Telkom

Seamlessly connecting our customers to a better life

Telkom SA SOC Ltd

# Group Interim Results

for the six months ended 30 September 2024

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

**Registration number** 1991/005476/30
**JSE share code:** TKG
**JSE bond code:** BITEL
**ISIN:** ZAE000044897

(Telkom, the Company, or the Group)

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

**www.telkom.co.za**

# Telkom operating structure

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

Telkom

**Telkom Consumer** Division

**Openserve** 100% owned subsidiary

**BCX** 100% owned subsidiary

**Gyro** 100% owned subsidiary

**Swiftnet** 100% owned subsidiary

**Telkom Consumer** is South Africa's fastest growing mobile and fixed broadband provider focused on holistic connectivity solutions and enriched value-added services for the consumer, home and Small and Medium Business segments.

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

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

**Swiftnet** manages and commercialises the masts and towers portfolio.

**Gyro** manages Telkom's properties and data centres.

## The United Nations Sustainable Development Goals (SDGs)

The following four SDGs were identified as presenting the most material opportunities for Telkom to enhance its positive impact and minimise its negative impact:

**SDG 4**
Quality education

**SDG 8**
Decent work and economic growth

**SDG 9**
Industry, innovation and infrastructure

**SDG 12**
Responsible consumption and production

Telkom can further support and influence the following SDGs:

**SDG 1**
No poverty

**SDG 6**
Clean water and sanitation

**SDG 10**
Reduced inequalities

**SDG 16**
Peace, justice and strong institutions

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

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Interim results for the six months ended 30 September 2024

# Telkom reports continued progress in strategy execution with 18% increase in adjusted EBITDA and sustained R768 million positive free cash flow.

## Group highlights for continuing operations

| Group revenue[3] up | Group adjusted EBITDA[2,4,5] up | Group adjusted EBITDA margin[2,4,5] of | Free cash flow[2] remained positive at | Balance sheet strengthened | Positive outlook |
|---|---|---|---|---|---|
| 1.9% ↑ | 18.3% ↑ | 26.2% ↑ | R768 million | | |
| to **R21 382 million,** with mobile service revenue increasing by **10.0%** and fibre data service revenue increasing **by 15.5%** | to **R5 606 million,** demonstrating improved operating leverage | **a 3.6** percentage points increase from the prior period, reflecting ongoing broad-based cost optimisation initiatives | benefiting from strong operating cash generation | with interest-bearing debt reduced by **R885 million to** 1.3x net debt[2] to adjusted EBITDA[2,4,5] (down from 1.8x as at 31 March 2024) | for FY2025, supported by effective execution of OneTelkom data-led strategy |

## Earnings from total operations

| Financial indicators Rm | Reported H1 FY2025 | Reported H1 FY2024 | Reported % change | Adjusted[4] H1 FY2025 | Adjusted[4] % change |
|---|---|---|---|---|---|
| **Basic earnings per share (cents)** | 217.6 | 200.2 | +8.7 | 333.3 | +66.5 |
| Continuing | 173.2 | 161.5 | +7.2 | 288.9 | +78.9 |
| Discontinued[1] | 44.4 | 38.7 | +14.7 | 44.4 | +14.7 |
| **Headline earnings per share (cents)[2]** | 191.5 | 195.0 | (1.8) | 307.2 | +57.5 |
| Continuing | 146.9 | 156.3 | (6.0) | 262.6 | +68.0 |
| Discontinued[1] | 44.6 | 38.7 | +15.2 | 44.6 | +15.2 |

## Summary of financial results for continuing operations

| Financial indicators Rm | Reported H1 FY2025 | Reported H1 FY2024 | Reported % change | Adjusted[5] H1 FY2025 | Adjusted[5] % change |
|---|---|---|---|---|---|
| **Revenue[3]** | 21 382 | 20 975 | +1.9 | | |
| **Mobile service revenue** | 10 220 | 9 293 | +10.0 | | |
| **Fibre data service revenue** | 3 654 | 3 163 | +15.5 | | |
| **EBITDA[2,4]** | 4 828 | 4 737 | +1.9 | 5 606 | +18.3 |
| **EBITDA margin (%)[2]** | 22.6% | 22.6% | 0.0 ppts | 26.2% | +3.6 ppts |
| **Profit for the period** | 853 | 788 | +8.2 | 1 421 | +80.3 |
| **Free cash flow (FCF)[2]** | 768 | (478) | +260.7 | | |
| **Net debt to EBITDA (times)[2]** | 1.5 | 1.9 | (0.4) | 1.3 | (0.6) |
| **Capital expenditure** | 2 543 | 3 097 | (17.9) | | |
| **Capital intensity (%)** | 11.9% | 14.8% | (2.9) ppts | | |

[1] *Swiftnet continues to meet the IFRS 5 requirements and is classified as held for sale and is therefore excluded from the results from continuing operations.*

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

[3] *Revenue and the corresponding costs were restated for the IFRS 15 prior period error. Refer to page 11.*

[4] *Earnings before interest, tax, depreciation and amortisation.*

[5] *This financial measure is presented to show the adjusted performance of the Group's operations and is internally used by management to assess the performance of the business. Refer to page 11 for the reconciliation of the reported figures to the pro-forma adjusted figures.*

# Overview of our business

Telkom announced its Group interim results for the six months ended 30 September 2024 on 18 November 2024 in Centurion, South Africa.

## Message from Serame Taukobong, Group CEO

### Consistent execution of data-led strategy driving further profitable growth

The results for the six months ended 30 September 2024 demonstrate a robust and steady operational performance, building on the progress made in the previous year. We continued to monetise our diverse infrastructure asset base to build a strong cash-generating business for the long term. Simultaneously, we progressed the disposal of non-core assets to invest in future growth.

Group adjusted EBITDA margin[2,3] up 3.6 ppts to

**26.2%**

Group revenue[1] grew by 1.9%, within guidance, driven by continued strong demand for our compelling data propositions with mobile service revenue growing by 10.0%, fibre data service revenue increasing by 15.5% and IT services revenue up by 1.9%, offsetting ongoing fixed voice and legacy data erosion. Our next-generation broadband offerings, enabled by ongoing capital investment in our networks, have positioned Telkom as the best-value mobile network in South Africa. In line with our connect-led strategy for our fibre assets, we maintained a high market-leading home connection rate of 49.7% for the period.

Earnings were impacted by a R451 million after-tax adjustment emanating from converting the Telkom Retirement Fund to a defined contribution plan, following the Financial Sector Conduct Authority's rule amendment approval during the period. Restructuring costs of R160 million were also provided for during the period. Given these non-recurring items, we believe that adjusted figures provide the most accurate representation of our true performance and align with how Telkom is managed.

Underlying operational performance improved, driven jointly by revenue growth and internal cost optimisation initiatives. We made substantial progress during the period as we advanced data-led revenues and harnessed gains from cost optimisation initiatives, with a resultant adjusted Group EBITDA growing ahead of Group revenue.

As part of building a sustainable and future-ready business, we began the process of restructuring our ICT business, BCX, in August 2024. The accelerated pace of change in the technological environment has significantly reshaped the role of IT. This necessitated fundamental changes to BCX's operations to enable the business to reduce its cost base while revitalising itself. We have provided for restructuring costs in the period and aim to conclude the majority of the process in the second half of FY2025.

Our cost optimisation initiatives, driven by the migration to next-generation data propositions, focused on maximising efficiencies by reducing directs costs and structural changes that permanently reduce property management and utility costs. These initiatives extend far beyond workforce reduction and touch every aspect of our operations and growth trajectory. Mobile initiatives were focused on managing device costs by driving pre-paid plans and stringent credit vetting to de-risk the post-paid portfolio. Roaming costs were well managed, while expanding mobile network coverage and capacity to facilitate the migration of traffic onto our mobile network, leading to efficiency gains. Fibre initiatives streamlined the network by decommissioning legacy equipment, aligning sites to next-generation data requirements and diversifying energy sources to include lithium-ion batteries and solar power. The mobile and fibre businesses delivered most of the gains to the programme.

As a result of these initiatives, adjusted total costs were reduced by 1.7%, and remained below annual consumer price inflation of 3.8% as at the end of September 2024. This is a testament to the gains made through our cost optimisation programmes to rebase key direct and operating costs before implementing employee restructuring initiatives. Consequently, Group adjusted EBITDA[2,3] increased by R869 million, an uplift of 18.3%, resulting in a Group adjusted EBITDA margin[2,3] of 26.2%.

[1] *Revenue and the corresponding costs were restated for the IFRS 15 prior period error. Refer to page 11.*

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

[3] *Refer to page 11 for the reconciliation of the reported figures to the pro forma adjusted figures.*

Reported total costs increased by 3.0%, impacted by a non-recurring net impact of converting the Telkom Retirement Fund from a defined benefit to a defined contribution fund. The conversion process was concluded, removing any future call upon the Group to fund possible shortfalls between the fully funded plan liabilities and plan assets. This change, which aims to shape Telkom's balance sheet for the future, did not impact cash flow for the six months ended, but moderated reported EBITDA growth to 1.9%.

Overall, the strong operational performance led to Group adjusted profit after tax[1] from continuing operations increasing by 80.3% to R1 421 million. This resulted in a 68.0% increase in adjusted headline earnings per share (HEPS)[1,2] and a 78.9% increase in adjusted basic earnings per share (BEPS)[1] to 262.6 and 288.9 cents, respectively.

Free cash flow turned positive year on year to R768 million, sustaining the positive FCF trend established for the FY2024 year-end. Cash generated from operations, excluding the R1 051 million restructuring cost paid in the prior period, increased by R652 million, driven by improved operational performance and working capital management. The uplift in cash generation also strengthened our balance sheet. We reduced interest-bearing debt by R885 million, thereby reducing net debt to R14 837 million. Consequently, we have improved our leverage with net debt[2] to adjusted EBITDA[2] of 1.3x from 1.8x[3] as at 31 March 2024. We continued to actively manage debt, addressing our debt repayment profile by refinancing R750 million of maturing debt and addressing upcoming maturities for FY2025.

[1] *Refer to page 11 for the reconciliation of the reported figures to the pro forma adjusted figures.*
[2] *This is a non-IFRS financial measure.*
[3] *Reported 1.7x for total operations for 31 March 2024.*
[4] *Revenue was restated for the IFRS 15 prior period error. Refer to page 11.*

## Data-led strategy in action

We continue to deploy our data-led strategy, pivoting from voice, driving data growth and ensuring future-readiness.

Our Mobile business continued to reach new milestones. Mobile subscribers now exceed 22.7 million, growing by 24.6% year on year, propelled by strong pre-paid uptake. Post-paid subscribers remained resilient, growing by 1.9% along with 1.8% growth in average revenue per user (ARPU). Mobile service revenue increased by 10.0%, fuelled by 12.7% data revenue growth due to a 19.6% upsurge in our mobile data subscriber base to 14.6 million. Fibre data service revenue increased by 15.5% as the fibre business further advanced homes passed and connected by 11.4% and 18.1%, respectively. Data traffic increased by 25.7% and 28.5% for the mobile and fibre businesses, respectively, a testament to the healthy appetite for seamless connectivity in South Africa. By exploiting Telkom's network architecture and capacity to carry and handle high-data traffic, our diverse infrastructure assets and data-based propositions deliver fast connectivity with low latency demands to a wide spectrum of consumers, carrier and enterprise customers. IT services revenue[4] increased by 1.9% as we advanced our offering for solutions that enable the digital and cloud journeys of our customers.

We prioritised the active management of the Group's property portfolio and progressed the disposal of the masts and towers business (Swiftnet), obtaining approval of the disposal from the Competition Tribunal of South Africa on 3 September 2024. We await the approval of the Independent Communications Authority of South Africa (ICASA) for this transaction. We received proceeds of R204 million from the disposal of non-core properties, with a further R731 million due upon transfer of properties to purchasers, a portion of which is expected in the second half of the financial year.

The disposal of non-core assets will contribute to free cash flow generation, allowing us to optimise the Group's operating footprint and reduce our debt in the medium term, while investing in future growth areas.

## Optimising network architecture, investing for future growth

We continued to optimise our fibre and mobile networks by strengthening our coverage and reach, while exiting and decommissioning voice and legacy-related equipment and sites. Our network architecture benefited from R2 543 million of investments dedicated to expansion and upgrades, while ensuring that capital intensity at 11.9% was at the lower end of the guided 12-15% medium-term objective.

Targeted smart capex investments in network infrastructure assets are improving the customer experience on our networks, supported by the majority fibre-connectivity of the sites on which our mobile network is based. The fibre business continued to excel, with an Interaction Net Promoter Score of 75 and very high core network availability at 99.99%.

## Enhancing sustainability and resilience through people-centred initiatives: OneTelkom is fostering alignment and improved service levels

We are continuing our journey of going to market as OneTelkom and are encouraged by the progress so far.

Telkom Mobile was named **"Best Mobile Provider in South Africa" by the 2024/25 Ask Afrika Orange Index**, a testament to improved customer service and experience on our mobile network. The Ask Afrika Orange Index is widely regarded as the definitive benchmark for customer experience excellence.

Our code of conduct continues to be shaped by the shared Group values of OneTelkom. During the period, we held two Group-wide leadership engagement sessions to align, empower and support senior leaders in driving our vision and fostering the culture to create value as OneTelkom.

Telkom impacts both its internal employees through salaries and training as well as society at large through investments in research, innovation, enterprise and supplier development (ESD), and education. These investments, facilitated by our innovation and transformation team and the Telkom Foundation, focus on driving the development and sustainability of ICT skills in South Africa. Initiatives include upskilling teachers at basic education levels, funding tertiary and postgraduate research, and hosting conferences that promote sector-related research, innovation and training.

Our procurement spend on ESD on small, medium and micro enterprises (SMMEs) has now reached R216 million, reflecting our dedication to integrating these businesses into our supply chain. Also impactful, our Telkom Foundation's investment of over R210 million in digital literacy projects has touched the lives of 58 400 individuals, paving the way for a more inclusive digital future.

Mobile subscribers now exceed

**22.7m**

## Regulatory and legal matters

### Licensing of radio frequency spectrum delayed

Following its decision to delay the licensing of additional high-demand spectrum until 2025/26, ICASA has begun the process of appointing a service provider to assist with the licensing. The first step in ICASA's project plan is to consider the competition issues relevant to the licensing of additional high-demand spectrum, including the impact of direct and indirect access to spectrum. The outcome of this first step will inform the licensing process to be followed. ICASA plans to license 280 MHz of additional spectrum in the sub 1 GHz and mid-range bands.

It should be noted that a mobile network operator launched a review application regarding ICASA's approval of spectrum sharing/pooling arrangements between other mobile network operators. The outcome of this application may also have a bearing on the design of the spectrum licensing process. The application will be heard by the High Court on 13 and 14 February 2025.

Telkom Mobile completed nearly

**500 sub 1 GHz upgrades**

and new site installations to enable wider and more reliable network coverage.

50% of our sites now operate on the 800 MHz low-band spectrum acquired in the previous auction.

### Review of call termination rates ongoing

Having begun its review of call termination rates in May 2021, ICASA published the Draft Call Termination Regulations on 15 March 2024. Telkom provided its written inputs on the proposed rates and costing methodology. This was followed by public hearings at ICASA's offices on 13 June 2024. Telkom looks forward to the publication of the final regulations and hopes these regulations will facilitate pro-competitive outcomes in the voice market.

### Amendments to end-user subscriber and service charter regulations

ICASA published draft amendments to the End-user and Subscriber Service Charter Regulations on 31 March 2023. However, it deferred the amendment of sections 8A and 8B (relating to the transfer and roll-over of services purchased by end-users) after receiving objections to the draft amendments from operators. It published proposed amendments to these sections on 29 February 2024 and held public hearings on 1 and 2 October 2024. The proposed amendments were not well received by the industry, with the consensus being that they are too prescriptive and encroach on the commercial activities of licensees with minimal, if any, benefit to end-users. Telkom trusts that ICASA will take note of the industry's concerns and not amend the regulations as proposed.

### Special Investigating Unit – appeal against High Court judgment setting aside proclamation

On 19 July 2023, the Pretoria High Court handed down judgment setting aside Presidential Proclamation 49 of 2022. The Proclamation gave the Special Investigating Unit (SIU) authority to investigate various historical matters, including Telkom's contracting for network and advisory services, and the disposal of former Telkom subsidiaries. The High Court declared the Proclamation unconstitutional, invalid and of no force or effect and awarded costs to Telkom.

On 11 December 2023, the High Court granted the President and the SIU leave to appeal to the Supreme Court of Appeal. The State Attorney is progressing the appeal, and Telkom has received applications for condonation in respect of the late filing of the President's and the SIU's Notice of Appeal.

The matter remains pending before the Supreme Court of Appeal, and Telkom will continue with steps to uphold the High Court order in its favour. We expect the matter to be heard by the Supreme Court of Appeal in the latter part of 2025.

**Positive outlook**

for FY2025, supported by effective execution of the OneTelkom data-led strategy

## Outlook

While we face challenges such as high unemployment rates and the need for economic growth to support our connectivity businesses, we are encouraged by positive signs in South Africa, including lowering interest rates and moderating inflation.

Looking ahead, the strength of our balance sheet remains a top priority, ensuring that we stand resilient in the face of challenges. We will endeavour to maintain into the second half of the year the good momentum we have experienced so far, which is pointing towards a sustained trend of positive free cash flow. It is important to emphasise that our focus on efficiency drivers is not solely about reducing workforce numbers but rather about optimizing performance across the board. We are actively reshaping the business construct without compromising our core strengths.

Our focus remains on monetising our infrastructure assets and improving returns in the medium to long term. We are committed to investing in our consumer segment through upcoming summer campaigns and network expansion, while our Openserve division will continue to drive its connect-led strategy and harness operational efficiencies. In our BCX business, we are optimising our structure to improve profitability in a challenging market. Meanwhile, Gyro is focused on strengthening our balance sheet through property rationalisation and diversifying our energy sources. Despite the current economic landscape, we remain confident in our strategies and are well positioned to navigate these challenges. We continue to drive growth across our diverse portfolio of businesses as we continue to work towards our ambition of optimising and sustainably maintaining a 25% cost to 75% income ratio for continuing operations in the medium term.

Overview of our business

# Financial capital

FCF[2] up **260.7%** to R768 million

Group adjusted EBITDA[2,3] up **18.3%** to R5 606 million

with an adjusted EBITDA margin[2,3] of **26.2%**

Adjusted BEPS[3] and HEPS[2,3] up by **78.9%** and **68.0%,** respectively

## Financial performance

| Continuing operations | Pro forma September 2024 Rm | Restated September 2023 Rm | Variance % |
|---|---|---|---|
| Revenue[1] | **21 382** | 20 975 | 1.9 |
| Adjusted EBITDA[2,3] | **5 606** | 4 737 | 18.3 |
| Adjusted EBITDA margin (%)[2,3] | **26.2** | 22.6 | 3.6 |
| Capex | **2 543** | 3 097 | (17.9) |
| FCF[2] | **768** | (478) | 260.7 |
| Adjusted BEPS (cents)[3] | **288.9** | 161.5 | 78.9 |
| Adjusted HEPS (cents)[2,3] | **262.6** | 156.3 | 68.0 |
| Net debt to adjusted EBITDA[2,3] (times) | **1.3** | 1.9 | (0.6) |

## Group revenue

Group revenue[1] increased by 1.9% to R21 382 million, driven by mobile service revenue of 10.0% or R927 million and fibre-related data services of 15.5% or R491 million, respectively. This was partially offset by a 20.5% or R337 million decrease in fixed-voice revenue due to the ongoing migration to modern technologies, such as fibre and LTE, the 15.4% or R242 million lower mobile device revenue and a 12.2% or R137 million decrease in IT hardware and software revenue.

[1] *Revenue and the corresponding costs were restated for the IFRS 15 prior period error. Refer to page 11.*

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

[3] *Refer to page 11 for the reconciliation of the reported figures to the pro forma adjusted figures..*

Balance sheet strengthened
Net debt[2] to adjusted EBITDA[2,3]

1.3x

## Group EBITDA

Group adjusted EBITDA[2,3] increased by 18.3% to R5 606 million, with the adjusted EBITDA margin[2,3] expanding by 3.6 ppts to 26.2% compared to the comparative period. The Group revenue[1] increase of 1.9% was strengthened by a decrease in payments to other operators of 22.4% and lower costs of handsets, equipment, software and directories of 14.1%. The lower cost of handset, equipment, software and directories is mainly due to the 15.4% decrease in mobile device sales, primarily driven by the mobile business implementing stringent credit vetting to de-risk its post-paid portfolio in response to a deteriorating credit consumer position, while also balancing between new and existing subscribers and focusing on ARPU protection. Also contributing to this decrease are lower IT hardware sales in BCX. Other income increased by 39.9%, driven by higher profits from the sale of properties in Gyro. This was offset by a 2.6% increase in operating expenditure (opex) and an 18.0% increase in sales commission and incentives from mobile.

Aligned with our strategy to improve operational efficiency while optimising our cost structures, we managed to reduce total expenses by 1.7%, which is well below inflation of 3.8%, despite a Group-wide salary increase of 5.3% and the increase in our mobile footprint, with the integration of an additional 130 mobile sites. This was supported by a 27.4% decrease in impairments of receivables, driven by the improvement in write-off recoveries partially offset by an increase in the expected credit loss (ECL) as some customers are still in distress, as well as lower loadshedding expenses due to the reduction in loadshedding hours compared to the same period last year. We also reaped benefits from prior measures taken to mitigate the impact of loadshedding.

## HEPS growth

Adjusted HEPS[2,3] increased by 68.0% to 262.6 cents while adjusted BEPS[3] increased by 78.9% to 288.9 cents compared to the prior period. The improvement was mainly due to a 36.4% increase in adjusted operating profit[3], driven by an 18.3% increase in adjusted Group EBITDA[2,3] and further enhanced by an increase in investment income and lower finance charges and fair value movements of 121.6% and 7.7%, respectively. This was partly offset by higher depreciation, amortisation, impairment and write-off expenses, and a higher taxation expense[3] driven by an 83.2% increase in adjusted profit before taxation[3]. The weighted average number of ordinary shares decreased by 1.0% to 490 870 665.

## Capital allocation

Our funding framework supports growth areas and aims to improve our return on invested capital while maintaining a healthy balance sheet. Capex from total operations reduced by 12.9% to R2 737 million with a capex-to-revenue ratio of 12.6%. Capex from continuing operations decreased by 17.9% to R2 543 million with a capex-to-revenue ratio of 11.9%. The decrease aligns with our strategy and the cyclical nature of capital expenses.

Our Mobile business investment focuses on high-demand areas as we aim to lead in data. The business expanded its mobile footprint by 1.7% to 7 814 integrated sites.

