minutes)	**4 089**	5 086	(19.6)
Group employees	**9 877**	11 624	(15.0)
Telkom Company employees	**1 218**	1 597	(23.7)
Consumer	**1 017**	1 292	(21.3)
Corporate Centre	**201**	305	(34.1)
Openserve	**4 532**	5 647	(19.7)
BCX group employees	**4 032**	4 274	(5.7)
Gyro employees	**95**	106	(10.4)

1 *Includes xDSL and FTTH lines, of which 3 135 (FY2023: 3 402) are internal lines.*

2 *Includes Telkom internet asymmetrical DSL, integrated services digital network (ISDN) and WiMAX subscribers.*

3 *Includes copper voice and broadband, ISDN and fixed look-a-like. Excludes Telkom internal lines.*

4 *Based on a subscriber who participated in a revenue-generating activity within the last 90 days.*

FINANCIAL PERFORMANCE

3

Group revenue

	March 2024 Rm	March 2023 Rm	Variance %
Fixed	**13 521**	14 330	(5.7)
Voice and subscriptions	**3 067**	4 004	(23.4)
Usage	**1 185**	1 624	(27.0)
Subscriptions	**1 882**	2 380	(20.9)
Interconnection	**247**	281	(12.1)
Fixed-line domestic	**142**	169	(16.0)
Fixed-line international	**105**	112	(6.3)
Data	**8 290**	8 038	3.1
Data connectivity	**6 388**	6 023	6.1
NGN fibre connectivity	**5 633**	4 919	14.5
Traditional connectivity	**755**	1 104	(31.6)
Internet access and related services	**1 418**	1 451	(2.3)
Managed data network services	**481**	560	(14.1)
Multimedia services	**3**	4	(25.0)
Customer premises equipment sales and rentals	**1 183**	1 491	(20.7)
Sales	**334**	789	(57.7)
Rentals	**849**	702	20.9
Insurance revenue	**281**	203	38.4
Other revenue	**453**	313	44.7
Mobile	**22 583**	21 617	4.5
Mobile voice and subscriptions	**4 200**	4 388	(4.3)
Mobile interconnection	**526**	505	4.2
Mobile data	**14 300**	12 926	10.6
Mobile handset and equipment sales	**3 243**	3 479	(6.8)
Significant financing component revenue	**314**	319	(1.6)
Information technology	**6 140**	5 564	10.4
Information technology service solutions	**2 640**	2 530	4.4
Application solutions	**938**	957	(2.0)
IT hardware and software	**2 352**	1 929	21.9
Industrial technologies	**146**	106	37.7
Significant financing component revenue	**64**	42	52.4
Other	**986**	1 023	(3.6)
Yellow Pages – Directories	**201**	299	(32.8)
Gyro	**785**	724	8.4
Total operations[1,2]	**43 230**	42 534	1.6

[1] *Includes total operations. Refer to page 5 for the reconciliation of the continuing and total operations figures.*

[2] *Revenue was restated for the IFRS 15 prior period error and adoption of IFRS 17. Refer to page 3.*

Mobile statement of profit or loss

	Reported March 2024 Rm	Reported March 2023 Rm	Reported March 2022 Rm
Revenue	**22 691**	21 799	21 415
Payments to other operators	**(2 633)**	(2 652)	(2 598)
Cost of handsets, equipment and directories	**(3 720)**	(4 097)	(3 458)
Sales commission, incentive and logistical costs	**(2 644)**	(2 405)	(2 258)
Other income	**407**	473	292
Operating expenses	**(9 065)**	(8 646)	(7 561)
Employee expenses	**(535)**	(630)	(435)
Other expenses	**(3 858)**	(3 967)	(3 976)
Maintenance	**(1 744)**	(1 654)	(1 578)
Marketing	**(551)**	(545)	(465)
Impairment of receivables and contract assets	**(1 322)**	(975)	(600)
Service fees	**(965)**	(763)	(575)
Lease-related expenses	**(90)**	(112)	68
EBITDA[1]	**5 036**	4 472	5 832

This has been extracted from management's internal financial reporting and is unaudited.

