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<TYPE> 6-K </TYPE>
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FORM 6-K
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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REPORT OF FOREIGN PRIVATE ISSUER

Pursuant to Section 13a-6 or 15d-16
of the Securities Exchange Act of 1934

For the month of: June 2005

001-31609
(Commission File Number)

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

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

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

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

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

Indicate by check mark whether by furnishing the information contained on this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.
Yes |_| No |X|

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

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On June 6, 2005, Telkom SA Limited ("Telkom"), issued an announcement to the JSE Securities Exchange, South Africa, notifying that it has declared Dividend No. 10 of 400 South African cents per share and a special dividend of 500 South African cents per share for the year ended March 31, 2005. A copy of the announcement is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

On June 6, 2005, Telkom announced its annual results for the year ended March 31, 2005 to the JSE Securities Exchange, South Africa. A copy of the announcement is attached hereto as Exhibit 99.2 and is incorporated herein by reference. The annual results contain forward-looking statements regarding Telkom and Vodacom and include cautionary statements identifying important factors that could cause actual results to differ materially from those anticipated.

On June 6, 2005, Telkom issued summarized annual results for the year ended March 31, 2005. A copy of the summarized annual results are attached hereto as Exhibit 99.3 and are incorporated herein by reference. The summarized annual results contain forward-looking statements regarding Telkom and Vodacom and include cautionary statements identifying important factors that could cause actual results to differ materially from those anticipated.

On June 6, 2005, Telkom presented its annual results for the year ended March 31, 2005. A copy of the presentation is attached hereto as Exhibit 99.4 and is incorporated herein by reference. The presentation of the annual results contains forward-looking statements regarding Telkom and Vodacom and includes cautionary statements identifying important factors that could cause actual results to differ materially from those anticipated.

On June 6, 2005, Vodacom Group (Proprietary) Limited ("Vodacom") (unlisted), in which Telkom has a 50% holding, announced its annual results for the year ended March 31, 2005. A copy of the announcement is attached hereto as Exhibit 99.5 and is incorporated herein by reference. The announcement contains forward-looking statements regarding Vodacom and includes cautionary statements identifying important factors that could cause actual results to differ materially from those anticipated.

On June 6, 2005, Vodacom issued summarized annual results for the year ended March 31, 2005. A copy of the summarized annual results are attached hereto as Exhibit 99.6 and are incorporated herein by reference. The summarized annual results contain forward-looking statements regarding Vodacom and include cautionary statements identifying important factors that could cause actual results to differ materially from those anticipated.

On June 6, 2005, Vodacom presented its annual results for the year ended March 31, 2005. A copy of the presentation is attached hereto as Exhibit 99.7 and is incorporated herein by reference. The presentation of the annual results contains forward-looking statements regarding Vodacom and includes cautionary statements identifying important factors that could cause actual results to differ materially from those anticipated.

On June 3, 2005, Vodacom and Virgin Group issued a press release announcing their intention to form a consortium to undertake a joint bid for a controlling stake in Nigeria's V-Mobile. A copy of the announcement is attached hereto as Exhibit 99.8 and is incorporated herein by reference.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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Exhibit	Description
99.1	Announcement, dated June 6, 2005, issued by Telkom to the JSE Securities Exchange, South Africa, providing notification of dividends declared for the year ended March 31, 2005.
99.2	Telkom's announcement of its annual results for the year ended March 31,2005 to the JSE Security Exchange, South Africa, on June 6, 2005.
99.3	Telkom's summarized annual results for the year ended March 31, 2005 issued on June 6, 2005.
99.4	Telkom's presentation of its annual results for the year ended March 31, 2005 on June 6, 2005.
99.5	Vodacom's announcement of its annual results for the year ended March 31, 2005 on June 6, 2005.
99.6	Vodacom's summarized annual results for the year ended March 31, 2005 issued on June 6, 2005.
99.7	Vodacom's presentation of its annual results for the year ended March 31, 2005 on June 6, 2005.
99.8	Press release, dated June 3, 2005, issued by Vodacom, announcing the intention of Vodacom and Virgin Group to form a consortium to undertake a joint bid for a controlling stake in Nigeria's V-Mobile.

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SIGNATURE

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

TELKOM SA LIMITED

By:/s/ Kaushik Patel

Name: Kaushik Patel
Title: Chief Financial Officer

Date: August 3, 2005

EXHIBIT 99.1

Telkom SA Limited
Registration number: 1991/005476/06
JSE and NYSE share code: TKG
ISIN: ZAE000044897
("Telkom")

Notice is hereby given that Telkom have today declared Dividend No. 10 of 400 South African cents per share and a special dividend of 500 South African cents for the year ended 31 March 2005 to be paid on Friday, 8 July 2005.

