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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of: January 2007

001-31609
(Commission File Number)

Telkom SA Limited
(Translation of registrant's name into English)

Telkom Towers North
152 Proes Street
Pretoria 0002
The Republic of South Africa
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ☐

Indicate by check mark whether by furnishing the information contained on this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes☐ No ☒

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-_____.

On November 13, 2006, Telkom SA Limited ("Telkom") issued summarized group interim results for the six months ended September 30, 2006. A copy of the summarized group interim results is attached hereto as Exhibit 99.1 and is incorporated herein by reference. The summarized group interim results contain forward-looking statements and include cautionary statements identifying important factors that could cause actual results to differ materially from those anticipated.

On November 13, 2006, Vodacom Group (Proprietary Limited) ("Vodacom") (unlisted), in which Telkom has a 50% holding, issued summarized group interim results for the six months ended September 30, 2006. A copy of the summarized group interim results is attached hereto as Exhibit 99.2 and is incorporated herein by reference. The summarized group interim results contain forward-looking statements and include cautionary statements identifying important factors that could cause actual results to differ materially from those anticipated.

On December 13, 2006, Telkom issued an update on its proposed acquisition of all issued share capital of Business Connexion Group Limited ("BCX"). A copy of the update is attached hereto as Exhibit 99.3 and is incorporated herein by reference. The update contains forward-looking statements and includes cautionary statements identifying important factors that could cause actual results to differ materially from those anticipated.

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

All of the statements contained herein and in the exhibits incorporated by reference herein, as well as oral statements that may be made by Telkom or Vodacom, or by officers, directors or employees acting on their behalf, that are not statements of historical facts constitute or are based on forward-looking statements within the meaning of the US Private Securities Litigation Reform Act of 1995, specifically Section 27A of the US Securities Act of 1933, as amended, and Section 21E of the US Securities Exchange Act of 1934, as amended. These forward-looking statements involve a number of known and unknown risks, uncertainties and other factors that could cause Telkom's or Vodacom's actual results and outcomes to be materially different from historical results or from any future results expressed or implied by such forward-looking statements. Among the factors that could cause Telkom's or Vodacom's actual results or outcomes to differ materially from their expectations are those risks identified in Item 3. "Key Information-Risk Factors" contained in Telkom's most recent Annual Report on Form 20-F filed with the US Securities and Exchange Commission (SEC) and its other filings and submissions with the SEC which are available on Telkom's website at www.telkom.co.za/ir, including, but not limited to, increased competition in the South African telecommunications markets; developments in the regulatory environment; continued mobile growth and reductions in Vodacom's and Telkom's net interconnect margins; Vodacom's and Telkom's ability to expand their operations and make investments and acquisitions in other African and other countries and the general economic, political, social and legal conditions in South Africa and in other countries where Vodacom and Telkom invest; our ability to attract and retain key personnel; our inability to appoint a majority of Vodacom's directors and the consensus approval rights at Vodacom that may limit our flexibility and ability to implement our preferred strategies; Vodacom's continued payment of dividends or distributions to us; our ability to improve and maintain our management information and other systems; our negative working capital; changes in technology and delays in the implementation of new technologies; our ability to reduce theft, vandalism, network and payphone fraud and lost revenue to non-licensed operators; our ability to improve our internal control over financial reporting; health risks related to mobile handsets, base stations and associated equipment; risks related to our control by the Government of the Republic of South Africa and major shareholders and the South African Government's other positions in the telecommunications industry; the outcome of regulatory, legal and arbitration proceedings, including tariff approvals, and the outcome of Telkom's hearing before the Competition Commission, its proceedings with Telcordia Technologies Incorporated and others; our ability to negotiate favorable terms, rates and conditions for the provision of interconnection services and facilities; our ability to implement and recover the substantial capital and operational costs associated with carrier pre-selection, number portability and the monitoring, interception and customer registration requirements contained in the South African Regulation of Interception of Communication and Provision of Communication – Related Information Act; Telkom's ability to comply with the South African Public Finance Management Act and South African Public Audit Act and the impact of the Municipal Property Rates Act; fluctuations in the value of the Rand; the impact of unemployment, poverty, crime and HIV infection, labor laws and exchange control restrictions in South Africa; and other matters not yet known to us or not currently considered material by us.

We caution you not to place undue reliance on these forward-looking statements. All written and oral forward-looking statements attributable to Telkom or Vodacom, or persons acting on their behalf, are qualified in their entirety by these cautionary statements. Moreover, unless Telkom or Vodacom is required by law to update these statements, they will not necessarily update any of these statements after the date hereof, either to conform them to actual results or to changes in their expectation.

Exhibit	Description
99.1	Summarized group interim results for the six months ended September 30, 2006, issued by Telkom SA Limited ("Telkom") on November 13, 2006.
99.2	Summarized group interim results for the six months ended September 30, 2006, issued by Vodacom Group (Proprietary Limited) ("Vodacom") (unlisted), on November 13, 2006.
99.3	Update on Telkom's proposed acquisition of all issued share capital of Business Connexion Group Limited ("BCX"), issued by Telkom on December 13, 2006.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TELKOM SA LIMITED

By: /s/ Kaushik Patel
Name: Kaushik Patel
Title: Chief Financial Officer

Date: January 22, 2007

Exhibit 99.1

Telkom Group interim results

for the six months ended September 30, 2006

Telkom SA Limited
Registration no. 1991/005476/06
JSE and NYSE share code: TKG
ISIN: ZAE000044897

Special Note Regarding Forward-looking Statements

All of the statements included in this document, as well as oral statements that may be made by us or by officers, directors or employees acting on behalf of us, that are not statements of historical facts constitute or are based on forward-looking statements within the meaning of the US Private Securities Litigation Reform Act of 1995, specifically Section 27A of the US Securities Act of 1933, as amended, and Section 21E of the US Securities Exchange Act of 1934, as amended. These forward-looking statements involve a number of known and unknown risks, uncertainties and other factors that could cause our actual results and outcomes to be materially different from historical results or from any future results expressed or implied by such forward-looking statements. Among the factors that could cause our actual results or outcomes to differ materially from our expectations are those risks identified in Item 3. “Key Information-Risk Factors,” of Telkom’s most recent Annual Report on Form 20-F filed with the US Securities and Exchange Commission (SEC) and its other filings and submissions with the SEC which are available on Telkom’s website at www.telkom.co.za/ir, including, but not limited to, increased competition in the South African telecommunications markets; developments in the regulatory environment; continued mobile growth and reductions in Vodacom’s and Telkom’s net interconnect margins; Vodacom’s and Telkom’s ability to expand their operations and make investments and acquisitions in other African and other countries and the general economic, political, social and legal conditions in South Africa and in other countries where Vodacom and Telkom invest; our ability to attract and retain key personnel; our inability to appoint a majority of Vodacom’s directors and the consensus approval rights at Vodacom that may limit our flexibility and ability to implement our preferred strategies; Vodacom’s continued payment of dividends or distributions to us; our ability to improve and maintain our management information and other systems; our negative working capital; changes in technology and delays in the implementation of new technologies; our ability to reduce theft, vandalism, network and payphone fraud and lost revenue to non-licensed operators; our ability to improve our internal control over financial reporting; health risks related to mobile handsets, base stations and associated equipment; risks related to our control by the Government of the Republic of South Africa and major shareholders and the South African Government’s other positions in the telecommunication industry; the outcome of regulatory, legal and arbitration proceedings, including tariff approvals, and the outcome of Telkom’s hearing before the Competition Commission; its proceedings with Telcordia Technologies Incorporated and others; our ability to negotiate favourable terms, rates and conditions for the provision of interconnection services and facilities leasing services; our ability to implement and recover the substantial capital and operational costs associated with carrier pre-selection, Number Portability and the monitoring, interception and customer registration requirements contained in the South African Regulation of Interception of Communication and Provision of Communication – Related Information Act. Telkom’s ability to comply with the South African Public Finance Management Act and South African Public Audit Act and the impact of the Municipal Property Rates Act; fluctuations in the value of the Rand; the impact of unemployment, poverty, crime and HIV infection, labour laws and exchange control restrictions in South Africa; and other matters not yet known to us or not currently considered material by us.

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

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

Telkom SA Limited is listed on the JSE Limited and the New York Stock Exchange. Information may be accessed on Reuters under the symbols TKG.J and TKG.N and on Bloomberg under the symbol TKG.JH.

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1. Highlights

Johannesburg, South Africa – November 13, 2006, Telkom SA Limited (JSE and NYSE: TKG), South Africa's largest communications group today announced Group results for the six months ended September 30, 2006. The Group delivered a solid performance across both business segments primarily as a result of continued growth in the fixed-line and mobile businesses.

GROUP FINANCIAL HIGHLIGHTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2006

• Operating revenue up 7.3% to R25,147 million

• 0.8% growth in operating profit to R7,685 million

• 40.7% group EBITDA margin

• 6.6% net debt increase to R11,659 million, and net debt to equity ratio of 41.6%

• Headline earnings increased by 10.6% to 874.7 cents per share

• Basic earnings increased by 7.5% to 868.1 cents per share

Statement by Papi Molotsane, Chief Executive Officer:

"The Telkom Group has delivered a commendable performance across all business segments, reporting headline earnings per share growth of 10.6% to 874.7 cents per share.

The fixed-line business' focus on growing annuity revenue streams and increasing the contribution of data services has resulted in revenue increasing by 0.7%. The 3.1% increase in operating expenses to maintain the quality and functionality of our network is a testament to our determination to improve service levels.

The mobile business has again delivered an excellent performance increasing estimated market share to 59%.

Telkom is operating in a challenging environment and our commitment of staying ahead of the curve is evident in the 41.0% increase in fixed-line capital expenditure. It is imperative that we be able to take our customers into the future ICT landscape. We believe that the next generation network we are deploying will provide our customers with world class ICT solutions and ensure long-term sustainable returns for our shareholders."

SOLID FINANCIAL PERFORMANCE

The Group has delivered a solid performance for the six months ended September 30, 2006. Group operating revenue increased 7.3% to R25,147 million and group operating profit increased 0.8% to R7,685 million. The Group earnings before interest, tax, depreciation and amortisation ("EBITDA") margin declined to 40.7% compared to 44.5% in the six months ended September 30, 2005. This was mainly due to a lower fixed-line EBITDA margin of 42.0% for the six months ended September 30, 2006 compared to 46.6%, for the six months ended September 30, 2005, as a result of increased fixed-line operating expenditure partially offset by strong fixed-line data revenue growth. The EBITDA margin of 33.8% for the mobile business decreased marginally compared to 34.4% in the six months ended September 30, 2005 mainly as a result of increased operating expenditure partially offset by increased revenues resulting from strong customer growth.

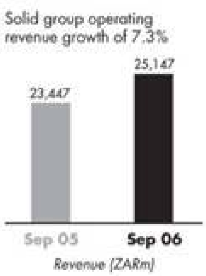
Headline earnings per share for the six months ended September 30, 2006 grew by 10.6% to 874.7 cents per share and basic earnings per share grew 7.5% to 868.1 cents per share. The strong growth in earnings was attributed to the increase in operating profit and a 41.3% reduction in finance charges.

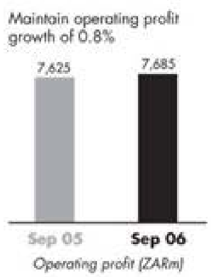
Cash generated from operations increased 4.9% to R9,046 million and facilitated capital expenditure of R4,193 million and the repurchase of 11,053,865 Telkom ordinary shares to the value of R1,454 million. Our Group net debt to equity ratio of 41.6% at September 30, 2006, has increased from 23.2% at March 31, 2006.

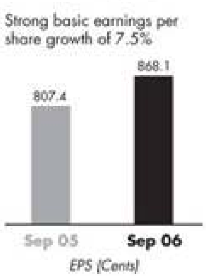
SUMMARY GROUP FINANCIAL RESULTS

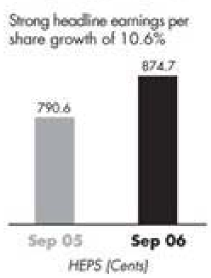
In ZAR millions	Year ended March 31, Restated 2006	Six months ended September 30 Restated 2005	2006	%
Operating revenue	47,625	23,447	**25,147**	7.3
Operating profit	14,677	7,625	**7,685**	0.8
EBITDA(3)	20,553	10,429	**10,225**	(2.0)
Capital expenditure(1)	7,506	3,096	**4,190**	35.3
Operating free cash flow	7,104	2,645	**1,396**	(47.2)
Net debt	6,828	10,935	**11,659**	6.6
Basic EPS (ZAR cents)	1,746.1	807.4	**868.1**	7.5
Headline EPS (ZAR cents)(3)	1,728.6	790.6	**874.7**	10.6
Operating profit margin (%)	30.8	32.5	**30.6**	
EBITDA margin (%)	43.2	44.5	**40.7**	
Net debt to equity (%)	23.2	44.6	**41.6**	
After tax operating return on assets (%)(2)	25.6	13.0	**11.9**	
Capex to revenue (%)(2)	15.8	13.2	**16.7**	

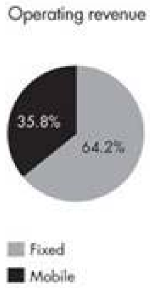
1. Including spend on intangibles
2. Not annualised
3. EBITDA and headline earnings have been reconciled to net profit – Refer to page 55



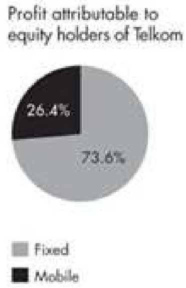


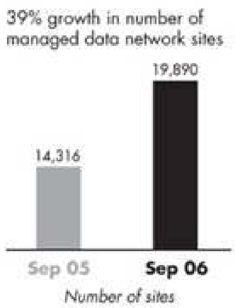


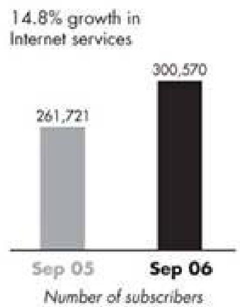


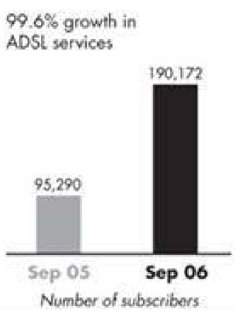

Operating revenue
35.8%
64.2%
Fixed
Mobile

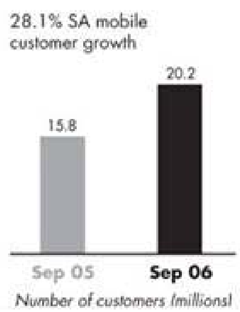

Operating profit
27.8%
72.2%
Fixed
Mobile


Profit attributable to
equity holders of Telkom
26.4%
73.6%
Fixed
Mobile


39% growth in number of
managed data network sites
14,316
19,890
Sep 05
Sep 06
Number of sites


14.8% growth in
Internet services
261,721
300,570
Sep 05
Sep 06
Number of subscribers


99.6% growth in
ADSL services
95,290
190,172
Sep 05
Sep 06
Number of subscribers


28.1% SA mobile
customer growth
15.8
20.2
Sep 05
Sep 06
Number of customers (millions)

OPERATIONAL DATA

	As at March 31, 2006	As at September 30 2005	**2006**	%
Fixed-line data				
Fixed access lines ('000)(1)	4,708	4,730	**4,675**	(1.2)
Postpaid – PSTN	2,996	3,011	**2,996**	(0.5)
Postpaid – ISDN channels	693	682	**708**	3.8
Prepaid	854	870	**807**	(7.2)
Payphones	165	167	**164**	(1.8)
Fixed-line penetration rate (%)	10.0	10.1	**9.9**	(2.0)
Revenue per fixed access line (ZAR)(6)	5,304	2,661	**2,611**	(1.9)
Total fixed-line traffic (millions of minutes)(6)	31,015	15,905	**14,844**	(6.7)
Local	18,253	9,523	**8,430**	(11.5)
Long distance	4,446	2,258	**2,298**	1.8
Fixed-to-mobile	4,064	2,027	**2,017**	(0.5)
International outgoing	515	246	**265**	7.7
International VoIP	83	47	**20**	(57.4)
Interconnection	3,654	1,804	**1,814**	0.6
Mobile interconnection	2,299	1,117	**1,170**	4.7
International interconnection	1,355	687	**644**	(6.3)
Managed data network sites	16,887	14,316	**19,890**	38.9
Internet subscribers(2)	284,908	261,721	**300,570**	14.8
ADSL subscribers(3)	143,509	95,290	**190,172**	99.6
Fixed-line employees (excluding subsidiaries)	25,575	25,636	**25,826**	0.7
Fixed-line employees (including subsidiaries)	26,156	26,222	**26,434**	0.8
Fixed access lines per fixed-line employee(4)	184	185	**181**	(2.2)
Mobile data(4)				
Total customers ('000)	23,520	19,122	**25,753**	34.7
South Africa				
Mobile customers ('000)	19,162	15,773	**20,201**	28.1
Contract	2,362	2,092	**2,675**	27.9
Prepaid	16,770	13,653	**17,440**	27.7
Community services telephones	30	28	**86**	207.1
Mobile churn (%)	17.7	17.4	**43**	147.1
Contract	10.0	9.3	**11.0**	18.3
Prepaid	18.8	18.7	**47.7**	155.1
Estimated mobile market share (%)	57.9	56.9	**59.0**	3.5
Mobile penetration (%)	70.6	59.1	**72.2**	22.2
Total mobile traffic (millions of minutes)(6)	17,066	8,038	**9,721**	20.9
Mobile ARPU (ZAR)(6)	139	147	**124**	(15.6)
Contract	572	588	**528**	(10.2)
Prepaid	69	71	**61**	(14.1)
Community services	1,796	1,960	**1,017**	(48.1)
Number of mobile employees	4,148	4,119	**4,137**	0.4
Mobile customers per mobile employee	4,620	3,829	**4,883**	27.5
Other African countries				
Mobile customers (thousands)	4,358	3,349	**5,552**	65.8
Number of mobile employees	1,154	1,181	**1,184**	0.3
Number of mobile customers per mobile employee	3,776	2,836	**4,689**	65.3

1. Excludes Telkom internal lines of 107,604 (September 30, 2005: 106,513)
2. Includes Telkom Internet ADSL, satellite and dial-up subscribers
3. Excludes Telkom internal lines of 397 (September 30, 2005: 299)
4. Based on number of fixed-line employees, excluding subsidiaries
5. 100% of Vodacom data
6. For the six months ended

2. Operational overview

DELIVERED TO ALL STAKEHOLDERS

The Group is delivering on its strategic intent to create long-term value for stakeholders in the six months ended September 30, 2006 by striving to fulfill customer needs through introducing innovative products and delivering solid financial returns to shareholders.

The fixed-line revenue held up well, improving 0.7% despite tariff reductions on certain products and the loss of dial-up minutes due to our ADSL rollout. The decrease in call traffic volumes of 7% were offset by 65% volume growth in data services, increased revenue from subscriptions and connections and rental and service fees. EBITDA margins decreased mainly due to an increase in employee expenses as a result of an increased headcount necessary to deliver on improving service levels and the deployment of the NGN as well as salary increases, increased medical aid expenses and increased bonus provisioning. Selling, general and administrative expenses increased as expected largely due to material and maintenance and marketing. Depreciation was 18.8% lower due to the extension of useful lives of certain assets.

South African Mobile customers increased 28.1% during the six months to September 30, 2006, reinforcing Vodacom's market leadership position in South Africa. Exceptional customer growth and continued efficiencies in the mobile business resulted in a marginal EBITDA margin decrease of 33.8% against a 15.6% decline in South African ARPUs.

INCREASING IMPORTANCE OF DATA REVENUE

The fixed-line business achieved a 13.5% increase in data revenue for the six months ended September 30, 2006, with strong growth in all data revenue categories.

ADSL adoption in the consumer and small and medium size business segment increased in the 2006 interim period to 190,172 subscribers. Telkom has accelerated the fibre roll-out to shorten copper loop lengths and accelerated the roll-out of IMAX – an integrated multi access platform – for wireline services and WIMAX for wireless services. The ADSL customisation of SA's self install option is close to completion. Telkom is well on its way to achieve ADSL penetration of 15% – 20% of fixed access lines by 2010.

The continuing demand for broadband during the six months ended September 30, 2006, has resulted in strong growth in fixed-line's leased line and other data services revenue of 8.8%. Revenue from cellular operator fixed links has increased from R600 million in the six months ended September 30, 2005 to R803 million in the six months ended September 30, 2006, mainly as a result of the roll-out of cellular operators' 3G networks.

Telkom's vision is to become an ICT solutions partner for corporate and business customers, moving up the value chain, providing higher value products and services to our traditional voice and data products. This strategy has been validated by our success in winning large corporate customer accounts and delivering to their ICT requirements from voice products and services to network management. Our VPN Supreme and Customer Network Care products aimed mainly at the medium to large sized business, have enjoyed success through alignment with customers' requirements.

Vodacom's data revenue increased by 61.5% to R722 million (50% share) for the six months ended September 30, 2006 from R447 million (50% share) for the six months ended September 30, 2005, contributing 7.4% (September 30, 2005: 5.5%) to mobile operating revenue.

Growth in mobile data revenue is mainly due to the launch of new data initiatives such as 3G, HSDPA, Mobile TV, Vodafone live!, BlackBerry® and the continued popularity of SMS.

Telkom made an offer to Business Connexion's ("BCX") shareholders to acquire 100% of BCX for R2.5 billion. The offer price constitutes R9 per share, plus BCX to pay a special dividend of
25 cents per share. Telkom believes that the BCX acquisition provides a good opportunity to create shareholder value as it enables Telkom to enter the data hosting and desktop management market. These services are complementary to the value adding products and services being developed within Telkom. The Competition Commission has agreed to refer the matter to the Competition Tribunal by November 17, 2006 and a pre-hearing is scheduled at the Competition Commission for November 24, 2006.