Masts and towers statement of profit or loss

	Reported March 2024 Rm	Reported March 2023 Rm	Reported March 2022 Rm
Revenue	**1 321**	1 304	1 292
Operating expenses	**(331)**	(407)	(383)
Other operating expenses	**(173)**	(172)	(216)
Impairment of receivables and contract assets	**5**	(18)	12
Service fees	**(159)**	(210)	(177)
Lease-related expenses	**(4)**	(7)	(2)
EBITDA[1]	**990**	897	909

This has been extracted from management's internal financial reporting and is unaudited.

[1] *This is a non-IFRS financial measure.*

Consolidated statement of profit or loss for the year ended 31 March 2024

Total operations	Pro forma[1] March 2024 Rm	Pro forma Restated March 2023 Rm	Variance %
Revenue[2]	**43 230**	42 534	1.6
Payments to other operators	**(3 328)**	(3 399)	2.1
Cost of handsets, equipment and directories	**(6 125)**	(6 341)	3.4
Sales commission, incentive and logistical costs	**(2 749)**	(2 522)	(9.0)
Other income	**895**	863	3.7
Operating expenses	**(21 882)**	(21 590)	(1.4)
Insurance service expenses	**(184)**	(209)	12.0
Employee expenses[3]	**(7 895)**	(8 227)	4.0
Other expenses	**(2 195)**	(2 521)	12.9
Maintenance	**(4 844)**	(4 154)	(16.6)
Marketing	**(829)**	(812)	(2.1)
Impairment of receivables and contract assets	**(1 684)**	(1 255)	(34.2)
Service fees	**(4 001)**	(4 080)	1.9
Lease-related expenses	**(250)**	(332)	24.7
EBITDA[3,4,5]	**10 041**	9 545	5.2
Depreciation, amortisation, impairments and write-offs	**(5 561)**	(7 636)	27.2
Operating profit[3]	**4 480**	1 909	134.7
Investment income	**253**	155	63.2
Finance charges and fair value movements	**(2 197)**	(1 484)	(48.0)
Net finance charges on lease liabilities	**(586)**	(477)	(22.9)
Net finance charges	**(1 557)**	(987)	(57.8)
Foreign exchange and fair value movements	**(54)**	(20)	(170.0)
Profit before taxation[3]	**2 536**	580	337.2
Taxation[3]	**(655)**	(234)	(179.9)
Profit for the year[3]	**1 881**	346	443.6

[1] *Includes total operations. Refer to page 5 for the reconciliation of the continuing and total operations figures.*

[2] *Revenue was restated for the IFRS 15 prior period error and adoption of IFRS 17. Refer to page 3.*

[3] *Refer to page 4 for the reconciliation of the reported figures to the pro forma adjusted figures.*

[4] *This is a non-IFRS financial measure.*

[5] *EBITDA was restated for IFRS 17. Refer to page 3.*

Notes

Other expenses decreased by 12.9% to R2 195 million, mainly due to lower third-party costs and the containment of discretionary spend.

Impairment of receivables and contract assets increased by 34.2% to R1 684 million, mainly due to the increase in mobile revenue and the deterioration of the debtor's book in Consumer due to constrained consumer disposable income.

Depreciation, amortisation, impairments and write-offs decreased by 27.2% to 5 561 million, mainly due to the impairment of assets in the previous financial year.

Investment income increased by 63.2% to R253 million, mainly due to higher bank and cash balances and interest rates.

Finance charges and fair value movements increased by 48.0% to R2 197 million, mainly due to the increase in finance charges, which was largely due to increases in interest rates and higher debt levels during the period. This was partially offset by recognised gains in the valuation of FECs and interest rate swaps due to a weaker rand and aggressive interest rate increases, respectively. The Group pays the fixed interest leg of the swap and receives the floating interest leg while paying the floating interest to lenders on the underlying debt.