Openserve improved its fibre to the home (FTTH) connectivity rate by 2.9 ppts to 49.7%. The business unit continued to accelerate its fibre rollout, increasing homes passed by 11.4% and homes connected by 18.1% year on year. We will continue to expand our FTTH footprint while simultaneously connecting premises to ensure a high connectivity rate is maintained.

| Capex | September 2024 Rm | September 2023 Rm | Variance % |
|---|---|---|---|
| Fibre | **651** | 846 | (23.0) |
| Mobile | **1 299** | 1 626 | (20.1) |
| IT solutions | **138** | 129 | 7.0 |
| Network rehabilitation/sustainment | **113** | 54 | 109.3 |
| Core network | **286** | 298 | (4.0) |
| Digital platforms and innovation | **23** | 35 | (34.3) |
| Property development and optimisation | **2** | 22 | (90.9) |
| Shared services and other | **31** | 87 | (64.4) |
| **Continuing operations** | **2 543** | 3 097 | (17.9) |
| Capex-to-revenue ratio on continuing operations | **11.9%** | 14.8% | |
| Masts and towers | **194** | 46 | 321.7 |
| **Total operations** | **2 737** | 3 143 | (12.9) |
| Capex-to-revenue ratio on total operations | **12.6%** | 14.7% | |


1 *Revenue and the corresponding costs were restated for the IFRS 15 prior period error. Refer to page 11.*

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

3 *Refer to page 11 for the reconciliation of the reported figures to the pro forma adjusted figures.*

## Statement of financial position

Bank and cash balances from continued operations were maintained at R3 760 million from 31 March 2024, while net debt[1] decreased R2.1 billion or 12.4% to R14 837 million from R16 931 million.

The reduction in debt aligns with the Group strategy to strengthen our balance sheet and improve gearing levels. Net debt to Group adjusted EBITDA improved by 0.5x to 1.3x compared to 31 March 2024, mainly due to an 18.3% increase in Group adjusted EBITDA[1,2] coupled with the 12.4% net debt decline.

| Balance sheet | September 2024 Rm | 31 March 2024 Rm | Variance % |
|---|---|---|---|
| Bank and cash balances | **3 760** | 3 747 | 0.3 |
| Current borrowings | **(3 961)** | (5 043) | 21.5 |
| Non-current borrowings | **(14 636)** | (15 635) | 6.4 |
| **Net debt[1]** | **(14 837)** | (16 931) | 12.4 |
| **Net debt[1] to adjusted EBITDA[1,2] (times)** | **1.3** | 1.8 | (0.5) |

[1] *This is a non-IFRS financial measure.*
[2] *Refer to page 11 for the reconciliation of the reported figures to the pro forma adjusted figures.*

## Free cash flow

FCF[1] increased by 260.7% to R768 million (H1 FY2024: negative R478 million), primarily due to the R1 051 million restructuring cost paid in the prior period, an 11.7% increase in cash generated from operations, 13.7% decrease in capex spent, and lower tax paid, and cash inflow in relation to the Google transaction, partly offset by increase in lease payments.

The increase of R1 053 million in the repayment of lease liabilities is mainly due to the full payment of the Google fibre pair lease, which was recognised in the prior period.

Our approach to funding provides stability and enables the holistic analysis, design and transformation of treasury function.

| Free cash flow[1] | September 2024 Rm | September 2023 Rm | Variance % |
|---|---|---|---|
| Cash receipts from customers | **22 255** | 22 337 | (0.4) |
| Cash paid to suppliers and employees excluding restructuring cost paid | **(16 028)** | (16 762) | 4.4 |
| Cash paid to suppliers and employees | **(16 028)** | (17 813) | 10.0 |
| Add back: Restructuring cost paid | **—** | 1 051 | (100.0) |
| Cash generated from operations | **6 227** | 5 575 | 11.7 |
| Repayment of lease liability | **(1 672)** | (619) | (170.1) |
| Interest received | **248** | 194 | 27.8 |
| Finance charges paid | **(1 039)** | (1 007) | (3.2) |
| Taxation paid | **(140)** | (259) | 45.9 |
| Cash generated from operations before dividend paid | **3 624** | 3 884 | (6.7) |
| Cash paid for capex | **(2 856)** | (3 311) | 13.7 |
| **Adjusted free cash flow excluding restructuring cost paid** | **768** | 573 | 34.0 |
| Restructuring cost paid | **—** | (1 051) | 100.0 |
| **Free cash flow[1]** | **768** | (478) | 260.7 |

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

# Re-presentation of financial information

## Restatement

### IFRS 15 prior period error (principal versus agent)

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

In the prior financial year, it was identified that a number of revenue transactions, for which the Group would have been considered to be an agent, using information available at that time, were incorrectly recognised and presented on a gross basis (as a principal) in the prior year. The error resulted in the overstatement of revenue and costs of handsets, equipment, software and directories and other expenses in the statement of profit or loss and other comprehensive income in the comparative period.

This incorrect application of the accounting principles in the prior year has been adjusted as a prior period error through the reversal of revenue and costs of handsets, equipment, software and directories and other expenses, only recognising the margin as revenue (on a net basis). Refer to page 40 for each materially affected line item as part of the correction of the error.

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

The impact of this prior period error on the aggregated amounts previously disclosed is detailed below:

| Continuing operations | Previously reported September 2023 Rm | IFRS 15 Rm | Restated September 2023 Rm |
|---|---|---|---|
| Revenue[1] | 21 407 | (432) | 20 975 |
| Costs of handsets, equipment, software and directories | (3 310) | 391 | (2 919) |
| Other expenses | (1 139) | 41 | (1 098) |
| **EBITDA[2]** | 4 737 | — | 4 737 |

[1] *Revenue and the corresponding costs were restated for the IFRS 15 prior period error.*
[2] *This is a non-IFRS financial measure.*

## Pro forma financial information

Certain financial information presented in this results announcement constitutes pro forma financial information in terms of the JSE Listings Requirements. The Group presents various non-IFRS financial measures in the results announcement. These non-IFRS financial measures include (i) the net debt and (ii) the FCF in the current and prior periods. In addition to the non-IFRS financial measures noted above, the financial information in the current period excludes the impact of the loss with the derecognition of the Telkom Retirement Fund (TRF) and restructuring costs with the related tax impact. This measure constitutes pro forma financial information and is annotated throughout the results announcement.

The pro forma financial information is presented to achieve comparable year-on-year analysis and show the underlying performance of the business.

### Restructuring cost

BCX announced the initiation of the second phase of the S189 process in August 2024. Approximately 400 employees are affected, and as a result a restructuring cost of R157 million was recorded during the first six months of FY2025. A further R3 million restructuring cost was provided by Gyro, amounting to a total Group restructuring cost of R160 million.

### Settlement of the Telkom Retirement Fund (TRF)

For the period ended 30 September 2024, the TRF met the IAS 19 (Employee Benefits) criteria for a full settlement of the defined benefit plan, following an amendment to the TRF rules, approved by the Financial Sector Conduct Authority (FSCA) with effect from 1 July 2024. The amendment of the TRF rules has resulted in Telkom having no further obligation to pay contributions to fund any deficit unless it freely enters into a future agreement in writing, creating a future obligation.

Effectively, Telkom has derecognised the present value of the defined benefit obligation and plan assets effective 1 July 2024. The resultant impact is a total loss of R618 million recorded in employee expenses. The loss on settlement consists of:

a) A once-off R330 million which Telkom will pay to the Fund in connection with the derecognition. This will be funded from an annuity issued through a cell captive insurer and will have no cash flow impact to Telkom.

b) R288 million being the difference between the TRF defined benefit obligation and plan asset, based on the valuation at the derecognition date. The difference would have been accounted for as asset ceiling and recognised in the Other Comprehensive Income if the derecognition was not taking place.

Effective 1 July 2024, Telkom is accounting for the TRF as a defined contribution plan. Refer to page 41 for the full disclosure of the amendment to the TRF rules and settlement of the TRF.

The restructuring cost and loss from the derecognition of the TRF liability against which this pro forma financial information was prepared for the period are set out on the next page:

| Extract of the reviewed condensed consolidated interim financial statements | Pro forma | Pro forma adjustments | | Reported |
|---|---|---|---|---|
| Continuing operations | September 2024 Rm | Restructuring costs Rm | TRF derecognition loss Rm | September 2024 Rm |
| Employee expenses | (3 921) | 160 | 618 | (4 699) |
| **EBITDA[1]** | 5 606 | 160 | 618 | 4 828 |
| **Operating profit** | 2 663 | 160 | 618 | 1 885 |
| **Profit before taxation** | 1 927 | 160 | 618 | 1 149 |
| Taxation | (506) | (43) | (167) | (296) |
| **Profit for the period** | 1 421 | 117 | 451 | 853 |
| BEPS (cents) | 288.9 | 23.8 | 91.9 | 173.2 |
| HEPS (cents)[1] | 262.6 | 23.8 | 91.9 | 146.9 |

## Segment reporting

Segment reporting is provided on pages 42 to 45 as part of the notes to the financial statements.

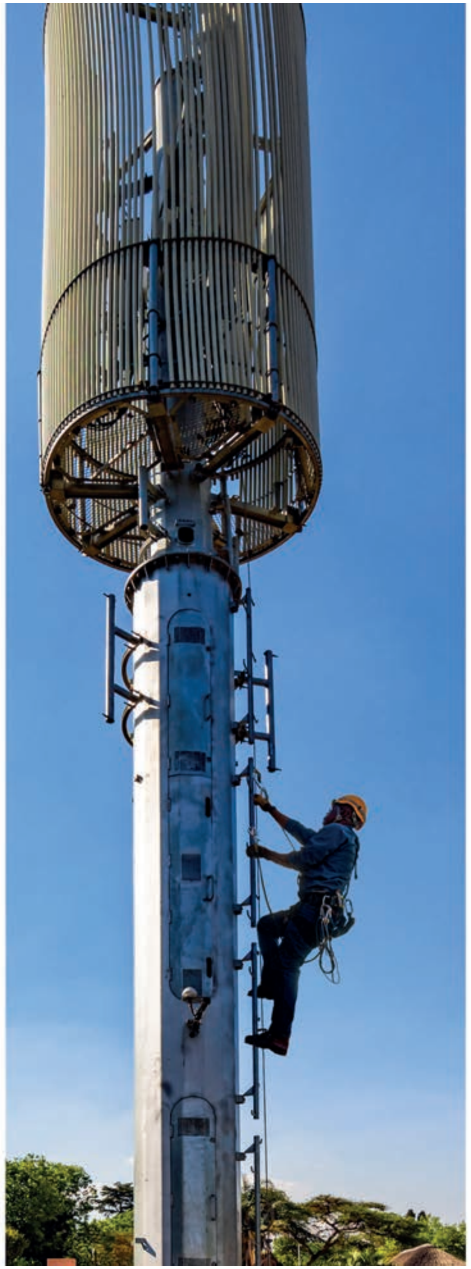
Group adjusted profit after tax[2] from continuing operations increased by

**80%**

## Results from operations

Group adjusted profit after tax[2] from continuing operations increased by 80.3% to R1 421 million (H1 FY2024: R788 million). This is mainly attributable to the 18.3% increase in Group adjusted EBITDA[1,2] to R5 606 million and a 121.6% increase in investment income partially offset by higher depreciation, amortisation, impairments, and write-offs and tax[2]. This resulted in a 68.0% increase in adjusted HEPS[1,2] and a 78.9% increase in adjusted BEPS[2] to 262.6 and 288.9 cents per share, respectively.

*[1] This is a non-IFRS financial measure.*
*[2] Refer to page 11 for the reconciliation of the reported figures to the pro forma adjusted figures.*



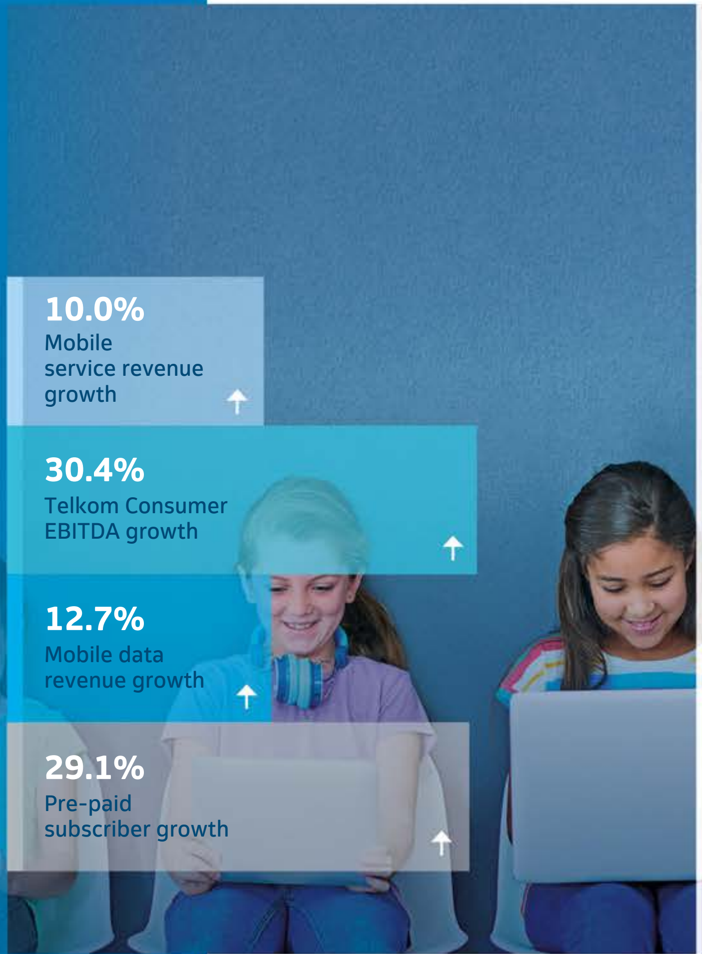
# Productive capital

**Telkom Consumer |** We remain resilient in delivering on our strategy of providing innovative, customer-centric and high-speed broadband solutions to the mobile and fixed-line sectors.

Consumer revenue earned from operations grew by 3.5% to R13 337 million, while revenue from our Mobile operations increased by 6.0% to R11 694 million, driven primarily by a 10.0% uplift in mobile service revenue. Our unwavering commitment to enhancing our fibre services has yielded impressive results, even amid ongoing economic challenges for our customers. In this period, we achieved an 18.2% growth in fibre-related revenue, driven by a 4.5% growth in our subscriber base and a 10.6% rise in ARPU. These outcomes underscore the effectiveness of our strategic initiatives and our ability to deliver value during uncertain times.

At the broader Telkom Consumer level, EBITDA grew by 30.4% to R2 605 million at an EBITDA margin of 19.4% (+4.0 ppts).

## Telkom Consumer




## Accelerated Mobile growth

Our mobile subscriber base now stands at 22.8 million, a 24.6% increase, with a blended ARPU of R80 (H1 FY2024: R85). The post-paid subscriber base stands at 3.0 million with an ARPU of R186 (H1 FY2024: R182). The pre-paid customer base expanded by 29.1% to 19.8 million, maintaining a stable ARPU of R61 (H1 FY2024: R64). These subscriber growth numbers are supported by ARPUs that fall within optimal target ranges. In Q2 alone, we added 1.5 million pre-paid subscribers.

Mobile EBITDA increased by 30.4% to R3 203 million, with an EBITDA margin of 27.2% for the period. Our commitment to sustainable growth is driven by the ongoing refinement of operational efficiencies and the strategic optimisation of our cost structures.

## Drive for broadband adoption

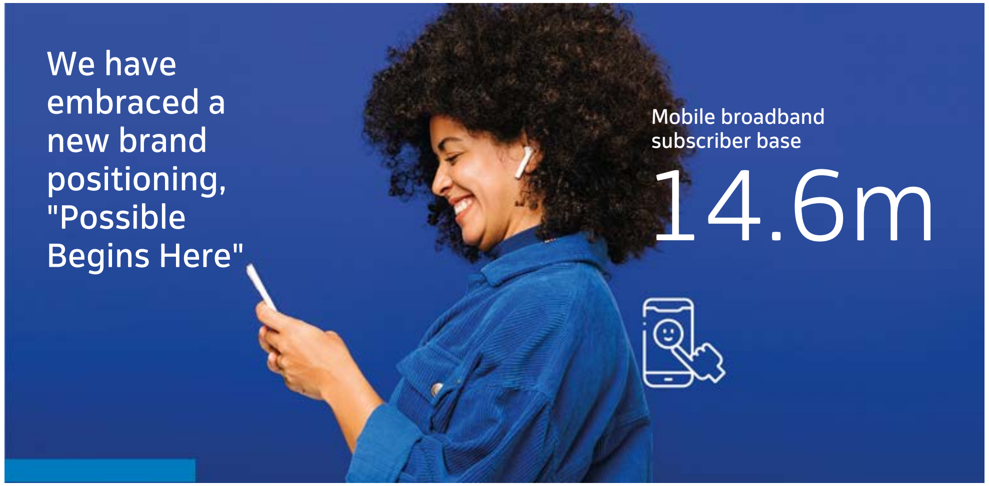
We remain committed to delivering unparalleled customer value and experience while maintaining optimal financial performance. Our Mobile data revenue increased by 12.7% to R7 846 million. The mobile data subscriber base increased by 19.6% to 14.6 million, representing 64.0% of our total mobile base now using wireless broadband.

We are witnessing early signs of an economic recovery. While growth is expected to remain modest this year, the introduction of PureFlex and a targeted, value-driven approach have stabilised our customer base. Our flexible customer-focused offerings align with the growing demand for value and control, positioning us to capitalise on post-paid market growth. Our innovative solutions will strengthen the post-paid segment, supporting subscriber growth and ARPU expansion.

The pre-paid segment continues on a strong growth trajectory, with a notable increase in the customer base and a stable ARPU.

In a price-sensitive market, demand remains high for affordable and flexible connectivity, making pre-paid a key growth driver. By leveraging data-driven insights into customer usage patterns, we can deliver highly targeted offers, fuelling subscriber growth and deeper market penetration, particularly in under-represented regions. We continued with our personalised pricing offering, achieving a significant contribution from Mo'Nice, which now accounts for 46% of monthly pre-paid revenue.

**Our new brand positioning, "Possible Begins Here", is rooted in our brand purpose of connecting South Africans to a better life. Embracing this brand promise, which reaffirms our commitment to empowering our customers, will keep us focused on delivering the best product while continuously improving customer experience.**




## Mobile network expansion

The demand for data continued, resulting in a 25.7% increase in data traffic to 850 petabytes. In line with our strategic resolve of leading in data, we allocated capex of R1 299 million to the mobile programme. This resulted in a 1.7% expansion of our network's coverage, now comprising 7 814 sites. To address high-demand areas, we increased the deployment of massive multiple-input multiple-output (MIMO) cells by 45%, while executing over 100 LTE capacity upgrades.

Expanding our footprint remains a priority. We completed nearly 500 sub 1 GHz upgrades and new site installations. This enables wider and more reliable network coverage, especially for providing connectivity to remote and hard-to-reach locations, while enhancing indoor reception in more urban environments. As a result, 50% of our sites now operate on the 800 MHz low-band spectrum that was acquired in the previous auction. To further accommodate this growth, we implemented extensive upgrade projects across all core sites nationwide. In line with our strategy to transition voice traffic from legacy 3G networks, we provisioned more subscribers for VoLTE services, which now account for over 60% of total voice traffic. This further positions Telkom to phase out legacy technologies while improving overall network quality.

These network advancements have significantly supported customer growth, increased data traffic, and improved service quality. This was validated by the 2024 Ask Africa Orange survey, in which Telkom Mobile won the Mobile Operator industry award. Furthermore, according to a MyBroadband Insights project, Telkom has the best voice network in a number of cities, such as Bloemfontein, Centurion, Durban and Port Elizabeth.

## Drive revenue through digital and financial services

We continued to drive our beyond connectivity strategy through various value propositions, including airtime advance lending, financial and advertising services. The airtime lending business is a consistent and significant contributor to our beyond connectivity revenue pool, with the segment now representing 31.9% of total pre-paid recharges. Approximately 6.8 million unique customers continue to use this offering. Beyond connectivity revenue contributed significantly to our overall growth, yielding R824 million revenue for the period.

Our insurance services portfolio, predominantly consisting of insurance offerings, showed 6.7% growth in revenue to R144 million, largely driven by improved sales of device insurance policies. Financial services products and channels continue to drive our strategy to de-risk and diversify from mobile products by creating new and sustainable revenue streams. We will further enhance this channel through quality value propositions that harness the natural synergies and customer base opportunity offered by our equally fast-growing connectivity base.

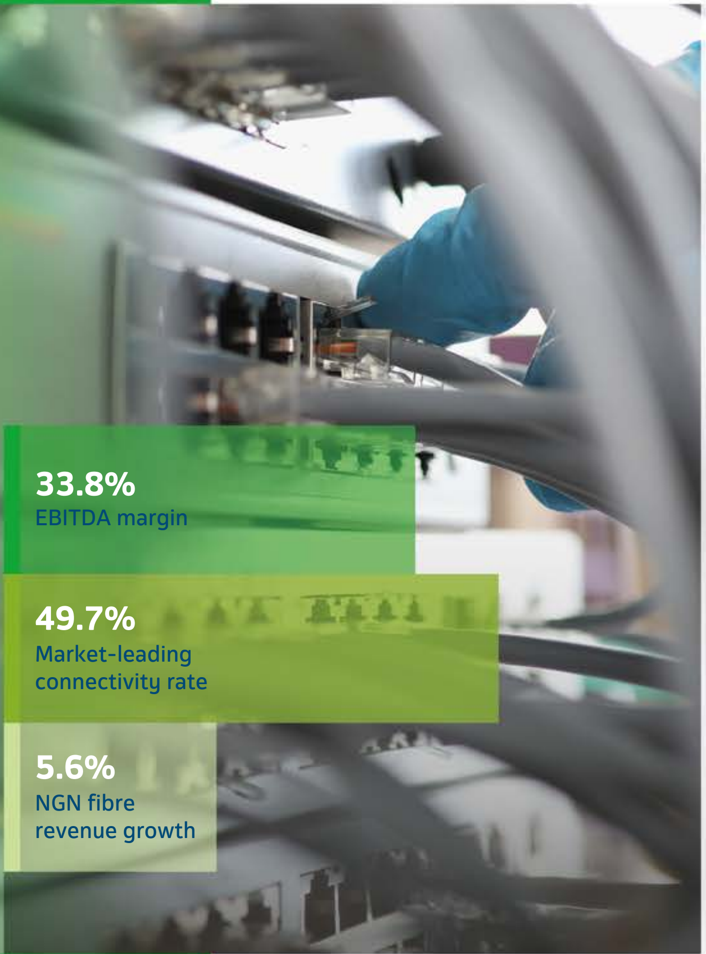
Financial services portfolio showed a growth of

6.7%

growth in revenue

# Productive capital

**Openserve |** In keeping with its strength of being the largest open access fibre connectivity provider, and leveraging digital at its core, Openserve continued its impressive journey of increasing its total contribution to revenue by 8.6%. This was underpinned by overall growth across Openserve's next-generation connectivity, which now constitutes 94.8% of total external wholesale revenue. At the same time, Openserve continued to improve its cost structure by executing its energy transformation and network simplification programmes while harnessing digital innovation and process re-engineering to provide the best customer experience in every interaction.