On August 31, 2006 Telkom announced the creation of Telkom Media (Pty) Ltd, a private company with a 41.5% Black Economic Empowerment shareholding, which on August 31,2006 applied to ICASA for a commercial satellite and cable subscription broadcast licence. Telkom Media will offer two media- and entertainment services: satellite pay-TV and cable TV (IPTV). Initial offerings in the satellite subscription service will provide subscribers with access to seven locally compiled television channels which will contain a significant amount of local content. Entry into the bouquet will be priced at a level that is favourable to the majority of South Africans.

Telkom's entrance into the pay-TV market opens new opportunities for it in the Information, Communications and Entertainment space and is in line with its strategy to provide converged solutions and satisfy the diverse needs of an increasingly sophisticated customer base.

POSITIVE CUSTOMER RESPONSE TO NEW INNOVATIVE PRODUCTS AND SERVICES

Telkom's aim to secure and increase its annuity revenue streams and to enhance the customer experience by introducing innovative value enhancing bundled products and services has been borne out by the phenomenal take up of Telkom Closer and other enhanced PC bundled products.

Telkom Closer bundles rental, call answer, Standard time minutes and Callmore minutes into a package which allows the customer to pay a flat monthly charge. Demand for the product has been strong, resulting in the sign up of 180,258 customers since the launch in February 2006.

PC Bundled products introduced in July 2005 have already been accepted well by the market with 920 bundles sold in the month of September 2006. The multiple choices of bundled options should lead to increased network utilisation.

Another new product, Telkom PD Connect, is geared towards gated communities, multi tenanted complexes and business developments. The product offers bundled voice, data and video services and is promoted through a strategic alliance between Telkom and property developers.

The business segment has responded positively to both Telkom Supreme Call and particularly well to VPN Supreme which has shown 355% growth in the last 18 months. Telkom's Internet Protocol VPN extended coverage now spans across 70 countries and over 700 cities globally.

Other value added products that have received a positive response include:

• The provision of free medical emergency response for fixed-line customers by Netcare 911;

• SpaceStream providing satellite access; and

• Office Suite providing office functionality to the small and medium enterprise market.

Through bundled products Telkom intends to increase its annuity income, create a value comparison for the customer and improve our competitive position.

Telkom's strategic intent to retain and grow revenue has led to the development of a flat rate plan to combat the negative minutes of use trend in the consumer market. In addition, arbitrage opportunities between local and long distance and the gap between Standard time- and Callmore rates are being reduced while continuous tariff rebalancing is taking place.

TOTAL MOBILE CUSTOMERS UP BY 34.7% TO 25.8 MILLION

Vodacom performed strongly in the six months ending September 30, 2006, improving estimated South African market share to approximately 59%. Telkom's 50% share of Vodacom's profit from operation increased 17.5% to R2,483 million. Mobile operating profit margin decreased to 25.5% while mobile EBITDA increased 18.2% to R3,289 million. EBITDA margin decreased to 33.8% from 34.4% in the previous comparable period.

Vodacom's South Africa customer base increased 28.1% to 20.2 million customers.

Vodacom South Africa's continued focus on retentions in the six months ended September 30, 2006 ensured a low South African contract churn of 11.0% (September 30, 2005: 9.3%). South African prepaid churn of 47.7% for the six months ended September 30, 2006 was largely the result of a once-off rule change to disconnect 2.4 million sim cards which were only carrying call forward traffic to voicemail. The blended South African ARPU over the six months ended September 30, 2006 was R124, (September 30, 2005: R147).

Outside South Africa, Vodacom grew its customer base by 65.8% to 5.6 million customers as at September 30, 2006 (September 30, 2005: 3.3 million). Vodacom Tanzania achieved a substantial 61.5% increase in customers to 2.6 million as at September 30, 2006 (September 30, 2005: 1.6 million). Vodacom Congo saw a 64.0% increase in customers to 2.0 million customers as at September 30, 2006 (September 30, 2005: 1.2 million). Vodacom Lesotho increased its customer base by 39.2% to 238,000 customers as at September 30, 2006 (September 30, 2005: 171,000). Vodacom Mozambique increased its customer base substantially by 106.5% to 694,000 customers as at September 30, 2006 (September 30, 2005: 336,000).

FOCUSED ON ACHIEVING IMPROVED SERVICE LEVELS

The increased demand for our products and services has seen our service levels come under pressure necessitating an increase in headcount to improve service levels.

One of Telkom's key strategic focus areas is improving customer centricity. This includes network reliability and market focused products and services. Indirect customer interface has been enhanced through indirect sales channels (for distribution of Telkom products by Woolworths), Smart Moves (to simplify adoption of services by new home owners in partnership with banking institutions) and the External Sales Agent Programme which allows vendors to sell Telkom products and services.

Telkom has also repositioned customer facing outlets and launched projects to improve customer communication and improve the internal processes for the installation of new services.

COMPETITIVE PRICING AND VOLUME GROWTH

Telkom reduced prices on its regulated basket of products and services by 2.1%.

From August 1, 2006, the following price changes have been effective:

• ADSL rental	24%	average decrease
• Long distance	10%	decrease
• International	10%	average decrease
• Data	9%	average decrease
• Rental (analogue lines)	8%	increase

Rebalancing of tariffs is designed to allow effective competition in all areas going forward. The reduction of telecommunication costs should benefit all South Africans and contribute positively to the economy.

CONTINUOUS ADVANCEMENT OF OUR NETWORK

Currently Telkom is deploying Metro Ethernet NG-SDH, a platform for converged multimedia services to support metropolitan network bandwidth requirements and soft-switching platforms, aimed mainly at the business community. The deployment of IMAX – a multi service access platform including narrowband and broadband service for wireline application together with WiFi and WiMAX is being accelerated. IMAX is largely for the benefit of residential consumer markets. Various IP based services such as VoIP, IPTV and hosted PBX are being implemented as replacement technology for the backbone network.

In line with customer demand and sound financial criteria, we will continue to invest in improving our network and the orderly migration to an IP base network to supply next generation products and services.

RECOGNITION OF THE VALUE OF OUR EMPLOYEES

Telkom believes that its skilled and experienced workforce is its competitive advantage. Rapidly changing technology, increasing specialisation requirements and capacity gaps necessitate ongoing development and training requirements. Telkom continues to invest significantly in its employees to ensure that the appropriate business skills are available to meet customer requirements.

For the six months ended September 30, 2006, Telkom spent R228.7 million (September 30, 2005:R190.0 million) on training and development and employees participated in 76,004 (September 30, 2005: 42,950) facilitator led training days.

SIGNIFICANT RETURNS TO SHAREHOLDERS AND EMPLOYEE SHARE OWNERSHIP

In the six months ended September 30, 2006, the Company repurchased 11.1 million shares to the value of R1,454 million (including costs) which are in the process of being cancelled as issued share capital and restored as authorised but unissued share capital.

The AGM held on October 20, 2006 granted the Board of Directors further authority to buy back shares to a limit of 20% of shares in issue.

The Telkom Board approved a grant of 1,824,984 shares with effect from June 2, 2006, to employees in terms of the Telkom Conditional Share Plan.

As previously communicated, Telkom aims to pay a steadily growing annual ordinary dividend. The level of dividend will be based upon a number of factors, including, among other things, the assessment of financial results, available growth opportunities, capital and operating expenditure requirements, the Group's net debt level, interest coverage and future expectations, including internal cash flows and share buybacks.

THE REGULATORY ENVIRONMENT

Telkom faces regulatory challenges and through constructive dialogue endeavours to achieve a regulatory framework that is realistic, equitable and beneficial to the industry. The following details the main regulatory issues affecting the industry and Telkom.

Electronic Communications (EC) Act

The EC Act, No 36 of 2005, was promulgated on July 19, 2006. The primary aim of the Act is to promote convergence in the broadcasting, broadcasting signal distribution and telecoms sectors and to provide the legal framework for convergence of these sectors.

The Act will liberalise the market further and will result in a change in the licensing structure. Essentially, separate licenses will be granted for the provision of infrastructure, communication services and broadcasting services. All existing licensees will need to be issued with new licenses.

The EC Act creates challenges as well as opportunities that Telkom will certainly explore. In parallel with the EC Act, the ICASA Act has been amended, effective from July19, 2006.

Interconnection and Facilities Leasing

Current regulations make provision for cost based interconnection and facilities leasing. Telkom submitted its regulatory accounts on a fully allocated costs basis to ICASA in September 2005, and long run incremental costs (LRIC) statements were submitted on September 29, 2006 together with updated fully allocated costs regulatory accounts.

Operators classified as "major" operators are required to supply interconnection services and facilities that ICASA has determined to be "essential" to "public" operators at cost based tariffs as entitled to by the provisions of their licenses. Telkom has been declared a "major" operator by ICASA.

Public hearings were held by ICASA on new interconnection and facilities leasing regulations in late March 2006. The final regulation has not yet been published. The draft regulations propose that LRIC based interconnection be extended to all licensees.

Telkom and Neotel (Pty) Limited, South Africa's second national operator are in talks on interconnection and facilities leasing agreements.

Number Portability (NP)

In terms of regulations published in September 2005, Telkom is expected to provide portability in blocks of 10,000 numbers two months after Neotel's launch of services in blocks of 1,000 numbers four months after Neotel's launch of services and individual number portability 12 months after it is requested to provide it. Neotel has, requested NP in February 2006 and discussions on the implementation of the required inter-operator systems are under way. However, since the functional specifications for the implementation of NP between fixed-line operators have not yet been finalised no material progress can be made in this regard.

ICASA has indicated that mobile Number Portability will be introduced as from November 10, 2006.

Local loop unbundling

Telkom is required, in terms of existing regulations, to provide Neotel with shared access to its local loop.

Although the Telecommunications Act, 103 of 1996, provided that no general local loop unbundling will be required for the first two years of operation of Neotel, the EC Act, which repeals the Telecommunications Act, makes provision for unbundling of the local loop, subject to ICASA making the necessary regulations.

ADSL regulations

ADSL regulations have been published. These primarily provide a framework for the terms and conditions under which ADSL services must be provided, and the tariffs structure thereto.

Interception of Communication and Communication-related Information Act

The effective date of the Act is September 30, 2005 with the exception of the provisions dealing with customer registration which is effective June 30, 2006.

Subscriber registration

The Act requires customers to produce an identification document and a physical address which the operator must verify.

The mobile operators have succeeded in obtaining, in principle, support for an electronic registration process. The legislative amendments to effect the changes have not yet been effected.

Telkom and Vodacom are in a position to intercept communications and register subscribers. However, the Act does place onerous conditions on operators and, therefore, Telkom continues to engage the authorities on the practical implications of the Act.

Conclusion

Telkom believes that it is well placed to deal with all regulatory challenges facing Telkom. Telkom actively plans and analyses multiple regulatory scenarios to ensure that it is prepared for changes in regulation.

TELKOM IS A LEADER IN TRANSFORMATION

Telkom has always viewed South Africa’s effective transformation as imperative for its own sustainable long-term growth. Telkom concurs with the view that BEE should seek to deliver meaningful and truly broad-based empowerment to the majority of South Africa’s people. The draft Information and Communication Technology ICT BEE Charter has been agreed to by the industry and it is expected to be aligned with the Department of Trade and Industry (DTI) Codes of Good Practice. DTI’s Codes are in draft form and are awaiting finalisation.

Telkom spent R3.9 billion on empowered or significantly empowered suppliers for six months ended September 30, 2006.

Telkom’s transformation progress has been consistently recognised. Telkom was placed fifth out of 200 companies in the annual 2006 FM/Empowerdex Most Empowered Company in SA Survey.

Telkom’s social investment programme through the Telkom Foundation has continued to contribute to the positive transformation of disadvantaged communities through social investments aimed at achieving sustainable development. The social investment programmes have continued to focus on the following three main focus areas:

- Education and Training;
- Empowerment of Women, Children and People with Disabilities; and
- ICT Planning and Infrastructure rollout.

The Telkom Foundation was recognised for its commitment, receiving numerous awards and recognition. The most notable being the PMR Awards for first overall winner on corporate care within the telecommunications sector, gold status on social upliftment, BEE, job creation and training.

STRATEGY

Telkom's vision is to be a leading customer and employee centred Information and Communications Technology (ICT) solutions service provider. Telkom is delivering on balancing the needs of all stakeholders to ensure long-term sustainable and profitable growth of the business.

The accelerated liberalisation of the market, in particular the implications of the Electronic Communications Act, the emergence of new technologies and customer demand is clearly material to Telkom's strategic intentions. Telkom believes that it is strongly positioned to compete effectively in a liberalised market. Customer service excellence through a skilled and dedicated workforce with greater product and service choice and value for customers will ensure long-term value creation. Telkom will pursue opportunities to provide the full spectrum of ICT solutions including voice, data, video and internet services increasingly through broadband penetration.

To ensure that Telkom can sustain the creation of value relative to developments in its dynamic and changing market environment, management are now implementing the shifts in strategic emphasis detailed in April 2006.

Telkom is focusing on the following primary imperatives to sustain long-term value creation for all its stakeholders:

- Investing in the development of employees to maintain competitive advantage;
- Enhancing customer satisfaction through customer centricity;
- Retaining revenue and generating growth;
- Evolving to a Next Generation Network in order to support profitable growth through prudent cost management; and
- Repositioning Telkom stakeholder management to create healthy external relationships.

The realisation of Telkom's strategic intentions ultimately lies in the hands of Telkom's people.

The evolution to an IP centric network is a business imperative.

The evolution to a Next Generation Network in a phased approach which is based on sound commercial criteria and is being designed to enable Telkom to exploit new opportunities in the ICT solutions market.

Given the centrality of ICT to economic growth and social development, Telkom remains strategically important to the achievement of national objectives and will continue to invest significantly in the development of a viable and vibrant marketplace.

Telkom is exploring opportunities outside its borders where there is potential for growth, healthy returns and long-term value creation for its stakeholders. The focus is on data acquisitions and fixed/mobile opportunities. A detailed evaluation process is followed for each opportunity to ensure it is a strategic fit, all risks and resource requirements are understood and that the potential returns exceed our minimum requirements.

Prospects for the six months ahead

Fixed-line revenues in the financial year ending March 31, 2007 are expected to be impacted by tariff decreases, increased competition and the migration from dial-up traffic to ADSL. Our strategic initiatives to improve service levels are expected to result in above inflationary increases in operating expenses. The slower than expected start up of Neotel, market share losses and the non-implementation of Fully Allocated costs, Number Portability and Carrier Pre Selection is likely to see Telkom at the higher end of, or slightly above the guidance provided in April 2006 for fixed-line EBITDA margin of between 37% and 40% for the year ending March 31, 2007.

Fixed-line CAPEX is expected to be between 18% and 22% of revenue. The increase from the financial year ended March 31, 2006 is due to capacity increases and the accelerated evolution to an IP centric network for the introduction of a Next Generation Network.

The mobile business is focused on maintaining its market share and growing revenue through value-added services. Through improved efficiencies, the EBITDA margin is expected to remain fairly stable.

The Group net debt to equity target remains the same at 50% to 70%.

3. Group performance

GROUP OPERATING REVENUE

Group operating revenue increased 7.3% to R25,147 million (September 30, 2005: R23,447 million) in the six months ended September 30, 2006. Fixed-line operating revenue, after inter-segmental eliminations, increased 0.4% to R16,139 million primarily due to solid growth in data services and increased subscription revenue, partially offest by lower traffic and interconnection revenues. Mobile operating revenue, after inter-segmental eliminations, increased 22.2% to R9,008 million primarily due to customer growth offset by declining ARPUs.

GROUP OPERATING EXPENSES

Group operating expenses increased 9.7% to R17,675 million (September 30, 2005: R16,109 million) in the six months ended September 30, 2006, primarily due to a 21.7% increase in operating expenses in the mobile segment to R6,899 million (after inter-segmental eliminations). Fixed-line operating expenses increased 3.2% to R10,776 (after inter-segmental eliminations) primarily due to increased employee expenses, selling general and administrative expenses, services rendered and operating leases, partially offset by a decrease in depreciation, amortisation, impairment and write-offs and payments to other operators. The increase in mobile operating expenses of 21.7%, after inter segmental eliminations, was primarily due to increased gross connections resulting in increased costs to connect customers onto the network as well as increases in staff expenses due to an increase in the headcount to support the growth in operations. Mobile payments to other operators also increased as a result of the increased outgoing traffic terminating on other mobile networks relative to traffic terminating on the fixed-line network.

INVESTMENT INCOME

Investment income consists of interest received on short-term investments and bank accounts. Investment income decreased 21.7% to R170 million (September 30, 2005: R217 million), largely as a result of less cash available for short-term investments due to higher taxation payments.

FINANCE CHARGES

Finance charges include interest paid on local and foreign borrowings, amortised discounts on bonds and commercial paper bills, fair value gains and losses on financial instruments and foreign exchange gains and losses. Finance charges decreased 41.3% to R437 million (September 30, 2005: R744 million) in the six months ended September 30, 2006, primarily due to a 4.4% decrease in interest expense to R673 million (September 30, 2005: R704 million) as a result of the redemption of local and foreign loans. In addition to the decrease in the interest expense, net fair value and exchange gains on financial instruments of R236 million (September 30, 2005: Loss of R40 million) arose primarily as a result of currency movements.

TAXATION

Consolidated tax expense increased 3.8% to R2,844 million (September 30, 2005: R2,739 million) in the six months ended September 30, 2006. The consolidated effective tax rate for the six months ended September 30, 2006, was 38.3% (September 30, 2005: 38.6%). Telkom Company’s effective tax rate was 28.7% (September 30, 2005: 32.5%). The lower effective tax rate for Telkom Company in the six months ended September 30, 2006, was primarily due to higher exempt income resulting mainly from dividends received. Vodacom’s effective tax rate decreased marginally to 37.3% (September 30, 2005: 37.9%).

PROFIT FOR THE YEAR AND EARNINGS PER SHARE

Profit for the six months ended September 30, 2006 attributable to the equity holders of Telkom increased 4.9% to R4,500 million (September 30, 2005: R4,288 million) in the six months ended September 30, 2006.

Group basic earnings per share increased 7.5% to 868.1 cents (September 30, 2005: 807.4 cents) and Group headline earnings per share increased 10.6% to 874.7 cents (September 30, 2005: 790.6 cents).

4. Group balance sheet

Solid operating performance across the Group has seen the balance sheet retain its strength and move towards a more efficient capital structure. Net debt, after financial assets and liabilities, increased 6.6% to R11,659 million (September 30, 2005: R10,935 million) resulting in a net debt to equity ratio of 41.6% from 44.6% at September 30, 2005. On September 30, 2006, the Group had cash balances of R718 million.

During the six months ended September 30, 2006, 11.1 million shares were repurchased for R1,454 million. These shares are in the process of being cancelled as issued share capital and restored as authorised but unissued share capital. Interest-bearing debt, including credit facilities utilised, decreased 6.2% to R12,831 million (September 30, 2005: R13,675 million) in the six months ended September 30, 2006. The Group repaid R430 million of the commercial paper debt by September 30, 2006, which was partially offset by R1,146 million nominal value of commercial paper issued during the six months ended September 30, 2006.

5. Group cash flow

Cash flows from operating activities decreased 11.8% to R772 million (September 30, 2005: R875 million), primarily due to higher taxation payments offset in part by increased operational cash flows. Cash flows utilised in investing activities increased 33.3% to R4,102 million (September 30, 2005: 3,078 million), primarily due to increased capital expenditure in both the mobile and fixed-line segments. Cash utilised in financing activities primarily consists of R1,403 million for share buybacks and a R430 million repayment of commercial paper bills, which was partially offset by R1,146 million nominal value commercial paper bills issued during the six months ended September 30, 2006.

SUMMARY

In ZAR millions	Year ended March 31, 2006	Six months ended September 30 2005	**2006**	%
Cash generated from operations	19,724	8,625	**9,046**	4.9
Cash from operating activities (after tax, interest and dividends)	9,506	875	**772**	(11.8)
Investing activities	(7,286)	(3,078)	**(4,102)**	33.3
Financing activities	(258)	859	**(817)**	(195.1)
Net increase/(decrease) in cash	1,962	(1,344)	**(4,147)**	208.6

6. Group capital expenditure

Group capital expenditure which included spend on intangibles, increased 35.3% to R4,190 million (September 30, 2005: R3,096 million) and represents 16.7% of Group revenue (September 30, 2005: 13.2%).

FIXED-LINE CAPITAL EXPENDITURE

In ZAR millions	Year ended March 31, 2006	Six months ended September 30 2005	2006	%
Baseline	2,128	851	**1,377**	61.8
Portfolio	2,756	963	**1,078**	11.9
Revenue generating	374	150	**93**	(38.0)
Network evolution	330	76	**273**	259.2
Sustainment	596	130	**173**	33.1
Effectiveness and efficiency	1,080	515	**417**	(19.0)
Support	376	92	**122**	32.6
Regulatory	15	16	**143**	793.8
Other	36	28	**21**	(25.0)
	4,935	1,858	**2,619**	41.0

Fixed-line capital expenditure which include spending on intangibles, increased 41.0% to R2,619 million (September 30, 2005: R1,858 million) and represents 15.9% of fixed-line revenue (September 30, 2005: 11.3%). Baseline and revenue generating capital expenditure of R1,470 million (September 30, 2005: R1,001 million) was largely for the deployment of technologies to support the growing data services business (including ADSL footprint), links to the mobile cellular operators and expenditure for access line deployment in selected high growth residential areas. The continued focus on rehabilitating the access network and increasing the efficiencies and redundancies in the transport network contributed to the network evolution and sustainment capital expenditure of R446 million (September 30, 2005: R206 million).

Telkom continues to focus on its operations support system investment with current emphasis on workforce management, provisioning and fulfilment, assurance and customer care, hardware technology upgrades on the billing platform and performance and service management. During the six months ended September 30, 2006, R417 million (September 30, 2005: R515 million) was spent on the implementation of several systems.

MOBILE CAPITAL EXPENDITURE

In ZAR millions	Year ended March 31, 2006	Six months ended September 30 2005	2006	%
South Africa	2,200	1,072	**1,263**	17.8
Other African countries	371	166	**308**	85.5
	2,571	1,238	**1,571**	26.9

Mobile capital expenditure which include spending on intangibles, (50% of Vodacom’s capital expenditure) increased 26.9% to R1,571 million (September 30, 2005: R1,238 million) and represents 16.1% of mobile revenue (September 30, 2005: 15.3%) and was mainly spent on the cellular network infrastructure as a result of increased investment in South Africa for growth and investment in 3G technologies. The increase in capital expenditure in other African countries was largely as a result of an increased investment in Tanzania to accommodate the substantial growth in the subscriber base during the year.