Salient dates

To holders of ordinary shares

	2005
Last date to trade ordinary shares cum dividend	Friday, 24 June
Last date to register transfers of certificated securities cum dividend	Friday, 24 June
Ordinary shares trade ex dividend	Monday, 27 June
Record date	Friday, 1 July
Payment date	Friday, 8 July

On the payment date, dividends due to holders of certificated securities on the South African register will either be electronically transferred to shareholders' bank accounts or, in the absence of suitable mandates, dividend cheques will be posted to such shareholders.

Dividends in respect of dematerialised shareholdings will be credited to shareholders' accounts with the relevant CSDP or broker.

To comply with the further requirements of STRATE, between Monday, 27 June 2005 and Friday, 1 July 2005, inclusive, no ordinary shares pertaining to the South African share register may be dematerialised or rematerialised.

To holders of American Depositary Shares.

	2005
Ex dividend on New York Stock Exchange	Monday, 27 June
Record date	Friday, 1 July
Approximate date for currency conversion into US dollars	Friday, 8 July
Approximate payment date of dividend	Friday, 22 July

By order of the Board
V V Mashale
Company Secretary
Johannesburg
6 June 2005

EXHIBIT 99.2

Telkom SA Limited
Group annual results
for the year ended March 31, 2005
(Registration number 1991/005476/06)
JSE and NYSE share symbol: TKG ISIN: ZAE000044897

-Group highlights
6.5% growth in operating revenue to R43,117 million
21.4% growth in operating profit to R11,222 million
40.6% group EBITDA margin
48.1% net debt decrease to R6,941 million, and debt to equity of 25.9%
Basic earnings per share increased by 52.9% to 1,241.8 cents per share
Total dividend of 900 cents per share

Johannesburg, South Africa - June 6, 2005, Telkom SA Limited (JSE and NYSE: TKG) announced group annual results, with strong performance across both business segments increasing both operating revenue and profit for the year ended March 31, 2005.

The company declared an annual dividend of 400 cents per share and a special dividend of 500 cents per share payable on July 8, 2005.

Statement by Sizwe Nxasana, Chief Executive Officer:

"The Telkom Group has delivered strong performances in all spheres of its business, again displaying the ability to compete aggressively, defend and grow its market leadership and extract further efficiencies. Telkom has also invested significantly in its people and the sustainable development of its marketplace and despite a number of complex challenges has succeeded in creating significant value for all its stakeholders."

"Telkom continued to build strength and flexibility into its financial base. Strong operating cash flows adequately covered capital expenditure requirements and allowed further debt repayment, resulting in a considerably strengthened balance sheet. This enabled the Group to repurchase shares and distribute a large proportion of controllable cash to shareholders."

"Telkom's net profit growth was derived from the acceleration in the uptake of data services, robust growth in Vodacom's South African customers, efficiency gains and reduced finance charges. Increases in fixed-line prices contributed an estimated R224 million or 10% of the R2.2 billion growth in net profit."

"Telkom is steadily becoming a world-class operator and continues to deliver on its commitments as a leading driver of transformation and

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progress in South Africa. This all-round achievement reflects a business that I believe has found its balance."

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Operational Overview
Creating value
During the year ended March 31, 2005, the Group made good progress on its strategy to create value. This strategy is based on three key imperatives - customer growth and retention, operational excellence and sustaining marketplace development.
The fixed-line business posted modest growth in revenue of 1.6% as a result of low effective tariff increases and declining voice volumes. This was offset by the increasing adoption of data services in consumer and small and medium business markets. Significant progress was made in improving the competitiveness of the fixed-line segment through ongoing rationalisation, improving employee productivity and building a culture of innovation.
Driven by continued customer growth in South Africa and other African countries, the mobile business maintained its strong performance. Vodacom firmly remained the market leader in South Africa and achieved in South Africa and other African countries a substantial increase of 38.0% in customers and a high level of gross connections of 7.8 million. During the year Vodacom successfully launched its 3G Vodafone Live! services and the GPRS Blackberry product.
Driving greater adoption of data services across all markets
Telkom grew fixed-line data revenue by 15.6% during the year ended March 31, 2005. In the consumer and small business market, ADSL adoption accelerated as a result of extensive marketing campaigns, new lower speed ADSL products and reduced tariffs. These include the expansion of the TelkomInternet powered by ADSL-service with two reduced-cost, lower speed services, and the launch of a 4 Port Ethernet interface router and a 24-month ADSL contract bundled with a free modem. ADSL customers increased 188.2% to 58,532 and Telkom Internet subscribers grew 49.4% to 225,280, of which 10.2% are broadband customers. As a result of the substantial increase in ADSL customers, local fixed-line traffic decreased 6.0%. Excluding the loss of minutes to ADSL, local fixed-line traffic minutes increased by an estimated 4.5%. Telkom has partnered with Intel in trialing WiMAX to enable future broadband demand to be captured, especially in areas where ADSL deployment is not feasible.
Successful line retention
Telkom focused strongly on connecting and reconnecting fixed-line customers through discounted offers, targeted marketing campaigns and the prudent relaxing of selected credit management policies. These actions led to a net line growth of 1.0% (excluding Telkom internal