**33.8%**
EBITDA margin

**49.7%**
Market-leading connectivity rate

**5.6%**
NGN fibre revenue growth

## Performance overview

Openserve experienced growth of 5.6% across its total next-generation (NGN) revenue, underpinned by an impressive 8.8% increase in NGN products and services revenue across external wholesale channels. Our focus on modernising our network and transforming our revenue mix is bearing fruit, with NGN revenue now contributing 80.9% to operating revenue, up from 74.4% in the previous period. As Openserve transforms its revenue, it continues to experience a decline in traditional segments, resulting in an overall 1.6% decrease in revenue to R6 161 million (H1 FY2024: R6 261 million). This was primarily due to a managed reduction in fixed-voice and interconnection revenue of R271 million or 24.5%, and a legacy data revenue decrease of R123 million or 34.1%, which were largely offset by NGN fibre growth.

## Commercialise the network

Openserve's connect-led strategy continues to gain momentum, with the number of homes connected to its fibre network increasing by 18.1% to 640 730 over the past year. This growth in fibre connections, and a market-leading connectivity rate of 49.7%, underscore the successful execution of Openserve's commercialisation strategy and its ability to capitalise on infrastructure investments while meeting the increasing demand for high-speed connectivity.

As part of our customer-centric approach to delivering innovative and market-leading connectivity solutions, we launched Openserve Webstream (OWS), an end-to-end broadband service that includes fibre broadband access, uncapped internet, and a free-to-use Wi-Fi device. This product is available nationwide and targets the medium and high-end broadband market. At the same time, we enhanced our existing Openserve Prepaid Connect offering, which now features more convenience, flexibility and choice in terms of speeds, bundles, availability and payment options.

Coupled with our commercialisation strategy, Openserve continued to deliver on its strategic imperatives of network simplification and energy transformation programmes, which include a reduction in power consumption through site consolidation, the decommissioning of legacy network systems along with the implementation of green energy solutions such as solar power and lithium-ion batteries. These cost efficiency initiatives, coupled with minimal load reduction, yielded a R232 million reduction in diesel expenditure. Despite this, we continue to incur considerable diesel costs primarily due to increased load reduction and unplanned municipal outages. The strategic focus on cost base optimisation contributed substantially to Openserve's robust financial performance, resulting in EBITDA of R2 084 million, up from R1 990 million in the previous period, and an improved EBITDA margin of 33.8% compared to 31.8% in the first half of the previous financial year.

Openserve's drive to conserve energy was recognised globally. In June 2024, Openserve won TM Forum's Moonshot Catalyst award for its sustainability challenge. Along with its partners, it showcased a technical solution to achieving net zero carbon emissions by 2040.

## Scalable network

We made considerable progress in developing a network ready for future demands by investing R1 074 million in modernising our network, focusing on expanding our fibre infrastructure. The fibre network expansion resulted in a 11.4% increase in coverage, with the number of homes passed reaching 1 290 462.

Openserve strengthened its position as South Africa's leading connectivity provider through continuous upgrades to its fibre nodes and the formation of key strategic alliances. Our network resilience was demonstrated during recent undersea cable disruptions. Leveraging our redundant and diverse network infrastructure, we successfully maintained uninterrupted internet access by automatically redirecting traffic through alternative, unaffected routes.

Openserve continues to evolve its infrastructure to meet South Africa's rapidly growing demands for data and high-speed connectivity. Its proactive approach to network enhancement ensures it can accommodate the exponential increase in data usage while maintaining service quality and reliability. During the period under review, Openserve's data consumption increased by 28.5% to 1 389 petabytes.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

## Transform service delivery

Openserve continues to transform its "total experience" for customers, clients and employees. Its pursuit for technical excellence is evident in the recently launched Technician App, an innovative web application that enables our technicians to securely access self-service capabilities, resulting in improved fulfilment and assurance metrics.

Openserve's ongoing efforts to enhance service reliability also yielded impressive results. The business maintained exceptional uptime across its network layers, with the access, transport, and core network layers consistently achieving uptime of 99.95%, 99.92% and 99.99%, respectively. This was reflected in our improved customer satisfaction ratings, with an Interaction Net Promoter Score (iNPS) of 75 compared to 72 in the prior period.

Openserve remains confident in its positive outlook based on its ability to execute on its strategic imperatives and its focus on diversifying its product, channel and revenue mix. This, coupled with its commitment to innovation, digital transformation and delivering an outstanding customer experience, reinforces its leadership role in connectivity solutions.

[1] *This constitutes the interaction net promoter scores of Openserve technicians. It is calculated by subtracting the percentage of detractors from the percentage of promoters.*

Net Promoter Score (iNPS)[1] of

75

number of homes passed reaching a total of **1 290 462**

# Productive capital

**BCX |** The period under review has been marked by a unique blend of macro-economic headwinds and tailwinds. On the one hand, we noted a slowdown in concluding certain deals over the election period as our private sector clients took a cautionary approach in order to safeguard themselves against the political uncertainty at the time. However, we have noted a cautious but optimistic improvement in the investment cycle post the elections. This, together with the normalisation of the global supply chain bodes well for our business in the medium term.

The management team continues to focus on the BCX turnaround on three main areas, namely reducing our cost to serve while improving the revenue mix of the business and unlocking value from our portfolio of businesses.


[1] *Excludes R157 million provision for restructuring costs.*
[2] *Revenue with the corresponding costs were restated for the prior period error. Refer to page 11*

BCX

## Transforming our organisation

We recently concluded the implementation of our new operating model. The operating model's design ensures increased ownership and accountability, while realigning the employee cost base of the business unit. The operating model has been implemented through a combination of organisational redesign, revision of the incentive programmes that align with the strategic direction of the organisation and a restructuring across all levels to ensure leaner, and more agile teams with the required skills fit.

The restructuring has enabled us to streamline top management layers of the business and connect our teams to improve collaboration between our solutions, sales, and delivery functions. Approximately 400 employees are affected and the benefits from the restructuring are expected to start materialising in the fourth quarter of the current financial year, with the full impact expected from FY2026 onwards.

The cost transformation programme is also focused on the consolidation of the footprint of our facilities as well as the optimisation of our technology infrastructure and shared services overheads. Furthermore, we are deliberately fostering a culture of continuous improvement by embedding lean methodologies that improve productivity and operational excellence.

## Driving profitable revenue growth

Our strategic approach continues to prioritise growth within the higher-margin IT business segment while slowing down the churn of legacy revenue and matching this churn to the pace of our key clients, particularly for voice consumption in the public sector. This affords us the opportunity to retain clients for longer and embed Telkom Group wide solutions within this base.

For the period, revenue decreased by 4.2% to R6 135 million. IT services revenue was stable at R2 301 million, while revenue from the IT hardware and software business was down 11.0% and this, along with fixed-voice revenue erosion, impacted overall results.

Our focus is to enhance the capability of our solutions that enable the digital and cloud journeys of our clients. Infrastructure as a service (IaaS) is a fundamental part of cloud computing and forms the foundation upon which Platform as a service (PaaS), Software as a Service (SaaS) and ultimately Outcome as a Service (OaaS) are built. We are seeing early wins from our focus on IaaS and PaaS:

- Revenue from our IaaS business increased by 5.8%, mainly supported by steady growth from the Data Centre and Digital Workplace solutions businesses. Recent net new wins in the mining sector provide us the assurance that we will continue to see growth in this area.
- The acquisition of Dotcom, a company specialising in Microsoft Azure solutions, continues to yield positive results. The business showed healthy growth in both revenue (up 39.0%) and EBITDA (up >100%).
- BCX continues to expand its portfolio of offerings and provide comprehensive solutions to its clients to enable them to leverage the power of cloud technology. We have made significant progress in modernising our own IP solutions. The Municipal Solutions business has improved revenue by 4.9% and the migration of our platform to the cloud will enable further growth into adjacent markets in the medium to long term. The modernisation of our pharmaceutical dispensing solution is expected to improve operational efficiency and margins within this business segment.
- Our Threat Defence Centre (TDC) was launched in the last quarter of FY2024, positioning BCX to respond to the increasing demand for security advisory services, managed detection, and threat response services. BCX continues to see growth in its Cybersecurity business, which increased its revenue by 36.2%.

The capability of our sales teams and deliberate channelling of the sales efforts to expand our reach in the existing customer base has enabled us to land significant wins recently. These wins include SAP implementation within a large hospitality client, IoT deployments in the retail and petrochemicals sectors, and the retention and expansion of a critical public sector client within the Converged Communications business. This win provides the Telkom Group with an opportunity to take advantage of the OneTelkom approach to grow the enterprise customer base.

## Portfolio optimisation

We have implemented a more focused approach to unlocking value from the portfolio of businesses housed within BCX.

- Revenue from the Integrated Technology Solution Sales (ITSS) business is mainly derived from the sale of hardware and software. The changes in our operating model will enable us to drive performance at a gross profit level and more accurately track the attach rate of higher-margin, value-added services. ITSS houses an asset financing business that presents opportunities to drive growth as we expand our IaaS offerings.
- As our international operations are now at a considerable scale, we can place greater emphasis on varying the revenue composition across the different countries where we have a presence. Our initial focus will be on Mozambique where we have launched the Africa Local Public (ALP) Cloud in partnership with Alibaba. The ALP Cloud services are hosted in a BCX data centre in Maputo, ensuring data sovereignty and compliance with local regulations. We have started onboarding customers in this region.
- During our portfolio review, we identified areas that are not performing as expected, and we are taking steps to enhance them. The Microsoft licensing business was loss making in FY2024 and was merged with Dotcom in the second half of FY2024. We have made good progress in restoring the profitability of the Microsoft licensing business and anticipate that it will break even by the end of the financial year. We are currently performing a similar analysis of our Octane fuel-dispensing business.

## Segment report

The current period saw a decrease in the quantum of revenue. The change in product mix is resulting in a decrease in the reported revenue of the business as the decrease in revenue from the Converged Communication segment, which is predominantly principal based, is not fully offset by the movement in the IT business revenue.

As our clients are prioritising digital transformation initiatives, which often require advanced software solutions and a focus on cloud computing, we anticipate that there will continue to be an increase in the levels of agent-based revenue in the IT hardware and software business. The IT business revenue was flat at R3 405 million, impacted by the 57.6% increase in agent-based revenue.

Our strong partnership with original equipment manufacturers (OEMs), however, gives us a competitive advantage in this product stream, providing BCX with an opportunity to capitalise on the growing demand in the market for integrated solutions that combine hardware, software and IT services.

BCX success with its OEM partners is also reflected in the achievements of the product teams during the period under review. We have recently celebrated receiving the Top Partnership and Growth and Innovation awards from our OEM partners. Recently, BCX won Storage Partner of the Year (2024) and Network Partner of the Year (2024) for Huawei, Advanced Services Partner (2024) for Dell Technologies, Managed Cloud Partner of the Year (2024) for Red Hat, Managed Services Partner of the Year (2024) for Cisco Systems, and Most Valuable Partner for Alibaba.

The Converged Communications business saw a 4.2% decrease in revenue to R2 730 million during the period. We continue to see a decline in the legacy business as we continue the journey to migrate clients to next-generation technologies. Notably, the proportion of revenue being generated from next-generation technologies increased to 70.1% of overall Converged Communications revenue.

However, next-generation services come at a significantly reduced ARPU, resulting in the compression of the gross profit margin. Therefore, despite the positive revenue performance, EBITDA before the staff restructuring costs of R157 million decreased to R553 million, due to the product mix and the decline of higher-margin legacy revenue. The adjusted EBITDA margin[1] declined to 9.0% compared to 11.4% in the previous period.

## Looking ahead

Concluding the transition to the new operating model enables us to refocus the business on our turnaround and growth strategies. We are excited by the shift that we are already seeing on the ground as the traditional silos in the business have been disbanded.

Our performance does not yet reflect the impact that we anticipate from our focus areas, and we are accelerating our efforts to embed the changes in focus and culture in the business to enable this pivot in performance.

In the second half of the year, our priorities are to realign our service costs, speed up changes in our revenue structure, and enhance and modernise our proprietary technology. Investing in the development and retention of key talent is essential for our success, as we aim to leverage both our team's expertise and the technology we've invested in to advance our own digital transformation as well as that of our clients.

[1] *Excludes R157 million provision for restructuring costs.*

# Productive capital

**Gyro |** Gyro continued to rationalise the property portfolio through accelerated disposal of decommissioned properties that are no longer required for core operational purposes, thereby optimising the property footprint and realising value for the Telkom Group. The continued implementation of various energy interventions at our core operational properties during the period improved the resilience of power supply and contributed to reducing the Group's carbon emissions.

**R204 million**
Property sale proceeds realised

**R731 million**
Property proceeds going through the conveyancing process

## Disposal of non-core properties

The first six months of the financial year ended with Gyro realising R204 million in cash proceeds from the transfer of 30 non-core Telkom and Gyro owned properties that were sold prior to 1 April 2024.

Property developments are deemed non-core for the Telkom Group, and most of the properties earmarked for property development were successfully sold during the first half of the financial year. Two public auctions were held, at which a total of 26 properties (including some that were previously earmarked for property development) were sold, generating sales offers amounting to R600 million (excluding VAT and sales commission). These 26 properties are currently undergoing conveyancing and form part of a total of 39 properties (including 13 properties sold prior to 1 April 2024) undergoing conveyancing, with a total sale value of R731 million. We plan to have most of these properties transferred during this financial year and the remainder in FY2026.

We plan to dispose of additional properties before the end of this financial year as part of the Group's ongoing efforts to exit non-core assets and rationalise the property footprint by reducing property operating costs and realising cash for the Group.

## Enhance operational efficiencies

We continued to enhance the resilience and energy efficiency of Telkom Group's network and operations while reducing our carbon emissions. Telkom Group reduced its Scope 1 and Scope 2 emissions by 53 320 $tCO_2e$ (17%) compared to the previous period. We are committed to reducing our carbon footprint and combating climate change. We have set our net zero science-based targets, which have been validated and approved by the Science Based Targets initiative (SBTi). We continue to prioritise technologies that maximise energy security and decarbonisation while optimising utilities and diesel costs. The solutions deployed include solar photovoltaic (PV), batteries and other energy efficiency interventions impacting our network and equipment building utilisation.

# Productive capital

**Swiftnet |** Swiftnet continued to maintain and organically grow the traditional co-location business while scaling up the new Power-as-a-Service (PaaS) offering. Phase 1 of the PaaS offering is nearing completion, with results from the operational performance tests showing the solution to be reliable.

Swiftnet's financial performance resulted in strong earnings growth during the period.

**10**
New towers built

**4 063**
Productive portfolio towers

**453**
PaaS solutions connected to customers

## Optimise and grow the masts and towers portfolio

Swiftnet's total revenue during the first half increased by 9.4% to R713 million, with revenue from continuing customers increasing by 19.6% to R597 million, underpinned by inflationary escalations, new PaaS revenue, new tenancies and customer site upgrades. Swiftnet's EBITDA increased by 8.0% to R527 million compared to the prior year, at a strong EBITDA margin of 73.9%.

Our customers continue to focus on network improvement and modernisation as opposed to new site builds. The commercial focus during the period was on rolling out and connecting PaaS solutions, with 453 PaaS solutions built and connected for customers. PaaS is now generating consistent revenue on sites connected to customers, and we expect PaaS revenue to contribute significantly to revenue growth in the current financial year. Six towers and four in-building solution sites were also constructed during the period, and the existing permitting pipeline enables us to increase the tower build programme based on market demand.

**73.9%**
EBITDA margin

**8.0%**
EBITDA growth

# Human capital

"Our people are the cornerstone of our success, and investing in their growth and wellbeing is central to achieving our long-term ambitions."

Telkom maintained its focus on transforming its culture, enhancing diversity and inclusion, and investing in learning and development. We aim to build a workforce that not only aligns with the Group's strategic goals but also adapts to the evolving landscape with agility and resilience.

### Key highlights

- Total number of employees: 9 894
- Women in leadership positions: 34.1%
- Gender diversity of employees: Female: 32.6% Male: 67.4%
- Number of differently abled employees: 120
- Training and development spend: 73 million

### Key strategic focus areas

- Driving a high-performance culture
- Diversity, equality and inclusion
- Engaged, agile and productive workforce
- Organisational wellbeing
- Employee experience
- Learning for growth and sustainability

## Driving a high-performance culture

Telkom has made significant strides in fostering a high-performance culture by strengthening its variable pay programme, now in its second year. This programme is supported by a comprehensive reward and recognition framework. The framework, developed in response to last year's employee engagement survey, integrates the OneTelkom shared values into everyday practices, encouraging both individual and team achievements.

Our performance management strategy closely aligns with Telkom Group's objectives, ensuring that employees' efforts directly contribute to long-term organisational goals. Through initiatives like monthly recognition for demonstrating shared values and annual rewards for measurable progress, we nurture a culture of continuous improvement and shared accountability.

## Diversity, equality and inclusion

Telkom's commitment to diversity, equality and inclusion is a top priority. We are proud to have increased female representation at leadership level with the appointment of an African female Chief Officer in Corporate Affairs, bringing the total number of African females at Chief Officer level to three.

Women currently hold 34.1% of leadership positions, up from 33.9% in the prior period. Furthermore, we have 120 differently abled employees, up from 99 in the prior period, reflecting our ongoing efforts to create an inclusive and supportive work environment.

Telkom allocated

**R73m**

to training and development

## Learning for growth and sustainability

Investment in our people's development is key to our strategy. During the period, Telkom allocated R73 million to training and development, up from R69 million in the prior period.

A total of 309 employees participated in the OneTelkom learning programmes, which include leadership development, our prestigious Female Leadership Development Programme (FLDP), Innovation & Design Thinking, and digital skills training. These initiatives are designed to build a robust internal talent pool and future skills capabilities across the organisation, ensuring our workforce is prepared for the demands of tomorrow.

## Organisational wellbeing

The safety and wellbeing of our employees are paramount. We undertook various health and safety initiatives aimed at encouraging positive safety behaviours and strengthening our safety culture. Collaborating with Group communications, we regularly published educational materials to raise awareness of key safety risks and preventive measures.

In addition, a health risk assessment was conducted across safety-sensitive operations to evaluate the effectiveness of existing controls, resulting in several targeted actions to bolster our health and safety framework.

During wellness month, we organised wellness days in eight regions across South Africa, offering services like medical aid consultations, basic health testing and wellness webinars, empowering our employees to focus on their mental, physical and emotional wellbeing.

# Intellectual capital

Telkom continued to enhance its intellectual capital through sustained investments in research and development and innovation. These initiatives drive future competitiveness and operational efficiency across the Telkom Group, supporting our goal of becoming a leader in technology and digital transformation.

## Key highlights

- Continued investment in the **Telkom R&D lab**
- Telkom Consumer recognised as the **leading mobile operator in 2024**
- Openserve won **TM Forum's Moonshot Catalyst award**
- Openserve iNPS score: **75**
- **Over 100 staff ideas submitted** in the Telkom Group Innovation Challenge
- **Strengthened engineering and tech talent** through focused skills development initiatives for Telkom and the industry

## Key strategic focus areas

- Increased partnerships and continued investment in R&D and innovation
- Scaled and improved innovation challenge encompassing the Group's values of customer centricity and simplicity
- Customer experience
- Brand equity
- Data-driven insights
- Operational efficiency
- Order-to-cash transformation
- Information security governance
- Governance and risk management

## Investment in R&D and innovation

Telkom continued to invest in its R&D lab, co-located at the Wits Innovation Centre, to spearhead R&D and innovation in the areas of customer experience and connected intelligence. This investment aims to drive future competitiveness and operational efficiency for various parts of the Telkom Group. Parallel to this, Telkom continued to invest in R&D Centres of Excellence across universities in South Africa. This partnership ensures a sustained pipeline of engineering and technology-related skills essential for the growth of Telkom and the sector.

We launched the second edition of the Telkom Group innovation challenge to catalyse internal innovation and invest in the implementation of innovative ideas while developing staff and cultivating Group-wide collaboration. This financial year, over 100 ideas were submitted for the Group-wide challenge. The challenge emphasises digital solutions that reflect customer centricity and simplicity, and promotes efficient solutions centred around the Group's values.

Telkom also formed a strategic partnership with the National Research Foundation (NRF) to launch the co-funded Telkom/NRF Future Technologies Programme. This initiative aims to expand Telkom’s Centres of Excellence by increasing their reach to fund and enhancing the impact of local universities' research in next-generation fibre and network solutions focused on Openserve and Telkom. Additionally, it focuses on industry and societal applications of IoT, edge computing and artificial intelligence (AI) technologies. The collaboration with the NRF allows us to enhance our support for technical skills development, which is essential for sustained growth across the Group.

We hosted the 26th edition of the international Southern Africa Telecommunications Networks and Applications Conference (SATNAC). Parallel to this, we launched the third edition of the SATNAC industry solutions challenge in collaboration with key sponsors and Telkom business units. The challenge trains students to innovate and solve pertinent business and technical challenges in sustainability, customer experience, AI and network technologies.

## Customer experience

Telkom Consumer has embraced the new brand positioning, "Possible Begins Here", reaffirming our commitment to empowering customers and enhancing their experience. This initiative aligns with our purpose of connecting South Africans to a better life, ensuring we deliver exceptional products and continuously improve customer experience.

The mobile broadband subscriber base surpassed 14 million for the first time in the second quarter, reflecting strong customer engagement and satisfaction.

Openserve recorded an impressive Interaction Net Promoter Score (iNPS) of 75, a notable increase from 72.1 in the previous period. This indicates a positive shift in customer perceptions and highlights our ongoing efforts to deliver superior customer experiences.

## Recognition of our brand equity

2024 Ask Afrika Orange Index survey: Telkom Consumer was recognised as the leading mobile operator in the 2024 Ask Afrika Orange Index survey, validating our efforts to enhance customer experience.

TM Forum's Moonshot Catalyst award: Openserve received this prestigious award for its sustainability challenge, showcasing a technical approach to achieving net zero carbon emissions by 2030.