7. Segment Performance

Telkom's operating structure comprises two segments, fixed-line and mobile. The fixed-line segment provides fixed-line voice and data communications services through Telkom; directory services through our 64.9% owned subsidiary, TDS Directory Operations and wireless data services through our wholly owned subsidiary, Swiftnet. The mobile segment consists of our 50% joint venture interest in Vodacom.

Vodacom's results are proportionately consolidated into the Telkom Group's consolidated financial statements. This means that we include 50% of Vodacom's results in each of the line items in the Telkom Group's consolidated financial statements. Telkom Directory Services, Swiftnet, Rossal No 65 and Acajou Investments are subsidiaries which are fully consolidated in the Telkom Group's consolidated financial statements.

SUMMARY

In ZAR millions	Year ended March 31, 2006	Six months ended September 30 Restated 2005	**2006**	%
Operating revenue	**47,625**	**23,447**	**25,147**	**7.3**
Fixed-line	32,749	16,398	**16,514**	0.7
Mobile	17,021	8,088	**9,733**	20.3
Inter-segmental eliminations	(2,145)	(1,039)	**(1,100)**	5.9
Operating profit	**14,677**	**7,625**	**7,685**	**0.8**
Fixed-line	10,242	5,512	**5,202**	(5.6)
Mobile	4,435	2,113	**2,483**	17.5
Inter-segmental eliminations	–	–	**–**	–
Operating profit margin (%)	**30.8**	**32.5**	**30.6**	**(5.8)**
Fixed-line	31.3	33.6	**31.5**	(6.3)
Mobile	26.1	26.1	**25.5**	(2.4)
EBITDA	**20,553**	**10,429**	**10,225**	**(2.0)**
Fixed-line	14,646	7,647	**6,936**	(9.3)
Mobile	5,907	2,782	**3,289**	18.2
Inter-segmental eliminations	–	–	**–**	–
EBITDA margin (%)	**43.2**	**44.5**	**40.7**	**(8.6)**
Fixed-line	44.7	46.6	**42.0**	(9.9)
Mobile	34.7	34.4	**33.8**	(1.8)

FIXED-LINE SEGMENT

The fixed-line segment provides fixed-line voice and data communications services through Telkom, directory services through our 64.9% owned subsidiary, Telkom Directory Services, and wireless data services through our wholly owned subsidiary, Swiftnet. The fixed-line segment accounted for 64.2% (September 30, 2005: 68.6%) of Group operating revenues (after inter-segmental eliminations) and 72.2% (September 30, 2005: 77.5%) of Group operating profit at September 30, 2006.

The financial information presented below for the fixed-line segment is before inter-segmental eliminations.

SUMMARY

	Year ended	Six months ended September 30		
	March 31,	Restated		
In ZAR millions	2006	2005	**2006**	%
Revenue	32,749	16,398	**16,514**	0.7
Operating profit	10,242	5,512	**5,202**	(5.6)
EBITDA	14,646	7,647	**6,936**	(9.3)
Capital expenditure(1)	4,935	1,858	**2,619**	41.0
Operating profit margin (%)	31.3	33.6	**31.5**	(6.3)
EBITDA margin (%)	44.7	46.6	**42.0**	(9.9)
Capex to revenue (%)	15.1	11.3	**15.9**	40.7

1. *Including spend on intangibles*

FIXED-LINE OPERATING REVENUE

	Year ended	Six months ended September 30		
	March 31,	Restated		
In ZAR millions	2006	2005	**2006**	%
Subscriptions and connections	5,803	2,836	**3,050**	7.5
Traffic	17,563	8,936	**8,448**	(5.5)
Local	5,753	2,966	**2,735**	(7.8)
Long distance	3,162	1,667	**1,432**	(14.1)
Fixed-to-mobile	7,647	3,821	**3,788**	(0.9)
International outgoing	1,001	482	**493**	2.3
Interconnection	1,654	844	**781**	(7.5)
Mobile operators(1)	760	361	**400**	10.8
International operators	894	483	**381**	(21.1)
Data	6,649	3,189	**3,621**	13.5
Leased lines and other data	5,282	2,589	**2,818**	8.8
Mobile leased facilities(2)	1,367	600	**803**	33.8
Directories and other	1,080	593	**614**	3.5
	32,749	16,398	**16,514**	0.7

1. *Interconnection revenue includes revenue from Vodacom of R239 million (September 30, 2005: R206 million), 50% of which is eliminated on consolidation.*
2. *Data revenue includes revenue from Vodacom of R462 million (September 30, 2005: R367 million), 50% of which is eliminated on consolidation.*

Operating revenue from the fixed-line segment, before inter-segmental eliminations, increased 0.7% to R16,514 million (September 30, 2005: R16,398 million) primarily due to strong growth in data services revenue and increased subscription revenue, partially offset by a decline in traffic and interconnection revenues.

Subscription and connections revenue grew 7.5% largely as a result of increased rental tariffs, increased sales of customer premises equipment, including PABX's, and penetration of higher value-added services.

Traffic revenue decreased 5.5% as a result of the acceleration of broadband adoption and the resultant loss of internet dial-up minutes as well as the increasing substitution of calls placed using mobile services rather than fixed-line services. Traffic, including VoIP traffic but excluding interconnection traffic, decreased 7.4% to 13,009 million minutes (September 30, 2005: 14,053 million minutes).

Interconnection revenue decreased 7.5% largely as a result of a decrease of 21.1% in international interconnection revenue. The decreased interconnection revenue from international operators is mainly as a result of a 6.3% decrease in international interconnection traffic minutes to 644 million minutes (September 30, 2005: 687 million minutes). Mobile interconnection revenue increased 10.8% to R400 million (September 30, 2005: R361 million) primarily due to increased interconnection traffic from mobile operators. Mobile interconnection traffic minutes increased by 4.7% to 1,170 million minutes (September 30, 2005: 1,117 million minutes) in the six months ended September 30, 2006.

Data revenue increased 13.5% mainly due to higher demand for data services, including ADSL, in the medium and small business segment with leased line and other data revenue growing 8.8% and mobile leased line revenue growing by 33.8%. The increase in mobile leased facilities is largely due to the rollout of 3G networks by the mobile operators.

FIXED-LINE OPERATING EXPENSES

In ZAR millions	Year ended March 31, 2006	Six months ended September 30 2005	2006	%
Employee expenses	6,470	3,143	**3,610**	14.9
Salaries and wages	4,592	2,240	**2,531**	13.0
Benefits	2,410	1,154	**1,388**	20.3
Workforce reduction expenses	88	45	**14**	(68.9)
Employee related expenses capitalised	(620)	(296)	**(323)**	9.1
Payments to other network operators(1)	6,150	3,129	**3,099**	(1.0)
Payment to mobile operators	5,231	2,612	**2,620**	0.3
Payment to international operators	919	517	**479**	(7.4)
SG&A	3,086	1,437	**1,606**	11.8
Materials and maintenance	1,617	799	**935**	17.0
Marketing	413	159	**231**	45.3
Bad debts	187	39	**70**	79.5
Other	869	440	**370**	(15.9)
Services rendered	2,050	945	**1,066**	12.8
Property management	1,107	529	**558**	5.5
Consultants and security	943	416	**508**	22.1
Operating leases	777	367	**386**	5.2
Depreciation, amortisation, impairment and write-offs	4,404	2,135	**1,734**	(18.8)
	22,937	11,156	**11,501**	3.1

1. *Payments to other network operators include payments made to Vodacom of R1,423 million (September 30, 2005: R1,430 million), 50% of which is eliminated on consolidation*

Fixed-line operating expenses, before inter-segmental eliminations, increased 3.1% in the six months ended September 30, 2006, to R11,501 million (September 30, 2005: R11,156 million), primarily due to increased employee expenses, services rendered, operating leases and selling, general and administrative expenses offset by a decrease in depreciation, amortisation, impairment and write-offs and payment to other operators.

Employee expenses increased 14.9%, largely due to increased salary and wages and benefits expenses as result of an increased headcount necessary to deliver on improving service levels and the deployment of the NGN as well as salary increases, increases to medical aid expenses and increased bonus provisioning.

Payments to other network operators decreased marginally by 1.0% as a result of lower payments to international operators, partially offset by higher payments to mobile operators. Payments to mobile operators increased 0.3%, largely as a result of increased commitment from the fax to e-mail service partially offset by a 0.5% decrease in fixed-to-mobile traffic. Payments to international operators decreased 7.4% primarily due to the decrease of volumes in switched hubbing, partially offset by a 7.7% increase in international outgoing traffic volumes.

Selling, general and administrative expenses increased 11.8% as a result of a increased marketing expenses, materials and maintenance and bad debts.

Services rendered increased 12.8% with property management expenses increasing 5.5% as a result of increased maintenance. Consultants and security costs increased 22.1% primarily as a result of increased cost associated with the next generation network deployment, customer centricity programmes and the regulatory accounting and Sarbanes-Oxley compliance project. Additional increases were as a result of the higher costs of transporting equipment from warehouses to final drop-off points due to an increased number of reported faults resulting from adverse weather conditions.

Operating leases increased 5.2% primarily as a result of increased vehicle lease rates, increased vehicle maintenance and increased ad-hoc vehicle rentals offset in part by a 0.2% reduction in the vehicle fleet from 9,710 vehicles at September 30, 2005 to 9,691 vehicles at September 30, 2006.

In recognition of changed usage patterns of certain items of property, plant and equipment and intangible assets, the Group reviewed their remaining useful lives as at March 31, 2006. The assets affected were certain items included in network equipment, support equipment, office equipment and IT software and hardware. The revised estimated useful lives resulted in a decrease of 18.8% in the depreciation, amortisation, impairment and write-offs to R1,734 million (September 30, 2005: R2,135 million).

Fixed-line operating profit decreased 5.6% to R5,202 million (September 30, 2005: R5,512 million) with an operating profit margin of 31.5% (September 30, 2005: 33.6%).

EBITDA decreased 9.3% to R6,936 million (September 30, 2005: R7,647 million), with EBITDA margins decreasing to 42.0%. (September 30, 2005: 46.6%).

MOBILE SEGMENT

The mobile segment accounted for 35.8% of Group operating revenue (September 30, 2005: 31.4%) (after inter-segmental eliminations) and 27.8% of Group operating profits (September 30, 2005: 22.5%). Vodacom’s operational statistics are presented below at 100%, but all financial figures represent the 50% that is proportionately consolidated in the Group and presented before inter-segmental eliminations.

SUMMARY

In ZAR millions	Year ended March 31, 2006	Six months ended September 30 2005	**2006**	%
Operating revenue	17,021	8,088	**9,733**	20.3
Operating profit	4,435	2,113	**2,483**	17.5
EBITDA	5,907	2,782	**3,289**	18.2
Capital expenditure(1)	2,571	1,238	**1,571**	26.9
Operating profit margin (%)	26.1	26.1	**25.5**	(2.3)
EBITDA margin (%)	34.7	34.4	**33.8**	(1.8)
Capex to revenue (%)	15.1	15.3	**16.1**	5.2

1. Including spend on intangibles

MOBILE OPERATING REVENUE

In ZAR millions	Year ended March 31, 2006	Six months ended September 30 2005	**2006**	%
Airtime and access	10,043	4,791	**5,656**	18.1
Data	1,019	447	**722**	61.5
Interconnect(1)	3,348	1,593	**1,861**	16.8
Equipment sales	1,993	955	**1,156**	21.0
International airtime	486	242	**278**	14.9
Other	132	60	**60**	–
	17,021	8,088	**9,733**	20.3

1. *Interconnect revenue includes revenue from Telkom fixed-lines of R712 million (September 30, 2005: R715 million), which is eliminated on consolidation*

Operating revenue from the mobile segment increased 20.3%, before inter-segmental eliminations, to R9,733 million (September 30, 2005: R8,088 million), primarily driven by customer growth partially offset by declining Average Monthly Revenue Per User (ARPUs) in all operations. Revenue from Vodacom's operations outside of South Africa as a percentage of Vodacom's total mobile operating revenue increased to 9.7% to R943 million (September 30, 2005: R706 million).

The growth in revenue can largely be attributed to a 34.7% increase in Vodacom's total customers to 25,8 million as of September 30, 2006, (September 30, 2005: 19,1 million), resulting from strong growth in prepaid and contract customers in South Africa and 65.8% growth in customers outside of South Africa. In South Africa, total ARPUs decreased 15.6% to R124 (September 30, 2005: R147) for the six months ended September 30, 2006. Contract ARPUs decreased 10.2% to R528 (September 30, 2005: R588) and prepaid ARPUs decreased 14.1% to R61 (September 30, 2005: R71) for the six months ended September 30, 2006.

Vodacom's continued focus on the implementation of upgrade and retention policies in the six months ended September 30, 2006, ensured contract churn of only 11.0% (September 30, 2005: 9.3%). Prepaid churn of 47.7% for the six months ended September 30, 2006, (September 30, 2005: 18.7%) was largely the result of a once-off rule change to disconnect 2.4 million sim cards, which were only carrying call forward traffic to voicemail.

Data revenue increased 61.5% and represents 7.4% of mobile revenue. The growth was largely due to the popularity of SMS and data initiatives such as 3G, HSDPA, Blackberry® Mobile TV, Vodafone live! as well as other data products. Vodacom South Africa transmitted 2.2 billion SMS messages (September 30, 2005: 1.5 billion over its network during the six months ended September 30, 2006.

Mobile interconnect revenue increased by 16.8%, primarily due to an increase in the number of fixed-line calls terminating on Vodacom's network as a result of the increased number of Vodacom customers and South African mobile users.

Equipment sales increased 21.0% primarily due to the growth of the customer base and cheaper handsets combined with added functionality of new phones based on new technologies. South African handset sale volumes increased by 22.2% to 2,2 million units (September 30, 2005: 1.8 million).

Vodacom's international airtime revenue is largely international calls by Vodacom's customers, roaming revenue from Vodacom customers making and receiving calls while abroad and revenue from international customers roaming on Vodacom's network. International airtime revenue increased 14.9%.

MOBILE OPERATING EXPENSES

In ZAR millions	Year ended March 31, 2006	Six months ended September 30 2005	**2006**	%
Employee expenses	1,019	472	**539**	14.2
Payments to other operators(1)	2,317	1,084	**1,337**	23.3
SG&A	7,328	3,552	**4,286**	20.7
Services rendered	65	28	**37**	32.1
Operating leases(2)	435	190	**269**	41.6
Depreciation, amortisation, impairment and write offs	1,472	669	**806**	20.5
	12,636	5,995	**7,274**	21.3

1. *Payments to other operators include payments to Telkom fixed-line of R120 million (September 30, 2005: R103 million), which are eliminated on consolidation*
2. *Operating leases include payments to Telkom fixed-line of R217 million (September 30, 2005: R183 million), which are eliminated on consolidation*

Mobile operating expenses, before inter-segmental eliminations, increased by 21.3% in the six months ended September 30, 2006, primarily due to increased employee expenses, selling and distribution costs, services rendered, operating leases and payments to other operators.

Mobile employee expenses increased 14.2%, primarily due to a 1.3% increase in the total number of employees to 5,499 to support the growth in operations. Employee productivity has improved in all of Vodacom's operations, as measured by customer per employee, increasing by 32.9% to 4,683 customers per employee.

Mobile payments to other operators increased 23.3% to R1,337 million (September 30, 2005: R1,084 million) in the six months ended September 30, 2006, primarily as a result of increased outgoing traffic terminating on the other mobile networks relative to traffic terminating on the fixed-line network

Mobile selling, general and administrative expenses increased 20.7% in the six months ended September 30, 2006, primarily due to an increase in selling, distribution and marketing expenses mainly driven by new technologies and enhancing brand presence in all operations to support the growth in South African and other African operations.

Mobile depreciation, amortisation, impairment and write-offs increased by 20.5% to R806 million in the six months ended September 30, 2006 primarily as a result of a partial impairment reversal of Vodacom Mozambique's asset impairment in the prior period.

Telkom's 50% share of Vodacom's profit from operations increased 17.5% to R2,483 million and the mobile operating profit margin decreased to 25.5%. Mobile EBITDA increased 18.2% to R3,289 million with EBITDA margins decreasing to 33.8%.

8. Employees

FIXED-LINE

	Year ended March 31, 2006	Six months ended September 30 2005	**2006**	%
Telkom Company	25,575	25,636	**25,826**	0.7
Lines per employee	184	185	**181**	(2.2)
Subsidiaries	581	586	**608**	3.8
Fixed-line employees at period end	26,156	26,222	**26,434**	0.8

MOVEMENT IN FIXED-LINE EMPLOYEES

(Telkom Company only, excluding subsidiaries)

	Year ended March 31, 2006	Six months ended September 30 2005	**2006**
Opening balance	28,972	28,972	**25,575**
Appointments	686	199	**793**
Employee losses	(4,083)	(3,535)	**(542)**
Workforce reductions	(2,990)	(2,972)	**(6)**
Voluntary early retirement	(674)	(670)	**(4)**
Voluntary severance	(2,295)	(2,281)	**(2)**
Involuntary reductions	(21)	(21)	**–**
Natural attrition	(1,093)	(563)	**(536)**
Closing balance	25,575	25,636	**25,826**

MOBILE EMPLOYEES

	Year ended March 31, 2006	Six months ended September 30 2005	**2006**	%
South Africa	4,148	4,119	**4,137**	0.4
Customers per employee	4,620	3,829	**4,883**	27.5
Other African countries	1,154	1,181	**1,184**	0.3
Customers per employee	3,776	2,836	**4,689**	65.3
Vodacom Group(1)	5,459	5,426	**5,499**	1.3
Customers per employee(1)	4,308	3,524	**4,683**	32.9

1. *Including employees for holding company and Mauritius of 178 (September 30, 2005: 126)*

9. Condensed consolidated interim financial statements

REVIEW REPORT OF THE INDEPENDENT AUDITORS

Our auditors, Ernst & Young, have reviewed the condensed consolidated interim financial statements as set out on pages 22 to 54. Their unqualified review report is available for inspection at the Company's registered office.

Condensed consolidated interim income statement

for the six months ended September 30, 2006

	Notes	Restated March 31, 2006 Rm	Restated September 30, 2005 Rm	**Reviewed September 30, 2006 Rm**
Total revenue	3.1	48,260	23,761	**25,476**
Operating revenue	3.2	47,625	23,447	**25,147**
Other income	4	480	287	**213**
Operating expenses		33,428	16,109	**17,675**
Employee expenses		7,489	3,615	**4,149**
Payments to other operators		6,826	3,404	**3,609**
Selling, general and administrative expenses		10,273	4,925	**5,839**
Services rendered		2,114	973	**1,103**
Operating leases		850	388	**435**
Depreciation, amortisation, impairment and write-offs	5	5,876	2,804	**2,540**
Operating profit		14,677	7,625	**7,685**
Investment income		397	217	**170**
Finance charges		1,223	744	**437**
Interest		1,346	704	**673**
Foreign exchange and fair value effect		(123)	40	**(236)**
Profit before taxation		13,851	7,098	**7,418**
Taxation	6	4,523	2,739	**2,844**
Profit for the year/period		9,328	4,359	**4,574**
Attributable to:				
Equity holders of Telkom		9,189	4,288	**4,500**
Minority interest		139	71	**74**
		9,328	4,359	**4,574**
Basic earnings per share (cents)	8	1,746.1	807.4	**868.1**
Diluted earnings per share (cents)	8	1,736.6	804.6	**866.4**
Dividend per share (cents)	8	900.0	900.0	**900.0**

Condensed consolidated interim balance sheet

at September 30, 2006

	Notes	Restated March 31, 2006 Rm	Restated September 30, 2005 Rm	**Reviewed September 30, 2006 Rm**
ASSETS				
Non-current assets		44,813	42,879	**45,082**
Property, plant and equipment	10	37,274	36,542	**39,165**
Intangible assets	11	3,910	3,411	**4,042**
Investments	12	2,894	2,513	**1,170**
Deferred expenses		254	144	**256**
Finance lease receivables		–	–	**117**
Deferred taxation	13	481	269	**332**
Current assets		12,731	10,624	**10,269**
Short-term investments		69	10	**65**
Current portion of deferred expenses		226	229	**244**
Inventories	14	814	822	**1,266**
Trade and other receivables		6,399	6,473	**7,400**
Financial assets		275	394	**576**
Cash and cash equivalents	15	4,948	2,696	**718**
Total assets		57,544	53,503	**55,351**
EQUITY AND LIABILITIES				
Equity attributable to equity holders of Telkom		29,165	24,210	**27,675**
Share capital and premium	16	6,791	6,791	**5,339**
Treasury shares	16	(1,809)	(1,809)	**(1,775)**
Share-based compensation reserve	17	151	91	**203**
Non-distributable reserves		1,128	757	**1,233**
Retained earnings		22,904	18,380	**22,675**
Minority interest		301	313	**325**
Total equity		29,466	24,523	**28,000**
Non-current liabilities		12,391	14,470	**12,148**
Interest-bearing debt	18	7,655	9,702	**8,544**
Provisions	12	2,677	2,666	**1,128**
Deferred revenue		991	967	**985**
Deferred taxation	13	1,068	1,135	**1,491**
Current liabilities		15,687	14,510	**15,203**
Trade and other payables		6,103	5,796	**6,866**
Shareholders for dividend	7	4	6	**9**
Current portion of interest-bearing debt	18	3,468	2,228	**3,722**
Current portion of provisions		1,660	1,026	**1,375**
Current portion of deferred revenue		1,975	1,783	**1,961**
Income tax payable	6	1,549	1,576	**583**
Financial liabilities		235	350	**122**
Credit facilities utilised	15	693	1,745	**565**
Total liabilities		28,078	28,980	**27,351**
Total equity and liabilities		57,544	53,503	**55,351**