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lines). The 9.8% growth in ISDN channels was a major contributor to this result. Telkom is focused on offering value-for-money and is increasingly launching bundled minute packages and calling plans such as XtraTime and Surf Anytime.

Preparing for increased competition

In line with Telkom's strategy of delivering excellent service to customers at competitive prices, Telkom limited its overall tariff increases for its regulated basket to 0.2% in 2005, well below Government's target inflation range of between 3% and 6%. From January 1 2005, international calls decreased on average by 28% with rates of R1.70 per minute (VAT inclusive) for major destinations like the United States, United Kingdom and Australia. Prices for local peak calls increased by 5.5% to 40 cents per minute (VAT inclusive) and monthly subscriptions increased by 6.3%. From August 1, 2005, Telkom's ADSL prices will have reduced by 40.4% for BusinessDSL 512, 29.9% for Home512 DSL and 20% for Home384 DSL since January 2005. Its recently introduced HomeDSL 192 will also reduce by 17.9% to R270 per month. Telkom has lowered its international private leased circuits (IPLC) prices by 23% in the financial year. From August 1, 2005 IPLC prices will be lowered by a further 28%. There is still a need to rebalance certain tariffs to eliminate any cross subsidisation and allow for effective competition in all areas going forward.

Future fit technology

Investment in the evolution of Telkom's network is a key imperative to transform Telkom from its Time Division Multiplex network to an Internet Protocol (IP)-based Next Generation Network. Telkom is trialing a converged, softswitching capability to support VoIP solutions which provide advanced call control, hosted IP telephony and IP PBX solutions. In the PBX arena, Telkom already has a comprehensive IP offering aligned to customer requirements. In addition, Telkom has established new VoIP presence in various international centres in an effort to attract global telecommunication traffic.

Operational excellence

Telkom remains focused on improving customer service and customer satisfaction levels. During the year the company embarked on a country-wide drive to reposition and transform the company's customer service branches and TelkomDirect, into world-class retail outlets. At the same time, Telkom continued with the process of closing down non-viable outlets.

Despite some short-term service-related challenges in the fixed-line business in the last quarter of the financial year, Telkom managed to

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reduce the overall fault rate and improve repair times and installation rates. Bad weather conditions, with an extraordinary high level of lightening incidence, resulted in increased fault rates in the last 15 weeks of the financial year, which temporarily impacted on Telkom's service levels. However, subsequent to year end, the Company has taken corrective action to ensure improved service levels.

The field force team, which delivers service to customers, achieved significant savings through an 11.7% reduction in the vehicle fleet, reduced dispatches driven by a reduction in overall repeat faults, theft and breakage incidents. Telkom achieved further optimisation of its property portfolio through the relocation of employees from leased properties to owned properties, improvements in overall space utilisation and energy management programmes and the sale of several non-core properties.

Meaningful investment in our workforce

Telkom has continued to invest substantially in building its skills base. During the period under review, R402 million (2004: R390m) was spent on training and development of fixed-line employees, totalling 224,662 training days. There has been a dedicated effort on furthering technical skills training (100,658 days) and a continued focus on advanced leadership development programmes as well as specific programmes aimed at developing technical skills among female employees.

After conducting a comprehensive health profile in 2003 among its employees, Telkom has launched an integrated wellness programme, "Thuso" (Sotho for "Help"). The programme includes voluntary counselling, testing and treatment to combat HIV/Aids and to provide care to employees and their families in all these health-related needs.

Maintaining leadership in the mobile market in South Africa

Vodacom's exceptional performance and customer growth once again exceeded expectations, further demonstrating the robust growth of the cellular industry in South Africa and Vodacom's ability to maintain its leadership position in this market. Vodacom South Africa added gross connections of 6.2 million customers, the highest level ever and increased market share to an estimated 56%. Vodacom continued to focus on customer care and retention, which saw contract customer churn at 9.1%.