Taxation increased by 179.9% to R655 million due to the 337.2% increase in profit before taxation.

Consolidated statement of financial position

Total operations	Pro forma[1] March 2024 Rm	Reported March 2023 Rm	Variance %
Assets			
Non-current assets	44 557	42 307	5.3
Property, plant and equipment	27 362	26 178	4.5
Right-of-use assets	5 773	5 360	7.7
Intangible assets	5 339	4 493	18.8
Other investments	106	108	(1.9)
Other receivables	48	72	(33.3)
Employee benefits	1 283	1 266	1.3
Other financial assets	173	182	(4.9)
Finance lease receivables	313	344	(9.0)
Deferred taxation	4 160	4 304	(3.3)
Current assets	16 634	17 317	(3.9)
Inventories	903	1 091	(17.2)
Income tax receivable	117	79	48.1
Finance lease receivables	266	304	(12.5)
Trade and other receivables	8 439	9 314	(9.4)
Contract assets	2 204	2 440	(9.7)
Other current assets	545	462	18.0
Other financial assets	63	93	(32.3)
Insurance contract asset	141	61	131.1
Cash and cash equivalents	3 939	3 469	13.5
Restricted cash	17	4	325.0
Total assets	61 191	59 624	2.6
Equity and liabilities			
Equity attributable to owners of the parent	26 196	24 184	8.3
Share capital	5 050	5 050	–
Share-based compensation reserve	1 535	1 414	8.6
Non-distributable reserves	750	739	1.5
Retained earnings	18 861	16 981	11.1
Non-controlling interest	(21)	(23)	(8.7)
Total equity	26 175	24 161	8.3
Non-current liabilities	17 548	17 550	–
Interest-bearing debt	11 535	11 999	(3.9)
Lease liability	4 241	4 617	(8.1)
Provisions	336	368	(8.7)
Other financial liabilities	202	198	2.0
Deferred revenue	899	128	602.3
Deferred taxation	335	240	39.6
Current liabilities	17 468	17 913	(2.5)
Trade and other payables	9 215	10 419	(11.6)
Shareholders for dividend	24	25	(4.0)
Interest-bearing debt	2 682	2 357	13.8
Lease liabilities	2 400	1 272	88.7
Provisions	1 093	1 893	(42.3)
Deferred revenue	1 685	1 475	14.2
Income tax payable	–	2	(100.0)
Other financial liabilities	369	470	(21.5)
Total liabilities	35 016	35 463	(1.3)
Total equity and liabilities	61 191	59 624	2.6

Notes

Intangible assets increased by 18.8% to R5 339 million, largely due to the acquisition of spectrum.

Trade and other receivables decreased by 9.4% to R8 439 million, primarily due to payments from mobile dealers and government departments as well as write-offs.

Contract assets decreased by 9.7% to R2 204 million, driven by the 6.8% decrease in mobile handset sales and the sales of the handset book to financial institutions.

Provisions decreased by 36.8% to R1 429 million, mainly due to the restructuring cost provision of R1 065 million from the prior year having been settled.

Deferred revenue increased by 61.2% to R2 584 million, mainly due to the Openserve Google Equiano arrangement with Google and its affiliates which became effective in the current year.

[1] *Includes total operations. Refer to page 5 for the reconciliation of the continuing and total operations figures.*