Condensed consolidated interim statement of changes in equity

for the six months ended September 30, 2006

	Attributable to ordinary shareholders		
	Share capital Rm	Share premium Rm	Treasury shares Rm
Balance at April 1, 2005 as previously reported	5,570	2,723	(1,812)
Change in accounting policy – Net investment in a foreign operation (Refer to note 2)			
Restated balance at April 1, 2005	5,570	2,723	(1,812)
Total recognised income and expense – Profit for the period			
Dividend declared of 900 cents per share (Refer to note 7)			
Transfer to non-distributable reserves			
Foreign currency translation reserve (net of tax of RNil)			
Net increase in Share-based compensation reserve (Refer to note 17)			
Shares vested and re-issued (Refer to notes 16 and 17)			3
Acquisition of subsidiary			
Shares bought back and cancelled (Refer to note 16)	(121)	(1,381)	
Restated balance at September 30, 2005	5,449	1,342	(1,809)
Restated balance at April 1, 2005	5,570	2,723	(1,812)
Total recognised income and expense – Profit for the year			
Dividend declared of 900 cents per share (Refer to note 7)			
Transfer to non-distributable reserves			
Foreign currency translation reserve (net of tax of RNil)			
Net increase in Share-based compensation reserve (Refer to note 17)			
Shares vested and re-issued (Refer to notes 16 and 17)			3
Acquisition of subsidiary			
Shares bought back and cancelled (Refer to note 16)	(121)	(1,381)	
Restated balance at March 31, 2006	**5,449**	**1,342**	**(1,809)**
Total recognised income and expense – Profit for the period			
Dividend declared of 900 cents per share (Refer to note 7)			
Transfer to non-distributable reserves			
Foreign currency translation reserve (net of tax of R5 million)			
Net increase in Share-based compensation reserve (Refer to note 17)			
Shares vested and re-issued (Refer to notes 16 and 17)			**34**
Acquisition of minorities (Refer to note 23)			
Shares bought back and cancelled (Refer to note 16)	**(110)**	**(1,342)**	
Balance at September 30, 2006	**5,339**	**–**	**(1,775)**

Attributable to ordinary shareholders					
Share-based compensation reserve Rm	Non-distributable reserves Rm	Retained earnings Rm	Total Rm	Minority interest Rm	Total equity Rm
68	361	19,231	26,141	220	26,361
	(1)	1	–		–
68	360	19,232	26,141	220	26,361
		4,288	4,288	71	4,359
		(4,801)	(4,801)		(4,801)
	339	(339)	–		–
	58		58	(1)	57
26			26		26
(3)			–		–
			–	23	23
			(1,502)		(1,502)
91	757	18,380	24,210	313	24,523
68	360	19,232	26,141	220	26,361
		9,189	9,189	139	9,328
		(4,801)	(4,801)	(78)	(4,879)
	716	(716)	–		–
	52		52	(7)	45
86			86		86
(3)			–		–
			–	27	27
			(1,502)		(1,502)
151	**1,128**	**22,904**	**29,165**	**301**	**29,466**
		4,500	**4,500**	**74**	**4,574**
		(4,678)	**(4,678)**	**(53)**	**(4,731)**
	49	**(49)**	**–**		**–**
	56		**56**	**14**	**70**
86			**86**		**86**
(34)			**–**		**–**
			–	**(11)**	**(11)**
		(2)	**(1,454)**		**(1,454)**
203	**1,233**	**22,675**	**27,675**	**325**	**28,000**

Condensed consolidated interim cash flow statement

for the six months ended September 30, 2006

	Notes	Audited March 31, 2006 Rm	Reviewed September 30, 2005 Rm	**Reviewed September 30, 2006 Rm**
Cash flows from operating activities		9,506	875	**772**
Cash receipts from customers		46,958	22,756	**24,369**
Cash paid to suppliers and employees		(27,234)	(14,131)	**(15,323)**
Cash generated from operations		19,724	8,625	**9,046**
Interest received		482	253	**276**
Dividend received		50	27	**3**
Finance charges paid		(1,316)	(712)	**(593)**
Taxation paid	6	(4,550)	(2,470)	**(3,234)**
Cash generated from operations before dividend paid		14,390	5,723	**5,498**
Dividend paid	7	(4,884)	(4,848)	**(4,726)**
Cash flows from investing activities		(7,286)	(3,078)	**(4,102)**
Proceeds on disposal of property, plant and equipment and intangible assets		92	138	**6**
Proceeds on disposal of investment		493	15	**275**
Additions to property, plant and equipment and intangible assets		(7,396)	(3,084)	**(4,193)**
Additions to other investments		(475)	(147)	**(190)**
Cash flows from financing activities		(258)	859	**(817)**
Shares bought back		(1,502)	(1,502)	**(1,403)**
Loans raised		4,123	3,678	**2,148**
Loans repaid		(7,399)	(5,892)	**(1,368)**
Finance lease capital repaid		(24)	(11)	**(15)**
Decrease/(increase) in net financial assets		4,544	4,586	**(179)**
Net increase/(decrease) in cash and cash equivalents		1,962	(1,344)	**(4,147)**
Net cash and cash equivalents at beginning of the year		2,301	2,301	**4,255**
Effect of foreign exchange rate differences		(8)	(6)	**45**
Net cash and cash equivalents at end of the year/period	15	4,255	951	**153**

Notes to the condensed consolidated interim financial statements

for the six months ended September 30, 2006

1. CORPORATE INFORMATION

Telkom SA Limited ('Telkom') is a limited liability company incorporated and domiciled in the Republic of South Africa ('South Africa') whose shares are publicly traded. The company, its subsidiaries and joint ventures ('the Group') is the leading provider of fixed-line voice and data communications services in South Africa and mobile communications services through the Vodacom Group (Proprietary) Limited ('Vodacom') in South Africa and certain other African countries. The Group's services and products include:

- fixed-line voice services, including subscriptions and connections services, local, long distance, fixed-to-mobile and international voice services, interconnection and hubbing communications services, international voice-over-internet protocol services, subscription based value-added voice services and customer premises equipment sales and rental;
- fixed-line data services, including domestic and international data transmission services, such as point-to-point leased lines, ADSL services and packet-based services, managed data networking services and internet access and related information technology services;
- directory and wireless data services through our TDS Directory Operations and Swiftnet subsidiaries, respectively; and
- mobile communications services, including voice services, data services, value-added services and handset sales through Vodacom.

The condensed consolidated interim financial statements of the Group for the six months ended September 30, 2006 were authorised for issue in accordance with a resolution of the directors on November 9, 2006.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with IAS34 Interim Financial Reporting and in compliance with the South African Companies Act, 1973. The condensed consolidated interim financial statements are prepared on the historical cost basis, with the exception of certain financial instruments and share-based payments which are measured at fair value. The results of the interim period are not necessarily indicative of the results for the entire year, and these reviewed financial statements should be read in conjunction with the audited financial statements for the year ended March 31, 2006.

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

Significant accounting policies

The accounting policies and methods of computation followed for presenting the condensed consolidated interim financial statements are consistent with those applied in the financial statements for the year ended March 31, 2006, except that the Group has adopted the amendments to IAS21 (revised) and IAS39 (revised), and IFRIC4 and IFRIC7 with effect from April 1, 2006. The Group has also adopted an accounting policy regarding the acquisition of minority interests in subsidiary companies in terms of IAS8.

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

Adoption of amendments to standards and new interpretations

- ***Amendment to IAS21 The Effects of Changes in Foreign Exchange Rates (revised)***

The amendment, Net Investment in a Foreign Operation, requires that even if a monetary item (which is part of a net investment) is denominated in a currency which is neither that of the reporting entity or the foreign operation, the resulting exchange difference should be recognised in equity. This treatment is similar to the treatment where a monetary item is denominated in the currency of the reporting entity or that of the foreign operation. The impact of this amendment on previously reported results is reflected in the table at the end of this note.

- ***Amendments to IAS39 Financial Instruments: Recognition and Measurement (revised)***

The revision of IAS39 relates to three amendments to the existing standard.

The first amendment requires that issuers of financial guarantee contracts include the resulting liabilities in their balance sheet. The amendment defines a financial guarantee contract as a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. The amendment has not had any impact on the Group’s financial statements.

The second amendment concerns cash flow hedge accounting of forecast intragroup transactions. This amendment has not had any impact on the Group’s financial statements since the Group’s derivative transactions do not qualify for hedge accounting under the specific rules of IAS39.

The fair value option amendment to IAS39 introduces additional requirements to be met before the fair value option may be used. The amendment has not had any impact on the Group’s financial statements since the Group has not designated any financial assets or liabilities into the category ‘at fair value through profit or loss’.

- ***IFRIC4 Determining whether an Arrangement contains a Lease***

Under IFRIC4, where an entity enters into a service arrangement that depends on the use of a specific asset and conveys the right to control this specific asset to the customer, the arrangement should be assessed to determine whether it contains a lease. Once it has been concluded that an arrangement contains a lease, it should be assessed against criteria in IAS17 to determine if the arrangement should be recognised as a finance lease or an operating lease. The transitional provision of IFRIC4 does not require retrospective application, however, it does require the Group to assess existing arrangements at the beginning of the earliest period for which comparative information under IFRS is presented on the basis of facts and circumstances existing at the start of that period. The effect of this interpretation was not considered material for prior periods. The cumulative effect of this interpretation for the six months ended September 30, 2006 was an increase in Profit before taxation of R44 million and an increase in Taxation of R14 million which resulted in an increase in Profit for the period of R30 million. It further resulted in a Finance lease receivable of R117 million being recognised in the Balance sheet at September 30, 2006.

- ***IFRIC7 Applying the Restatement Approach under IAS29 Financial Reporting in Hyperinflationary Economies***

The IFRIC provides guidance on determining the measuring unit current at the balance sheet date. It also provides guidance on how to account for the deferred tax opening balance in restated financial statements. The interpretation does not have any impact since the Group does not operate in a hyperinflationary economy and does not have significant investments in hyperinflationary economies.

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

New accounting policy

Acquisition of minorities

The Group has developed an accounting policy regarding the acquisition of minority interests in subsidiary companies in terms of IAS8 paragraph 10. Minority shareholders are treated as equity participants and, therefore, all acquisitions of minority interests by the Group in subsidiary companies are accounted for using the parent entity extension method. Under this method, the assets and liabilities of the subsidiary are not restated to reflect their fair values at the date of the acquisition. The difference between the purchase price and the minorities' share of the assets and liabilities reflected within the consolidated balance sheet at the date of the acquisition is recorded as goodwill. The adoption of this policy has not had any impact on previously reported results.

Change in accounting policy

Revenue recognition

To ensure comparability with other telecommunications entities reporting under IFRS and to better reflect Telkom's customer retention focus, Telkom retrospectively changed its accounting policy in terms of IAS8.14(b) at March 31, 2006 with regards to the recognition of fixed-line installation and activation revenues. Previously such revenue was recognised when the installation and activation of customers had occurred because it was viewed as the culmination of a separate earnings process. The revised accounting policy is to recognise such revenues (and the related costs) systematically over the expected duration of the customer relationship because it is considered to be part of the customers' ongoing rights to telecommunication services and the operator's continuing involvement. This treatment provides more reliable and relevant information about this transaction with the entity's customers. Telkom changed its accounting policy in the second half of the 2006 financial year. The impact of the change at September 30, 2005, is reflected in the table at the end of this note.

Prior period restatements

Property, plant and equipment

In compliance with the revised IAS16, Telkom reassesses the useful lives of its assets at the end of each financial year and adjusts the depreciation charge prospectively. Due to the significant volume of assets, the process of reassessing the useful lives for the financial year ending March 31, 2005 was finalised after the release of the September 30, 2005 interim results. The comparative amounts for September 2005 have therefore been restated to reflect the relevant portion of the change in depreciation estimate that was recognised in the second half of the 2006 financial year.

Other Balance sheet restatements

At March 31, 2006, the Group made certain retrospective changes to its application of certain accounting standards. These changes had no effect on the prior year net profit as they only represent reclassifications into different line items as reported. The September 30, 2005 comparatives have been adjusted accordingly. The changes were:

- IT software under construction have been reclassified from Property, plant and equipment to Intangible assets. The Group has identified and recorded certain software that was previously included as part of Property, plant and equipment as a separate intangible asset because it was not considered an integral part of the related hardware;
- Financial assets and liabilities previously classified as non-current, have been reclassified to current assets and liabilities, as they represent derivatives classified as held for trading;

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

for the six months ended September 30, 2006

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

Prior period restatements *(continued)*

Other Balance sheet restatements *(continued)*

- Investment properties have been restated to Property, plant and equipment. The Vodacom Group previously classified its Vodaworld property as an investment property. However, the primary purpose of the property is to service and connect Vodacom customers. The property, therefore, does not meet the criteria of IAS40 Investment Property, i.e. to earn rentals or for capital appreciation; and
- The effect on the balance sheet of the straight-lining of leases was disclosed separately as Operating lease assets and Operating lease liabilities in the September 30, 2005 condensed consolidated interim financial statements. These amounts have been reclassified as Deferred expenses and Deferred revenue respectively to be consistent with the presentation in the March 31, 2006 consolidated annual financial statements.

The following table reflects the values of the different line items prior and subsequent to the changes in accounting policy and prior period restatements as discussed in this note:

		Change in accounting policies		Prior period restatements					
	Balances as previously reported Rm	Net investment in a foreign operation Rm	Revenue recog-nition Rm	Property, plant and equipment Rm	Software Rm	Financial assets/ liabilities Rm	Investment properties Rm	Operating lease assets/ liabilities Rm	Balances as restated Rm
SEPTEMBER 30, 2005									
Income Statement									
Operating revenue	23,456		(9)						23,447
Depreciation, amortisation, impairment and write-offs	2,921			(117)					2,804
Finance charges	745	(1)							744
Taxation	2,708		(3)	34					2,739
Profit attributable to equity holders of Telkom	4,210	1	(6)	83					4,288
Balance Sheet									
Non-current assets									
Property, plant and equipment	37,156			117	(755)		24		36,542
Investment properties	24						(24)		–
Intangible assets	2,656				755				3,411
Other financial assets	107					(107)			–
Operating lease asset	15							(15)	–
Deferred expenses	127							17	144
Current assets									
Financial assets	287					107			394
Equity									
Non-distributable reserves	759	(2)							757
Retained earnings	18,986	2	(689)	83				(2)	18,380

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

for the six months ended September 30, 2006

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

		Change in accounting policies		**Prior period restatements**					
	Balances as previously reported Rm	Net investment in a foreign operation Rm	Revenue recog-nition Rm	Property, plant and equipment Rm	Software Rm	Financial assets/ liabilities Rm	Investment properties Rm	Operating lease assets/ liabilities Rm	Balances as restated Rm
SEPTEMBER 30, 2005 *(continued)*									
Non-current liabilities									
Deferred taxation	1,382		(281)	34					1,135
Operating lease liabilities	61							(61)	–
Deferred revenue	263		639					65	967
Other financial liabilities	63					(63)			–
Current liabilities									
Current portion of deferred revenue	1,452		331						1,783
Financial liabilities	287					63			350
MARCH 31, 2006									
Income Statement									
Finance charges	1,233	(10)							1,223
Taxation	4,520	3							4,523
Profit attributable to equity holders of Telkom	9,182	7							9,189
Balance Sheet									
Equity									
Non-distributable reserves	1,136	(8)							1,128
Retained earnings	22,896	8							22,904

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

for the six months ended September 30, 2006

		March 31, 2006 Rm	September 30, 2005 Rm	**September 30, 2006 Rm**
3.	**REVENUE**			
3.1	**Total revenue**	48,260	23,761	**25,476**
	Operating revenue	47,625	23,447	**25,147**
	Other income (excluding profit on disposal of property, plant and equipment and investments, refer to note 4)	238	97	**159**
	Investment income	397	217	**170**
3.2	**Operating revenue**	47,625	23,447	**25,147**
	Fixed-line	32,039	16,074	**16,139**
	Mobile	15,586	7,373	**9,008**
	Fixed-line	32,039	16,074	**16,139**
	Subscriptions, connections and other usage	5,803	2,836	**3,050**
	Traffic	17,534	8,912	**8,447**
	Domestic (local and long distance)	8,886	4,608	**4,166**
	Fixed-to-mobile	7,647	3,821	**3,788**
	International (outgoing)	1,001	483	**493**
	Interconnection	1,433	733	**670**
	Data	6,223	3,012	**3,363**
	Directories and other	1,046	581	**609**

Change in comparatives

Operating revenue has decreased by R9 million for September 30, 2005 due to the change in fixed-line accounting policy at March 31, 2006 for recognising connection revenues (Refer to note 2).

		March 31, 2006 Rm	September 30, 2005 Rm	**September 30, 2006 Rm**
4.	**OTHER INCOME**	480	287	**213**
	Other income (Included in Total revenue, refer to note 3)	238	97	**159**
	Interest received from debtors	136	63	**98**
	Sundry income	102	34	**61**
	Profit on disposal of property, plant and equipment and intangible assets	79	68	**11**
	Profit on disposal of investment	163	122	**43**

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

for the six months ended September 30, 2006

	March 31, 2006 Rm	September 30, 2005 Rm	**September 30, 2006 Rm**
5. DEPRECIATION, AMORTISATION, IMPAIRMENT AND WRITE-OFFS	5,876	2,804	**2,540**
Depreciation of property, plant and equipment	5,154	2,479	**2,191**
Amortisation of intangible assets	560	261	**263**
Impairment of property, plant and equipment	–	–	**19**
Reversal of impairment of property, plant and equipment	(26)	(34)	**–**
Write-offs of property, plant and equipment*	188	98	**67**

* *These costs represent individual assets written-off, none of which are individually material.*

In recognition of the changed usage patterns of certain items of property, plant and equipment and intangible assets, the Group reviewed their remaining useful lives as at March 31, 2006. The assets affected were certain items included in Network equipment, Support equipment, Office equipment and IT software and hardware. The revised estimated useful lives of these assets as set out below, resulted in a decrease of the current period depreciation and amortisation charges of R445 million (March 31, 2006: R405 million).

	Previous life Years	**Revised life Years**
Property, plant and equipment	2 – 15	**3 – 30**
Network equipment	8	**11**
Support equipment	6 – 10	**11 – 15**
Furniture and office equipment	7	**10**
Data processing equipment and software	5 – 10	**10 – 15**
Other		
Intangible assets	7	**10**
Software		

Impairment of property, plant and equipment and intangible assets

Due to the competitive and economic environment in which VM, S.A.R.L. operates in Mozambique, the Group assessed the assets for impairment in accordance with the requirements of IAS36 Impairment of Assets (‘IAS36’). The recoverable amount of these assets has been determined based on the fair value of the assets less costs to sell at September 30, 2006. The fair value of the assets was obtained from a knowledgeable, willing party on an arm’s length basis, based on the assumption that the assets would be disposed of on an item by item basis. The amount with which the carrying amount exceeded the recoverable amount is recognised as an impairment loss. The reversal of the impairment loss in the prior year/period related to an increase in the fair value of infrastructure assets.

Change in comparatives

The comparatives were restated by R117 million for September 30, 2005 due to the revision of the estimated useful lives of Property, plant and equipment. The adjustment is a consequence of the change in estimate performed at March 31, 2005 (Refer to note 2).

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

for the six months ended September 30, 2006

	March 31, 2006 Rm	September 30, 2005 Rm	**September 30, 2006 Rm**
6. TAXATION	4,523	2,739	**2,844**
South African normal company taxation	3,763	1,920	**1,797**
Deferred taxation	173	431	**537**
Secondary Taxation on Companies	585	383	**464**
Foreign taxation	2	5	**46**

The deferred taxation expense mainly relates to temporary differences on normal company taxation and Secondary Taxation on Companies.

During the six months ended September 30, 2006 the Group paid R3,234 million to the South African Revenue Service for normal company taxation (R2,770 million) and Secondary Taxation on Companies (R464 million):

	March 31, 2006 Rm	September 30, 2005 Rm	**September 30, 2006 Rm**
Taxation paid	(4,550)	(2,470)	**(3,234)**
Tax liability at beginning of year	(1,711)	(1,711)	**(1,549)**
Taxation		(3,795)	**(1,944)**
Secondary Taxation on Companies	(585)	(383)	**(464)**
Business combination	(8)	(8)	**–**
Tax liability at end of year/period	1,549	1,576	**583**

Change in comparatives

Deferred taxation has decreased by R3 million for the period ended September 30, 2005 due to the change in fixed-line's accounting policy for recognising connection revenues (Refer to note 2).

Deferred taxation has also increased by R34 million for the period ended September 30, 2005 due to the restatement of fixed-line's depreciation as a result of the revision of the estimated useful lives of Property, plant and equipment (Refer to note 2).

	March 31, 2006 Rm	September 30, 2005 Rm	**September 30, 2006 Rm**
7. DIVIDENDS PAID	4,884	4,848	**4,726**
Dividends payable at beginning of year	7	7	**4**
Declared during the year/period:			
Dividends on ordinary shares:	4,881	4,847	**4,731**
Final dividend for 2005: 400 cents	2,134	2,134	**–**
Special dividend for 2005: 500 cents	2,667	2,667	**–**
Final dividend for 2006: 500 cents	–	–	**2,599**
Special dividend for 2006: 400 cents	–	–	**2,079**
Dividends paid to minority shareholders	80	46	**53**
Dividends payable at end of year/period	(4)	(6)	**(9)**

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

for the six months ended September 30, 2006

	March 31, 2006	September 30, 2005	**September 30, 2006**
8. EARNINGS PER SHARE			
Basic earnings per share (cents)	1,746.1	807.4	**868.1**

The calculation of earnings per share is based on profit attributable to equity holders of Telkom for the year/period of R4,500 million (September 30, 2005: R4,288 million; March 31, 2006: R9,189 million) and 518,369,738 (September 30, 2005: 531,102,429; March 31, 2006: 526,271,093) weighted average number of ordinary shares outstanding.