The mobile broadband subscriber base surpassed

**14 million**

# Social and relationship capital

Telkom's commitment to creating lasting value extends beyond business growth to empowering communities and supporting economic development. Through initiatives such as FutureMakers and the Telkom Foundation, we continue to drive social impact by fostering entrepreneurship, supporting SMMEs, and investing in education and skills development. Our focus is on creating sustainable growth that benefits both our stakeholders and the broader society.

### Key highlights

- Procurement spend on FutureMakers: **R215.7 million**
- Number of SMMEs impacted or supported: **403**
- Telkom Foundation: **R38.1 million**
- Number of learners: **37 475**

### Key strategic focus areas

- Diversify our supply chain and sales value chain (such as dealers) and accelerate innovation in the technology sector, focusing on SMMEs (FutureMakers). This mitigates supply chain risks
- Digital skills development
- Holistic school development and integrating ICT in schools (Telkom Foundation)

**R20.6 million**

was allocated to education

## Supporting ESD: FutureMakers

Telkom's FutureMakers programme has made significant strides in supporting black-owned SMMEs and tech start-ups. FutureMakers is on track to meet its ESD mandate, with various programmes running smoothly during the first half of the financial year.

The number of SMMEs participating in the FutureMakers programmes increased to 403 during the period (H1 FY2024: 350), demonstrating our continued commitment to empowering small businesses.

Our procurement spend on FutureMakers SMMEs has reached R215.7 million, reflecting our dedication to integrating these businesses into our supply chain. While job creation metrics will be updated at the end of the financial year, we are already witnessing positive outcomes from our support.

We are also proud of the upcoming graduation of 11 start-ups from our Township Incubator, who are developing innovative technology solutions to address challenges in township communities. Telkom has extended R1.3 million in supplier development support to consumer dealers and R600 000 to the Openserve customer premises equipment (CPE) panel, further enhancing business growth.

The Aions Venture Builder has invested R18 million in six tech start-ups, with funds being disbursed based on agreed milestones to ensure our investments drive meaningful impact. The Supplier Development Fund, managed by Absa, continues to provide crucial financing for SMMEs to meet their contractual obligations, reinforcing our mission to transform supply chains and create sustainable jobs. A total of R38.2 million in finance has been extended to our SMME suppliers through this fund.

## Supporting communities: Telkom Foundation

The Telkom Foundation plays a pivotal role in driving social transformation through investments in education, digital skills and community development. For the period under review, the Foundation invested R38.1 million excluding administration costs (FY2023: R64 million). Of this, R20.6 million was allocated to education, R16.3 million to digital skills development, and R1.2 million to social development programmes.

Our **extra tuition initiatives**, in collaboration with various partners, continue to support learners in mathematics and science through face-to-face, virtual and gamified online learning, reaching approximately 37 475 learners across the country. In our efforts to combat youth unemployment, we have successfully trained 997 youth through accredited ICT programmes, with 488 completing their training in IT technical support, business analysis and systems development.

The **Telkom Foundation also supports educators** by bridging ICT knowledge gaps, offering training to approximately 600 teachers who now have the tools and skills to integrate technology in their classrooms. In terms of **psychosocial support**, we continue to assist vulnerable communities by supporting Childline South Africa and Lifeline South Africa's Gender-Based Violence toll-free lines, impacting a combined 156 058 individuals.

We continue to align our training programmes with evolving opportunities to ensure that our investments in skills development lead to tangible employment outcomes. Our focus is on fostering resilient communities and a future-ready workforce that can drive long-term socio-economic development.

# Natural capital

In the first half of FY2025, Telkom reinforced its commitment to ESG and sustainability by focusing on energy efficiency, reducing carbon emissions, and promoting responsible resource management. Our efforts led to a 57% reduction in Scope 1 emissions and a 15% decrease in Scope 2 emissions, aligned with our net zero science-based targets.

### Key highlights

- Scope 1 emissions: **15 726 $tCO_2e$**
- Scope 2 emissions: **248 134 $tCO_2e$**
- Water consumption: **383 277 kilolitres**
- E-waste recycled: **3 948 tonnes**
- Energy consumption: **248.1 GWh**
- Renewable energy generated: **1.98 GWh**

### Key strategic focus areas

- Driving energy efficiency and alternative energy solutions
- Reducing Telkom's carbon footprint
- Telkom's Scope 3 emissions
- Managing Telkom's water consumption
- Responsibly managing hazardous waste
- TCFD reporting

## Driving energy efficiency and alternative energy solutions

Energy efficiency and the integration of renewable energy are key focuses for Telkom. Our primary energy source remains electricity from the national grid, with additional contributions from renewable energy plants and fossil fuels used for our vehicle fleet and backup generators.

Notable achievements include an 86% reduction in diesel usage for backup generators, owing to initiatives such as installing lithium-ion batteries (948 batteries installed at critical sites) and decommissioning legacy equipment. The absence of loadshedding in H1 FY2025 also contributed materially to these reductions.

Telkom expanded its renewable energy capacity by completing a 1 MW solar PV plant at Telkom Park, which began operating in July 2023. Our solar plants collectively generated 1.98 GWh of renewable energy, avoiding 1 977 $tCO_2e$ in emissions. We also advanced our energy efficiency by completing LED lighting installations and deploying 44 smart energy meters across multiple sites.

Our efforts to phase out outdated network equipment have been effective. We have reduced carbon emissions by 12 801 $tCO_2e$ during the period.

Moving forward, we will continue to prioritise investments in renewable energy solutions and innovations to further mitigate our environmental impact.

**19%**

reduction in overall Scope 1 and 2 emissions through focused strategies

## Managing Scope 1 and 2 emissions

During the period, Telkom achieved a 19% reduction in overall Scope 1 and 2 emissions through focused strategies. Scope 1 emissions decreased by 57%, primarily due to lower diesel consumption for backup generators. Scope 2 emissions decreased by 15%, driven by energy efficiency measures and the ongoing decommissioning of legacy site operations. Our commitment to sustainable practices was further underscored by the validation of our greenhouse gas emissions targets by the SBTi in September 2024. We aim to reduce our Scope 1 and 2 GHG emissions by 54.6% and Scope 3 emissions by 32.5% by FY2033, using FY2022 as the baseline. We also aim to achieve net zero emissions across the value chain by FY2040.

## Other highlights:

**Managing Telkom's water:** Telkom achieved a 2% reduction in water consumption compared to H1 FY2024, driven by site terminations and improved monitoring practices. The Nelson Mandela Bay "Day Zero" project launched in October 2024 is focusing on water conservation at key sites.

**Responsibly managing hazardous waste:** We intensified our efforts in e-waste management by enhancing strategies for reusing, reselling and recycling electronic waste. These initiatives emphasise our dedication to responsible waste disposal and resource recovery.

**Telkom's Scope 3 emissions:** Significant strides were made in refining our Scope 3 emissions calculations, transitioning towards a data-driven approach. Our Supplier Day event engaged partners on our sustainability goals, emphasising the importance of direct emissions reporting to improve transparency.

# Operational data

## Operational data

| | September 2024 | September 2023 | Variance % |
|---|---|---|---|
| **Mobile subscribers** | | | |
| Active mobile subscribers[1] | **22 784 590** | 18 286 160 | 24.6 |
| Pre-paid | **19 777 721** | 15 320 566 | 29.1 |
| Post-paid | **3 006 869** | 2 965 594 | 1.4 |
| ARPU blended (rand) | **79.97** | 84.59 | (5.5) |
| ARPU pre-paid (rand) | **61.46** | 64.40 | (4.6) |
| ARPU post-paid (rand) | **185.62** | 182.41 | 1.8 |
| Mobile data subscribers | **14 582 031** | 12 194 883 | 19.6 |
| **Fixed subscribers** | | | |
| Fibre broadband lines[2] | **553 312** | 554 809 | (0.3) |
| Fibre | **509 617** | 461 104 | 10.5 |
| xDSL | **43 695** | 93 705 | (53.4) |
| ARPU fixed-voice | **305.92** | 301.79 | 1.4 |
| ARPU fixed-broadband | **355.56** | 315.20 | 12.8 |
| Managed data network sites | **27 963** | 25 233 | 10.8 |
| Internet all-access subscribers[3] | **213 312** | 273 236 | (21.9) |
| Fixed access lines ('000)[4] | **533** | 690 | (22.8) |
| Revenue per fixed access line (rand) | **2 445** | 2 380 | 2.7 |
| **Network population coverage** | | | |
| Homes passed | **1 290 462** | 1 158 761 | 11.4 |
| Homes connected | **640 730** | 542 598 | 18.1 |
| Enterprise business services | **44 041** | 42 444 | 3.8 |
| Next-generation technology services | **74 672** | 72 462 | 3.0 |
| Carrier services | **19 912** | 19 946 | (0.2) |
| Fibre to base station connections | **9 146** | 9 090 | 0.6 |
| Mobile sites integrated | **7 814** | 7 684 | 1.7 |
| Active fibre connectivity rate (%) | **49.7** | 46.8 | 2.9 |
| **Volumes** | | | |
| Fixed broadband (petabytes) | **1 389** | 1 081 | 28.5 |
| Mobile broadband (petabytes) | **850** | 676 | 25.7 |
| Total fixed-line traffic (millions of minutes) | **1 941** | 2 093 | (7.3) |
| **Group employees** | **9 894** | 9 868 | 0.3 |
| Telkom Company | **1 320** | 1 224 | 7.8 |
| Telkom Consumer | **1 013** | 1 029 | (1.6) |
| Corporate Centre | **307** | 195 | 57.4 |
| Openserve | **4 549** | 4 546 | 0.1 |
| BCX Group | **4 025** | 4 003 | 0.5 |
| Gyro employees | **—** | 95 | (100.0) |

*[1] Based on a subscriber who participated in a revenue-generating activity within the last 90 days.*
*[2] Includes xDSL and FTTH lines, of which 2 773 (H1 FY2024: 2 235) are internal lines.*
*[3] Includes Telkom internet asymmetrical DSL, integrated services digital network (ISDN) and WiMAX subscribers.*
*[4] Includes copper voice and broadband, ISDN and fixed look-a-like. Excludes Telkom internal lines..*

## Group revenue

| Continuing operations | Openserve September 2024 Rm | Openserve September 2023 Rm | Telkom Consumer September 2024 Rm | Telkom Consumer September 2023 Rm | BCX[1] September 2024 Rm | BCX[1] Restated September 2023 Rm | Gyro September 2024 Rm | Gyro September 2023 Rm | Eliminations[2], IFRS 16 reversal[3] & other September 2024 Rm | Eliminations[2], IFRS 16 reversal[3] & other September 2023 Rm | Group[1] September 2024 Rm | Group[1] Restated September 2023 Rm | Variance % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Mobile** | **—** | — | **11 743** | 11 085 | **—** | — | **—** | — | **(49)** | (50) | **11 694** | 11 035 | 6.0 |
| Voice | **—** | — | **2 132** | 2 095 | **—** | — | **—** | — | **(15)** | (13) | **2 117** | 2 082 | 1.7 |
| Interconnection | **—** | — | **284** | 276 | **—** | — | **—** | — | **(27)** | (29) | **257** | 247 | 4.0 |
| Data | **—** | — | **7 853** | 6 972 | **—** | — | **—** | — | **(7)** | (8) | **7 846** | 6 964 | 12.7 |
| Handset and device sales | **—** | — | **1 327** | 1 569 | **—** | — | **—** | — | **—** | — | **1 327** | 1 569 | (15.4) |
| Interest revenue | **—** | — | **147** | 173 | **—** | — | **—** | — | **—** | — | **147** | 173 | (15.0) |
| **Fixed** | **6 092** | 6 207 | **1 434** | 1 662 | **2 730** | 2 851 | **—** | — | **(3 790)** | (4 121) | **6 466** | 6 598 | (2.0) |
| Voice | **691** | 948 | **383** | 585 | **923** | 1 057 | **—** | — | **(692)** | (948) | **1 305** | 1 642 | (20.5) |
| Interconnection | **144** | 158 | **—** | — | **—** | — | **—** | — | **(32)** | (39) | **112** | 119 | (5.9) |
| Data | **4 915** | 4 777 | **950** | 947 | **1 311** | 1 308 | **—** | — | **(2 912)** | (2 910) | **4 264** | 4 122 | 3.4 |
| Fibre-related services | **4 598** | 4 328 | **826** | 699 | **896** | 826 | **—** | — | **(2 666)** | (2 516) | **3 654** | 3 163 | 15.5 |
| Other data services | **317** | 449 | **124** | 248 | **415** | 482 | **—** | — | **(246)** | (394) | **610** | 959 | (36.4) |
| Customer premises equipment sales and rentals | **86** | 102 | **86** | 79 | **496** | 486 | **—** | — | **(86)** | (102) | **582** | 565 | 3.0 |
| Sundry revenue | **256** | 222 | **15** | 51 | **—** | — | **—** | — | **(68)** | (122) | **203** | 150 | 35.3 |
| **Information technology[1]** | **—** | — | **—** | — | **3 405** | 3 552 | **—** | — | **(477)** | (515) | **2 928** | 3 037 | (3.6) |
| Information technology service revenue[1] | **—** | — | **—** | — | **2 274** | 2 276 | **—** | — | **(361)** | (399) | **1 913** | 1 877 | 1.9 |
| IT hardware and software[1] | **—** | — | **—** | — | **1 104** | 1 241 | **—** | — | **(116)** | (116) | **988** | 1 125 | (12.2) |
| Interest revenue | **—** | — | **—** | — | **27** | 35 | **—** | — | **—** | — | **27** | 35 | (22.9) |
| **Other** | **69** | 54 | **219** | 237 | **—** | — | **9** | 152 | **(3)** | (138) | **294** | 305 | (3.6) |
| Digital media sales | **—** | — | **75** | 102 | **—** | — | **—** | — | **—** | — | **75** | 102 | (26.5) |
| Insurance revenue | **—** | — | **144** | 135 | **—** | — | **—** | — | **—** | — | **144** | 135 | 6.7 |
| Lease revenue | **69** | 54 | **—** | — | **—** | — | **6** | 14 | **—** | — | **75** | 68 | 10.3 |
| Gyro | **—** | — | **—** | — | **—** | — | **3** | 138 | **(3)** | (138) | **—** | — | — |
| **Total** | **6 161** | 6 261 | **13 396** | 12 984 | **6 135** | 6 403 | **9** | 152 | **(4 319)** | (4 824) | **21 382** | 20 975 | 1.9 |

*[1] Revenue was restated for the IFRS 15 prior period error. Refer to page 11.*
*[2] Inter-BU transactions are eliminated to ensure that only transactions with external entities are recorded in the Income statement.*
*[3] The IFRS 16 reversal relates to Inter-BU lease transactions which result in one entity receiving lease Income (which is recorded above EBITDA), and the counterparty BU only recognising an Interest expense and depreciation (which is below EBITDA).*

## Mobile statement of profit or loss

| | Reported September 2024 Rm | Reported September 2023 Rm |
|---|---|---|
| **Revenue** | **11 755** | 11 092 |
| Other income | **255** | 224 |
| **Direct expenses** | **(4 111)** | (4 371) |
| **Operating expenses** | **(4 696)** | (4 488) |
| Employee expenses | **(364)** | (282) |
| Other expenses | **(1 836)** | (1 907) |
| Wholesale voice and non-voice | **—** | — |
| Maintenance | **(947)** | (887) |
| Marketing | **(300)** | (265) |
| Impairment of receivables and contract assets | **(550)** | (656) |
| Service fees | **(600)** | (462) |
| Lease-related expenses | **(99)** | (29) |
| **EBITDA** | **3 203** | 2 457 |

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

## Masts and towers statement of profit or loss

| | Reported September 2024 Rm | Reported September 2023 Rm |
|---|---|---|
| **Revenue** | **713** | 652 |
| **Operating expenses** | **(186)** | (164) |
| Employee expenses | **(14)** | — |
| Other operating expenses | **(79)** | (84) |
| Impairment of receivables and contract assets | **—** | (5) |
| Service fees | **(93)** | (73) |
| Operating leases | **—** | (2) |
| **EBITDA** | **527** | 488 |

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

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

| Continuing operations | Pro forma 30 September 2024 Rm | Pro forma Restated 30 September 2023 Rm | Variance % | |
|---|---|---|---|---|
| **Revenue**[1] | **21 382** | 20 975 | 1.9 | |
| **Other income** | **635** | 454 | 39.9 | A |
| **Direct expenses** | **(5 383)** | (5 944) | 9.4 | |
| Payments to other operators | **(1 332)** | (1 717) | 22.4 | B |
| Cost of handsets, equipment, software and directories[1] | **(2 507)** | (2 919) | 14.1 | C |
| Sales commission, incentive and logistical costs | **(1 544)** | (1 308) | (18.0) | D |
| **Operating expenses** | **(11 028)** | (10 748) | (2.6) | |
| Insurance service expenses | **(138)** | (95) | (45.3) | |
| Employee expenses[2] | **(3 921)** | (3 837) | (2.2) | |
| Other expenses[1] | **(1 233)** | (1 098) | (12.3) | |
| Maintenance | **(2 548)** | (2 366) | (7.7) | |
| Marketing | **(457)** | (393) | (16.3) | |
| Impairment of receivables and contract assets | **(642)** | (884) | 27.4 | E |
| Service fees | **(1 885)** | (1 948) | 3.2 | |
| Lease-related expenses | **(204)** | (127) | (60.6) | |
| **EBITDA**[2,3] | **5 606** | 4 737 | 18.3 | |
| Depreciation, amortisation, impairment and write-offs | **(2 943)** | (2 784) | (5.7) | |
| **Operating profit**[2] | **2 663** | 1 953 | 36.4 | |
| Investment income | **164** | 74 | 121.6 | F |
| **Finance charges and fair value movements** | **(900)** | (975) | 7.7 | |
| Net finance charges on lease liabilities | **(267)** | (255) | (4.7) | |
| Net finance charges | **(733)** | (728) | (0.7) | |
| Foreign exchange and fair value movements | **100** | 8 | 1150.0 | |
| **Profit before taxation**[2] | **1 927** | 1 052 | 83.2 | |
| Taxation[2] | **(506)** | (264) | (91.7) | G |
| **Profit for the period from continuing operations**[2] | **1 421** | 788 | 80.3 | |
| **Profit for the period from discontinued operation** | **218** | 188 | 16.0 | |
| **Profit for the period**[2] | **1 639** | 976 | 67.9 | |

*[1] Revenue and the corresponding costs were restated for the IFRS 15 prior period error. Refer to page 11.*
*[2] Refer to page 11 for the reconciliation of the reported figures to the pro forma adjusted figures.*
*[3] This is a non-IFRS financial measure.*

## Notes

A **Other income** increased by 39.9% to R635 million, mainly attributable to profits from the sales of properties in Gyro.

B **Payments to other operators** decreased by 22.4% to R1 332 million, driven by lower voice and data commitments from fixed and the optimisation of mobile roaming costs as we maintain stringent roaming traffic thresholds and migrate traffic to our network.

C **Cost of handset, equipment, software and directories** decreased by 14.1% to R2 507 million largely due to lower mobile device underpinned post-paid sales, primarily driven by Telkom Consumer implementing stringent credit vetting to de-risk its post-paid portfolio in response to a deteriorating credit consumer position. Also contributing to the decrease is lower information technology hardware sales in BCX.

D **Sales commission, incentive and logistical costs** increased by 18.0% to R1 544 million, mainly due to the growth in the mobile commissionable base and increased costs associated with the post-paid market, such as distribution channel costs and higher recharges and airtime sales.

E **Impairment of receivables and contract assets** decreased by 27.4% to R642 million, largely due to the improvement in write-off recoveries partially offset by an increase in the ECL as some customers are still in distress.

F **Investment income** increased by 121.6% to R164 million, mainly due to higher bank and cash balances.

G **Taxation** increased by 91.7% to R506 million due to the 83.2% increase in profit before taxation, offset by the 1.2 ppts increase in the effective tax rate to 26.3% (H1 FY2024: 25.1%).

## Condensed consolidated interim statement of financial position

| | 30 September 2024 Rm | 31 March 2024 Rm | Variance % |
|---|---|---|---|
| **Continuing operations** | | | |
| **Assets** | | | |
| **Non-current assets** | **42 879** | 43 006 | (0.3) |
| Property, plant and equipment | **26 423** | 26 002 | 1.6 |
| Right-of-use assets | **5 315** | 5 594 | (5.0) |
| Intangible assets | **5 260** | 5 327 | (1.3) |
| Other investments | **110** | 106 | 3.8 |
| Other receivables | **171** | 48 | 256.3 |
| Employee benefits | **1 265** | 1 283 | (1.4) |
| Other financial assets | **89** | 173 | (48.6) |
| Finance lease receivables | **275** | 313 | (12.1) |
| Deferred taxation | **3 971** | 4 160 | (4.5) |
| **Current assets** | **15 586** | 16 216 | (3.9) |
| Inventories | **758** | 903 | (16.1) A |
| Income tax receivable | **125** | 115 | 8.7 |
| Finance lease receivables | **276** | 266 | 3.8 |
| Trade and other receivables | **7 546** | 8 215 | (8.1) |
| Contract assets | **1 949** | 2 204 | (11.6) B |
| Other current assets | **612** | 545 | 12.3 |
| Other financial assets | **386** | 63 | 512.7 |
| Insurance contract asset | **156** | 141 | 10.6 |
| Cash and cash equivalents | **3 760** | 3 747 | 0.3 |
| Restricted cash | **18** | 17 | 5.9 |
| Asset included in disposal group classified as held for sale | **2 092** | 1 969 | 6.2 |
| **Total assets** | **60 557** | 61 191 | (1.0) |
| **Equity and liabilities** | | | |
| **Equity attributable to owners of the parent** | **27 090** | 26 196 | 3.4 |
| Share capital | **5 050** | 5 050 | — |
| Share-based compensation reserve | **1 574** | 1 535 | 2.5 |
| Non-distributable reserves | **566** | 750 | (24.5) |
| Retained earnings | **19 900** | 18 861 | 5.5 |
| Non-controlling interest | **(19)** | (21) | (9.5) |
| **Total equity** | **27 071** | 26 175 | 3.4 |
| **Non-current liabilities** | **16 698** | 17 359 | (3.8) |
| Interest-bearing debt | **10 613** | 11 535 | (8.0) C |
| Lease liability | **4 023** | 4 100 | (1.9) D |
| Provisions | **419** | 336 | 24.7 E |
| Other financial liabilities | **143** | 202 | (29.2) |
| Deferred revenue | **1 200** | 899 | 33.5 F |
| Deferred taxation | **299** | 287 | 4.2 |

## Condensed consolidated interim statement of financial position

| | 30 September 2024 Rm | 31 March 2024 Rm | Variance % |
|---|---|---|---|
| **Current liabilities** | **16 397** | 17 176 | (4.5) |
| Trade and other payables | **8 782** | 8 996 | (2.4) |
| Shareholders for dividend | **21** | 24 | (12.5) |
| Interest-bearing debt | **2 719** | 2 682 | 1.4 C |
| Lease liabilities | **1 242** | 2 361 | (47.4) D |
| Provisions | **1 364** | 1 093 | 24.8 E |
| Deferred revenue | **1 576** | 1 651 | (4.5) F |
| Income tax payable | **11** | — | 100.0 |
| Other financial liabilities | **682** | 369 | 84.8 |
| Liabilities included in disposal group classified as held for sale | **392** | 481 | (18.5) |
| **Total liabilities** | **33 486** | 35 016 | (4.4) |
| **Total equity and liabilities** | **60 557** | 61 191 | (1.0) |

### Notes

A Inventories decreased by 16.1% to R758 million, supported by management's strategic goal to reduce inventories to an acceptable level to improve working capital management.