Vodacom grew data revenues by 28.8% to R1,340 million (Telkom's 50% share is R670m), largely as a result of the strong growth in SMSs transmitted. The signing of the Vodafone Affiliate Partner agreement

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announced in November 2004 allowed Vodacom to launch the Vodafone Live! offering, giving a distinct competitive advantage in the mobile phone arena.

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Over 2.5 million customers outside of South Africa

Vodacom grew its customer base in other African countries by 77.3% to 2.6 million (2004: 1.5m). Despite a fiercely competitive environment, Vodacom Tanzania grew its customer base by 75.6% to 1.2 million and extended its market share to 59%, further entrenching its leadership position. Vodacom Congo maintained its market share at an estimated 47% and grew its customer base to 1 million. The investment in Mozambique is slowly making inroads with 265,000 customers.

The regulatory environment

In September 2004 the Minister of Communications, Dr Matsepe-Casaburri, made new policy announcements in terms of further deregulating the market. The Minister stated that the rationale for the acceleration of competition in certain segments is to stimulate growth in the ICT sector and reduce the cost of telecommunications. In summary the new policy announcements address 5 key areas:

o The self provision of facilities by the mobile operators;
o The expansion of licensing for the provision of payphone services;
o The carrying of voice by value added network service providers (VANS);
o Telkom no longer being the sole provider of facilities to VANS; and
o The resale of Private Telecommunication Network facilities.

On January 31, 2005, the Minister clarified her intentions to state that VANS operators are not permitted to self provide telecommunications facilities. On May 20, 2005 ICASA published regulations for VANS detailing the licence fees, empowerment requirements, application process and fees. There are currently different views as to whether VANS operators will be allowed to provide Voice Over Internet Protocol, or VOIP, to the general public or only to their own customers to whom they provided value added data services. Regulations on interconnection and facilities leasing are still awaiting approval. While there are several network access issues to be resolved, we believe the Telecommunications Act does not allow for unbundling of the local loop for at least 2 years from the date the SNO is licensed. In September 2004, the Minister of Communications granted a licence to a second national operator that will be 30% owned by Transtel and Esitel which are beneficially owned by the South African Government, 19% owned by Nexus connection, a black economic empowerment consortium, 12.5% to each of Communitel and Two Telecom and the remaining 25% by VSNL, a member of the TATA Group. ICASA is in the process of issuing this license.

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In terms of the Telecommunications Act, Telkom was required to present the results of its retail and wholesale activities to ICASA, using a specific cost allocation methodology set out in a Chart of Accounts and Cost Allocation Manual (COA/CAM). Telkom delivered its audited regulatory financial statements to ICASA by the due date of September 30, 2004.

On November 8, 2004 a Government Gazette was issued with the proposed changes to the Telkom's price control regulation and inviting comments on the proposal. A final regulation was submitted to the Minister by ICASA in May 2005. If the Minister approves the regulation by June 20, 2005, Telkom expects to file its tariffs in accordance with the new regulation to be effective from August 1, 2005.

The Convergence Bill was tabled in Parliament in February 2005. The Portfolio Committee on Communications invited written comments in April and will conduct public hearings from May 24 to June 24, 2005. Telkom is scheduled to make an oral presentation to the Committee on June 14, 2005.

The main stated objective of the legislation is to promote convergence in the broadcasting, broadcasting signal distribution and telecommunications sectors, and to provide the legal framework for convergence of these sectors. The primary provision of the Bill is the introduction of a new "horizontal" licensing regime, where a number of separate licenses will be issued for network infrastructure, communications services and application/content services. Individual licenses will be granted for network infrastructure, broadcasting services and frequency spectrum. Class Licences will be granted for communications and applications service using the communications infrastructure.

Telkom has several concerns with the proposed leglislation. Many of the stakeholders that have made written submission also expressed similar concerns in their submissions to the Portfolio Committee.

Broadbased Black Economic Empowerment (BEE)

As a South African company, BEE is an important growth imperative for Telkom. The Group recognises the need for the creation of a sustainable marketplace by enlarging the domestic market to support ongoing revenue and profit growth.

During the year ended March 31, 2005, Telkom directed R5.2 billion (2004: R4.6b) to BEE suppliers, representing 61.9% of the Company's total procurement spend. The amount spent on black small, medium and micro enterprises (SMMEs) to provide core and non-core services totalled R901 million (2004: R719m).