	March 31, 2006	September 30, 2005	**September 30, 2006**
Reconciliation of weighted average number of ordinary shares:			
Ordinary shares in issue	544,944,899	544,944,899	**533,891,034**
Weighted average number of treasury shares and shares bought back	(18,673,806)	(13,842,470)	**(15,521,296)**
Weighted average number of shares outstanding	526,271,093	531,102,429	**518,369,738**
Diluted earnings per share (cents)	1,736.6	804.6	**866.4**

The calculation of diluted earnings per share is based on earnings for the year/period of R4,500 million (September 30, 2005: R4,288 million; March 31, 2006: R9,189 million) and 519,407,752 diluted weighted average number of ordinary shares (September 30, 2005: 532,939,130; March 31, 2006: 529,152,318). The adjustment in the weighted average number of shares is as a result of the expected future vesting of shares already allocated to employees under the Telkom Conditional Share Plan.

	March 31, 2006	September 30, 2005	**September 30, 2006**
Headline earnings per share (cents)*	1,728.6	790.6	**874.7**

The calculation of headline earnings per share is based on headline earnings of R4,534 million (September 30, 2005: R4,199 million; March 31, 2006: R9,097 million) and 518,369,738 (September 30, 2005: 531,102,429; March 31, 2006: 526,271,093) weighted average number of ordinary shares outstanding.

	March 31, 2006	September 30, 2005	**September 30, 2006**
Diluted headline earnings per share (cents)*	1,719.2	787.9	**872.9**

The calculation of diluted headline earnings per share is based on headline earnings of R4,534 million (September 30, 2005: R4,199 million; March 31, 2006: R9,097 million) and 519,407,752 (September 30, 2005: 532,939,130; March 31, 2006: 529,152,318) diluted weighted average number of ordinary shares in issue. The adjustment in the weighted average number of shares is as a result of the expected future vesting of shares already allocated to employees under the Telkom Conditional Share Plan.

	March 31, 2006	September 30, 2005	**September 30, 2006**
Reconciliation between earnings and headline earnings:			
Earnings as reported	9,189	4,288	**4,500**
Adjustments:			
Profit on disposal of investment	(163)	(122)	**(43)**
Net (profit)/loss on disposal of property, plant and equipment and intangible assets	(79)	(68)	**5**
(Reversal of impairment)/impairment of property, plant and equipment and intangible assets	(26)	(34)	**19**
Write-offs of property, plant and equipment	188	98	**67**
Acquisition of subsidiary	(35)	–	**–**
Tax and minority interest effects	23	37	**(14)**
Headline earnings	9,097	4,199	**4,534**

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

for the six months ended September 30, 2006

	March 31, 2006	September 30, 2005	**September 30, 2006**
8. EARNINGS PER SHARE *(continued)*			
Reconciliation of diluted weighted average number of ordinary shares:			
Ordinary shares in issue	544,944,899	544,944,899	**533,891,034**
Expected future vesting of shares	2,881,225	1,836,701	**1,038,014**
Weighted average number of treasury shares and shares bought back	(18,673,806)	(13,842,470)	**(15,521,296)**
Weighted average number of shares outstanding	529,152,318	532,939,130	**519,407,752**
Dividend per share (cents)	900.0	900.0	**900.0**

The calculation of dividend per share is based on dividends of R4,678 million (September 30, 2005: R4,801 million; March 31, 2006: R4,801 million) declared on June 2, 2006 and 519,711,092 (September 30, 2005: 533,465,571; March 31, 2006: 533,465,571) number of ordinary shares outstanding (net of treasury shares at the date of payment).

*The disclosure of headline earnings and diluted headline earnings per share is a requirement of the JSE Securities Exchange of South Africa and is not a recognised measure under IFRS and US GAAP. It has been calculated in accordance with the South African Institute of Chartered Accountants' circular issued in this regard.

Change in comparatives

The amounts for basic, diluted, headline and diluted headline earnings per share for March 31, 2006 and September 30, 2005 have changed as a result of the change in accounting policies and restatements as discussed in note 2. The effect of the change on previously reported numbers is immaterial.

	March 31, 2006	September 30, 2005	**September 30, 2006**
9. NET ASSET VALUE PER SHARE (CENTS)	5,593.5	4,643.2	**5,417.9**

The calculation of net asset value per share is based on net assets of R27,675 million (September 30, 2005: R24,210 million; March 31, 2006: R29,165 million) and 510,804,915 (September 30, 2005: 521,408,320; March 31, 2006: 521,408,320) number of ordinary shares outstanding.

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

for the six months ended September 30, 2006

	March 31, 2006 Rm	September 30, 2005 Rm	**September 30, 2006 Rm**
10. PROPERTY, PLANT AND EQUIPMENT			
Additions	6,310	2,565	**3,913**
A major portion of this capital expenditure relates to the expansion of existing networks and services.			
Disposals	(56)	(10)	**(16)**

Change in comparatives

The carrying amount of Property, plant and equipment has been restated by R755 million at September 30, 2005, due to the reclassification of software under construction from Property, plant and equipment to Intangible assets (Refer to note 2).

The carrying amount of Property, plant and equipment has also been restated by R117 million at September 30, 2005 due to the revision of the estimated useful lives of Property, plant and equipment (Refer to note 2).

The carrying amount of Property, plant and equipment has further been restated with R24 million for September 30, 2005 due to the reclassification of investment properties (Refer to note 2).

	March 31, 2006 Rm	September 30, 2005 Rm	**September 30, 2006 Rm**
11. INTANGIBLE ASSETS			
Additions	1,196	531	**438**
Disposals	(19)	(18)	**–**

Included in Additions is R161 million goodwill resulting from the acquisition by the Vodacom Group of the minorities of Smartphone SP (Proprietary) Limited and Smartcom (Proprietary) Limited (Refer to note 23).

Change in comparatives

The carrying amount of Intangible assets has been restated by R755 million at September 30, 2005, due to the reclassification of software under construction from Property, plant and equipment to Intangible assets (Refer to note 2).

12. POST RETIREMENT MEDICAL AID PLAN ASSET

Included in Provisions as at March 31, 2006 was R2,607 million (September 30, 2005: R2,474 million) for the Group's post-retirement medical liability. The liability is funded with an investment in a cell captive, which was included in Investments for the year ended March 31, 2006 to the value of R2,819 million (September 30, 2005: R2,492 million).

During the six months ended September 30, 2006, an addendum to the cell captive annuity policy contract was signed, which resulted in the annuity policy qualifying as a plan asset. This has effectively changed the presentation of the liability and the asset as the annuity policy meets the definition of a plan asset in terms of IAS19 which requires the liability to be reduced by the fair value of the plan asset. The effect of this on the condensed consolidated interim financial statements is a reduction in investments and liabilities to the value of R1,759 million.

	March 31, 2006 Rm	September 30, 2005 Rm	**September 30, 2006 Rm**
The status of the medical aid plan is as follows:			
Present value of funded obligation	3,904	3,122	**4,003**
Fair value of plan assets	–	–	**(1,759)**
Fund status	3,904	3,122	**2,244**
Unrecognised net actuarial loss	(1,297)	(648)	**(1,221)**
Benefit obligation	2,607	2,474	**1,023**
13. DEFERRED TAXATION	(587)	(866)	**(1,159)**
Deferred tax assets	481	269	**332**
Deferred tax liabilities	(1,068)	(1,135)	**(1,491)**

The major part of the deferred tax asset relates to taxation losses, provisions and deferred income recognised in the Vodacom Group.

The remaining balance has been recognised in Telkom in respect of STC credits on past dividends received that are available to be utilised against dividends declared. It is considered probable that these credits will be utilised in the future. The asset will be released as a tax expense when dividends are declared.

The deferred tax liability has increased mainly due to the increase in the difference between the carrying value and tax value of assets, resulting from the change in the estimate of useful lives of assets.

Change in comparatives

Deferred taxation has decreased by R281 million for September 30, 2005 due to the change in fixed-line policy for recognising connection revenues (Refer to note 2).

The comparatives have also been restated due to a restatement of depreciation and amortisation as a result of the revision of the estimated useful lives of assets with R34 million for September 30, 2005 (Refer to note 2).

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

for the six months ended September 30, 2006

	March 31, 2006 Rm	September 30, 2005 Rm	**September 30, 2006 Rm**
14. INVENTORIES	814	822	**1,266**
Gross inventories	916	905	**1,402**
Write-down of inventories to net realisable value	(102)	(83)	**(136)**
Inventories consist of the following categories:	814	822	**1,266**
Installation material, maintenance material and network equipment	487	459	**755**
Merchandise	327	363	**511**

Inventory levels as at September 30, 2006 have increased due to the roll-out of the next generation network and increased inventory required to improve customer service.

15. NET CASH AND CASH EQUIVALENTS	4,255	951	**153**
Cash shown as current assets	4,948	2,696	**718**
Cash and bank balances	1,853	2,476	**718**
Short-term deposits	3,095	220	**–**
Credit facilities utilised	(693)	(1,745)	**(565)**
Undrawn borrowing facilities	9,519	7,977	**9,796**

The undrawn borrowing facilities are unsecured, bear interest at a rate linked to the prime interest rate, have no specific maturity date and are subject to annual review. The facilities are in place to ensure liquidity.

Borrowing powers

To borrow money, Telkom's directors may mortgage or encumber Telkom's property or any part thereof and issue debentures, whether secured or unsecured, whether outright or as security for debt, liability or obligation of Telkom or any third party. For this purpose the borrowing powers of Telkom are unlimited, but are subject to the restrictive financial covenants of the TL20 loan.

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

for the six months ended September 30, 2006

		March 31, 2006 Rm	September 30, 2005 Rm	**September 30, 2006 Rm**
16.	**NUMBER OF SHARES IN ISSUE**			
	Issued and fully paid	6,791	6,791	**5,339**
	533,891,032 (September 30, 2005: 544,944,897; March 31, 2006: 544,944,897) ordinary shares of R10 each	5,449	5,449	**5,339**
	1 (September 30, 2005: 1; March 31, 2006: 1) Class A ordinary share of R10	–	–	**–**
	1 (September 30, 2005: 1; March 31, 2006: 1) Class B ordinary share of R10	–	–	**–**
	Share premium	1,342	1,342	**–**

	Number of shares	Number of shares	**Number of shares**
The following table illustrates the movement within the number of shares issued:			
Shares in issue at beginning of year	557,031,819	557,031,819	**544,944,899**
Shares bought back	(12,086,920)	(12,086,920)	**(11,053,865)**
Shares in issue at end of year/period	544,944,899	544,944,899	**533,891,034**

The unissued shares are under the control of the directors of Telkom until the next Annual General Meeting. The directors have been given the authority by the shareholders to buy back Telkom's own shares up to a limit of 20% of the issued share capital as at October 20, 2006. This authority expires at the next Annual General Meeting.

	March 31, 2006 Rm	September 30, 2005 Rm	**September 30, 2006 Rm**
Treasury shares	(1,809)	(1,809)	**(1,775)**

At September 30, 2006 12,237,061 (September 30, 2005: 12,687,521; March 31, 2006: 12,687,521) and 10,849,058 (September 30, 2005: 10,849,058; March 31, 2006: 10,849,058) ordinary shares in Telkom, with a fair value of R1,646 million (September 30, 2005: R1,600 million; March 31, 2006: R2,038 million) and R1,459 million (September 30, 2005: R1,369 million; March 31, 2006: R1,743 million) are currently held as treasury shares by its subsidiaries Rossal No 65 (Proprietary) Limited and Acajou Investments (Proprietary) Limited respectively.

The shares held by Rossal No 65 (Proprietary) Limited are reserved for issue in terms of the Telkom Conditional Share Plan (TCSP) (Refer to note 17).

The reduction in the treasury shares is due to 450,460 shares that vested in terms of the TCSP during the six months ended September 30, 2006.

Share buy-back

During the six months ended September 30, 2006 Telkom bought back 11,053,865 ordinary shares at a total consideration of R1,454 million. This reduced Share capital by R110 million, Share premium by R1,342 million and Retained earnings by R2 million.

During the year ended March 31, 2006 Telkom bought back 12,086,920 ordinary shares at a total consideration of R1,502 million. This reduced Share capital by R121 million and Share premium by R1,381 million.

The shares bought back in the current period are in the process of being cancelled from the issued share capital by the Registrar of Companies.

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

for the six months ended September 30, 2006

	March 31, 2006 Rm	September 30, 2005 Rm	**September 30, 2006 Rm**
17. SHARE-BASED COMPENSATION RESERVE			
The compensation reserve represents the cumulative fair value of the equity-settled share-based payment transactions recognised in employee expenses during the vesting period of the equity instruments granted to all employees in terms of the Telkom Conditional Share Plan			
Balance at beginning of year	68	68	**151**
Net increase in equity	83	23	**52**
Employee cost	120	60	**86**
Accelerated vesting of shares	(37)	(37)	**–**
Vesting and transfer of shares	–	–	**(34)**
Balance at end of year/period	151	91	**203**

The following tables illustrate the movement of the maximum number of shares that will vest to employees:

	Number of shares	Number of shares	**Number of shares**
August 2004 grant:			
Outstanding at beginning of the year	2,943,124	2,943,124	**2,414,207**
Granted during the year/period	90	–	**1,077**
Forfeited during the year/period	(67,573)	(43,792)	**(38,226)**
Settled during the year/period	(444,093)	(416,903)	**–**
Vested during the year/period	(17,341)	(17,341)	**(450,460)**
Outstanding at end of the year/period	2,414,207	2,465,088	**1,926,598**
June 2005 grant:			
Outstanding at beginning of the year	–	–	**1,930,687**
Granted during the year/period	2,024,465	2,024,387	**935**
Forfeited during the year/period	(62,354)	(30,503)	**(32,564)**
Settled during the year/period	(19,096)	–	**–**
Vested during the year/period	(12,328)	(12,328)	**–**
Outstanding at end of the year/period	1,930,687	1,981,556	**1,899,058**

At September 30, 2006 the estimated total compensation expense to be recognised over the vesting period is R375 million (September 30, 2005: R376 million; March 31, 2006: R381 million), of which R86 million (September 30, 2005: R55 million; March 31, 2006: R127 million) was recognised in employee expenses for the six months ended September 30, 2006.

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

for the six months ended September 30, 2006

	March 31, 2006 Rm	September 30, 2005 Rm	**September 30, 2006 Rm**
18. INTEREST-BEARING DEBT			
Long-term portion of interest-bearing debt	7,655	9,702	**8,544**
Local debt	6,296	8,320	**6,484**
Foreign debt	127	198	**857**
Finance leases	1,232	1,184	**1,203**
Current portion of interest-bearing debt	3,468	2,228	**3,722**
Local debt	2,642	1,433	**3,437**
Foreign debt	786	763	**237**
Finance leases	40	32	**48**

Movements in borrowings for the six month period ended September 30, 2006 are as follows:

Repayments/refinancing

Commercial Paper Bills with a nominal value of R430 million were redeemed in the current financial period. These redemptions were financed with cash flow from operations. Commercial Paper Bills with a nominal value of R1,146 million were issued and were outstanding as at September 30, 2006. These Commercial Paper Bills range in maturities from 3 to 5 days.

The medium-term loan to Vodacom International Limited that amounts to R1,382 million (Group share: R691 million) was refinanced during the current period. The loan is now repayable on July 26, 2009 and bears interest at an effective interest rate of LIBOR plus 0.35%.

Repayment/refinancing of current portion of interest-bearing debt

The repayment/refinancing of R3,722 million of the current portion of interest-bearing debt will depend on the market circumstances at the time of repayment. Included in the R3,722 million current portion is R2,100 million nominal value of the TL06 local bond that was repaid/refinanced on October 31, 2006 with cash from operations and Commercial Paper Bills respectively.

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

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

for the six months ended September 30, 2006

	March 31, 2006 Rm	September 30, 2005 Rm	**September 30, 2006 Rm**
19. COMMITMENTS			
Capital commitments			
Capital commitments authorised	10,265	4,938	**6,621**
Fixed-line	6,519	3,236	**3,955**
Mobile	3,746	1,702	**2,666**
Commitments against authorised capital expenditure	842	1,264	**2,067**
Fixed-line	200	550	**721**
Mobile	642	714	**1,346**
Authorised capital expenditure not yet contracted	9,423	3,674	**4,554**
Fixed-line	6,319	2,686	**3,234**
Mobile	3,104	988	**1,320**

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

Other

The Group exposure is 50% of the following items:

Regulation of Interception of Communications and Communications-Related Information Act (‘the Act’)

The Act was proclaimed in the Government Gazette and has been made effective September 30, 2005 with the exception of the provisions dealing with customer registration which will come into effect once the legislative amendments allowing for electronic registration process are finalised. The cellular operators have succeeded in obtaining in principle support by the Department of Justice for an electronic registration process. The legislative amendments necessary to allow for electronic registration process are anticipated to be finalised before the end of 2006. Though the legislative process is still to be finalised, the other obligations imposed on the telecommunications services providers in terms of the legislation have become effective. In particular, the Vodacom Group had until May 28, 2006 to acquire and implement the monitoring and interception facilities as per the technical specifications of the facilities agreed upon between the Group and the Department of Justice and promulgated on November 28, 2005. A reliable estimate of capital and operating costs that will potentially be incurred in order to comply with the provisions of the Act going forward cannot be determined at this stage.

Global Alliance fees

The Vodacom Group pays annual fees from February 18, 2005 for the services provided by Vodafone Group Plc. The fee is calculated as a percentage of revenue and amounts to R119 million (March 31, 2006: R175 million).

19. COMMITMENTS *(continued)*

Cointel VAS (Proprietary) Limited

An offer to acquire the remaining 49% interest in Cointel VAS (Proprietary) Limited ('Cointel') for R147 million from the minority shareholders was made and accepted. The effective date of the transaction is October 4, 2006. Subsequent to the purchase, Cointel will be fully sold by Vodacom Group (Proprietary) Limited to Smartphone SP (Proprietary) Limited for R300 million effective October 9, 2006. The Vodacom Group's effective shareholding in Cointel will therefore increase from 51% to 70% subsequent to the completion of these transactions.

Africell Cellular Services (Proprietary) Limited

An offer to acquire the cellular business of Africell Cellular Services (Proprietary) Limited for R80 million was made and accepted. Competition Commission approval has been obtained and the effective date of the transaction is October 1, 2006. Management is still in the process of determining the fair value of all the identifiable assets, liabilities and contingent liabilities relating to Africell and disclosure thereof as required per IFRS3 Business Combinations would therefore be premature.

	March 31, 2006 Rm	September 30, 2005 Rm	**September 30, 2006 Rm**
20. CONTINGENCIES			
Third parties	30	30	**31**
Fixed-line	27	30	**28**
Mobile	3	–	**3**
Guarantee of employee housing loans	55	61	**45**

Third parties

These amounts represent sundry disputes with third parties that are not individually significant and that the Group does not intend to settle.

Guarantee of employee housing loans

Telkom guarantees a certain portion of employees' housing loans. The amount guaranteed differs depending on facts such as employment period and salary rates. When an employee leaves the employment of Telkom, any housing debt guaranteed by Telkom is settled before any pension payout can be made to the employee. Telkom recognises a provision when it becomes probable that a guarantee will be called. There is no provision outstanding in respect of these contingencies. The maximum amount of the guarantee in the event of the default is as disclosed above.

Supplier dispute

Expenditure of R594 million was incurred up to March 31, 2002 for the development and installation of an integrated end-to-end customer assurance and activation system to be supplied by Telcordia. In the 2001 financial year, the agreement with Telcordia was terminated and in that year, the Company wrote off R119 million of this investment. Following an assessment of the viability of the project, the balance of the Telcordia investment was written off in the 2002 financial year. During March 2001, the dispute was taken to arbitration where Telcordia was seeking approximately USD130 million plus interest at a rate of 15.50% per year for money outstanding and damages. In September 2002, a partial ruling was issued by the arbitrator in favour of Telcordia. Telkom brought an application in the High Court in South Africa to review and set aside the partial award. Judgement in Telkom's favour was handed down on November 27, 2003.

20. CONTINGENCIES *(continued)*

Supplier dispute *(continued)*

On July 29, 2004, Telcordia filed a further petition to enforce the arbitrator's partial award in the District Court of New Jersey, USA. On December 8, 2004 the court dismissed Telcordia's petition. Telcordia's subsequent appeal was dismissed by the 3rd Circuit Appeal Court with one exception – it reversed the issue of the dismissal of the previous courts' decision on the basis that the US courts did not have personal jurisdiction over Telkom. Telkom has instructed its attorneys to pursue an appeal on this aspect only, to prevent Telcordia from bringing similar petitions in the future.

On November 29, 2004, the Supreme Court of Appeals, Bloemfontein granted Telcordia leave to appeal. The appeal was set down for hearing on October 30 and 31, 2006. Judgement is expected to be handed down before the end of 2006. The dispute between Telkom and Telcordia and the amount of Telkom's liability are not expected to be finalised until the end of 2006. As Telkom does not believe it has a present obligation, it has provided RNil (September 30, 2005: RNil, March 31, 2006: RNil) for its estimate of probable liabilities.

Competition Commission

The South African Value Added Network Services

The South African Value Added Network Services ('SAVA'), an association of value added network services ('VANS') providers, filed complaints against Telkom at the Competition Commission regarding alleged anti-competitive practices on the part of Telkom. Certain of the complaints have been referred to the Competition Tribunal by the Competition Commission for adjudication. A maximum administrative penalty of up to 10%, calculated with reference to Telkom's annual turnover, excluding the turnover of subsidiaries and joint ventures, for the financial year prior to the complaint date, may be imposed if it is found that Telkom has committed a prohibited practice as set out in the Competition Act, 1998 (as amended). The Competition Commission has to date not imposed the maximum penalty.

Telkom has brought an application in the High Court in respect of the Competition Tribunal's jurisdiction to adjudicate this matter. Only the Competition Commission has opposed the application. Telkom is currently waiting for certain confidential documents contained in the Competition Commission's record of proceedings, after which Telkom may supplement their papers if necessary and after which the Competition Commission must file their answering affidavit. Telkom's attorneys are corresponding with the Competition Commission in this regard. Telkom is currently waiting for the Competition Commission to file its record of proceedings. The Competition Commission has now approached the High Court on application for an order directing which of the confidential documents can be included in the record of proceedings.

Telkom does not expect the Competition Tribunal to adjudicate on this matter within the next financial year.