Consolidated statement of cash flows for the year ended 31 March 2024

	Reported March 2024 Rm	Reported March 2023 Rm	Variance %
Cash flows from operating activities	**8 003**	5 126	56.1
Cash receipts from customers	**43 469**	40 422	7.5
Cash paid to suppliers and employees	**(33 234)**	(33 717)	1.4
Cash generated from operations	**10 235**	6 705	52.6
Interest received	**447**	282	58.5
Finance charges paid	**(2 304)**	(1 456)	(58.2)
Taxation paid	**(422)**	(547)	22.9
Repayment of derivatives – FECs	**(82)**	(28)	(192.9)
Proceeds from derivatives – FECs	**132**	178	25.8
Cash generated from operations before dividend paid	**8 006**	5 134	55.9
Dividend paid	**(3)**	(8)	(62.5)
Cash flows from investing activities	**(6 197)**	(5 827)	6.3
Proceeds on disposal of property, plant and equipment and intangible assets	**90**	92	(2.2)
Additions to assets for capital expansion	**(6 331)**	(6 620)	4.4
Investments made by FutureMakers	**(9)**	(9)	–
SMME loans repaid/(advanced) to external parties	**17**	(97)	117.5
SMME loans granted	**(7)**	–	(100.0)
Repayment of derivatives – FECs	**(93)**	(49)	(89.8)
Proceeds from derivatives – FECs	**149**	317	(53.0)
Proceeds from plan assets	**–**	543	(100.0)
Restricted cash	**(13)**	(4)	(225.0)
Cash flows from financing activities	**(1 336)**	931	(243.5)
Loans raised	**9 363**	25 970	(63.9)
Loans repaid	**(9 513)**	(23 650)	59.8
Purchase of shares for the Telkom share plan and subsidiaries' long-term incentive share scheme	**–**	(250)	100.0
Repayment of lease liability	**(1 201)**	(1 086)	(10.6)
Repayment of derivatives – interest rate swaps	**–**	(53)	100.0
Proceeds from derivatives – Interest rate swaps	**15**	–	100.0
Net increase in cash and cash equivalents	**470**	230	104.3
Net cash and cash equivalents at 1 April	**3 469**	3 239	7.1
Net cash and cash equivalents at the end of the year	**3 939**	3 469	13.5

Notes

Cash generated from operations increased by 52.6% to R10 235 million, largely attributable to improved working capital management and the 337.2% increase in profit before taxation.

Finance charges paid increased by 58.2% to R2 304 million, in line with the 57.8% increase in net finance charges provided in the profit or loss statement driven by higher debt levels and interest rates.

Taxation paid decreased by 22.9% to R422 million due to a reduction in the Group's taxable income and the utilisation of tax losses.

Loans raised amounted to R9 363 million as the Group increased the utilisation of committed facilities during the current reporting period to repay maturing bonds, loans and funding needs while negotiating and securing long-term debt. The utilisation of committed facilities gave rise to a higher amount of loans raised and corresponding loans repaid, with net funding paid of R150 million.

Return on invested capital[1]

Technology view[2]

As a result of headroom between fair value when compared to the carrying value of Swiftnet and BCX, the assets of IT, NGN and Masts and Towers were written up to illustrate their theoretical fair value. The write-up is based on management's independent valuation, determined using the discounted cash flow valuation technique.

The R51 270 million invested capital at fair value includes a pro forma adjustment to the invested capital of R11 722 million (FY2023: R10 479 million) representing the illustrative pro forma “write-up” of assets allocated to IT of R1 415 million (FY2023: R35 million), NGN of R4 824 million (FY2023: R5 121 million) and Masts and Towers of R5 483 million (FY2023: R5 323 million). There are no tax implications as this results in permanent differences.