B Contract assets decreased by 11.6% to R1 949 million largely attributable to the 15.4% decrease in mobile device sales driven by Telkom Consumer's sustainable approach to de-risk its post-paid portfolio.

C Interest-bearing debt decreased by 6.2% to R13 332 million due to the repayment of maturing debt from internally generated funds.

D Lease liabilities decreased by 18.5% to R5 265 million, mainly due to the upfront payment of the Google fibre pair which was recognised in the prior period as part of the Google Equiano transaction.

E Provisions increased by 24.8% to R1 783 million, mainly due to the constructive obligation of R330 million as a result of the derecognition of the Telkom Retirement Fund.

F Deferred revenue increased by 8.9% to R2 776 million, mainly as a result of an advance payment in respect of System 2 which forms part of the Google Equiano transaction.

## Condensed consolidated interim statement of cash flows

| | September 2024 Rm | September 2023 Rm | Variance % | |
|---|---|---|---|---|
| **Cash flows from operating activities** | **5 263** | 3 488 | 50.9 | |
| Cash receipts from customers | **22 255** | 22 337 | (0.4) | |
| Cash paid to suppliers and employees | **(16 028)** | (17 813) | 10.0 | |
| Cash generated from operations | **6 227** | 4 524 | 37.6 | A |
| Interest received | **248** | 194 | 27.8 | |
| Dividend paid | **30** | — | 100.0 | |
| Finance charges paid | **(1 039)** | (1 007) | (3.2) | |
| Taxation paid | **(140)** | (259) | 45.9 | B |
| Repayment of derivatives – FECs | **(129)** | (22) | (486.4) | |
| Proceeds from derivatives – FECs | **70** | 61 | (14.8) | |
| Cash generated from operations before dividend paid | **5 267** | 3 491 | 50.9 | |
| Dividend paid | **(4)** | (3) | 33.3 | |
| **Cash flows utilised from investing activities** | **(2 702)** | (3 188) | (15.2) | |
| Proceeds on disposal of property, plant and equipment and intangible assets | **210** | 59 | 255.9 | |
| Additions to assets for capital expansion | **(2 856)** | (3 311) | 13.7 | |
| Investments made by FutureMakers | **(6)** | 2 | (400.0) | |
| ESD loan repayments received | **5** | 3 | 66.7 | |
| Repayment of derivatives – FECs | **(116)** | (38) | (205.3) | |
| Proceeds from derivatives – FECs | **62** | 103 | (39.8) | |
| Restricted cash | **(1)** | (6) | 83.3 | |
| **Cash flows from financing activities** | **(2 665)** | (183) | 1 356.3 | |
| Loans raised | **2 237** | 8 749 | (74.4) | C |
| Loans repaid | **(3 132)** | (8 318) | 62.3 | |
| Purchase of shares for the Telkom and subsidiaries' long-term incentive share scheme | **(107)** | — | (100.0) | |
| Repayment of lease liability | **(1 672)** | (619) | (170.1) | D |
| Proceeds from derivatives – interest rate swaps | **9** | 5 | 80.0 | |
| **Net decrease in cash and cash equivalents** | **(104)** | 117 | (188.9) | |
| Net cash and cash equivalents at 1 April | **3 939** | 3 469 | 13.5 | |
| **Net cash and cash equivalents at the end of the period** | **3 835** | 3 586 | 6.9 | |

## Notes

A Cash generated from operations increased by 37.6% to R6 227 million, largely attributable to improved working capital management.

B Taxation paid decreased by 45.9% to R140 million due to a reduction in the Group's taxable income, the utilisation of tax losses and lower refunds of tax overpaid.

C Loans raised of R2 237 million and loans repaid of R3 132 million resulted in a net repayment position of R895 million as a result of maturing debt repaid during the financial year. Committed facilities were also undrawn compared to the prior period.

D Repayment of lease liability increased by 170.1% to R1 672 million due to the Google fibre pair payment in the current period.

# Annexure

| Group revenue | September 2024 Rm | Restated September 2023 Rm | Variance % |
|---|---|---|---|
| **Mobile** | **11 694** | 11 035 | 6.0 |
| Voice | **2 117** | 2 082 | 1.7 |
| Interconnection | **257** | 247 | 4.0 |
| Data | **7 846** | 6 964 | 12.7 |
| Device sales | **1 327** | 1 569 | (15.4) |
| Interest revenue | **147** | 173 | (15.0) |
| **Fixed** | **6 466** | 6 598 | (2.0) |
| Voice | **1 305** | 1 642 | (20.5) |
| Usage | **516** | 627 | (17.7) |
| Subscriptions | **789** | 1 015 | (22.3) |
| Interconnection | **112** | 119 | (5.9) |
| Fixed-line domestic | **70** | 70 | — |
| Fixed-line international | **42** | 49 | (14.3) |
| Data | **4 264** | 4 122 | 3.4 |
| Fibre-related services | **3 654** | 3 163 | 15.5 |
| Other services | **610** | 959 | (36.4) |
| Customer premises equipment sales and rentals | **582** | 565 | 3.0 |
| Sales | **221** | 158 | 39.9 |
| Rentals | **361** | 407 | (11.3) |
| Sundry revenue | **203** | 150 | 35.3 |
| **Information technology**[1] | **2 928** | 3 037 | (3.6) |
| Information technology service solutions[1] | **1 369** | 1 363 | 0.4 |
| Application solutions | **490** | 460 | 6.5 |
| IT hardware and software[1] | **988** | 1 125 | (12.2) |
| Industrial technologies | **54** | 54 | — |
| Interest revenue | **27** | 35 | (22.9) |
| **Other** | **294** | 305 | (3.6) |
| Digital media sales | **75** | 102 | (26.5) |
| Insurance revenue | **144** | 135 | 6.7 |
| Gyro | **75** | 68 | 10.3 |
| **Continuing operations**[1] | **21 382** | 20 975 | 1.9 |

[1] *Revenue was restated for the IFRS 15 prior period error. Refer to page 11.*

# Reviewed condensed consolidated interim financial statements for the six months ended 30 September 2024

## Board approval

These condensed consolidated interim financial statements were authorised for issue on 17 November 2024 by the Telkom SA SOC Ltd Board of Directors and published on 18 November 2024. The Board has the power to amend and reissue these financial statements.

## Directors' responsibility and audit review report

The Directors of the Company take full responsibility for the preparation of the condensed consolidated interim financial statements. The condensed consolidated interim financial statements have been reviewed by our independent external auditor (hereafter referred to as "auditor"), PricewaterhouseCoopers Inc.

## Preparer and supervisor of the condensed consolidated interim financial statements

These condensed consolidated interim financial statements were prepared by the Telkom finance staff under the supervision of the Group Chief Financial Officer, Nonkululeko Dlamini CA(SA).

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# Independent auditor's review report on condensed consolidated interim financial statements

pwc

## To the Shareholders of Telkom SA SOC Limited

We have reviewed the condensed consolidated interim financial statements of Telkom SA SOC Limited, set out on pages 34 to 58, which comprise the condensed consolidated interim statement of financial position as at 30 September 2024 and the related condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-months then ended, and selected explanatory notes.

## Directors' Responsibility for the Condensed Consolidated Interim Financial Statements

The directors are responsible for the preparation and presentation of these interim financial statements in accordance with the International Accounting Standard No. 34, Interim Financial Reporting (IAS 34), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express a conclusion on these condensed consolidated interim financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, which applies to a review of historical financial information performed by the independent auditor of the entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of condensed consolidated interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these condensed consolidated interim financial statements.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of Telkom SA SOC Limited for the six months ended 30 September 2024 are not prepared, in all material respects, in accordance with IAS 34, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc.

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

PricewaterhouseCoopers Inc., 4 Lisbon Lane, Waterfall City, Jukskei View, 2090
Private Bag X36, Sunninghill, 2157, South Africa
T: +27 (0) 11 797 4000, F: +27 (0) 11 209 5800, www.pwc.co.za

Chief Executive Officer: L S Machaba
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682.

*The examination of controls over the maintenance and integrity of the Group's website is beyond the scope of the review of the condensed consolidated interim financial statements. Accordingly, we accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.*

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

for the period ended 30 September 2024

| | Notes | Reviewed six months ended 30 September 2024 Rm | Restated six months ended 30 September 2023[1] Rm |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | | **21 382** | 20 975 |
| *Operating revenue* | | **21 064** | 20 632 |
| *Interest revenue* | | **174** | 208 |
| *Insurance revenue* | | **144** | 135 |
| Other income[2] | | **635** | 454 |
| Payments to other operators | 5.1 | **(1 332)** | (1 717) |
| Cost of handsets, equipment, software and directories | 5.2 | **(2 507)** | (2 919) |
| Sales commission, incentives and logistical costs | 5.3 | **(1 544)** | (1 308) |
| Insurance service expenses | | **(138)** | (95) |
| Employee expenses | 5.4 | **(4 699)** | (3 837) |
| Other expenses | | **(1 233)** | (1 098) |
| Maintenance | | **(2 548)** | (2 366) |
| Marketing | | **(457)** | (393) |
| Impairment of receivables, contract assets and loans | 5.6 | **(642)** | (884) |
| Service fees | | **(1 885)** | (1 948) |
| Lease-related expenses | 5.7 | **(204)** | (127) |
| **EBITDA** | | **4 828** | 4 737 |
| Depreciation of property, plant and equipment | | **(1 728)** | (1 733) |
| Depreciation of right-of-use assets | | **(763)** | (723) |
| Amortisation of intangible assets | | **(329)** | (313) |
| Write-offs and impairments of property, plant and equipment and intangible assets | 5.5 | **(123)** | (15) |
| **Operating profit** | | **1 885** | 1 953 |
| Investment income | | **164** | 74 |
| Net finance charges and fair value movements | | **(900)** | (975) |
| *Finance charges on lease liabilities* | | **(267)** | (255) |
| *Net finance charges – other* | | **(733)** | (728) |
| *Foreign exchange and fair value movements* | | **100** | 8 |
| **Profit before taxation** | | **1 149** | 1 052 |
| Taxation | 9.1 | **(296)** | (264) |
| Profit for the period from continuing operations | | **853** | 788 |
| Profit from discontinued operation | 16 | **218** | 188 |
| **Profit for the period** | | **1 071** | 976 |

| | Notes | Reviewed six months ended 30 September 2024 Rm | Restated six months ended 30 September 2023[1] Rm |
|---|---|---|---|
| **Other comprehensive (loss)/income** | | | |
| **Items that will be reclassified subsequently to profit or loss** | | | |
| Exchange (loss)/gains on translating foreign operations[3] | | **(17)** | 11 |
| **Items that will not be reclassified to profit or loss** | | | |
| Defined benefit plan actuarial (loss)/gains | | **(40)** | 34 |
| Income tax relating to other comprehensive (loss)/income | | **11** | (9) |
| **Other comprehensive (loss)/income for the period, net of taxation** | | **(46)** | 36 |
| **Total comprehensive income for the period** | | **1 025** | 1 012 |
| **Profit attributable to:** | | | |
| Owners of Telkom | | **1 068** | 973 |
| Non-controlling interests | | **3** | 3 |
| **Profit for the period** | | **1 071** | 976 |
| **Total comprehensive income attributable to:** | | | |
| Owners of Telkom | | **1 022** | 1 009 |
| Non-controlling interests | | **3** | 3 |
| **Total comprehensive income for the period** | | **1 025** | 1 012 |
| **Basic earnings per share (cents)** | | | |
| Continuing operations | 6 | **173.2** | 161.5 |
| Discontinued operation | 6 | **44.4** | 38.7 |
| **Total basic earnings per share (cents)** | | **217.6** | 200.2 |
| **Diluted earnings per share (cents)** | | | |
| Continuing operations | 6 | **171.3** | 157.2 |
| Discontinued operation | 6 | **43.9** | 37.6 |
| **Total diluted earnings per share (cents)** | | **215.2** | 194.8 |

[1] *Restated for the BCX IFRS 15 restatement. Refer to note 3.4.*

[2] *Other income increased mainly due to the sale of properties that formed part of the Gyro Properties portfolio that were earmarked for auction.*

[3] *This component of other comprehensive income does not attract any tax.*

# Condensed consolidated interim statement of financial position

as at 30 September 2024

| | Notes | Reviewed six months ended 30 September 2024 Rm | Audited 31 March 2024 Rm |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | **42 879** | 43 006 |
| Property, plant and equipment | 7 | **26 423** | 26 002 |
| Right-of-use assets | | **5 315** | 5 594 |
| Intangible assets | 7 | **5 260** | 5 327 |
| Other investments | | **110** | 106 |
| Other receivables[1] | | **171** | 48 |
| Employee benefits | | **1 265** | 1 283 |
| Other financial assets | 10 | **89** | 173 |
| Finance lease receivables | | **275** | 313 |
| Deferred taxation | 9.3 | **3 971** | 4 160 |
| **Current assets** | | **15 586** | 16 216 |
| Inventories | | **758** | 903 |
| Income tax receivable | 9.4 | **125** | 115 |
| Finance lease receivables | | **276** | 266 |
| Trade and other receivables | 15.1 | **7 546** | 8 215 |
| Contract assets | 15.2 | **1 949** | 2 204 |
| Other current assets | | **612** | 545 |
| Other financial assets | 10 | **386** | 63 |
| Insurance contract asset | | **156** | 141 |
| Cash and cash equivalents | 8 | **3 760** | 3 747 |
| Restricted cash | | **18** | 17 |
| **Assets included in disposal group classified as held for sale** | 16 | **2 092** | 1 969 |
| **Total assets** | | **60 557** | 61 191 |
| **Equity and liabilities** | | | |
| **Equity attributable to owners of the parent** | | **27 090** | 26 196 |
| Share capital | | **5 050** | 5 050 |
| Share-based compensation reserve | | **1 574** | 1 535 |
| Non-distributable reserves | | **566** | 750 |
| Retained earnings | | **19 900** | 18 861 |
| Non-controlling interests | | **(19)** | (21) |
| **Total equity** | | **27 071** | 26 175 |
| **Non-current liabilities** | | **16 697** | 17 359 |
| Interest-bearing debt | 12 | **10 613** | 11 535 |
| Lease liabilities[2] | | **4 023** | 4 100 |
| Provisions | 13 | **419** | 336 |
| Other financial liabilities | 10 | **143** | 202 |
| Deferred revenue[3] | | **1 200** | 899 |
| Deferred taxation | 9.3 | **299** | 287 |
| **Current liabilities** | | **16 397** | 17 176 |
| Trade and other payables[4] | | **8 782** | 8 996 |
| Shareholders for dividend | | **21** | 24 |
| Interest-bearing debt | 12 | **2 719** | 2 682 |
| Lease liabilities[2] | | **1 242** | 2 361 |
| Provisions | 13 | **1 364** | 1 093 |
| Deferred revenue | | **1 576** | 1 651 |
| Income tax payable | 9.4 | **11** | — |
| Other financial liabilities | 10 | **682** | 369 |
| **Liabilities included in disposal group classified as held for sale** | 16 | **392** | 481 |
| **Total liabilities** | | **33 486** | 35 016 |
| **Total equity and liabilities** | | **60 557** | 61 191 |

[1] *The other receivables relate to prepayment of services or goods that will not be received within the next 12 months. The current portion of prepayments is disclosed in trade and other receivables (refer to note 15.1).*

[2] *The decrease in lease liabilities is mainly due to the advance payment of the Google fibre pair, which was made in the current financial period.*

[3] *Non-current deferred revenue increased mainly as a result of an advance payment in respect of System 2, which forms part of the Google Equiano transaction.*

[4] *Supplier finance arrangements (SFA) that do not result in extended payment terms are classified as trade payables based on management's judgement. R1 315 million of the total trade payables is subject to SFA. The Group continues to pay its suppliers based on the agreed payment terms and provides no guarantees to the participating funders. The arrangement does not have an impact on the Group's trade payables, net debt and cash flows. The Group also participates in SFA with extended payment terms which are transferred to other financial liabilities. The carrying amount transferred to other financial liabilities is R169 million. Refer to note 10 for details.*

## Condensed consolidated interim statement of changes in equity

for the period ended 30 September 2024

| | Attributable to equity holders of Telkom | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital | Non-distributable reserves | Share-based compensation reserve | Retained earnings | Total | Non-controlling interest | Total equity |
| | Rm | Rm | Rm | Rm | Rm | Rm | Rm |
| **Balance at 1 April 2023** | 5 050 | 739 | 1 414 | 16 981 | 24 184 | (23) | 24 161 |
| **Total comprehensive income** | — | 11 | — | 998 | 1 009 | 3 | 1 012 |
| Profit for the period | — | — | — | 973 | 973 | 3 | 976 |
| Other comprehensive income | — | 11 | — | 25 | 36 | — | 36 |
| Exchange gains on translating foreign operations | — | 11 | | — | 11 | — | 11 |
| Net defined benefit plan remeasurements | — | — | — | 25 | 25 | — | 25 |
| **Transactions with owners recorded directly in equity** | | | | | | | |
| Increase in share-based compensation reserve | — | — | 5 | — | 5 | — | 5 |
| Dividend declared | — | — | — | (1) | (1) | (2) | (3) |
| **Balance at 30 September 2023**[1] | **5 050** | **750** | **1 419** | **17 978** | **25 197** | **(22)** | **25 175** |
| | | | | | | | |
| **Balance at 1 April 2024** | **5 050** | **750** | **1 535** | **18 861** | **26 196** | **(21)** | **26 175** |
| **Total comprehensive (loss)/income** | **—** | **(17)** | **—** | **1 039** | **1 022** | **3** | **1 025** |
| Profit for the period | | **—** | **—** | **1 068** | **1 068** | **3** | **1 071** |
| Other comprehensive loss | **—** | **(17)** | **—** | **(29)** | **(46)** | **—** | **(46)** |
| Exchange loss on translating foreign operations | | **(17)** | **—** | **—** | **(17)** | **—** | **(17)** |
| Net defined benefit plan remeasurements | **—** | **—** | **—** | **(29)** | **(29)** | **—** | **(29)** |
| **Transactions with owners recorded directly in equity** | | | | | | | |
| Escrow shares realised for settlement to employees | **—** | **(10)** | **—** | **—** | **(10)** | **—** | **(10)** |
| Increase in treasury shares from BCX | **—** | **(45)** | **—** | **—** | **(45)** | **—** | **(45)** |
| Increase in share-based compensation reserve | **—** | **—** | **17** | **—** | **17** | **—** | **17** |
| Increase in subsidiaries' share-based compensation reserve | **—** | **—** | **22** | **—** | **22** | **—** | **22** |
| Vesting of Telkom and BCX share scheme | **—** | **(5)** | **—** | **—** | **(5)** | **—** | **(5)** |
| Increase in treasury shares[2] | **—** | **(107)** | **—** | **—** | **(107)** | **—** | **(107)** |
| Dividend declared | **—** | **—** | **—** | **—** | **—** | **(1)** | **(1)** |
| **Balance at 30 September 2024** | **5 050** | **566** | **1 574** | **19 900** | **27 090** | **(19)** | **27 071** |

[1] *The prior period has been expanded to disclose each component of equity to be consistent with the 31 March 2024 disclosure in line with IAS 34 requirements.*

[2] *Treasury shares relate to the shares purchased for the Telkom Group share scheme.*

## Condensed consolidated interim statement of cash flows

for the period ended 30 September 2024

| | Notes | Reviewed six months ended 30 September 2024 Rm | Reviewed six months ended 30 September 2023 Rm |
|---|---|---|---|
| **Cash flows from operating activities** | | **5 263** | 3 488 |
| Cash receipts from customers | | **22 255** | 22 337 |
| Cash paid to suppliers and employees | | **(16 028)** | (17 813) |
| Cash generated from operations | 19 | **6 227** | 4 524 |
| Interest received | | **248** | 194 |
| Dividend received | | **30** | — |
| Finance charges paid | | **(1 039)** | (1 007) |
| Taxation paid | 9.2 | **(140)** | (259) |
| Repayment of derivatives – FECs | | **(129)** | (22) |
| Proceeds from derivatives – FECs | | **70** | 61 |
| Cash generated from operations before dividend paid | | **5 267** | 3 491 |
| Dividend paid | | **(4)** | (3) |
| **Cash flows utilised for investing activities** | | **(2 702)** | (3 189) |
| Proceeds on disposal of property, plant and equipment and intangible assets[1] | | **210** | 59 |
| Additions to property, plant and equipment and intangible assets[2] | | **(2 856)** | (3 311) |
| (Investment)/disinvestment made in FutureMakers | | **(6)** | 1 |
| SMME loans repaid by external parties | | **5** | 3 |
| Repayment of derivatives – FECs | | **(116)** | (38) |
| Proceeds from derivatives – FECs | | **62** | 103 |
| Restricted cash | | **(1)** | (6) |
| **Cash flows utilised for financing activities** | | **(2 665)** | (183) |
| Loans raised | 12 | **2 237** | 8 749 |
| Loans repaid | 12 | **(3 132)** | (8 318) |
| Purchase of shares for the Telkom and subsidiaries' long-term incentive share scheme | | **(107)** | — |
| Repayment of principal lease liability[3] | | **(1 672)** | (619) |
| Proceeds from derivatives – interest rate swaps | | **9** | 5 |
| **Net (decrease)/increase in cash and cash equivalents** | | **(104)** | 116 |
| Cash and cash equivalents at 1 April | | **3 939** | 3 469 |
| **Cash and cash equivalents at the end of the period[4]** | 8 | **3 835** | 3 585 |

[1] *The increase in proceeds on disposal of property, plant and equipment and intangible assets is mainly due to the sale of properties previously included in the Gyro Properties portfolio which were earmarked for auction.*

[2] *The decrease in the cash flow from additions to property, plant and equipment and intangible assets is due to the reduction of capital expenditure in the current period.*

[3] *The increase in repayment of principal lease liabilities is mainly due to the payment of the Google fibre pair which was made in the current period.*

[4] *Included in the cash and cash equivalents is the Swiftnet cash to the amount of R75 million (30 September 2023: R169 million). In the current period, Swiftnet continues to be disclosed as a non-current asset held for sale. Refer to note 16.*

# Notes to the condensed consolidated interim financial statements

for the period ended 30 September 2024

## 1. Independent review

The Directors of the Company take full responsibility for the preparation of the condensed consolidated interim financial statements. The condensed consolidated interim financial statements for the period ended 30 September 2024 have been reviewed by the auditor PricewaterhouseCoopers Inc., who has expressed an unmodified conclusion thereon. The auditor has performed its review in accordance with International Standards on Review Engagements (ISRE) 2410.