The Internet Service Providers Association

The Internet Service Providers Association ('ISPA'), an association of internet service providers ('ISPs'), filed complaints against Telkom at the Competition Commission regarding alleged anti-competitive practices on the part of Telkom. A maximum administrative penalty of up to 10%, calculated with reference to Telkom's annual turnover, excluding the turnover of subsidiaries and joint ventures, for the financial year prior to the complaint date, may be imposed if it is found that Telkom has committed a prohibited practice as set out in the Competition Act, 1998 (as amended). The complaints deal with the cost of access to the South African Internet Exchange ('SAIX'), the prices offered by TelkomInternet, the alleged delay in provision of facilities to ISPs and the alleged favourable installation timelines offered to TelkomInternet customers. The Competition Commission has formally requested Telkom to provide it with certain records of orders placed for certain services, in an attempt to first investigate the latter aspects of the complaint.

20. CONTINGENCIES *(continued)*

Retention incentives

The Vodacom Group has committed a maximum of R1,296 million (September 30, 2005: R243 million; March 31, 2006: R456 million) in respect of customers already beyond their normal 24 month contract period, but who have not yet upgraded to new contracts, and therefore have not utilised the incentive available for such upgrades. The Group has not provided for this liability, as no legal obligation exists, since the customers have not yet entered into new contracts.

Activation bonuses

The Vodacom Group has a potential liability in respect of activation bonuses payable related to starterpacks sold which have not yet been validated. The exposure is estimated at approximately R8 million (March 31, 2006: R9 million).

Negative working capital ratio

At each of the financial periods ended September 30, 2006, September 30, 2005 and the year ended March 31, 2006 the Group had a negative working capital ratio. A negative working capital ratio arises when current liabilities are greater than current assets. Current liabilities are intended to be financed from operating cash flows, new borrowings and borrowings available under existing credit facilities.

VM, S.A.R.L. call option

In terms of the shareholders' agreement, the Vodacom Group's minority shareholder in VM, S.A.R.L., Empresa Moçambicana De Telecommunicaçòes S.A.R.L. ('Emotel') has a call option for a period of four years following the commencement date, August 23, 2003. In terms of the option, Emotel shall be entitled to call on Vodacom International Limited such number of shares in and claims on loan accounts against VM, S.A.R.L. as constitute 25% of the entire issued share capital of that company. Emotel can exercise this option in full increments of 1%. The option can only be exercised on April 1 or October 1 of each calendar year for the duration of the option. The option price is specified in the shareholders' agreement. The call option has a RNil value at September 30, 2006 (March 31, 2006: RNil).

Smartphone SP (Proprietary) Limited put option

In terms of the shareholders' agreement, the minority shareholders of Smartphone SP (Proprietary) Limited have a put option against Vodacom Group (Proprietary) Limited, should the Vodacom Group or the company terminate or fail to renew the service provider agreement for any reason other than the expiry or cancellation of the Group's South African licence. The put option has a RNil value at September 30, 2006 (March 31, 2006: RNil) as the conditions set out in the agreement have not been met.

Smartcom (Proprietary) Limited put option

In terms of the agreement between the Vodacom Group, Smartphone SP (Proprietary) Limited ('Smartphone') and the minority shareholders of Smartcom (Proprietary) Limited ('Smartcom'), all shareholders of Smartcom have a put option against the Vodacom Group, should the Vodacom Group reduce the standard service provider discount below certain percentages as stipulated in the put option agreement. The put option has a RNil value at September 30, 2006 (March 31, 2006: RNil) as the conditions set out in the agreement have not been met.

20. CONTINGENCIES *(continued)*

Congolese Wireless Network s.p.r.l. put option

In terms of a shareholders' agreement, the Vodacom Group's joint venture partner in Vodacom Congo (RDC) s.p.r.l., Congolese Wireless Network s.p.r.l. ('CWN') has a put option which comes into effect three years after the commencement date, December 1, 2001, and for a maximum of five years thereafter. In terms of the option, CWN shall be entitled to put to Vodacom International Limited such number of shares in and claims on its loan account against Vodacom Congo (RDC) s.p.r.l. as constitute 19% of the entire issued share capital of that company. CWN can exercise this option in a maximum of three tranches and each tranche must consist of at least 5% of the entire issued share capital of Vodacom Congo (RDC) s.p.r.l. The option price will be fair market value of the related shares at the date the put option is exercised.

In terms of IAS32 Financial Instruments: Disclosure and Presentation ('IAS32'), a contract that contains an obligation for an entity to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount. In accordance with IAS39 Financial Instruments: Recognition and Measurement ('IAS39'), all subsequent changes in the fair value of the financial liability should be recognised as income or expense within the consolidated income statement.

In terms of IAS32, the put option gives rise to a financial liability of R183 million (Group share: R92 million) at September 30, 2006 (March 31, 2006: RNil).

Cointel VAS (Proprietary) Limited put option

In terms of the sale of shares agreement between the Vodacom Group and the sellers of shares in Cointel VAS (Proprietary) Limited ('Cointel'), the sellers have been granted a put option that requires Vodacom Group to purchase all (and not part only) of the sellers' shares in Cointel. The sellers will only be capable to exercise the put option if the recharge agreement with Vodacom (Proprietary) Limited is not continued after August 31, 2008 on terms and conditions reasonably acceptable to the sellers. The put option has a RNil value at September 30, 2006 (March 31, 2006: RNil) as the conditions set out in the agreement have not been met.

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

for the six months ended September 30, 2006

	March 31, 2006 Rm	September 30, 2005 Rm	**September 30, 2006 Rm**
21. SEGMENT INFORMATION			
Eliminations represent the inter-segmental transactions that have been eliminated against segment results. The. mobile segment represents the Group's joint venture Vodacom.			
Business Segment			
Consolidated revenue	47,625	23,447	**25,147**
Fixed-line	32,749	16,398	**16,514**
To external customers	32,039	16,074	**16,139**
Intercompany	710	324	**375**
Mobile	17,021	8,088	**9,733**
To external customers	15,586	7,373	**9,008**
Intercompany	1,435	715	**725**
Elimination	(2,145)	(1,039)	**(1,100)**
Other income	480	287	**213**
Fixed-line	430	270	**189**
Mobile	50	20	**24**
Elimination	–	(3)	**–**
Operating expenses	33,428	16,109	**17,675**
Fixed-line	22,937	11,156	**11,501**
Elimination	(1,435)	(718)	**(725)**
Mobile	12,636	5,995	**7,274**
Elimination	(710)	(324)	**(375)**
Consolidated operating profit	14,677	7,625	**7,685**
Fixed-line	10,242	5,512	**5,202**
Elimination	725	394	**350**
Mobile	4,435	2,113	**2,483**
Elimination	(725)	(394)	**(350)**
Consolidated investment income	397	217	**170**
Fixed-line	2,583	1,037	**1,406**
Elimination	(2,250)	(850)	**(1,250)**
Mobile	64	30	**14**
Consolidated finance charges	1,223	744	**437**
Fixed-line	839	524	**425**
Mobile	384	220	**12**

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

for the six months ended September 30, 2006

	March 31, 2006 Rm	September 30, 2005 Rm	**September 30, 2006 Rm**
21. SEGMENT INFORMATION *(continued)*			
Consolidated taxation	4,523	2,739	**2,844**
Fixed-line	2,981	2,012	**1,916**
Mobile	1,542	727	**928**
Minority interests	139	71	**74**
Fixed-line	81	59	**53**
Mobile	58	12	**21**
Profit attributable to equity holders of Telkom	9,189	4,288	**4,500**
Fixed-line	8,924	3,954	**4,214**
Elimination	(1,525)	(456)	**(900)**
Mobile	2,515	1,184	**1,536**
Elimination	(725)	(394)	**(350)**
Consolidated assets	54,306	50,586	**53,540**
Fixed-line	43,748	39,199	**42,120**
Mobile	12,262	12,550	**13,029**
Elimination	(1,704)	(1,163)	**(1,609)**
Investments	2,963	2,523	**1,235**
Fixed-line	2,861	2,523	**1,112**
Mobile	102	–	**123**
Financial assets	275	394	**576**
Fixed-line	256	262	**434**
Mobile	19	132	**142**
Total assets	57,544	53,503	**55,351**
Consolidated liabilities	15,171	15,124	**14,380**
Fixed-line	10,409	9,603	**9,000**
Mobile	6,466	6,684	**6,989**
Elimination	(1,704)	(1,163)	**(1,609)**
Interest-bearing debt	11,123	11,930	**12,266**
Fixed-line	9,889	10,638	**10,894**
Mobile	1,234	1,292	**1,372**
Financial liabilities	235	350	**122**
Fixed-line	205	297	**119**
Mobile	30	53	**3**

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

for the six months ended September 30, 2006

	March 31, 2006 Rm	September 30, 2005 Rm	**September 30, 2006 Rm**
21. SEGMENT INFORMATION *(continued)*			
Tax liabilities	1,549	1,576	**583**
Fixed-line	1,234	1,298	**342**
Mobile	315	278	**241**
Total liabilities	28,078	28,980	**27,351**
Other segment information			
Capital expenditure for property, plant and equipment	6,310	2,565	**3,913**
Fixed-line	3,960	1,423	**2,546**
Mobile	2,350	1,142	**1,367**
Capital expenditure for intangible assets	1,196	531	**277**
Fixed-line	975	435	**73**
Mobile	221	96	**204**
Depreciation and amortisation	5,714	2,740	**2,454**
Fixed-line	4,216	2,037	**1,667**
Mobile	1,498	703	**787**
Impairment and asset write-offs	162	64	**86**
Fixed-line	188	98	**67**
Mobile	(26)	(34)	**19**

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

for the six months ended September 30, 2006

	March 31, 2006 Rm	September 30, 2005 Rm	**September 30, 2006 Rm**
22. RELATED PARTIES			
Details of material transactions and balances with related parties not disclosed elsewhere in the condensed consolidated interim financial statements were as follows:			
With joint venture:			
Vodacom Group (Proprietary) Limited			
Related party balances			
Trade receivables	48	46	**59**
Trade payables	(256)	(267)	**(303)**
Related party transactions			
Income	(710)	(324)	**(375)**
Expenses	1,435	715	**725**
Audit fees	3	1	**1**
With shareholder:			
Government			
Related party balances			
Trade receivables	194	214	**236**
Related party transactions			
Revenue	(2,106)	(1,060)	**(1,105)**
With entities under common control:			
Major public entities			
Related party balances			
Trade receivables	30	32	**46**
Trade payables	(2)	(2)	**(5)**
The outstanding balances are unsecured and will be settled in cash in the ordinary course of business.			
Related party transactions			
Revenue	(346)	(172)	**(149)**
Expenses	172	79	**94**
Rent received	(17)	(5)	**(9)**
Rent paid	56	5	**35**
With key management personnel:			
(Including directors' emoluments)			
Short-term employee benefits*	171	90	**114**
Post-employment benefits	4	1	**3**
Termination benefits	12	2	**–**
Equity compensation benefits	6	3	**2**

**The comparatives for March 31, 2006 and September 30, 2005 were restated to incude directors' emoluments of Vodacom which were previously excluded.*

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

for the six months ended September 30, 2006

22. RELATED PARTIES *(continued)*

Terms and conditions of transactions with related parties

The sales to and purchases from related parties of telecommunication services are made at arm's length prices. Except as indicated above, outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. Except as indicated above, for the six months ended September 30, 2006, the Group has not made any impairment of amounts owed by related parties (September 30, 2005: Nil; March 31, 2006: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

	March 31, 2006 Rm	September 30, 2005 Rm	**September 30, 2006 Rm**
23. ACQUISITION OF MINORITIES			
Smartphone SP (Proprietary) Limited and subsidiaries			
On August 30, 2006, the Vodacom Group acquired a further 19% interest in the equity of Smartphone SP (Proprietary) Limited, which had a 85.75% shareholding in Smartcom (Proprietary) Limited at that time, 100% shareholding in Stand 13 Eastwood Road Dunkeld (Proprietary) Limited and 52% shareholding in Ithuba Smartcall (Proprietary) Limited. The acquisition was preliminarily accounted for using the parent entity extension method.			
Minority interest acquired			**11**
Goodwill			**157**
Purchase price (including capitalised cost)			**168**
The purchase price (excluding capitalised cost) of R167 million was payable at September 30, 2006 and included as part of Trade and other payables at that date. The goodwill related to the acquisition represents future synergies and are allocated to the South African cash-generating unit.			
Smartcom (Proprietary) Limited			
On September 13, 2006, the Vodacom Group acquired a further 2.25% interest in the equity of Smartcom (Proprietary) Limited. The acquisition was preliminarily accounted for using the parent entity extension method.			
Minority interest acquired (<R1 million)			**–**
Goodwill			**4**
Purchase price			**4**
The purchase price of R4 million was payable at September 30, 2006 and included as part of Trade and other payables at that date. The goodwill related to the acquisition represents future synergies and are allocated to the South African cash-generating unit.			
Total minority interest acquired			**11**

24. BUSINESS CONNEXION GROUP LIMITED ('BCX')

On April 4, 2006, Telkom announced its firm intention to make an offer to acquire the entire issued share capital of BCX, other than the BCX shares held as treasury shares and, if the trustees of the BCX share incentive trust so agree, the BCX shares held by the BCX share incentive trust. Telkom will acquire the outstanding options in BCX on the same terms and conditions as the offer for the shares. The offer will be implemented by way of a scheme of arrangement in terms of section 311 of the Companies Act, as proposed by Telkom between BCX and its shareholders.

Telkom's offer is for the entire issued share capital of BCX at a cash consideration of
R9.00 per share for an aggregate of R2.4 billion, including outstanding options. In addition, Telkom has agreed to BCX paying a dividend of R0.25 per share following the scheme meeting, but prior to the implementation of the scheme. Furthermore, Telkom has agreed to BCX continuing to pay dividends in the ordinary course of business in line with its current policy to maintain a three times dividend cover ratio, excluding exceptional items, provided that such dividends do not materially alter the net cash position of BCX as of November 30, 2005, unless such diminution in cash occurred due to an increase in assets of BCX. Telkom's offer is subject to the fulfilment, by no later than December 15, 2006, of conditions precedent.

On June 12, 2006, BCX's shareholders voted in favour of the scheme and on June 20, 2006, the South African courts sanctioned the scheme, subject to the approval of the offer by the South African competition authorities, either unconditionally or subject to such conditions as may be acceptable to Telkom by no later than December 15, 2006, or such later date as agreed between Telkom and BCX.

Furthermore, Telkom has entered into an agreement with Gadlex (Proprietary) Limited ('Gadlex') to acquire a certain percentage of Gadlex's investment in Business Connexion (Proprietary) Limited, BCX's major operating subsidiary, at the implied value of the offer for BCX.

The Competition Commission has agreed to refer the matter to the Competition Tribunal by November 17, 2006 and a pre-hearing is scheduled at the Competition Commission for November 24, 2006.

25. SIGNIFICANT EVENTS

Swiftnet (Proprietary) Limited

Telkom is in the process of selling a 30% shareholding in its subsidiary Swiftnet (Proprietary) Limited in order to comply with existing licence requirements from the Independant Communications Authority of South Africa ('ICASA'). This process is expected to be finalised by the end of December 2006.

Telkom Media (Proprietary) Limited

On August 31, 2006 Telkom announced the creation of a new subsidiary, Telkom Media (Proprietary) Limited, a private company with a 41.5% Black Economic Empowerment ('BEE') shareholding, which is one of 18 companies that applied to ICASA for a commercial satellite and cable subscription broadcast licence. ICASA is expected to award the licences sometime in the middle of next year.

The BEE shareholders are Videovision Entertainment, MSG Afrika Media and WDB Investment Holdings (Proprietary) Limited. This shareholding combines a wealth of electronic media expertise. Telkom Media will offer two media- and entertainment services: satellite pay-TV and cable TV (IPTV) and will aim to stimulate and lift demand for entertainment services and act as a catalyst for the development of convergent solutions in South Africa. The goal is to substantially broaden access to pay-TV services within the South African population and open the gateway to new converged services.

Initial offerings in the satellite subscription service will provide subscribers with access to seven locally compiled television channels which will contain a significant amount of local content.

26. SUBSEQUENT EVENTS

Refinancing of the TL06 bond

The TL06 bond with a nominal value of R2,100 million was repaid/refinanced on October 31, 2006 with cash from operations and Commercial Paper Bills respectively.

Other matters

The directors are not aware of any other matter or circumstance since the financial period ended September 30, 2006 and the date of this report, not otherwise dealt with in the financial statements, which significantly affects the financial position of the Group and the results of its operations.

10. Supplementary Information

In connection with the US Securities Exchange Commission Rules relating to "Conditions for use of Non-GAAP Financial Measures", EBITDA and headline earnings have been reconciled to net profit below:

In ZAR millions	Year ended March 31, Restated 2006	Six months ended September 30 Restated 2005	**2006**
EBITDA			
Earnings before interest, taxation, depreciation and amortisation (EBITDA) can be reconciled as follows:			
EBITDA	20,553	10,429	**10,225**
Depreciation, amortisation, impairment and write-offs	(5,876)	(2,804)	**(2,540)**
Investment income	397	217	**170**
Finance charges	(1,223)	(744)	**(437)**
Taxation	(4,523)	(2,739)	**(2,844)**
Minority interests	(139)	(71)	**(74)**
Net profit	9,189	4,288	**4,500**
Headline earnings			
The disclosure of headline earnings is a requirement of the JSE Securities Exchange, South Africa and is not a recognised measure under US GAAP.			
Headline earnings can be reconciled as follows:			
Earnings as reported	9,189	4,288	**4,500**
Profit on disposal of investment	(163)	(122)	**(43)**
Net profit and loss on disposal of property, plant and equipment and intangible assets	(79)	(68)	**5**
Impairment of property, plant and equipment and intangible assets	(26)	(34)	**19**
Write-offs of property, plant and equipment	188	98	**67**
Acquisition of subsidiary	(35)	–	**–**
Tax and minority interest effects	23	37	**(14)**
Headline earnings	9,097	4,199	**4,534**

US DOLLAR CONVENIENCE

	Year ended March 31, Restated 2006	Six months ended September 30 Restated 2005	**2006**	%
Revenue	7,744	3,692	**3,241**	(12.2)
Operating profits	2,387	1,201	**990**	(17.6)
Net profit	1,516	686	**589**	(14.1)
EBITDA	3,342	1,642	**1,318**	(19.7)
EPS (cents)	283.9	127.1	**111.9**	(12.0)
Net debt	1,110	1,722	**1,502**	(12.8)
Total assets	9,357	8,426	**7,133**	(15.3)
Cash flow from operating activities	1,546	138	**99**	(28.3)
Cash flow used in investing activities	(1,185)	(485)	**(529)**	9.1
Cash flow used in financing activities	(42)	135	**(105)**	(177.8)
Exchange rate				
Period end(1)				
US$1 = ZAR	6.15	6.35	**7.76**	22.2

1. Noon buying rate

Notes:

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STUDIO 5

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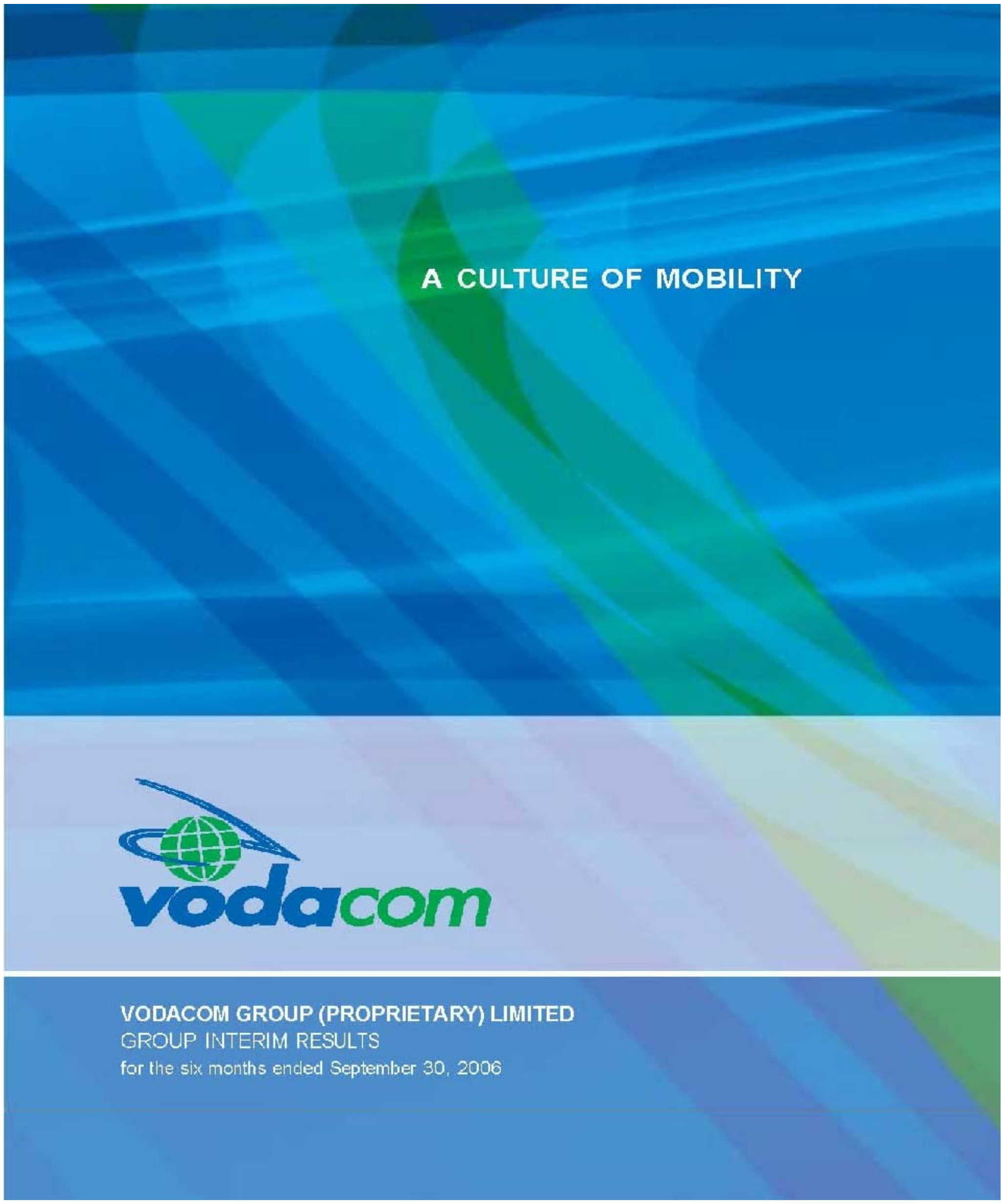
Exhibit 99.2


A CULTURE OF MOBILITY
vodacom
VODACOM GROUP (PROPRIETARY) LIMITED
GROUP INTERIM RESULTS
for the six months ended September 30, 2006

HIGHLIGHTS
for the six months ended September 30, 2005 and 2006

Total customers increased by **34.7%** to 25.8 million

- Customers increased by **28.1%** in South Africa to 20.2 million
- Customers increased by **61.5%** in Tanzania to 2.6 million
- Customers increased by **64.0%** in Vodacom Congo (DRC) to 2.0 million
- Customers increased by **39.2%** in Lesotho to 238 thousand
- Customers increased by **106.5%** in Mozambique to 694 thousand

Revenue increased by **20.3%** to R19.5 billion

Profit from operations increased by **17.5%** to R5.0 billion

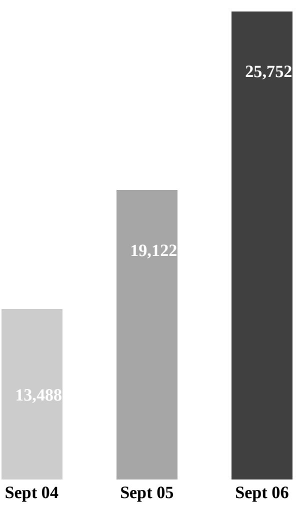
EBITDA increased by **18.2%** to R6.6 billion

Net profit after taxation increased by **30.4%** to R3.1 billion

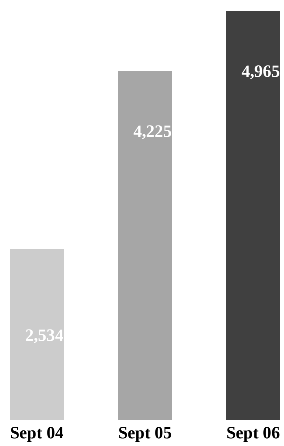
Cash generated from operations increased by **10.8%** to R5.5 billion

Interim dividend increased by **47.1%** to R2.5 billion

Total customers
'000



Profit from operations
Rand Millions



COMMENTARY

Vodacom Group (Proprietary) Limited, South Africa's market leader in the provision of cellular services announces interim results for the six months ended September 30, 2006.