FY2024	**NGN**	**Mobile**	**IT**	**Masts and Towers**	**Legacy**	**Pro forma Group total**
ROIC at fair value (%)[1]	**11.8**	**11.4**	**(14.7)**	**10.0**	**(665.5)**	**6.5**
Operating profit/(loss) after tax	**2 914**	**1 753**	**(630)**	**672**	**(1 386)**	**3 323**
Invested capital at fair value	**24 599**	**15 433**	**4 280**	**6 750**	**208**	**51 270**
Fair value adjustment	**4 824**	**–**	**1 415**	**5 483**		**11 722**
Invested capital (closing balance)	**19 775**	**15 433**	**2 865**	**1 267**	**208**	**39 548**
FY2023						
ROIC at fair value (%)[1]	11.3	6.3	(6.8)	9.5	(314.6)	2.8
Operating profit/(loss) after tax	2 621	940	(220)	596	(2 598)	1 338
Invested capital at fair value	23 216	14 909	3 244	6 249	826	48 444
Fair value adjustment	5 121	–	35	5 323	–	10 479
Invested capital (closing balance)	18 095	14 909	3 209	926	826	37 965
Restatement						
Operating profit/(loss) after tax	–	(5)	–	–	–	(5)
Invested capital	–	–	–	–	–	–
FY2023 restated						
ROIC at fair value (%)[1]	11.3	6.3	(6.8)	9.5	(314.6)	2.8
Operating profit/(loss) after tax	2 621	935	(220)	596	(2 598)	1 333
Invested capital at fair value	23 216	14 909	3 244	6 249	826	48 444
Fair value adjustment	5 121	–	35	5 323	–	10 479
Invested capital (closing balance)	18 095	14 909	3 209	926	826	37 965

[1] *This is a non-IFRS financial measure.*

[2] *This has been extracted from management’s internal financial reporting*

Openserve[1]

Extract from the statement of financial position	Reported March 2024 Rm	Pro forma March 2023 Rm	Impairment adjustment Rm	Pro forma adjustment Rm	Reported March 2023 Rm
Total assets	22 233	26 331	(4 338)		21 993
Non–current assets	19 280	22 793	(4 338)		18 455
Current assets	2 953	3 538	–		3 538
Total equity and liabilities	22 233	26 331	(4 338)		21 993
Capital and reserves	5 860	10 003	(4 338)		5 665
Non–current liabilities	10 446	9 957			9 957
Current liabilities	5 926	6 371			6 371
ROIC[4]	6.3%	4.7%			(29.6%)
Net operating profit/(loss) after tax	1 014	731	(5 014)[2]	(319)[3]	(4 602)
Invested capital (closing balance)	16 141	15 555	–	–	15 555

Telkom Consumer[1]

Extract from the statement of financial position	Reported March 2024 Rm	Restated Pro forma March 2023 Rm	Restatement Rm	Impairment adjustment Rm	Pro forma adjustment Rm	Reported March 2023 Rm
Total assets	24 500	29 353		(4 685)		24 668
Non–current assets	17 397	21 363		(4 685)		16 678
Current assets	7 103	7 990		–		7 990
Total equity and liabilities	24 500	29 353		(4 685)		24 668
Capital and reserves	5 771	9 789		(4 685)		5 104
Non–current liabilities	10 351	10 428		–		10 428
Current liabilities	8 378	9 136		–		9 136
ROIC[4]	5.5%	(0.9%)				(29.9%)
Net operating profit/(loss) after tax	874	(135)	5	(4 302)[2]	(91)[3]	(4 523)
Invested capital (closing balance)	15 839	15 136				15 136

[1] *This has been extracted from management's internal financial reporting*

[2] *Refer to page 4 for the reconciliation of the reported figures to the pro forma adjusted figures.*

[3] *Adjusted to exclude the restructuring cost and related tax impact.*

[4] *This is a non-IFRS financial measure.*

BCX[1]

Extract from the statement of financial position	Pro forma March 2024 Rm	Fair value adjustment[2] Rm	Reported March 2024 Rm	Pro forma March 2023 Rm	Fair value adjustment[2] Rm	Pro forma adjustment Rm	Reported March 2023 Rm
Total assets	14 908	(6 239)	8 669	16 294	(5 156)		11 138
Non-current assets	9 028	(6 239)	2 789	8 204	(5 156)		3 048
Current assets	5 879		5 879	8 090			8 090
Total equity and liabilities	14 908	(6 239)	8 669	16 294	(5 156)		11 138
Capital and reserves	11 234	(6 239)	4 995	12 048	(5 156)		6 892
Non-current liabilities	824		824	862			862
Current liabilities	2 849		2 849	3 384			3 384
ROIC[4]	5.5%		13.8%	7.3%			10.8%
Net operating profit after tax	564		564	870		(145)[3]	725
Invested capital	10 327	(6 239)	4 088	11 841	(5 156)		6 685