## 2. Corporate information

Telkom SA SOC Ltd (Telkom), the ultimate parent of the Group, is a company incorporated and domiciled in the Republic of South Africa (South Africa) whose shares are publicly traded on the JSE Ltd. The main objective of the Group and its associates is to supply telecommunication, multimedia, technology, information, mobile communication services and other related information technology services to the Group's customers in Africa. Turnkey property and tower management solutions are also provided through the Gyro Group, which is a wholly owned subsidiary of the Group.

## 3. Basis of preparation, significant accounting judgements, estimates and assumptions, new accounting pronouncements, IFRS 15 restatement and significant changes in the current reporting period

### 3.1 Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with the IFRS® Accounting Standards of the International Accounting Standards Board (IASB), IAS 34 (Interim Financial Reporting) and in compliance with the JSE Listings Requirements, the South African Companies Act, 2008, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council. The condensed consolidated interim financial statements have been prepared on the going concern basis.

The condensed consolidated interim financial statements are disclosed in South African rand, which is also the parent Company's presentation and functional currency. Unless stated otherwise, all financial information presented in rand has been rounded to the nearest million.

The condensed consolidated interim financial statements are prepared on the historical cost basis, with the exception of certain financial instruments subsequently measured at fair value. Details of the Group's material accounting policy information are consistent with those applied in the previous financial year.

The results for the period are not necessarily indicative of the results for the entire year and these reviewed condensed consolidated interim financial statements should be read in conjunction with the audited consolidated annual financial statements for the year ended 31 March 2024, which have been prepared in accordance with IFRS® Accounting Standards.

### 3.2 Significant accounting judgements, estimates and assumptions

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those applied to the consolidated annual financial statements for the year ended 31 March 2024, with the exception of those listed below.

#### 3.2.1 Significant judgement in assessing if Swiftnet SOC Ltd (Swiftnet) meets the conditions to be classified as held for sale in accordance with IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations)

For the period ended 30 September 2024, Swiftnet continues to meet the IFRS 5 requirements. Refer to note 16 for details.

The asset held for sale classification was met during the period ended 30 September 2023, after the current preferred bidder presented an offer that was within Telkom's acceptable range.

Telkom has obtained approvals from the Board, shareholders and the Competition Commission for the disposal of Swiftnet. While these approvals are key, the process is not yet complete. The disposal is subject to regulatory approval.

Telkom is still committed to the sale and expects to conclude this in the next 12 months.

#### 3.2.2 Significant accounting judgement in the settlement of the Telkom Retirement Fund (TRF)

For the period ended 30 September 2024, the TRF met the IAS 19 (Employee Benefits) criteria for a full settlement of the defined benefit plan, following an amendment to the TRF rules, which was approved by the Financial Sector Conduct Authority (FSCA) with effect from 1 July 2024. Refer to note 3.5 for details.

Management considered whether Telkom has eliminated all further obligations for all the benefits provided under the TRF to achieve full derecognition of the obligation.

The rules of the TRF were amended to remove the employer's obligation to make special contributions to the TRF as may be necessary to eliminate any actuarial shortfalls in the pensions account by limiting the pensioner liability in the TRF to the balance in the pensions account.

The amendment of the TRF rules has resulted in Telkom having no further obligation to pay contributions to fund any deficit unless it freely enters into a future agreement in writing, creating a future obligation. The views stipulated above were supported by both the pension fund specialist senior legal counsel and actuarial specialists.

# Notes to the condensed consolidated interim financial statements continued

for the period ended 30 September 2024

## 3. Basis of preparation, significant accounting judgements, estimates and assumptions, new accounting pronouncements, IFRS 15 restatement and significant changes in the current reporting period continued

### 3.3 New accounting pronouncements

#### 3.3.1 Other standards, amendments to standards and interpretations

The standards and amendments to standards listed below were adopted, effective 1 April 2024, and did not have a material impact on the Group.

| Consideration | Effective date |
|---|---|
| **IAS 1 (Presentation of Financial Statements)**<br>Amendment regarding non-current liabilities with covenants | Annual periods beginning on or after 1 January 2024 |
| **IFRS 16 (Leases)**<br>Amendment regarding lease liability in a sale and leaseback, seller-lessee subsequent measurement in sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale | Annual periods beginning on or after 1 January 2024 |
| **IAS 7 (Statement of Cash Flows) and IFRS 7 (Financial Instruments: Disclosures)**<br>Amendment regarding supplier finance arrangement disclosure | Annual periods beginning on or after 1 January 2024 |

The standards and amendments listed below will be effective in future periods. It is expected that the Group will adopt the pronouncements on their effective dates.

| Consideration | Effective date |
|---|---|
| **IAS 21 (The Effects of Changes in Foreign Exchange Rates)**<br>Amendment regarding the entity's transaction or operation in a foreign currency that is not exchangeable into other currency at a measurement date for a specified purpose | Annual periods beginning on or after 1 January 2025 |
| **IFRS 9 (Financial Instruments) and IFRS 7 (Financial Instruments: Disclosures)**<br>Amendment regarding classification and measurement of financial instruments | Annual periods beginning on or after 1 January 2026 |
| **IFRS 18 (Presentation and Disclosure in Financial Statements)** | Annual periods beginning on or after 1 January 2027 |
| **IFRS 19 (Subsidiaries without Public Accountability)** | Annual periods beginning on or after 1 January 2027 |

### 3.4 Restatement to the condensed consolidated interim statement of profit or loss and other comprehensive income

**IFRS 15 restatement of revenue, cost of handsets, equipment, software and directories and other expenses due to prior period error**

**Principal versus agent**

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

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

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

This incorrect application of the accounting principles in the prior period has been adjusted as a prior period error through the reversal of revenue, cost of handsets, equipment, software and directories and other expenses and only recognising the margin as revenue (on a net basis).

There is no impact on EBITDA, profit before and after tax and retained earnings for the prior period. The error also did not impact the condensed consolidated interim statement of cash flows and condensed consolidated interim statement of financial position.

# Notes to the condensed consolidated interim financial statements continued

for the period ended 30 September 2024

## 3. Basis of preparation, significant accounting judgements, estimates and assumptions, new accounting pronouncements, IFRS 15 restatement and significant changes in the current reporting period continued

### 3.4 Restatement to the condensed consolidated interim statement of profit or loss and other comprehensive income continued

| | Six months ended 30 September 2023 | | |
|---|---|---|---|
| | As previously reported Rm | BCX revenue and costs Rm | Restated Rm |
| Revenue | 21 407 | (432) | **20 975** |
| *Operating revenue* | 21 064 | (432) | **20 632** |
| *Interest revenue* | 208 | – | **208** |
| *Insurance revenue* | 135 | – | **135** |
| Other income | 454 | – | **454** |
| Payments to other operators | (1 717) | – | **(1 717)** |
| Cost of handsets, equipment, software and directories | (3 310) | 391 | **(2 919)** |
| Sales commission, incentives and logistical costs | (1 308) | – | **(1 308)** |
| Insurance service expenses | (95) | – | **(95)** |
| Employee expenses | (3 837) | – | **(3 837)** |
| Other expenses | (1 139) | 41 | **(1 098)** |
| Maintenance | (2 366) | – | **(2 366)** |
| Marketing | (393) | – | **(393)** |
| Impairment of receivables, contract assets and loans | (884) | – | **(884)** |
| Service fees | (1 948) | – | **(1 948)** |
| Lease-related expenses | (127) | – | **(127)** |
| **EBITDA** | 4 737 | – | **4 737** |
| Depreciation of property, plant and equipment | (1 733) | – | **(1 733)** |
| Depreciation of right-of-use assets | (723) | – | **(723)** |
| Amortisation of intangible assets | (313) | – | **(313)** |
| Write-offs and impairments of property, plant and equipment and intangible assets | (15) | – | **(15)** |
| **Operating profit** | 1 953 | – | **1 953** |

| | Six months ended 30 September 2023 | | |
|---|---|---|---|
| | As previously reported Rm | BCX revenue and costs Rm | Restated Rm |
| Investment income | 74 | – | **74** |
| Net finance charges and fair value movements | (975) | – | **(975)** |
| *Finance charges on lease liabilities* | (255) | – | **(255)** |
| *Net finance charges - other* | (728) | – | **(728)** |
| *Foreign exchange and fair value movements* | 8 | – | **8** |
| **Profit before taxation** | 1 052 | – | **1 052** |
| Taxation | (264) | – | **(264)** |
| Profit for the period from continuing operations | 788 | – | **788** |
| Profit from discontinued operation | 188 | – | **188** |
| **Profit for the period** | 976 | – | **976** |
| **Total comprehensive income for the period** | 1 012 | – | **1 012** |
| **Profit attributable to:** | | | |
| Owners of Telkom | 973 | – | **973** |
| Non-controlling interests | 3 | – | **3** |
| **Profit for the period** | 976 | – | **976** |
| **Total comprehensive income attributable to:** | | | |
| Owners of Telkom | 1 009 | – | **1 009** |
| Non-controlling interests | 3 | – | **3** |
| **Total comprehensive income for the period** | 1 012 | – | **1 012** |

# Notes to the condensed consolidated interim financial statements continued

for the period ended 30 September 2024

## 3. Basis of preparation, significant accounting judgements, estimates and assumptions, new accounting pronouncements, IFRS 15 restatement and significant changes in the current reporting period continued

### 3.5 Significant changes in the current reporting period

#### 3.5.1 Settlement of the Telkom Retirement Fund (TRF or the fund)

The TRF is a hybrid fund which was established on 1 July 1995. The TRF is a defined contribution plan in respect of in-service members and a defined benefit plan in respect of pensioners, i.e. members' benefits accrue on a defined contribution basis until retirement. At retirement, members have the option to purchase a guaranteed pension from the TRF, at which point they become defined benefit pensioners. Prior to 1 July 2024, the option to purchase a pension from the fund was limited to those who joined employment before 1 September 2009, but a rule amendment in the TRF extended this benefit option to all retiring employees.

A rule amendment was registered by the FSCA with effect from 1 July 2024 to remove the employer's obligations to make special contributions to the TRF as may be necessary to eliminate any actuarial shortfalls in the pensions account by limiting the pensioner liability in the TRF to the balance in the pensions account.

As a result of the rule amendment, no obligation exists in any scenario for Telkom to make contributions or any other payments to fund any deficit in the fund as pension increase percentages and pensions itself may be adjusted to eliminate any shortfall. The rule amendment prescribes an investment strategy which mitigates against future deficits. Thus, the amounts available for in-fund pensions will always be equal to the amount available in the pensions account. Due to this matching, Telkom will never have any obligation towards the TRF. Therefore, Telkom settled the TRF liability as it had no further obligation for part or all of the benefits provided under a defined benefit plan.

Linked to the rule amendment is an in-principle decision made by the Telkom Board to pay a once-off amount to strengthen the pensioner reserves following the rule amendment. This resulted in Telkom having a constructive obligation to pay the TRF the once-off amount on approval of the rule amendment by the FSCA and an amount of R330 million has been raised as a provision as at 30 September 2024.

The gain or loss on settlement is the difference between:

- The present value of the defined benefit obligation being settled, as determined on the date of settlement; and
- The settlement price, including any plan assets transferred and any payments made directly by the entity in connection with the settlement. In Telkom's case, the R330 million will form part of the amount that the entity pays in connection with the settlement

The amendment has changed the nature of the liabilities relating to the fund from a defined benefit to a defined contribution plan (as no further Company obligation remains) according to IAS 19, with effect from 1 July 2024.

| | Rm |
|---|---|
| Derecognition of the TRF plan asset as at 1 July 2024 | (42 580) |
| Derecognition of the TRF obligation as at 1 July 2024 | 42 292 |
| Provision for payment to the TRF (refer to note 13) | (330) |
| **Loss on settlement (refer to note 5.4)** | **618** |

The loss on settlement after tax is R451 million.

Effective 1 July 2024, Telkom is accounting for the TRF as a defined contribution plan.

#### 3.5.2 Internal organisational restructuring

In the 2023 financial year, Telkom had entered into formal consultation processes with the relevant stakeholders in terms of section 189 of the Labour Relations Act to restructure the Group's operations to ensure its sustainability. Phase one of the restructuring commenced in February 2023 and impacted all business units and subsidiaries.

BCX continues to face persistent operational and financial challenges, necessitating further business changes and phase two of the section 189 process. In line with the consultation process with the unions, Telkom offered voluntary severance packages and voluntary early retirement packages to employees in BCX and Gyro. Refer to notes 5.4 and 13 for further details.

## 4. Segment information

The Group Executive Committee (Exco) is the Group's chief operating decision maker (CODM). Management has determined the operating segments based on the reports reviewed by Exco that are used to make strategic decisions, allocate resources and assess performance of each reportable segment.

The operating segments' classification is based on the business units through which Telkom provides communications products and services via its customer-facing units: Telkom Consumer and Small and Medium Business (SMB), as well as its subsidiaries, BCX, Openserve and Gyro. The customer-facing units are supported by the Corporate Centre.

The reportable segments have been determined as Openserve, Telkom Consumer, BCX, Gyro and "Other". The SMB segment has been aggregated into the Telkom Consumer segment. The aggregation is based on the similarity in the nature of products and services. SMB customers include primarily sole proprietors and customers who typically consume simple products and are similar to the product nature and customer profiling within the Telkom Consumer segment. A large portion of the SMB customer base makes use of the Telkom Direct Stores channels which is the same channel as that of the Telkom Consumer customers.

EBITDA is defined as earnings before investment income and finance costs (which includes gains and losses on foreign exchange transactions), tax, depreciation, amortisation and write-offs, impairments and losses of property, plant and equipment and intangible assets, and is also presented inclusive of the following items:

- Interest revenue
- Interest on overdue accounts

Interest revenue is included in operating revenue as a separate component of revenue. Interest on overdue accounts is included in other income.

The CODM reviews the performance of the operating segments on an EBITDA basis. EBITDA is adjusted for significant once-off costs, when applicable. The current period EBITDA has been adjusted for the following costs:

- Restructuring costs of R160 million
- Loss on settlement of the TRF of R618 million

Swiftnet forms part of the Gyro segment. In the prior year, Swiftnet was classified as a non-current asset held for sale and presented as a discontinued operation in the Group statement of profit or loss and other comprehensive income. The difference on the financial statement line items between the segment and the statement of profit or loss and other comprehensive income relates to Swiftnet. Refer to note 16 for details.

# Notes to the condensed consolidated interim financial statements continued

for the period ended 30 September 2024

## 4. Segment information continued

| 30 September 2024 | Openserve Rm | Telkom Consumer Rm | BCX Rm | Gyro Rm | Other Rm | Eliminations Rm | IFRS 16 reversal Rm | Consolidated Rm |
|---|---|---|---|---|---|---|---|---|
| Revenue from external customers[1] | 2 388 | 13 337 | 5 651 | 419 | — | — | — | 21 795 |
| *Revenue from contracts with customers recognised over time* | 2 123 | 11 826 | 4 480 | — | — | — | — | 18 429 |
| Voice | — | 2 500 | 922 | — | — | — | — | 3 422 |
| Interconnection | 112 | 257 | — | — | — | — | — | 369 |
| Data | 2 011 | 8 794 | 1 305 | — | — | — | — | 12 110 |
| Information technology services | — | — | 1 913 | — | — | — | — | 1 913 |
| Customer premises equipment related services | — | 48 | 313 | — | — | — | — | 361 |
| Interest revenue | — | 147 | 27 | — | — | — | — | 174 |
| Sundry revenue | — | 80 | — | — | — | — | — | 80 |
| *Revenue from contracts with customers recognised at a point in time* | 196 | 1 367 | 1 171 | — | — | — | — | 2 734 |
| Customer premises equipment | — | 1 365 | 183 | — | — | — | — | 1 548 |
| Information technology hardware and software | — | — | 988 | — | — | — | — | 988 |
| Sundry revenue | 196 | 2 | — | — | — | — | — | 198 |
| Lease revenue | 69 | — | — | 419 | — | — | — | 488 |
| Insurance revenue | — | 144 | — | — | — | — | — | 144 |
| Intersegmental operating revenue | 3 773 | 59 | 484 | 303 | 168 | (4 475) | (312) | — |
| Other income | 115 | 304 | 29 | 163 | 729 | (705) | — | 635 |
| Total expenses | (4 192) | (11 095) | (5 611) | (225) | (580) | 5 180 | — | (16 523) |
| Cost of handsets, equipment, software and directories | — | (1 657) | (888) | — | — | 38 | — | (2 507) |
| Sales commission, incentives and logistical costs | — | (1 544) | — | — | — | — | — | (1 544) |
| Payments to other operators | (306) | (1 050) | (189) | — | — | 213 | — | (1 332) |
| Employee expenses | (1 449) | (562) | (1 753) | (19) | (153) | 1 | — | (3 935) |
| Other expenses | (168) | (3 034) | (1 925) | (57) | (130) | 4 074 | — | (1 240) |
| Insurance service expenses | — | (138) | — | — | — | — | — | (138) |
| Maintenance | (1 003) | (1 341) | (459) | (26) | (197) | 478 | — | (2 548) |
| Marketing | (31) | (361) | (60) | — | (5) | — | — | (457) |
| Impairment of receivables, contract assets and loans | 24 | (591) | (78) | 3 | — | — | — | (642) |
| Service fees | (1 161) | (690) | (248) | (126) | (80) | 329 | — | (1 976) |
| Lease-related expenses | (98) | (127) | (11) | — | (15) | 47 | — | (204) |
| **EBITDA for reportable segments including intersegmental transactions and excluding once-off costs** | 2 084 | 2 605 | 553 | 660 | 317 | — | (312) | 5 907 |
| Once-off costs | | | | | | | | |
| Restructuring expenses | | | | | | | | (160) |
| Loss on settlement of the TRF | | | | | | | | (618) |
| **EBITDA** | | | | | | | | 5 129 |
| Depreciation, amortisation, impairments and write-offs | | | | | | | | (2 944) |
| **Operating profit** | | | | | | | | 2 185 |
| Investment income | | | | | | | | 173 |
| Net finance charges, hedging costs and fair value movements | | | | | | | | (910) |
| **Profit before taxation** | | | | | | | | 1 448 |
| **Other segment information** | | | | | | | | |
| Capital expenditure of property, plant and equipment and intangible assets | 1 074 | 1 304 | 137 | 191 | 31 | — | — | 2 737 |

[1] *Revenue includes transactions generated by subsidiaries of BCX in countries outside of South Africa. These are however not considered material to the Group and are thus not disclosed separately. Group revenue increased marginally, driven by an increase in mobile service revenue as a result of higher recharges and growth in fibre connections. This was partially offset by a decrease in fixed-line revenue due to continued migrations from legacy products and lower post-paid sales.*

# Notes to the condensed consolidated interim financial statements continued

for the period ended 30 September 2024

## 4. Segment information continued

| Restated 30 September 2023 | Openserve Rm | Telkom Consumer Rm | BCX Rm | Gyro Rm | Other Rm | Eliminations Rm | IFRS 16 reversal Rm | Consolidated Rm |
|---|---|---|---|---|---|---|---|---|
| Revenue from external customers[1, 2] | 2 199 | 12 880 | 5 882 | 385 | — | — | — | 21 346 |
| *Revenue from contracts with customers recognised over time*[2] | 2 145 | 11 129 | 4 630 | — | — | — | — | 17 904 |
| Voice | — | 2 667 | 1 057 | — | — | — | — | 3 724 |
| Interconnection | 119 | 247 | — | — | — | — | — | 366 |
| Data | 1 875 | 7 908 | 1 302 | — | — | — | — | 11 085 |
| Information technology services[2] | — | — | 1 877 | — | — | — | — | 1 877 |
| Customer premises equipment related services | — | 48 | 359 | — | — | — | — | 407 |
| Interest revenue | — | 173 | 35 | — | — | — | — | 208 |
| Sundry revenue | 151 | 86 | — | — | — | — | — | 237 |
| *Revenue from contracts with customers recognised at a point in time*[2] | — | 1 616 | 1 252 | — | — | — | — | 2 868 |
| Customer premises equipment | — | 1 600 | 127 | — | — | — | — | 1 727 |
| Information technology hardware and software[2] | — | — | 1 125 | — | — | — | — | 1 125 |
| Sundry revenue | — | 16 | — | — | — | — | — | 16 |
| Lease revenue | 54 | — | — | 385 | — | — | — | 439 |
| Insurance revenue | — | 135 | — | — | — | — | — | 135 |
| Intersegmental operating revenue[2] | 4 062 | 104 | 521 | 419 | 133 | (4 843) | (396) | — |
| Other income | 125 | 408 | 28 | 12 | 499 | (618) | — | 454 |
| Total expenses | (4 396) | (11 395) | (5 698) | (220) | (527) | 5 461 | — | (16 775) |
| Cost of handsets, equipment, software and directories (refer to note 3.4) | — | (1 857) | (1 065) | — | — | 44 | — | (2 878) |
| Sales commission, incentives and logistical costs | — | (1 308) | — | — | — | — | — | (1 308) |
| Payments to other operators | (398) | (1 361) | (191) | — | — | 233 | — | (1 717) |
| Employee expenses | (1 313) | (562) | (1 667) | (57) | (238) | — | — | (3 837) |
| Other expenses (refer to note 3.4) | (139) | (3 265) | (1 863) | (15) | (130) | 4 268 | — | (1 144) |
| Insurance service expenses | — | (95) | — | — | — | — | — | (95) |
| Maintenance | (984) | (1 292) | (523) | (14) | (44) | 491 | — | (2 366) |
| Marketing | (14) | (319) | (58) | — | (2) | — | — | (393) |
| Impairment of receivables, contract assets and loans | (45) | (716) | (112) | (5) | (11) | — | — | (889) |
| Service fees | (1 413) | (579) | (206) | (127) | (89) | 395 | — | (2 019) |
| Lease-related expenses | (90) | (41) | (13) | (2) | (13) | 30 | — | (129) |
| **EBITDA for reportable segments including intersegmental transactions** | 1 990 | 1 997 | 733 | 596 | 105 | — | (396) | 5 025 |
| Depreciation, amortisation, impairments and write-offs | | | | | | | | (2 819) |
| **Operating profit** | | | | | | | | 2 206 |
| Investment income | | | | | | | | 84 |
| Net finance charges, hedging costs and fair value movements | | | | | | | | (980) |
| **Profit before taxation** | | | | | | | | 1 310 |
| **Other segment information** | | | | | | | | |
| Capital expenditure of property, plant and equipment and intangible assets | 1 269 | 1 653 | 141 | 46 | 34 | — | — | 3 143 |

[1] *Revenue includes transactions generated by subsidiaries of BCX in countries outside of South Africa. These are however not considered material to the Group and are thus not disclosed separately. Group revenue increased marginally, driven by an increase in mobile service revenue as a result of higher recharges and growth in fibre connections. This was partially offset by a decrease in fixed-line revenue due to continued migrations from legacy products and lower post-paid sales.*

[2] *These line items represent the net amounts in the BCX segment. The prior year segment has been restated due to the IFRS 15 principal versus agent assessment. Refer to note 3.4.*

# Notes to the condensed consolidated interim financial statements continued

for the period ended 30 September 2024

## 4. Segment information continued

**Entity-wide disclosures**

All material non-current assets, other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts related to the segments above, are located in South Africa. Assets belonging to the subsidiaries of BCX outside of South Africa are not considered material to the Group as a whole.