SOUTH AFRICA

Customers

The South African customer base increased by 28.1% to 20.2 million (September 30, 2005: 15.8 million). The increase was driven by growth in both the prepaid and contract market. The number of prepaid customers increased by 27.7% to 17.4 million, while the number of contract customers increased by 27.9% to 2.7 million. The strong growth in total customers was a direct result of the remarkable number of gross connections achieved of 5.3 million (September 30, 2005: 4.2 million).

ARPU

During the period under review, ARPU decreased by 15.6% to R124 (September 30, 2005: R147) per month. The continued dilution of ARPU is caused by the higher proportion of lower ARPU connections as the lower end of the market is penetrated. The prepaid customer ARPU decreased by 14.1% to R61 (September 30, 2005: R71) per month. Contract customer ARPU has decreased by 10.2% to R528 (September 30, 2005: R588) per month. The main contributing factor to this decrease has been the high growth in data customers as well as in the low end hybrid, Family Top Up package.

Churn

Contract churn is still low at 11.0%, although higher than the 9.3% contract churn for the six months ended September 30, 2005.

The prepaid churn of 47.7% (September 30, 2005: 18.7%) is high due to the change in the business rule regarding inactive customers (SIMs). Subsequent to a decision made by Vodacom South Africa on June 15, 2006 to change the definition of its active customer numbers to exclude calls forwarded to voicemail from the definition of a revenue generating activity, Vodacom South Africa has reverted to its original business rule of including a call forwarded to voice mail as revenue generating activity as from September 1, 2006.

Whilst some 2.4 million SIM cards have already been disconnected in terms of the revision to the business rule on June 15, 2006, any other SIM cards which are only generating revenue from call forward activities will in future be disconnected in terms of the normal disconnection rules after 215 days of inactivity.

Traffic

Total traffic on the network, excluding the impact of national and international roaming traffic, has shown an increase of 20.9% to 9.7 billion (September 30, 2005: 8.0 billion) minutes for the six months ended September 30, 2006. The growth was mainly due to the 28.1% year on year growth in the customer base to 20.2 million. Also evident was continued fixed for mobile call substitution, with mobile to mobile traffic increasing by 26.6% while mobile/fixed increased by only 1.3%.

Operational

The South African business was rewarded with a number of top awards during the six months ended September 30, 2006. In the recent Markinor Brand Survey, Vodacom was awarded SA's second favourite overall brand and retained its number one position as South Africa's favourite advertiser. In the Marketing Excellence Awards 2006, Vodacom was awarded as the Leading Brand Campaign 2006.

Although South Africa is experiencing a lot of regulatory challenges, the business is still growing and will continue to focus on customer growth and satisfaction, as well as delivering new products and services to its customers. Over the past six months the most noteworthy of these were a number of new Top Up packages, Bonus Voucher, Vodafone Simply, Vodafone Passport, Share Talk 1500, the month-to-month contract option and reverse billed SMS for the WASPs.

Regulatory

Broadcasting licence

Vodacom applied for a DVB-H test licence, which was awarded on May 16, 2006 in 542.3 MHz.

Electronic Communications Act

The Electronic Communications Act was promulgated on July 19, 2006 and

COMMENTARY continued

replaces the current Telecommunications Act. Vodacom South Africa is required to convert its current licence into the different licensing categories provided under the new Act allowing them to enjoy the right to carry all international traffic.

Customer registration

The Regulation of Interception of Communications and Provision of Communications-related Information Act was proclaimed in the Government Gazette and has been made effective September 30, 2005 with the exception of the provision dealing with customer registration. Customer registration will come into effect once the legislative amendments allowing for electronic registration process are finalised. This is anticipated to be finalised during 2007.

Mobile number portability

Mobile number portability became commercially available on November 10, 2006. In terms of the implementation plan, all systems were ready by October 27, 2006 to allow for a 10-day production trial period before the launch.

Market share

Despite strong competition, Vodacom South Africa has retained its leadership in the highly competitive South African mobile communications market with an estimated 59% (September 30, 2005: 57%) market share on September 30, 2006. The market penetration of the cellular industry in South Africa is now an estimated 72.2% of the population.

OTHER AFRICAN OPERATIONS

Vodacom's other African operations, which provide a world-class Global System for Mobile communications (GSM) service to millions of customers, are all faced with continued challenges such as competitiveness of other operators as well as rigorous regulatory and political changes. All these operations showed excellent growth in customers and were profitable in terms of profit from operations for the six months ended September 30, 2006 with the exception of Vodacom Mozambique.

Vodacom Tanzania increased its customer base by 61.5% to 2.6 million (September 30, 2005: 1.6 million) at

September 30, 2006. The Tanzanian market remains highly competitive, but with mobile penetration estimated at 12.6% of the population, it still promises further growth potential. Vodacom Tanzania's market share decreased to 55% (September 30, 2005: 58%) at September 30, 2006.

Vodacom Democratic Republic of Congo (DRC) remains the market leader with an estimated market share of 49% (September 30, 2005: 49%) at September 30, 2006. The DRC has the lowest estimated mobile penetration of all Vodacom's operations at 6.6% of the population at September 30, 2006. Vodacom Congo increased its customer base by 64.0% to 2.0 million (September 30, 2005: 1.2 million) at September 30, 2006.

Vodacom Lesotho is expected to remain a small operation, but has positioned itself well to minimise the impact of competitive activity and has maintained its estimated 80% market share at September 30, 2006. Vodacom Lesotho increased its customer base by 39.2% to 238 thousand (September 30, 2005: 171 thousand) at September 30, 2006. Mobile penetration in Lesotho is now estimated at 14.7%.

Vodacom Mozambique has managed to increase its estimated market share significantly to 33% (September 30, 2005: 26%) despite strong competition from the established competitor mCel, by offering competitive coverage through an aggressive coverage roll-out programme and innovative products. Vodacom Mozambique increased its customer base by 106.5% to 694 thousand (September 30, 2005: 336 thousand) at September 30, 2006. Mobile penetration is estimated at 10.7% at September 30, 2006.

The financial results of Vodacom's operations are analysed in more detail in the segmental commentary of this report.

INVESTMENT ACTIVITIES

Vodacom entered into the following acquisition transactions during the period under review:

On August 30, 2006, the Group increased its interest in the equity of Smartphone SP (Proprietary) Limited, and its subsidiaries from 51% to 70%.

Effective September 13, 2006 Vodacom Service Provider Company (Proprietary) Limited acquired the entire contract customer base of approximately 160 thousand from Smartcom (Proprietary) Limited.

An offer to increase the Group's shareholding in Cointel VAS (Proprietary) Limited from 51% to 70% was made and accepted. The effective date of the transaction was October 4, 2006.

The total consideration for the above transactions will amount to approximately R543 million and it will be paid during the quarter ended December 2006.

FINANCIAL REVIEW

FINANCIAL REVIEW

REVENUE

Geographical split

	Rand millions				
Six months ended September 30,	2004 (unaudited)	2005 (unaudited)	**2006 (unaudited)**	% change 04/05	**05/06**
South Africa, including holding companies	12,057	14,764	**17,580**	22.5	**19.1**
Tanzania	472	611	**775**	29.4	**26.8**
DRC	594	649	**898**	9.3	**38.4**
Lesotho	65	77	**105**	18.5	**36.4**
Mozambique	43	74	**108**	72.1	**45.9**
Revenue	**13,231**	**16,175**	**19,466**	**22.3**	**20.3**

The increase in the revenue was primarily driven by the 34.7% increase in the Group customer base. Group ARPU decreased by 17.2% to R111 (September 30, 2005: R134) per month mainly due to the majority of the growth in the customer base being achieved in prepaid customers and the lower end of the contract market. Vodacom’s other African operations contributed 9.7% (September 30, 2005: 8.7%) to total revenue.

Revenue composition

	Rand millions				
Six months ended September 30,	2004 (unaudited)	2005 (unaudited)	**2006 (unaudited)**	% change 04/05	**05/06**
Airtime, connection and access	7,823	9,581	**11,313**	22.5	**18.1**
Data revenue	586	893	**1,443**	52.4	**61.6**
Interconnection	2,940	3,186	**3,723**	8.4	**16.9**
Equipment sales	1,318	1,910	**2,312**	44.9	**21.0**
International airtime	436	485	**555**	11.2	**14.4**
Other sales and services	128	120	**120**	(6.3)	**–**
Revenue	**13,231**	**16,175**	**19,466**	**22.3**	**20.3**

FINANCIAL REVIEW continued

Airtime, connection and access revenue increased primarily due to the increase in the number of customers, offset by declining ARPUs in all operations.

Data revenue – geographical split

	Rand millions				
Six months ended September 30,	2004 (unaudited)	2005 (unaudited)	**2006 (unaudited)**	% change	
				04/05	**05/06**
South Africa	542	821	**1,347**	51.5	**64.1**
Tanzania	35	50	**65**	42.9	**30.0**
DRC	4	13	**19**	>200.0	**46.2**
Lesotho	4	7	**10**	75.0	**42.9**
Mozambique	1	2	**2**	100.0	–
Data revenue	**586**	**893**	**1,443**	**52.4**	**61.6**

Data revenue increased mainly due to the popularity of SMS and data initiatives such as 3G, HSDPA, BlackBerry®, Mobile TV, Vodafone live! as well as other data products. Vodacom South Africa transmitted 2.2 billion (September 30, 2005: 1.5 billion) SMS messages over its network during the six months ended September 30, 2006. The number of active data users on the South African network as at September 30, 2006 was: MMS users 1,036,964 (September 30, 2005: 533,054); total data users 2,133,336 (September 30, 2005: 969,889); 3G and HSDPA active Vodafone Mobile Connect Cards 87,674 (September 30, 2005: 18 662), Vodafone live! users 686,967 (September 30, 2005: 102,404) and Unique Mobile TV users 23,144.

The contribution to data revenue from other African operations decreased from 8.1% to 6.7% for the six months ended September 30, 2006.

Interconnection revenue increased primarily due to the growth in off-net incoming mobile traffic.

The growth in equipment sales was primarily due to the growth of the customer base, cheaper handsets coupled with

FINANCIAL REVIEW continued

added functionality of new phones based on new technologies. South African handset sale volumes increased by 22.2% to 2.2 million units.

International airtime comprises international calls by Vodacom customers, roaming revenue from Vodacom's customers making and receiving calls while abroad and revenue from international customers roaming on Vodacom's networks.

Other sales and services include revenue from Vodacom's cell captive insurance scheme, site sharing rental as well as other revenue from non-core operations.

PROFIT FROM OPERATIONS

Geographical split

Rand millions					
Six months ended September 30,	2004 (unaudited)	2005 (unaudited)	**2006 (unaudited)**	% change	
				04/05	**05/06**
South Africa	2,754	4,060	**4,745**	47.4	**16.9**
Tanzania	72	115	**134**	59.7	**16.5**
DRC	7	47	**133**	>200.0	**183.0**
Lesotho	9	26	**34**	188.9	**30.8**
Mozambique	(341)	(25)	**(138)**	92.7	**(>200.0)**
Holding companies	33	2	**57**	(93.9)	**>200.0**
Profit from operations	**2,534**	**4,225**	**4,965**	**66.7**	**17.5**
Profit from operations margin	**19.2%**	**26.1%**	**25.5%**		

FINANCIAL REVIEW continued

Most profit from operations margins of subsidiaries reduced slightly for the six months ended September 30, 2006: South Africa down by 0.5% points to 27.0%, Tanzania down by 1.5% points to 17.3%, DRC up by 7.6% points to 14.8%, Lesotho down by 1.4% points to 32.4%, while Mozambique is not yet profitable.

Profit from operations and the Mozambique results, were negatively affected by the R38.2 million impairment of the Mozambique assets compared to the R68.4 million reversal of the prior year.

EBITDA
Geographical split

	Rand millions				
Six months ended September 30,	2004 (unaudited)	2005 (unaudited)	**2006 (unaudited)**	% change	
				04/05	**05/06**
South Africa	3,940	5,214	**6,009**	32.3	**15.2**
Tanzania	152	206	**244**	35.5	**18.4**
DRC	110	171	**276**	55.5	**61.4**
Lesotho	21	30	**47**	42.9	**56.7**
Mozambique	(69)	(61)	**(56)**	11.6	**8.2**
Holding companies	35	3	**58**	(91.4)	**>200.0**
EBITDA	**4,189**	**5,563**	**6,578**	**32.8**	**18.2**
EBITDA margin	**31.7%**	**34.4%**	**33.8%**		

Vodacom's EBITDA margin, adjusted for the impact of low margin cellular phone and equipment sales, was 39.2% (September 30, 2005: 39.7%).

FINANCIAL REVIEW continued

OPERATING EXPENSES

Six months ended September 30,	2004 (unaudited)	2005 (unaudited)	**2006 (unaudited)**	% change 04/05	**% change 05/06**
	Rand millions				
Depreciation, amortization and impairment	1,655	1,338	**1,613**	(19.2)	**20.6**
Payments to other network operators	1,804	2,168	**2,675**	20.2	**23.4**
Other direct network operating costs	5,705	6,577	**8,051**	15.3	**22.4**
Staff expenses	760	952	**1,078**	25.3	**13.2**
Marketing and advertising expenses	393	488	**578**	24.2	**18.4**
General administration expenses	412	467	**555**	13.3	**18.8**
Other operating income	(33)	(40)	**(50)**	21.2	**25.0**
Operating expenses	**10,696**	**11,950**	**14,500**	**11.7**	**21.3**

Due to the competitive and economic environment in which VM, S.A.R.L. operates in Mozambique, the Group assessed the assets for impairment in accordance with the requirements of IAS 36: Impairment of Assets, and consequently impaired an amount of R38.2 million (September 30, 2005: a reversal of R68.4 million).

FINANCIAL REVIEW continued

Vodacom's payments to other network operators increased mainly as a result of an increase in outgoing traffic terminating on other cellular networks, rather than on fixed- line networks.

Other direct network expenses include the cost to connect customers onto the network which are incurred to support growth in the customer base as well as other costs such as cost of goods sold, commissions, customer retention expenses, regulatory and licence fees, distribution expenses and site and maintenance costs.

Employee productivity has improved in all of Vodacom's operations, as measured by customers per employee, increasing by 32.9% to 4,683 customers per employee.

Marketing and advertising expenses are mainly driven by new technologies and enhancing brand presence in all operations.

General administration expenses comprise of expenses such as accommodation, information technology costs, office administration, consultant expenses, outsourced call centres, social economic investment and insurance.

Other operating income comprises of income that Vodacom does not consider as part of Vodacom's core activities such as: risk management services, consultant cost recoveries and franchise fees and is therefore shown separately.

INTEREST RECEIVED, DIVIDENDS RECEIVED AND FINANCE COST
The net income from interest received, dividends received and finance costs increased to R187.2 million (September 30, 2005: net expense of R382.8 million) mainly as a result of the revaluation of foreign assets and foreign liabilities, and in South Africa the weaker Rand and the increased value of foreign exchange contracts compared to the prior year resulted in a further net gain on the revaluation of these foreign exchange contracts.

OPTION FAIR VALUE ADJUSTMENT
In terms of a shareholders' agreement, the Group's minority shareholder in Vodacom Congo (RDC) s.p.r.l., Congolese Wireless Network s.p.r.l. (CWN) has a put option which came into effect on December 1, 2004, for a period of five years thereafter. In terms of the option, CWN is entitled to put to Vodacom International Limited such

number of shares in and claims on loan account against Vodacom Congo (RDC) s.p.r.l. as constitute 19% of the entire issued share capital of that company. CWN can exercise this option in a maximum of three tranches and each tranche must consist of at least 5% of the entire issued share capital of Vodacom Congo (RDC) s.p.r.l.. The option price will be fair market value of the related shares at the date the put option is exercised.

The put option gives rise to a financial liability in terms of IAS 32: Financial Instruments: Presentation of R183.4 million (September 30, 2005: Rnil) at September 30, 2006.

In terms of IAS 39: Financial Instruments: Recognition and Measurement, all subsequent changes in the fair value of the financial liability should be recognised as income or expense within the consolidated income statement. The increase in the value of the option had to be expensed through the income statement as a finance charge. The initial recognition of the option was at a value of Rnil due to the fact that Vodacom Congo (RDC) s.p.r.l. were incurring losses, coupled with the political instability in the country.

EFFECTIVE TAX RATE

Vodacom's effective tax rate decreased to 37.3% (September 30, 2005: 37.9%) in the six months ended September 30, 2006 primarily because of the decrease in the provision for unutilised assessed losses even though the impact of Secondary Tax on Companies (STC) as a percentage of profit increased by 0.9% due to an increase in STC payments of R104.8 million. The current period effective tax rate was negatively affected by the impairment of the Mozambique assets as well as the fair value adjustment of the Vodacom Congo (RDC) s.p.r.l. put option.

SHAREHOLDER DISTRIBUTIONS

Dividends declared in the six months ended September 30, 2006 totalled R2.5 billion and was paid to shareholders on October 4, 2006.

CAPITAL EXPENDITURE (CAPEX)

Capex additions – geographical split

	Rand millions				
Six months ended September 30,	2004 (unaudited)	2005 (unaudited)	**2006 (unaudited)**	% change 04/05	**05/06**
South Africa	1,109	2,141	**2,487**	93.1	**16.2**
Tanzania	83	104	**288**	25.3	**176.9**
DRC	187	140	**269**	(25.1)	**92.1**
Lesotho	2	11	**11**	>200.0	**–**
Mozambique	27	77	**49**	185.2	**(36.4)**
Holding companies	5	2	**38**	(60.0)	**>200.0**
Capex additions	1,413	2,475	**3,142**	**75.2**	**26.9**
Capex additions as a percentage of revenue	**10.7%**	**15.3%**	**16.1%**		

Cumulative capex – geographical split

Six months ended September 30,	2005		**2006**	
	R billions	Foreign	**R billions**	**Foreign**
South Africa (R billions)	22.5	–	**25.8**	**–**
Tanzania (TSH billions)	1.5	258.3	**2.1**	**345.0**
DRC (US$ millions)	1.9	302.0	**2.8**	**362.2**
Lesotho (Maloti millions)	0.2	216.8	**0.2**	**235.6**
Mozambique (MTn millions)	0.6	2,454.2	**0.8**	**2,834.3**
Holding companies (R billions	–	–	**0.1**	**–**
Cumulative capex	**26.7**		**31.8**	

It is Vodacom’s policy to hedge all foreign denominated commitments of South African operations, however, Vodacom does not qualify for hedge accounting in terms of IAS 39 and therefore, all capital expenditure in South Africa is recorded at the exchange rate ruling at the date of acceptance of the equipment. Capital expenditure of Vodacom’s other African operations is translated at the average exchange rate of the Rand against the operations reporting currency for the period, while closing capital expenditure is translated at the closing exchange rate of the Rand against the reporting currency. For this reason, Vodacom’s capital expenditure in any given year cannot be properly evaluated without taking the exchange rate movements against the Rand into account.