Gyro[1]

Extract from the statement of financial position	Pro forma March 2024 Rm	Fair value adjustment[2] Rm	Reported March 2024 Rm	Pro forma March 2023 Rm	Fair value adjustment[2] Rm	Pro forma adjustment Rm	Reported March 2023 Rm
Total assets	8 146	(5 483)	2 663	8 048	(5 323)		2 725
Non-current assets	7 233	(5 483)	1 750	6 747	(5 323)		1 424
Current assets	913		913	1 302			1 302
Total equity and liabilities	8 146	(5 483)	2 663	8 048	(5 323)		2 725
Capital and reserves	6 810	(5 483)	1 327	6 781	(5 323)		1 458
Non-current liabilities	546		546	541			541
Current liabilities	790		790	726			726
ROIC[4]	10.7%		53.4%	11.9%			71.1%
Net operating profit after tax	730		730	772		(7)[3]	765
Invested capital	6 848	(5 483)	1 365	6 398	(5 323)		1 075

[1] *This has been extracted from management's internal financial reporting*

[2] *Refer to page 4 for the reconciliation of the reported figures to the pro forma adjusted figures.*

[3] *Adjusted to exclude the restructuring cost and related tax impact.*

[4] *This is a non-IFRS financial measure.*

Independent Auditor's Assurance Report on the compilation of pro forma financial information included in the Group Annual Results for the year ended 31 March 2024

To the Directors of Telkom SA SOC Limited

We have completed our assurance engagement to report on the compilation of the pro forma financial information of Telkom SA SOC Limited (the "Company") (and its subsidiaries (together "the Group")) by the directors. The pro forma financial information, as set out on pages 2 to 34 of the Group Annual Results for the year ended 31 March 2024 consists of non-IFRS measures (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the directors have compiled the Pro Forma Financial Information are specified in the Listings Requirements of the JSE Limited ("the JSE Listings Requirements") and described on pages 2 to 34 of the Group Annual Results for the year ended 31 March 2024 (the "Applicable Criteria").

The Pro Forma Financial Information has been compiled by the directors solely to illustrate the impact of certain non-IFRS measures, which have been disclosed to illustrate the impact of the pro forma adjustments (as disclosed in the Group Annual Results for the year ended 31 March 2024) on the audited annual financial statements to achieve a comparable year-on-year analysis and show the underlying performance of the business.

As part of this process, information about the Group's consolidated financial position and financial performance has been extracted by the directors from the Group's financial statements for the year ended 31 March 2024, on which an audit opinion was issued on 17 June 2024.

Directors' responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the Pro Forma Financial Information on the basis of the Applicable Criteria.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the *Code of Professional Conduct for Registered Auditors*, issued by the Independent Regulatory Board for Auditors' (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards).*

The firm applies International Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements,* which requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibility

Our responsibility is to express an opinion, as required by the JSE Listings Requirements, about whether the Pro Forma Financial Information has been compiled, in all material respects, by the directors, on the basis of the Applicable Criteria, based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the Pro Forma Financial Information has been compiled, in all material respects, on the basis specified in the Applicable Criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Group Annual Results for the year ended 31 March 2024 is solely to illustrate the impact of certain non-IFRS measures, which have been disclosed to illustrate the impact of the pro forma adjustments (as disclosed in the Group Annual Results for the year ended 31 March 2024) on the audited annual financial statements to achieve a comparable year-on-year analysis and show the underlying performance of the business.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the events, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Pro Forma Financial Information has been compiled, in all material respects, on the basis of the Applicable Criteria.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: SN Madikane
Registered Auditor
Johannesburg, South Africa
17 June 2024

The examination of controls over the maintenance and integrity of the Group's website is beyond the scope of this assurance engagement. Accordingly, we accept no responsibility for any changes that may have occurred to the group annual results since they were initially presented on the website.

Administration

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1991/005476/30

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