No single customer contributes more than 10% of the revenue from external customers and thus no specific information relating to major customers is included in the segment information above.

For the purpose of assessing revenue contribution per customer, management does not treat government as a single customer.

## 5. Expenses

| | | Reviewed six months ended 30 September 2024 Rm | Restated six months ended 30 September 2023[1] Rm |
|---|---|---|---|
| 5.1 | **Payments to other operators** | **(1 332)** | (1 717) |
| | Payments to other operators decreased due to lower voice and data commitments and the optimisation of mobile roaming costs as Telkom maintains stringent roaming traffic thresholds and migrates traffic to the Telkom network. | | |
| 5.2 | **Cost of handsets, equipment, software and directories[1]** | **(2 507)** | (2 919) |
| | Cost of handsets, equipment, software and directories decreased largely due to lower mobile device underpinned post-paid sales, primarily driven by Telkom Consumer implementing stringent credit vetting to de-risk its post-paid portfolio in response to a deteriorating credit consumer position. Also contributing to the decrease is lower information technology hardware sales in BCX. | | |
| 5.3 | **Sales commission, incentives and logistical costs** | **(1 544)** | (1 308) |
| | Sales commission, incentives and logistical costs increased due to growth in the commissionable base as a result of increased connections via commissionable channels and higher airtime sales. | | |
| 5.4 | **Employee expenses** | **(4 699)** | (3 837) |
| | Employee expenses increased mainly due to restructuring costs amounting to R160 million for BCX and Gyro and the R618 million loss on settlement of the TRF. Refer to notes 3.5.1 and 3.5.2 for more details. | | |
| 5.5 | **Write-offs and impairments of property, plant and equipment and intangible assets** | **(123)** | (15) |
| | The increase is mainly due to equipment upgrades that resulted in some of the existing equipment no longer being relevant and written off. | | |
| 5.6 | **Impairment of receivables, contract assets and loans** | **(642)** | (884) |
| | Impairment of receivables, contract assets and loans decreased mainly due to an improvement in write-off recoveries, partially offset by an increase in the ECL as some customers are still in distress. | | |
| 5.7 | **Lease-related expenses** | **(204)** | (127) |
| | Lease-related expenses increased due to new additional cloud hosting arrangements entered into during the current reporting period. | | |

*[1] Restated for the BCX IFRS 15 restatement. Refer to note 3.4.*

# Notes to the condensed consolidated interim financial statements continued

for the period ended 30 September 2024

## 6. Earnings and dividend per share

| Continuing operations | Reviewed six months ended 30 September 2024 | Reviewed six months ended 30 September 2023 |
|---|---|---|
| Basic earnings per share (cents) | **173.2** | 161.5 |
| Diluted earnings per share (cents) | **171.3** | 157.2 |
| Headline earnings per share (cents)[1] | **146.9** | 156.3 |
| Diluted headline earnings per share (cents)[1] | **145.3** | 152.2 |
| **Discontinued operation** | | |
| Basic earnings per share (cents) | **44.4** | 38.7 |
| Diluted earnings per share (cents) | **43.9** | 37.6 |
| Headline earnings per share (cents)[1] | **44.6** | 38.7 |
| Diluted headline earnings per share (cents)[1] | **44.1** | 37.6 |
| **Reconciliation of weighted average number of ordinary shares:** | **Number of shares** | Number of shares |
| Weighted ordinary shares in issue | **511 140 239** | 511 140 239 |
| Weighted average number of treasury shares | **(20 269 574)** | (25 040 739) |
| Weighted average number of shares outstanding | **490 870 665** | 486 099 500 |
| **Reconciliation of diluted weighted average number of ordinary shares:** | | |
| Weighted average number of shares outstanding | **490 870 665** | 486 099 500 |
| Expected future vesting of shares related to Group share scheme incentive plans | **5 444 084** | 13 401 479 |
| Diluted weighted average number of shares outstanding | **496 314 749** | 499 500 979 |

| | Reviewed six months ended 30 September 2024 Rm | | Reviewed six months ended 30 September 2023 Rm | |
|---|---|---|---|---|
| **Continuing operations** | **Gross** | **Net** | Gross | Net |
| *Reconciliation between earnings and headline earnings:* | | | | |
| Profit for the period | | **853** | | 788 |
| Non-controlling interests | | **(3)** | | (3) |
| Profit attributable to owners of Telkom | | **850** | | 785 |
| Profit on disposal of property, plant and equipment and intangible assets | **(196)** | **(222)** | (31) | (39) |
| Write-offs and impairments of property, plant and equipment and intangible assets | **123** | **93** | 15 | 14 |
| **Headline earnings** | | **721** | | 760 |
| **Discontinued operation** | | | | |
| *Reconciliation between earnings and headline earnings:* | | | | |
| Profit for the period | | **218** | | 188 |
| Write-offs of property, plant and equipment and intangible assets | **1** | **1** | – | – |
| **Headline earnings** | | **219** | | 188 |

[1] *The disclosure of headline earnings is a requirement of the JSE Listings Requirements. It has been calculated in accordance with the South African Institute of Chartered Accountants' circular 1/2023 issued in this regard as well as the requirements of IAS 33 (Earnings Per Share).*

# Notes to the condensed consolidated interim financial statements continued

for the period ended 30 September 2024

## 7. Capital additions and disposals

| | Reviewed six months ended 30 September 2024 Rm | Audited 31 March 2024 Rm |
|---|---|---|
| **Property, plant and equipment** | | |
| Additions | **2 268** | 4 699 |
| Disposals | **(11)** | (7) |
| **Intangible assets** | | |
| Additions | **277** | 1 425 |
| Disposals | **–** | (2) |

Finance charges of R25 million (31 March 2024: R39 million) were capitalised to property, plant and equipment and intangible assets in the current financial period.

Additions to property, plant and equipment excludes R198 million relating to Swiftnet, which has been disclosed as a non-current asset held for sale. Refer to note 16.

The decrease in additions is largely due to spectrum being included in the prior year, with no spectrum purchased in the current period, as well as the lower spend as a result of budgets being reduced compared to the prior period.

## 8. Cash and cash equivalents

| | Reviewed six months ended 30 September 2024 Rm | Audited 31 March 2024 Rm |
|---|---|---|
| **Cash and cash equivalents** | **3 760** | 3 747 |
| Cash and bank balances | **2 271** | 2 687 |
| Short-term deposits | **1 489** | 1 060 |
| Undrawn borrowing facilities | **5 559** | 5 563 |

The undrawn borrowing facilities are unsecured and bear interest at a rate that will be mutually agreed between the borrower and lender at the time of drawdown. These facilities are subject to annual review and are in place to ensure liquidity. At 30 September 2024, R4 billion (31 March 2024: R4 billion) of these undrawn facilities were committed by the banks. The R1 559 million uncommitted portion is subject to bank approval.

## 9. Taxation and deferred taxation

### 9.1 Taxation

| | Reviewed six months ended 30 September 2024 Rm | Reviewed six months ended 30 September 2023 Rm |
|---|---|---|
| Taxation | **(296)** | (264) |

The taxation expense increased mainly due to an increase in the Group's profit before tax and an increase in the Group's effective tax rate (ETR). The increase in the ETR is mainly due to an increase in non-taxable accounting adjustments relating to IFRS 2 (Share-based Payment).

### 9.2 Taxation paid

| | Reviewed six months ended 30 September 2024 Rm | Reviewed six months ended 30 September 2023 Rm |
|---|---|---|
| Taxation paid | **(140)** | (259) |

Taxation paid in the current financial period is lower than in the comparative period due to a reduction in the Group's taxable income, the utilisation of tax losses and higher refunds of tax overpaid in prior years.

### 9.3 Deferred taxation

| | Reviewed six months ended 30 September 2024 Rm | Audited 31 March 2024 Rm |
|---|---|---|
| Deferred taxation balance is made up as follows: | **3 672** | 3 873 |
| Deferred taxation assets | **3 971** | 4 160 |
| Deferred taxation liabilities | **(299)** | (287) |

The decrease in the net deferred tax asset (DTA) is attributable to the utilisation of the DTA that arose on the impairment of property, plant and equipment and intangible assets during the 2023 financial year.

The Group considered the following factors in assessing whether it is probable that the Group will have future taxable profits against which the DTA can be utilised:

- It is expected that the circumstances resulting in the Group's tax losses will not continue and that no additional tax losses will arise within the next two to three years; and
- The Group has started realising the DTA that arose on the impairment of property, plant and equipment and intangible assets in financial year 2023. It is forecasted that the full DTA in relation to this impairment will be utilised within approximately six years.

# Notes to the condensed consolidated interim financial statements continued

for the period ended 30 September 2024

## 9. Taxation and deferred taxation continued

### 9.4 Net income tax receivable

| | Reviewed six months ended 30 September 2024 Rm | Audited 31 March 2024 Rm |
|---|---|---|
| The net income tax receivable is made up as follows: | **114** | 115 |
| Income tax receivable | **125** | 115 |
| Income tax payable | **(11)** | – |

## 10. Other financial assets and liabilities

| | Reviewed six months ended 30 September 2024 Rm | Audited 31 March 2024 Rm |
|---|---|---|
| **Other financial assets** | | |
| **Non-current other financial assets** | **89** | 173 |
| *Other financial assets at amortised cost* | **72** | 156 |
| Asset finance receivables | **–** | 73 |
| SMME loans | **71** | 72 |
| Long-term loans and advances | **1** | 11 |
| *Other financial assets at fair value through profit or loss* | **17** | 17 |
| Investment in equity fund | **10** | 10 |
| Investment in first-party cell captive | **7** | 7 |
| **Current other financial assets** | **386** | 63 |
| *Other financial assets at amortised cost* | | |
| Short-term loans and advances | **12** | 12 |
| *Other financial assets at fair value through profit or loss* | | |
| Derivative instruments used for hedging | **374** | 51 |
| Forward exchange contracts[1] | **115** | 35 |
| Firm commitments[1] | **258** | 1 |
| Interest rate swaps[1] | **1** | 15 |
| **Other financial liabilities** | | |
| **Non-current other financial liabilities** | **(143)** | (202) |
| *Other financial liabilities at amortised cost* | | |
| Asset finance payables | **(143)** | (202) |
| **Current other financial liabilities** | **(682)** | (369) |
| *Other financial liabilities at amortised cost* | **(298)** | (293) |
| Asset finance payables | **(129)** | (121) |
| Supplier finance arrangements[2] | **(169)** | (172) |
| *Other financial liabilities at fair value through profit or loss* | | |
| Derivative instruments used for hedging | **(384)** | (76) |
| Forward exchange contracts[1] | **(361)** | (21) |
| Firm commitments[1] | **(8)** | (55) |
| Interest rate swaps[1] | **(15)** | – |

*[1] The movement in forward exchange contracts and firm commitments is due to the volatility of the forex market and the appreciation of the rand against major currencies. The Group pays the fixed interest leg of the swap and receives the floating interest leg in return. The interest rate swaps are used to hedge interest on predominantly floating rate debt.*

*[2] This relates to BCX supplier finance arrangements (SFA) that result in extended payment terms. These SFA are subject to credit limits approved by the financiers. This line item was previously referred to as vendor financing in the 31 March 2024 annual financial statements.*

# Notes to the condensed consolidated interim financial statements continued

for the period ended 30 September 2024

## 11. Financial risk management

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

### 11.1 Fair value measurement

#### 11.1.1 Fair value of financial instruments

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

| Type of financial instrument | Fair value at 30 September 2024 Rm | Valuation technique | Significant inputs |
|---|---|---|---|
| Derivative assets | 374 | Discounted cash flows | Yield curves<br>Market interest rates |
| Derivative liabilities | (384) | | |
| Investment in FutureMakers entities | 100 | Discounted cash flows | Cash flow forecasts and market-related discount rates |
| Investment in equity fund | 10 | Discounted cash flows | Cash flow forecasts and market-related discount rates |
| Investment in first-party cell captive | 7 | Discounted cash flows | Cash flow forecasts and market-related discount rates |
| Contingent consideration (refer to note 13) | (27) | Discounted cash flows | Weighted average cost of capital |
| Interest-bearing debt | (13 339) | Discounted cash flows and quoted bond prices | Market interest rates |

**Derivatives**
Derivatives held for risk management purposes include hedges that either meet the hedge accounting requirements or economic hedges that do not meet the hedge accounting requirements.

**Derivatives that do not meet the hedge accounting requirements:**
The Group uses forward exchange contracts and interest rate swaps to economically hedge its foreign exchange and interest rate exposures. These derivative instruments are measured at fair value through profit or loss.

**Derivatives that meet the hedge accounting requirements:**
The Group uses forward exchange contracts to hedge its exposure to changes attributable to movements in the spot exchange rate of its firm commitments. These derivatives are designated as fair value hedges.

**Fair value hedges**
The foreign forward exchange contracts, designated as fair value hedges, are being used to hedge the exposure to changes attributable to movements in the spot exchange rate of firm commitments.
A decrease in fair value of the forward exchange contracts, designated as fair value hedges of R363 million (30 September 2023: R147 million) has been recognised in finance charges and fair value movements and offset with a similar gain on the hedged items (property, plant and equipment and inventory).

The estimated net fair values as at the reporting date have been determined using available market information and appropriate valuation methodologies as outlined on the left. The fair values of the financial assets and financial liabilities are sensitive to foreign exchange and interest rate movements.

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

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

The fair value of financial instruments is included at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. The fair value of cash and short-term deposits, trade and other receivables, contract assets, finance lease receivables, shareholders for dividend and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments and market-related interest rates included in finance lease receivables. Long-term receivables and borrowings are evaluated by the Group based on parameters such as interest rates, specific country factors and the individual creditworthiness of the customer. Based on this evaluation, allowances are taken into account for the ECL of these receivables. As at the reporting date, the carrying amount of such receivables, net of allowances, are not materially different from their calculated fair values. Fair values of quoted bonds are based on price quotations at the reporting date.

# Notes to the condensed consolidated interim financial statements continued

for the period ended 30 September 2024

## 11. Financial risk management continued

### 11.1 Fair value measurement continued

#### 11.1.2 Fair value hierarchy

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

The different levels have been defined as follows:

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

| | Hierarchy levels[1] | Reviewed six months ended 30 September 2024 Rm | Audited 31 March 2024 Rm |
|---|---|---|---|
| **Assets measured at fair value** | | | |
| Derivative assets | | | |
| Forward exchange contracts | Level 2 | **115** | 35 |
| Firm commitments | Level 2 | **258** | 1 |
| Interest rate swaps | Level 2 | **1** | 15 |
| Investment in FutureMakers entities | Level 3 | **100** | 96 |
| Investment in equity fund | Level 3 | **10** | 10 |
| Investment in first-party cell captive | Level 3 | **7** | 7 |
| **Liabilities measured at fair value** | | | |
| Derivative liabilities | | | |
| Forward exchange contracts | Level 2 | **(361)** | (21) |
| Firm commitments | Level 2 | **(8)** | (55) |
| Interest rate swaps | Level 2 | **(15)** | — |
| Contingent consideration | Level 3 | **(27)** | — |
| **Liabilities measured at amortised cost** | | | |
| Interest-bearing debt[2] | Level 2 | **(13 339)** | (14 380) |

1 *There have been no transfers between the fair value levels in the period under review.*

2 *The carrying amount of interest-bearing debt is R13 332 million (31 March 2024: R14 217 million). Interest-bearing debt is measured at amortised cost, however, it is included in the fair value hierarchy table above to achieve the IFRS 13 disclosure requirements relating to the disclosure of fair value.*

### 11.2 Liquidity risk management

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

Liquidity risk is managed by the Group's treasury department in accordance with policies and guidelines formulated by the Group's Executive Committee. In terms of the borrowing requirements, the Group ensures that sufficient facilities exist to meet its immediate obligations. Short-term liquidity gaps may be funded through undrawn facilities and commercial paper bills.

- The Group continuously monitors the short and long-term liquidity needs, taking into consideration the cash balances, cash generated from operations as well as available borrowing facilities;
- The Group continues to generate positive cash flows from core business activities, evidenced by the positive cash generated from operating activities of R5 263 million for the period ended 30 September 2024 (30 September 2023: R3 488 million);
- In the current reporting period, the Group entered into new long-term borrowings, paid some of its short-term debt and decreased its liquidity facilities to R5 559 million (31 March 2024: R5 563 million) in undrawn borrowing facilities; and
- The Group has cash and cash equivalents of R3 835 million (31 March 2024: R3 747 million).

The table below summarises the maturity profile of the Group's interest-bearing debt based on undiscounted contractual cash flows at the reporting date:

| | Carrying amount Rm | Contractual cash flows Rm | 0 – 12 months Rm | 1 – 2 years Rm | 2 – 5 years Rm | >5 years Rm |
|---|---|---|---|---|---|---|
| Interest-bearing debt (note 12) | **13 332** | **17 939** | **3 784** | **2 437** | **7 905** | **3 813** |

# Notes to the condensed consolidated interim financial statements continued

for the period ended 30 September 2024

## 11. Financial risk management continued

### 11.3 Interest rate risk management

The Group's policy is to manage interest costs through the utilisation of a mix of fixed and floating rate debt. In order to manage this mix in a cost-efficient manner and to hedge specific exposure in the interest rate repricing profile of the existing borrowings, the Group makes use of interest rate swaps.

The Financial Stability Board has initiated a fundamental review and reform of the major interest rate benchmarks used globally by financial market participants. This review seeks to replace existing interbank offered rates with alternative risk-free rates to improve market efficiency and mitigate systemic risk across financial markets. The South African Reserve Bank (SARB) has indicated its intention to move away from the the Johannesburg Interbank Average Rate (JIBAR) and to create an alternative reference rate for South Africa. The SARB has indicated its initial preference for the adoption of the South African Rand Overnight Index Average (ZARONIA) as the preferred unsecured candidate to replace JIBAR in cash and derivative instruments. In November 2023, the SARB designated ZARONIA as the successor rate to replace JIBAR. The observation period for ZARONIA ended on 3 November 2023 and the SARB has indicated that market participants may use the published ZARONIA as a reference rate in pricing financial contracts going forward.

The SARB published an update on the JIBAR transition plan on 6 May 2024. The plan defines a transition path for the South African market defined along three key pillars. The transition plan maps out a clear and achievable strategy for creating robust demand for trading ZARONIA derivatives and ultimately catalysing the broader adoption of ZARONIA. Management continues to monitor the developments in this regard in order to determine the future impact on the Group.

The table below summarises the interest rate swaps outstanding as at the reporting date:

| | Average maturity | Notional amount Rm |
|---|---|---|
| **30 September 2024** | | |
| Interest rate swaps outstanding | | |
| Pay fixed and receive floating | **1.42 years** | **1 900** |

### 11.4 Foreign currency exchange rate risk management

The Group enters into forward exchange contracts to hedge foreign currency exposure of the Group's operations and liabilities.

The following table details the forward exchange contracts outstanding at the reporting date:

| Purchased | Foreign contract value m | Contract value Rm |
|---|---|---|
| **30 September 2024** | | |
| *Currency* | | |
| USD | **198** | **3 409** |
| Euro | **12** | **225** |
| GBP | **1** | **9** |
| Chinese Yuan | **31** | **77** |
| | | **3 720** |

## 12. Interest-bearing debt

| | Reviewed six months ended 30 September 2024 Rm | Audited 31 March 2024 Rm |
|---|---|---|
| **Non-current interest-bearing debt** | **10 613** | 11 535 |
| Local debt | **10 613** | 11 535 |
| **Current portion of interest bearing debt** | **2 719** | 2 682 |
| Local debt | **2 719** | 2 682 |

The current portion of interest-bearing debt at 30 September 2024 of R2 719 million (31 March 2024: R2 682 million) is expected to be repaid from available cash, operational cash flow or the issue of new debt instruments.

**Debt covenants applicable to Telkom loans require the following for the Group:**

- Net debt to EBITDA of 3:1
- EBITDA to finance charges of at least 3.5:1

As at 30 September 2024, Telkom's net debt to EBITDA ratio was 1.5x (31 March 2024: 1.7x) and finance charges cover 5.9x (31 March 2024: 5.2x). As at 30 September 2024, Telkom's net debt to EBITDA ratio, excluding lease liabilities, was 1.0x. The next measurement date for the covenants will be 31 March 2025.

During the period, R2 237 million (30 September 2023: R8 749 million) debt was raised and R3 132 million (30 September 2023: R8 318 million) debt was repaid for the Group.

# Notes to the condensed consolidated interim financial statements continued

for the period ended 30 September 2024

## 13. Provisions

| | Reviewed six months ended 30 September 2024 Rm | Audited 31 March 2024 Rm |
|---|---|---|
| **Non-current provisions** | **419** | 336 |
| ***Non-current employee-related provisions*** | **367** | 280 |
| Subsidiary defined benefit plans | **7** | 7 |
| Telephone rebates[1] | **360** | 273 |
| ***Non-current non-employee-related provisions*** | | |
| Other | **52** | 56 |
| **Current provisions** | **1 364** | 1 093 |
| ***Current portion of employee-related provisions*** | **1 051** | 795 |
| Annual leave | **474** | 423 |
| Telephone rebates | **43** | 43 |
| Bonus, termination packages and other benefits[2] | **204** | 329 |
| Telkom Retirement Fund[3] | **330** | — |
| ***Current portion of non-employee-related provisions*** | | |
| Other | **313** | 298 |

[1] *The increase in the telephone rebate provision is mainly due to the decrease in discount rate from 13.4% in March 2024 to 9.6% in September 2024.*

[2] *The decrease in bonus, termination packages and other benefits is mainly due to the payment of bonuses in July 2024, offset by the restructuring provision.*

[3] *This relates to the constructive obligation in connection with the settlement of the Telkom Retirement Fund. Refer to note 3.5 for details.*

**Annual leave**

In terms of the Group's policy, employees are entitled to accumulate vested leave benefits not taken within a leave cycle, to a cap of 22 - 30 days (31 March 2024: 22 - 30 days) which must be taken within a 12 - 19 months (31 March 2024: 12 - 18 months) leave cycle. The leave cycle is reviewed annually and is in accordance with legislation.