FINANCIAL REVIEW continued

FUNDING

Summary of net debt and maturity profile

	Rand millions						
September 30, 2006 (reviewed)	2007	2008	2009	2010	2011	2012 onward	**Total**
South Africa – Finance leases, Rand denominated	95	134	168	114	164	98	**773**
Funding loans Tanzania – project finance, various denominated	–	118	–	–	–	–	**118**
Tanzania – project finance, various denominated	163	–	–	–	–	–	**163**
Medium-term loan to Vodacom International Limited, US$ denominated	–	–	1,381	–	–	–	**1,381**
DRC – preference share liability, US$ denominated	284	–	–	–	–	–	**284**
Sekhametsi Investment Consortium, Maloti denominated	–	1	1	1	–	–	**3**
Other short-term loans US$ denominated	23	–	–	–	–	–	**23**
Debt excluding bank overdrafts	**565**	**253**	**1,550**	**115**	**164**	**98**	**2,745**
Bank overdrafts							1,128
Gross debt							**3,873**
Bank and cash balances							(867)
Net debt							**3,006**

The Group's net debt to EBITDA ratio was 45.7% (September 30, 2005: 21.8%) as at September 30, 2006. This reflects the Group's net debt position before settlement of the R2.5 billion dividend paid on October 4, 2006. Vodacom's net debt to equity ratio improved to 37.5% (September 30, 2005: 15.6%) as at September 30, 2006. Inclusive of the R2.5 billion interim dividend payable, Vodacom's net debt to equity ratio as at September 30, 2006 was 72.6% (September 30, 2005: 40.1%).

FINANCIAL REVIEW continued

CONCLUSION

Vodacom's strong financial performance continues to be underpinned by excellent growth in customers, improved market share and continued growth in revenues and profits. Vodacom South Africa, by far the largest operation in the Group, has once again strengthened its leadership position. Our market share grew to 59% as a result of superior network coverage, retail and wholesale distribution and marketing of new products and services. This was achieved in spite of an increasingly competitive mobile arena and a more rigid regulatory environment. Our African operations continued to grow and are a social and economic force within their own right in the countries in which we do business. The Vodacom Group is built on successful and long-standing business partnerships, the commitment of our employees and the loyalty of our customers. Cultivating and recognising these contributions are an important contribution to our success.

Adv OA Mabandla
Non-executive Chairman

ADC Knott-Craig
Chief Executive Officer

SEGMENT KEY OPERATIONAL INDICATORS

SOUTH AFRICA

Consolidated key operational indicators (Vodacom South Africa, Smartcall, Smartcom and Cointel)

Six months ended September 30,	2004 (unaudited)	2005 (unaudited)	**2006 (unaudited)**	% change 04/05	**% change 05/06**
Customers ('000)[1]	**11,346**	**15,773**	**20,201**	**39.0**	**28.1**
Contract	1,651	2,092	**2,675**	26.7	**27.9**
Prepaid	9,671	13, 653	**17,440**	41.2	**27.7**
Community services	24	28	**86**	16.7	**>200.0**
Gross connections ('000)	**2,681**	**4,181**	**5,308**	**55.9**	**27.0**
Contract	302	312	**320**	3.3	**2.6**
Prepaid	2,378	3,865	**4,929**	62.5	**27.5**
Community services	1	4	**59**	>200.0	**>200.0**
Total churn (%)[2]	**20.0**	**17.4**	**43.0**	**(2.6 pts)**	**25.6 pts**
Contract	8.6	9.3	**11.0**	0.7 pts	**1.7 pts**
Prepaid	21.9	18.7	**47.7**	(3.2 pts)	**29.0 pts**
Total traffic (millions of minutes)[3]	**6,735**	**8,038**	**9,721**	**19.3**	**20.9**
Outgoing	4,326	5,329	**6,537**	23.2	**22.7**
Incoming	2,409	2,709	**3,184**	12.5	**17.5**
ARPU (Rand per month)[4]	**165**	**147**	**124**	**(10.9)**	**(15.6)**
Contract	637	588	**528**	(7.7)	**(10.2)**
Prepaid	79	71	**61**	(10.1)	**(14.1)**
Community services	2,381	1,960	**1,017**	(17.7)	**(48.1)**
Minutes of user per customer per month[5]	**85**	**76**	**68**	**(10.6)**	**(10.5)**
Contract (excluding bundled minutes)	234	212	**192**	(9.4)	**(9.4)**
	51	49	**46**	(3.9)	**(6.1)**
Prepaid Community services	3,316	2,546	**1,283**	(23.2)	**(49.6)**
Number of employees	**3,988**	**4,119**	**4,137**	**3.3**	**0.4**
Customers of employee	**2,845**	**3,829**	**4,883**	**34.6**	**27.5**
Mobile market share (%)[6]	**56**	**57**	**59**	**1 pt**	**2 pts**
Mobile market penetration (%)[7]	**43.1**	**58.0**	**72.2**	**14.9 pts**	**14.2 pts**

Notes

1. *Customer totals are based on the total number of customers registered on Vodacom's network, which have not been disconnected, including inactive customers, as at the end of the period indicated.*
2. *Churn is calculated by dividing the average monthly number of disconnections during the period by the average monthly total reported customer base during the period.*
3. *Traffic comprises total traffic registered on Vodacom's network, including bundled minutes, outgoing international roaming calls and calls to free services, but excluding national roaming and incoming international roaming calls.*
4. *ARPU is calculated by dividing the average monthly revenue during the period by the average monthly total reported customer base during the period. ARPU excludes contract connection revenue, revenue from equipment sales, other sales and services and revenue from national and international users roaming on Vodacom's networks.*
5. *Minutes of use per customer per month is calculated by dividing the average monthly minutes during the period by the average monthly total reported customer base during the period. Minutes of use exclude calls to free services, bundled minutes and data minutes.*
6. *Market share is calculated based on Vodacom's total reported customers and the estimated total reported customers of MTN and Cell C.*
7. *Market penetration is based on Vodacom estimates.*

SEGMENT KEY OPERATIONAL INDICATORS
continued

VODACOM TANZANIA

Key indicators

Six months ended September 30,	2004 (unaudited)	2005 (unaudited)	**2006 (unaudited)**	% change	
				04/05	**05/06**
Customers ('000)[1]	**952**	**1,606**	**2,593**	**68.7**	**61.5**
Contract	5	6	**12**	20.0	**100.0**
Prepaid	944	1,597	**2,573**	69.2	**61.1**
Public phones	3	3	**8**	–	**166.7**
Gross connections ('000)	**326**	**604**	**909**	**85.3**	**50.5**
Churn (%)	**26.1**	**28.7**	**35.2**	**2.6 pts**	**6.5 pts**
ARPU (Rand) [2]	**91**	**73**	**53**	**(19.8)**	**(27.4)**
Number of employees	**342**	**371**	**482**	**8.5**	**29.9**
Customers per employee	**2,785**	**4,330**	**5,379**	**55.5**	**24.2**
Mobile market share (%)[3]	**58**	**58**	**55**	**–**	**(3 pts)**

VODACOM CONGO

Key indicators

Six months ended September 30,	2004 (unaudited)	2005 (unaudited)	**2006 (unaudited)**	% change	
				04/05	**05/06**
Customers ('000)[1]	**903**	**1,236**	**2,027**	**36.9**	**64.0**
Contract	10	11	**16**	10.0	**45.5**
Prepaid	885	1,209	**1,988**	36.6	**64.4**
Public phones	8	16	**23**	100.0	**43.8**
Gross connections ('000)	**305**	**373**	**724**	**22.3**	**94.1**
Churn (%)	**18.4**	**30.5**	**30.0**	**12.1 pts**	**(0.5 pts)**
ARPU (Rand) [2]	**111**	**89**	**83**	**(19.8)**	**(6.7)**
Number of employees	**426**	**597**	**513**	**40.1**	**(14.1)**
Customers per employee	**2,119**	**2,070**	**3,951**	**(2.3)**	**90.9**
Mobile market share (%)[3]	**48**	**49**	**49**	**1 pt**	**–**

SEGMENT KEY OPERATIONAL INDICATORS
continued

VODACOM LESOTHO
Key indicators

Six months ended September 30,	2004 (unaudited)	2005 (unaudited)	**2006 (unaudited)**	% change 04/05	**% change 05/06**
Customers (‘000)[1]	**122**	**171**	**238**	**40.2**	**39.2**
Contract	4	3	**3**	(25.0)	**–**
Prepaid	117	166	**231**	41.9	**39.2**
Public phones	1	2	**4**	100.0	**100.0**
Gross connections (‘000)	**32**	**42**	**55**	**31.3**	**31.0**
Churn (%)	**14.0**	**23.4**	**20.5**	**9.4 pts**	**(2.9 pts)**
ARPU (Rand) [2]	**91**	**77**	**76**	**(15.4)**	**(1.3)**
Number of employees	**62**	**65**	**63**	**4.8**	**(3.1)**
Customers per employee	**1,971**	**2,625**	**3,771**	**33.2**	**43.7**
Mobile market share (%)[3]	**80**	**80**	**80**	**–**	**–**

VODACOM MOZAMBIQUE
Key indicators

Six months ended September 30,	2004 (unaudited)	2005 (unaudited)	**2006 (unaudited)**	% change 04/05	**% change 05/06**
Customers (‘000)[1]	**164**	**336**	**694**	**104.9**	**106.5**
Contract	3	5	**11**	66.7	**120.0**
Prepaid	161	331	**682**	105.6	**106.0**
Public phones	–	–	**1**	n/a	**n/a**
Gross connections (‘000)	**108**	**123**	**327**	**13.9**	**165.9**
Churn (%)	**2.7**	**34.5**	**41.8**	**31.8 pts**	**7.3 pts**
ARPU (Rand) [2]	**63**	**41**	**27**	**(34.9)**	**(34.1)**
Number of employees	**85**	**148**	**126**	**74.1**	**(14.9)**
Customers per employee	**1,934**	**2,271**	**5,507**	**17.4**	**142.5**
Mobile market share (%)[3]	**24**	**26**	**33**	**2 pts**	**(7 pts)**

Notes
1. *Customer totals are based on the total number of customers registered on Vodacom’s network, which have not been disconnected, including inactive customers, as at end of the period indicated.*
2. *ARPU is calculated by dividing the average monthly revenue during the period by the average monthly total reported customer base during the period. ARPU excludes contract connection revenue, revenue from equipment sales, other sales and services and revenue from national and international users roaming on Vodacom’s networks.*
3. *Market share is calculated based on Vodacom estimates.*

CONDENSED CONSOLIDATED
INCOME STATEMENTS
for the six months ended September 30, 2005 and 2006

	2005 (reviewed) (restated) Rm	**2006 (reviewed) Rm**
Revenue	16,175.2	**19,465.6**
Other operating income	39.9	**49.8**
Direct network operating cost	(8,745.4)	**(10,726.1)**
Depreciation	(1,282.2)	**(1,335.2)**
Staff expenses	(951.7)	**(1,078.1)**
Marketing and advertising expenses	(488.0)	**(578.0)**
Other operating expenses	(466.9)	**(555.1)**
Amortisation of intangible assets	(124.2)	**(239.3)**
Impairment of assets	68.4	**(38.2)**
Profit from operations	4,225.1	**4,965.4**
Interest, dividends and other financial income	298.7	**1,092.4**
Finance costs	(681.5)	**(905.2)**
Option fair value adjustment	–	**(183.4)**
Profit before taxation	3,842.3	**4,969.2**
Taxation	(1,454.9)	**(1,855.7)**
Net profit	2,387.4	**3,113.5**
Attributable to:		
Equity shareholders	2,363.5	**3,072.4**
Minority interests	23.9	**41.1**

	2005 R	**2006 R**
Basic and diluted earnings per share	236,350	**307,240**

CONDENSED CONSOLIDATED BALANCE SHEETS at March 31, 2006 and September 30, 2006

	March 31, 2006 (audited) (restated) Rm	**Sept 30, 2006 (reviewed) Rm**
ASSETS		
Non-current assets	16,079.2	**18,524.4**
Property, plant and equipment	13,386.6	**15,389.3**
Intangible assets	1,954.9	**2,450.5**
Financial assets	92.1	**114.2**
Deferred taxation	297.6	**219.1**
Deferred cost	311.2	**306.8**
Lease assets	36.8	**44.5**
Current assets	8,688.6	**8,061.8**
Deferred cost	451.8	**487.9**
Short-term financial assets	149.3	**414.7**
Inventory	454.3	**764.3**
Trade and other receivables	4,487.1	**5,528.0**
Cash and cash equivalents	3,146.1	**866.9**
Total assets	24,767.8	**26,586.2**
EQUITY AND LIABILITIES		
Equity	8,672.3	9,368.0
Ordinary share capital	*	*****
Retained earnings	8,583.0	**9,154.7**
Non-distributable reserves	(194.0)	**(80.6)**
Minority interests	283.3	**293.9**
Non-current liabilities	2,236.6	**3,705.3**
Interest-bearing debt	819.2	**2,179.2**
Deferred taxation	602.3	**727.5**
Deferred revenue	320.3	**330.9**
Provisions	372.3	**339.8**
Operating lease liabilities	122.5	**127.9**
Current liabilities	13,858.9	**13,512.9**
Trade and other payables	5,104.7	**6,519.4**
Deferred revenue	1,604.5	**1,806.5**
Taxation payable	630.2	**481.8**
Non interest-bearing debt	4.3	-
Short-term interest-bearing debt	1,645.5	**565.3**
Short-term provisions	623.0	**505.4**
Dividends payable	2,800.0	**2,500.0**
Derivative financial liabilities	60.9	**7.0**
Bank borrowings	1,385.8	**1,127.5**
Total equity and liabilities	24,767.8	**26,586.2**

** Amounts less than R50,000*

CONDENSED CONSOLIDATED
STATEMENTS OF CHANGES IN EQUITY
for the six months ended September 30, 2005 and 2006

	Attributable to equity shareholders		
	Share capital Rm	Retained earnings Rm	Non- distributable reserves Rm
Balance at March 31, 2005 as previously reported	*	8,057.2	(298.0)
Changes in accounting policies	–	1.9	(1.9)
Balance at March 31, 2005 – restated	*	8,059.1	(299.9)
Net profit for the period	–	2,363.5	–
Dividends declared	–	(1,700.0)	–
Contingency reserve	–	(0.6)	0.6
Acquisition of subsidiary	–	–	–
Net gains and losses not recognised in the income statement			
Foreign currency translation reserve	–	–	114.6
Foreign currency translation reserve – deferred taxation	–	–	0.5
Balance at September 30, 2005 – reviewed	*	8,722.0	(184.2)
Balance at March 31, 2006 as previously reported	*	8,567.3	(178.3)
Changes in accounting policies	–	15.7	(15.7)
Balance at March 31, 2006 – restated	*	8,583.0	(194.0)
Net profit for the period	–	3,072.4	–
Dividends declared	–	(2,500.0)	–
Contingency reserve	–	(0.7)	0.7
Acquisition of minorities	–	–	–
Net gains and losses not recognised in the income statement			
Foreign currency translation reserve	–	–	122.9
Foreign currency translation reserve – deferred taxation	–	–	(9.0)
Capital contribution on remeasurement of shareholders loan to fair value	–	–	(1.2)
Balance at September 30, 2006 – reviewed	*****	**9,154.7**	**(80.6)**

** Amounts less than R50,000.*

Total Rm	Minority Interests Rm	Total Equity Rm
7,759.2	128.7	7,887.9
–	–	–
7,759.2	128.7	7,887.9
2,363.5	23.9	2,387.4
(1,700.0)	–	(1,700.0)
–	–	–
–	46.5	46.5
114.6	(1.3)	113.3
0.5	–	0.5
8,537.8	197.8	8,735.6
8,389.0	283.3	8,672.3
–	–	–
8,389.0	283.3	8,672.3
3,072.4	41.1	3,113.5
(2,500.0)	(35.4)	(2,535.4)
–	–	–
–	(22.3)	(22.3)
122.9	26.0	148.9
(9.0)	–	(9.0)
(1.2)	1.2	–
9,074.1	**293.9**	**9,368.0**

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
for the six months ended September 30, 2005 and 2006

	2005 (reviewed) Rm	**2006 (reviewed) Rm**
CASH FLOW FROM OPERATING ACTIVITIES		
Cash receipts from customers	15,327.2	**18,589.6**
Cash paid to suppliers and employees	(10,405.6)	**(13,135.2)**
Cash generated from operations	4,921.6	**5,454.4**
Finance costs paid	(228.8)	**(574.5)**
Interest, dividends and other financial income received	96.9	**394.0**
Taxation paid	(1,513.2)	**(1,792.0)**
Dividends paid – equity shareholders	(1,800.0)	**(2,800.0)**
Dividends paid – minority shareholders	–	**(35.4)**
Net cash flows from operating activities	1,476.5	**646.5**
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment and intangible assets	(2,229.4)	**(2,629.0)**
Proceeds on disposal of property, plant and equipment and intangible assets	6.8	**3.1**
Acquisition of subsidiaries	(0.2)	**–**
Other investing activities	(8.5)	**(19.3)**
Net cash flows utilised in investing activities	(2,231.3)	**(2,645.2)**
CASH FLOW FROM FINANCING ACTIVITIES		
Finance lease capital repaid	(21.1)	**(34.6)**
Interest-bearing debt incurred	32.5	**–**
Interest-bearing debt repaid	(46.4)	**(77.2)**
Net cash flows utilised in financing activities	(35.0)	**(111.8)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	(789.8)	**(2,110.5)**
Cash and cash equivalents at the beginning of the period	2,173.0	**1,760.3**
Effect of foreign exchange rate changes	(11.7)	**89.6**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1,371.5	**(260.6)**

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- Many of the statements included in this report are forward-looking statements that involve risks and/or uncertainties and caution must be exercised in placing any reliance on these statements. Moreover, Vodacom Group (Proprietary) Limited will not necessarily update any of these statements after the date of this report either to conform them to actual results or to changes in our expectations.

- Insofar as the shareholders of Vodacom Group (Proprietary) Limited are listed and offer their shares publicly for sale on recognised stock exchanges locally and/or internationally, potential investors in the shares of Vodacom Group (Proprietary) Limited's shareholders are cautioned not to place undue reliance on this report.

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Exhibit 99.3

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

Update on Telkom's proposed acquisition of all the issued share capital of BCX ("the proposed acquisition")

Shareholders are referred to the joint announcement released on 20 November 2006 in which the recommendation by the Competition Commission to the Competition Tribunal was disclosed. It was further stated that the closing date for the fulfilment of all conditions precedent, as set out in the Scheme of Arrangement entered into between Telkom and the BCX shareholders which was issued on 19 May 2006 ("the Scheme"), being 15 December 2006 unless extended by agreement between the boards of BCX and Telkom. The proposed acquisition remains subject to the Competition Authorities approving the proposed acquisition in terms of the Competition Act, 1998 (Act 89 of 1998) as amended, either unconditionally or subject to such conditions as may be acceptable to Telkom.

The boards of directors of Telkom and BCX have agreed to extend the date by which all conditions precedent to the Scheme have to be fulfilled from 15 December 2006 to 15 March 2007, unless further extended by agreement between Telkom and BCX.

A further announcement will be made in due course.

Johannesburg
13 December 2006
Financial advisor to BCX: Investec Corporate Finance
Financial advisor and sponsor to Telkom: UBS South Africa (Pty) Limited
Transaction sponsor to BCX: Investec Bank Limited
Attorneys to Telkom: Werksmans Inc.
Attorneys to BCX: Cliffe Dekker Inc.
Sponsor to BCX: RMB

Special note regarding forward-looking statements
All statements contained herein, as well as oral statements that may be made by Telkom or Vodacom Group (Proprietary) Limited ("Vodacom"), in which Telkom has a 50% holding, or by officers, directors or employees acting on their behalf, that are not statements of historical facts, particularly Telkom's expectations with respect to basic and headline earnings per share, constitute or are based on forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, specifically Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors that could cause Telkom's or Vodacom's actual results and outcomes to be materially different from historical results or from any future results expressed or implied by such forward-looking statements. Among the factors that could cause Telkom's or Vodacom's actual results or outcomes to differ materially from their

expectations are those risks identified in Item 3. "Key Information-Risk Factors" contained in Telkom's most recent annual report on Form 20-F filed with the U.S. Securities Exchange Commission ("SEC") and Telkom's other filings and submissions with the SEC, which are available on Telkom's website at www.Telkom.co.za/ir, including, but not limited to, the completion of Telkom's results for the year ended March 31, 2006 and the audit thereon, increased competition in the South African fixed-line and mobile communications markets; developments in the regulatory environment; continued mobile growth and reductions in Vodacom's and Telkom's net interconnect margins; Vodacom's and Telkom's ability to expand their operations and make investments in other African countries and the general economic, political, social and legal conditions in South Africa and in other countries where Vodacom and Telkom invest; Telkom's and Vodacom's ability to attract and retain key personnel; Telkom's inability to appoint a majority of Vodacom's directors and the consensus approval rights at Vodacom may limit Telkom's flexibility and ability to implement its preferred strategies; Vodacom's continued payment of dividends or distributions to Telkom; Telkom's ability to improve and maintain its management information and other systems; Telkom's negative working capital; changes and delays in the implementation of new technologies; Telkom's ability to reduce theft, vandalism, network and payphone fraud and lost revenue to non-licensed operators; Telkom's ability to improve its internal control over financial reporting; health risks related to mobile handsets, base stations and associated equipment; Telkom's control by the Government of the Republic of South Africa; the outcome of regulatory, legal and arbitration proceedings, including tariff approvals, and the outcome of Telkom's hearing before the Competition Commission related to the VANs litigation, its proceedings with Telcordia Technologies Incorporated and others; Telkom's ability to negotiate favorable terms, rates and conditions for the provision of interconnection services; Telkom's ability to implement and recover the substantial capital and operational costs associated with carrier pre-selection, number portability and monitoring and interception; Telkom's ability to comply with the South African Public Finance Management Act and South African Public Audit Act and the impact of the South African Municipal Property Rates Act; fluctuations in the value of the Rand; the impact of unemployment, poverty, crime and HIV infection, labor laws and exchange control restrictions in South Africa; and other matters not yet known to Telkom or Vodacom or not currently considered material by them.

You should not place undue reliance on these forward-looking statements. All written and oral forward-looking statements attributable to Telkom or Vodacom, or persons acting on their behalf, are qualified in their entirety by these cautionary statements. Moreover, unless Telkom or Vodacom is required by law to update these statements, they will not necessarily update any of these statements after the date of this trading statement, either to conform them to actual results or to changes in its expectations.