**Bonus**

The bonus scheme consists of performance bonuses which are dependent on the achievement of certain financial and non-financial targets. The bonus is payable annually to all qualifying employees after the Group's results have been made public, and a 14th cheque is payable to a certain group of employees.

**Non-employee-related provisions**

Other provisions relate to the ICASA licence fee provision, onerous contracts, labour dispute, contingent consideration on the acquisition of Dotcom Software Solutions (Pty) Ltd and other general provisions.

## 14. Commitments

| | Reviewed six months ended 30 September 2024 Rm | Audited 31 March 2024 Rm |
|---|---|---|
| **Capital commitments authorised** | **7 163** | 6 186 |
| Commitments against authorised capital expenditure | **4 112** | 809 |
| Authorised capital expenditure not yet contracted | **3 051** | 5 377 |

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

The increase in capital commitments is mainly due to the three-year bulk purchase from Huawei for network equipment, licences and services, which was concluded in May 2024. The purchase is over a three-year period from the current financial year.

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

# Notes to the condensed consolidated interim financial statements continued

for the period ended 30 September 2024

## 15. Trade and other receivables and contract assets

### 15.1 Trade and other receivables

| | Reviewed six months ended 30 September 2024 Rm | Audited 31 March 2024 Rm |
|---|---|---|
| **Trade and other receivables** | **7 546** | 8 215 |
| Trade receivables | **5 536** | 6 174 |
| Gross trade receivables | **9 051** | 9 369 |
| Impairment of receivables | **(3 515)** | (3 195) |
| Prepayments and other receivables | **2 010** | 2 041 |
| **Allowance account for expected credit losses - trade receivables** | **3 515** | 3 195 |
| Opening balance as previously reported | **3 195** | 2 908 |
| Charged to statement of profit or loss and other comprehensive income | **483** | 1 285 |
| Receivables written off | **(163)** | (998) |

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. The repayment terms of trade receivables vary between 21 days and 90 days from date of invoice. Interest charged on overdue accounts varies between the prime rate and a rate of 18%, depending on the contract terms.

Trade receivables decreased mainly due to the settlement of the Google receivable and improved collections from some customers, slightly offset by higher billing of mobile dealers.

The credit risk of the trade receivable book remained fairly stable and the increase in the ECL provision is due to lower write-offs in the current reporting period. Write-offs are lower than the comparative period because the 31 March 2024 write-offs included significant balances for customers that were going through business rescue.

Included in the allowance for impairment are individually impaired receivables with a balance of R483 million (31 March 2024: R462 million) which have been identified as being unable to service their debt obligation. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the future cash flows. The Group does not hold any collateral over these balances.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include sending reminders, pinging the accounts for additional debit order collections, suspending the services, handing over the debt to external debt collectors and not receiving the debtors' positive feedback that confirms the amounts as collectable, failure of a debtor to engage in a repayment plan with the Group, blacklisting the customer, and failure to make contractual payments.

### 15.2 Contract assets

| | Reviewed six months ended 30 September 2024 Rm | Audited 31 March 2024 Rm |
|---|---|---|
| **Contract assets** | **1 949** | 2 204 |
| Gross contract assets | **2 523** | 2 808 |
| Impairment of contract assets | **(574)** | (604) |
| **Allowance account for expected credit losses - contract assets** | **574** | 604 |
| Opening balance as previously reported | **604** | 508 |
| Charged to statement of profit or loss and other comprehensive income | **159** | 397 |
| Contract assets written off | **(189)** | (301) |

Contract assets have decreased from the prior year largely due to the decrease in mobile device sales, driven by Telkom Consumer's sustainable approach to de-risk its post-paid portfolio.

| | Reviewed six months ended 30 September 2024 Rm | Audited 31 March 2024 Rm |
|---|---|---|
| **Post write-off recoveries credited within the impairment of receivables, contract assets and loans** | | |
| Post write-off recoveries | **344** | 233 |

During the current financial period, R163 million (31 March 2024: R998 million) of trade receivables and R189 million (31 March 2024: R301 million) of contract assets were written off and are still subject to enforcement activity, such as external debt collection processes and Credit Bureau listing.

**Sale of contract assets**
Telkom accounted for a derecognition gain of R38 million (30 September 2023: R86 million) within other income in the statement of profit or loss and other comprehensive income.

Per the arrangements, Telkom retains the contractual right to receive cash flows, and has assumed a contractual obligation to pay the cash flows received to the financial institution.

Based on the structure of the agreements, the IFRS 9 (Financial Instruments) "pass through" criteria were met for the derecognition of the contract assets, and the contract asset portfolio was derecognised in its entirety as significant risks and rewards were transferred. The total cash inflow related to the derecognition is included in cash flows from operating activities in the statement of cash flows.

As part of the agreement, Telkom is obligated to pay the financial institution only from the cash collected from customers and, as such, Telkom assumes no further obligation in relation to the agreement. In the case that there is a credit note, Telkom will not be required to refund the financial institution for the credit note. Telkom has no continuing involvement with the transferred contract asset.

# Notes to the condensed consolidated interim financial statements continued

for the period ended 30 September 2024

## 16. Non-current assets held for sale and discontinued operation

During the 2023 financial year, as part of the Telkom Group's Value Unlock Strategy for shareholders, the Telkom Board approved the commencement of the process to dispose of Swiftnet SOC Ltd (Swiftnet), a 100% owned subsidiary. Swiftnet is a masts and towers business with multi-tenant leases on existing and new towers. Swiftnet also owns an electronic communications network licence and is one of the leading tower companies in South Africa.

**Non-current assets held for sale classification**

The Value Unlock Strategy is aimed at, amongst others, realising the intrinsic value of the underlying business in the Telkom Group. The disposal of Swiftnet will result in loss of control of the subsidiary.

The asset held for sale classification was met during the period ended 30 September 2023, after the preferred bidder presented an offer that was within Telkom's acceptable range.

While the period to dispose of Swiftnet has extended beyond twelve months, Telkom remains committed to its plan to dispose of the entity. Significant conditions have been satisfied, key among these being the approval by the Competition Commission for the deal to proceed. Management is proactively engaging the regulatory body that is still to approve as and when needed. Management still considers the disposal of Swiftnet in its current format highly probable.

Consequently, the Swiftnet assets and liabilities have been classified as held for sale. Refer to note 3.2.1 for the significant judgements applied in assessing the IFRS 5 conditions to be classified as held for sale.

**Discontinued operation assessment**

In addition to being classified as held for sale, it was confirmed that Swiftnet is a separate component of Telkom and represents a separate major line of business. Consequently, it meets the requirements to be a discontinued operation. This results in Swiftnet's operating results (revenue and expenses) being separately disclosed as a single line item in the condensed consolidated interim statement of profit or loss and other comprehensive income.

| Statement of profit or loss and other comprehensive income | Reviewed six months ended 30 September 2024 Rm | Reviewed six months ended 30 September 2023 Rm |
|---|---|---|
| Operating revenue | **413** | 371 |
| Other expenses | **(7)** | (5) |
| Employee expenses[1] | **(14)** | — |
| Impairment of receivables | **—** | (5) |
| Service fees | **(91)** | (71) |
| Lease-related expenses | **—** | (2) |
| **EBITDA** | **301** | 288 |
| Depreciation of property, plant and equipment | **—** | (20) |
| Depreciation of right-of use-assets | **—** | (12) |
| Amortisation of intangible assets | **—** | (3) |
| Write-offs and impairments of property, plant and equipment and intangible assets | **(1)** | — |
| **Operating profit** | **300** | 253 |
| Investment income | **9** | 10 |
| Net finance charges and fair value movements | **(10)** | (5) |
| **Profit from discontinued operation before taxation** | **299** | 258 |
| Taxation | **(81)** | (70) |
| **Profit from discontinued operation[2]** | **218** | 188 |

[1] *In the prior period, all employees were under Gyro Group and Swiftnet was paying a management fee for employee expenses. In the current period, some employees were moved to Swiftnet from Gyro Group as part of the pending sale of Swiftnet.*

[2] *Presented net of intercompany transactions between Swiftnet and other Telkom Group entities.*

# Notes to the condensed consolidated interim financial statements continued

for the period ended 30 September 2024

## 16. Non-current assets held for sale and discontinued operation continued

| Statement of financial position | Reviewed six months ended 30 September 2024 Rm | Audited 31 March 2024 Rm |
|---|---|---|
| The carrying amounts of assets and liabilities in this disposal group are summarised as follows: | | |
| **Assets** | | |
| **Non-current assets** | **1 803** | 1 551 |
| Property, plant and equipment[1] | **1 548** | 1 360 |
| Right-of-use assets | **243** | 179 |
| Intangible assets | **12** | 12 |
| **Current assets** | **289** | 418 |
| Trade and other receivables | **203** | 224 |
| Cash and cash equivalents[2] | **75** | 192 |
| Income tax receivable | **11** | 2 |
| **Assets included in disposal group classified as held for sale** | **2 092** | 1 969 |
| **Liabilities** | | |
| **Non-current liabilities** | **237** | 189 |
| Lease liabilities | **181** | 141 |
| Deferred taxation | **56** | 48 |
| **Current liabilities** | **155** | 292 |
| Trade and other payables[3] | **60** | 219 |
| Lease liabilities | **50** | 39 |
| Deferred revenue | **42** | 34 |
| Provisions | **3** | — |
| **Liabilities included in disposal group classified as held for sale** | **392** | 481 |

[1] *The increase in property, plant and equipment is due to capital expenditure on masts and towers as a result of additional equipment acquired to roll out the Power-as-a-Service (PaaS) during the current period.*

[2] *The decrease in cash and cash equivalents is mainly due to the payment of dividends and the capital expenditure on property, plant and equipment.*

[3] *The decrease in trade and other payables is mainly due to the payment of capital expenditure that was done in the current reporting period.*

| Statement of cash flows | Reviewed six months ended 30 September 2024 Rm | Reviewed six months ended 30 September 2023 Rm |
|---|---|---|
| Cash flows generated by Swiftnet for the reporting period under review are as follows: | | |
| Cash flows from operating activities | **213** | (150) |
| Cash flows utilised for investing activities | **(317)** | (80) |
| Cash flows utilised for financing activities | **(13)** | (9) |
| **Net decrease in cash and cash equivalents from discontinued operation** | **(117)** | (239) |
| Cash and cash equivalents at 1 April | **192** | 408 |
| **Cash and cash equivalents at the end of the period of the discontinued operation** | **75** | 169 |

# Notes to the condensed consolidated interim financial statements continued

for the period ended 30 September 2024

## 17. Contingencies

**Contingent liabilities**

Other than the disclosures below, no significant movement or new matters have been noted on the contingent positions as reported in the 31 March 2024 financial statements.

**High Court**

***Radio Surveillance Security Services (RSSS)***

On 27 August 2020, RSSS served a new summons on Telkom based largely on the same events which gave rise to its previous unsuccessful action. RSSS is claiming the return of 444 disputed alarm systems, alternatively payment of R210 million and a payment of R319 million for alleged outstanding rentals for the disputed alarm monitoring systems. Telkom is defending the matter, and will continue prosecuting an application for security for costs against RSSS. RSSS was placed into provisional liquidation by Telkom in May 2023, and Telkom is proceeding with the steps necessary to place RSSS into final liquidation.

***Class action against Telkom and Mutual and Federal Risk Financing Ltd***

During June 2021, Telkom received a High Court application to certify a class action against it. The application arises from minor billing discrepancies relating to VAT on device insurance premiums. Mutual and Federal Risk Financing Ltd acts as underwriter for the device insurance and has also been cited in the court proceedings. The applicants have taken no further steps to advance the matter since receiving Telkom's answering affidavit in July 2023.

***Phutuma Networks (Pty) Ltd (Phutuma)***

In August 2009, Phutuma served a summons on Telkom claiming damages in the amount of R5.5 billion, arising from a tender published by Telkom in November 2007. The High Court granted absolution from the instance in Telkom's favour. The Supreme Court of Appeal (SCA) had initially dismissed Phutuma's application for leave to appeal in October 2014. On 4 November 2014, the SCA rescinded its order granted in October 2014. In early 2015, the SCA referred the application for leave to appeal back to the full bench of the North Gauteng High Court. The leave to appeal was heard in September 2016 and was upheld. The matter now needs to be re-enrolled for trial. To date, Phutuma has failed to set down the matter for hearing before the same judge who granted absolution. Telkom has proposed that the matter begins anew before another judge. Telkom has not heard from Phutuma and Phutuma has taken no further steps to advance the litigation since 2016.

***Masstores (Pty) Ltd (Masstores)***

During November 2021, Masstores launched arbitration proceedings against BCX. The claim is for an amount of approximately R166 million for alleged breach of contract. The matter is currently proceeding with steps being taken to prepare for a hearing in September 2025.

***Special Investigating Unit (SIU) - Appeal against High Court judgement setting aside Proclamation***

On 19 July 2023, the Pretoria High Court handed down judgement setting aside Presidential Proclamation 49 of 2022 (the Proclamation). The Proclamation gave the SIU authority to investigate various historical matters including Telkom's contracting for network and advisory services, and the disposal of former Telkom subsidiaries. The High Court had declared the Proclamation as unconstitutional, invalid and of no force or effect and awarded costs to Telkom.

On 11 December 2023, the High Court granted both the President and the SIU leave to appeal to the Supreme Court of Appeal. The State Attorney is progressing the appeal, and Telkom has received applications for condonation in respect of the late filing of both the President's and the SIU's Notice of Appeal.

The matter remains pending before the Supreme Court of Appeal, and Telkom will continue with steps to uphold the High Court order in its favour. Telkom anticipates that the matter will be heard by the Supreme Court of Appeal in the latter part of 2025.

# Notes to the condensed consolidated interim financial statements continued

for the period ended 30 September 2024

## 18. Related parties

The South African Government, represented by the Department of Communication and Digital Technologies, exercises significant influence over the Group. Telkom is classified as a schedule 2 major public entity in terms of the Public Finance Management Act. Telkom is part of the national sphere of government and its related parties in that sphere include national departments, constitutional institutions and public entities (schedule 1, 2 and 3). Telkom is therefore related to major public entities, national government departments and all other entities within the national sphere of government. A list of related parties is provided by National Treasury on its website (www.treasury.gov.za).

Related parties include subsidiaries and associates of the Group. It also includes Directors and key management personnel of Telkom and close family members of these related parties. Key management personnel and Directors for Telkom include the Group's Board of Directors and Exco.

The Group has applied the exemption in IAS 24 paragraph 25 in respect of related party transactions and outstanding balances with government-related entities. The nature of the Group's transactions with these entities are within the ordinary course of operations.

| Details of material transactions and balances not disclosed separately in the financial statements were as follows: | Reviewed six months ended 30 September 2024 Rm | Audited 31 March 2024 Rm | Reviewed six months ended 30 September 2023 Rm |
|---|---|---|---|
| **With national entities:** | | | |
| *Related party transactions* | | | |
| Spectrum | **—** | 972 | — |

At 30 September 2024, the Government of South Africa held 40.5% (31 March 2024: 40.5%) of Telkom's shares, and had the ability to exercise significant influence, and the Public Investment Corporation held 9.95% (31 March 2024: 15.63%) of Telkom's shares.

| | Reviewed six months ended 30 September 2024 Rm | Audited 31 March 2024 Rm | Reviewed six months ended 30 September 2023 Rm |
|---|---|---|---|
| **Key management personnel compensation (including Directors and Prescribed Officers' remuneration):** | | | |
| *Related party transactions* | | | |
| Short-term employee benefits | **92** | 198 | 119 |
| Post-employment benefits | **8** | 11 | 6 |
| Termination benefits | **—** | 6 | — |
| Equity compensation benefits | **6** | 35 | (26) |

**Terms and conditions of transactions with related parties**

Except as indicated above, outstanding balances at 30 September 2024 are unsecured, include interest and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 September 2024, the Group has not impaired any of the amounts owed by the related parties. This assessment is undertaken in each financial period through examining the financial position of the related party and the market in which the related party operates.

# Notes to the condensed consolidated interim financial statements continued

for the period ended 30 September 2024

## 19. Reconciliation of profit before tax to cash generated from operations

| | Reviewed six months ended 30 September 2024 Rm | Restated six months ended 30 September 2023[1] Rm |
|---|---|---|
| **Cash generated from operations**[2] | **6 227** | 4 524 |
| Profit before tax | **1 448** | 1 310 |
| Finance charges and fair value movements | **910** | 980 |
| Investment income | **(173)** | (84) |
| Interest received from trade receivables | **(99)** | (105) |
| **Non-cash items** | **3 873** | 3 541 |
| Depreciation, amortisation, impairments and write-offs | **2 943** | 2 820 |
| Increase in impairment of trade receivables, contract assets and loans[1] | **642** | 889 |
| Increase/(decrease) in provisions | **336** | (937) |
| Insurance revenue | **(144)** | (135) |
| Insurance service expenses | **138** | 95 |
| Gain on termination of leases | **(2)** | (5) |
| Profit from disposal of property, plant and equipment and intangible assets | **(196)** | (31) |
| Gain on sale of contract assets | **(38)** | (86) |
| Foreign exchange movements | **(74)** | 109 |
| Share-based payment expenses | **34** | 5 |
| Movement in deferred revenue | **234** | 817 |
| **Movement in working capital** | **268** | (1 118) |
| Movement in inventories | **183** | (41) |
| Decrease/(increase) in trade receivables, contract assets, finance lease receivables and other receivables | **71** | (350) |
| Increase/(decrease) in trade and other payables and prepayments | **14** | (727) |

[1] *In the prior period, this line was split between two line items: increase in expected credit loss provision and bad debts written off. In the current period, these lines have been aggregated into one line to align with the statement of profit or loss and other comprehensive income. The comparatives have been restated.*

[2] *This includes Swiftnet's cash generated from operations of R213 million (30 September 2023: R150 million negative). In the current period, Swiftnet continues to be disclosed as a non-current asset held for sale. Refer to note 16.*

## 20. Significant events

### Results of the Telkom annual general meeting regarding Directors reappointments

On 20 August 2024, the following Board members were elected or re-elected as per the annual general meeting ordinary resolution:

- M Booi
- B Kennedy
- KP Lebina
- EG Matenge-Sebesho
- M Msimang
- H Singh

### Retirement of Non-executive Director

Telkom announced on 14 June 2024 that Mr Von Zeuner, an independent Non-executive Director, had retired from the Board with effect from 20 August 2024.

### Appointment of Non-executive Directors

Telkom announced on 14 June 2024 that Mr M Booi and Ms Msimang had been appointed to the Board of Directors as independent Non-executive Directors with effect from 1 July 2024.

### Shareholder approval for the sale of Swiftnet SOC Ltd (Swiftnet)

Telkom shareholders, by ordinary resolution on 24 May 2024, have approved the sale of Swiftnet masts and towers business to a consortium led by Actis.

### Competition Commission approval for the sale of Swiftnet

The South African Competition Commission, the Competition Tribunal of South Africa, approved the disposal on 3 September 2024, subject to certain conditions which have been accepted by the purchaser. Accordingly, the suspensive condition requiring that the disposal be approved by the South African Competition Authorities has been fully satisfied. The disposal remains subject to the remaining outstanding regulatory approval.

## 21. Events after the reporting date

### Other matters

The Directors are not aware of any other matter or circumstance since the financial period ended 30 September 2024 and the date of this report, or otherwise dealt with in the condensed consolidated interim financial statements, which significantly affects the financial position of the Group and the results of its operations.

## Abbreviations

| | |
|---|---|
| **BCX** | Business Connexion (Pty) Ltd |
| **DTA** | Deferred tax asset |
| **EBITDA** | Earnings before investment income and finance cost, tax, depreciation, amortisation and write-offs, impairments and losses |
| **ECL** | Expected credit loss |
| **Exco** | Group Executive Committee |
| **FECs** | Forward exchange contracts |
| **FSCA** | Financial Sector Conduct Authority |
| **GBP** | Great Britain Pound |
| **IAS** | International Accounting Standard |
| **ICASA** | Independent Communications Authority of South Africa |
| **IFRS** | International Financial Reporting Standards |
| **ISRE** | International Standard on Review Engagements |
| **JSE** | Johannesburg Stock Exchange |
| **PV** | Photovoltaic |
| **SAICA** | South African Institute of Chartered Accountants |
| **SARB** | South African Reserve Bank |
| **SBTi** | Science Based Targets initiative |
| **SFA** | Supplier Finance Arrangements |
| **SMB** | Telkom Small and Medium Business |
| **SMME** | Small Medium Micro Enterprise |
| **TCFD** | Task Force on Climate-related Financial Disclosures |
| **TRF** | Telkom Retirement Fund |
| **USD** | United States dollar |

# Administration

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1991/005476/30

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## Special note regarding forward-looking statements

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

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

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

Telkom cautions readers not to place undue reliance on forward-looking statements. All written and verbal forward-looking statements attributable to Telkom, or persons acting on Telkom's behalf, are qualified in their entirety by these cautionary statements. Unless we are required by law to update these statements, we will not necessarily update any of these forward-looking statements after the date of this document, so that they conform either to actual results or to changes in our expectations.

Any forward-looking financial information disclosed in these Group interim results for the six months period ended 30 September 2024 ("results announcement") has not been reviewed or reported on by our independent external auditor, PricewaterhouseCoopers Inc.

### Pro forma information

This Group presents various non-IFRS financial measures in the results announcement. These non-IFRS financial measures include i) the net debt, and ii) the FCF. In addition to the non-IFRS financial measures noted above, the financial information in the current period excludes the loss recognised as a result of the settlement of the Telkom Retirement Fund (TRF) and restructuring cost with the related tax impact on the results (the "pro forma adjustments").

These measures constitute pro forma financial information and are annotated throughout the results announcement. This pro forma financial information was presented to illustrate the impact of the pro forma adjustments on the reviewed condensed consolidated interim financial statements for the six months periods ended 30 September 2024 and 30 September 2023 to achieve a comparable year-on year analysis and show the adjusted performance of the business.

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

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

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

Telkom Consumer

openserve

BCX

swiftnet

Gyro