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For 2005, the second consecutive year, Telkom was ranked by Financial Mail and Empowerdex as the most empowered company amongst the top 185 companies on the JSE.

Telkom and Vodacom were actively involved in the development of the BEE Charter (Charter) for the ICT sector. A final draft was sent to the Minister of Communications in May 2005 and it is in the process for Cabinet approval. The Charter sets the equity ownership target at 30% which excludes Government shareholding in the calculation and a 20% free float exclusion for listed companies. The Charter further states that if R7.5 billion of the equity is BEE owned, the company will be fully compliant in the equity category. Based on these criteria, Telkom estimates that approximately 12% of the company should be BEE owned for it to be fully compliant.

Financial overview

Group operating revenue

Group operating revenue increased 6.5% to R43,117 million (2004: R40,484m) for the year ended March 31, 2005. Fixed-line operating revenue, after inter-segmental eliminations, increased 1.3% to R30,844 million primarily due to solid growth in data services revenue and increased subscription and connection revenue. Mobile operating revenue, after inter-segmental eliminations, increased 22.2% to R12,273 million primarily due to customer growth.

Group operating expenses

Group operating expenses increased 2.2% to R32,175 million (2004: R31,494m) for the year ended March 31, 2005 due to a 17.9% increase in operating expenses in the mobile segment to R9,870 million (after inter-segmental eliminations). This was partially offset by a 3.5% decrease in the fixed-line operating expenses to R22,305 million (after inter-segmental eliminations) primarily due to reduced depreciation, amortisation, impairment and write-offs, services rendered, payments to other operators and operating leases, partially offset by an increase in employee expenses, as a result of the R961 million (2004: R302m) workforce reduction expense.

Investment income

Investment income consists of interest received on short-term investments and bank accounts. Investment income increased 8.7% to R350 million (2004: R322m) largely as a result of higher interest received due to higher average balances held in investment and bank accounts. Investment income has been reclassified to exclude interest on trade and other receivables, which is now included in "other income".

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Finance charges

Finance charges include interest paid on local and foreign borrowings, amortised discounts on bonds and commercial paper bills, fair value gains and losses on financial instruments and foreign exchange gains and losses. Finance charges decreased 48.1% to R1,695 million (2004: R3,264m) due to a 32.2% decrease in interest expense to R1,686 million (2004: R2,488m) resulting from lower balances on local loans and a significant decrease in group net fair value and exchange losses on financial instruments of R9 million (2004: R776m) as a result of a relatively stable currency.

Taxation

Consolidated tax expenses increased 79.4% to R3,070 million (2004: R1,711m) for the year ended March 31, 2005. The consolidated effective tax rate for the year ended March 31, 2005 was 31.1% (2004: 27.2%).

Profit for the year

Profit for the year increased 48.2% to R6,807 million (2004: R4,592m) in the year ended March 31, 2005.

Group basic earnings per share increased 52.9% to 1,241.8 cents (2004: 812.0) and group headline earnings per share increased 47.5% to 1,274.1 cents (2004: 863.6 cents).

Group balance sheet

Solid operating performance across the Group combined with strict cost discipline and debt repayment has resulted in a strengthened balance sheet. Net debt, after financial assets and liabilities, decreased 48.0% to R6,941 million (2004: R13,362m).

The strenghtened balance sheet at March 31, 2005, resulted in a net debt to equity ratio of 25.9% from 59.8% at March 31, 2004. The Group intends to maintain a net debt to equity targeted range of between 50% and 70% by increasing distributions to shareholders in the form of dividends and share buy-backs while maintaining financial flexibility for potential growth opportunities. During the year ended March 2005, 20.4 million shares were repurchased for R1,574 million and the annual and special dividend totalling R5,013 million will be paid on July 8, 2005.

Interest bearing debt, including credit facilities utilised, decreased 13.2% to R14,912 million (2004: R17,176m) for the year ended March 31, 2005. The Group's repayments for the year ended March 31, 2005 included a repayment of R2,299 million of the Telkom TL08 local bond. In April 2005, the Euro 512 million loan was settled and refinanced in the local debt markets.

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Telkom remains committed to maintaining its investment grade credit ratings. In July 2004, Moody's upgraded Telkom's rating from Baa3 to Baa1, with a stable outlook. S&P's rating was also upgraded to BBB from BBB-.

Group cash flow

Cash flows from operating activities increased 13.2% to R15,711 million (2004: R13,884m) primarily due to increased operational results and decreased finance charges paid, offset in part by the increased taxation paid. Cash flows utilised in investing activities increased 16.3% to R6,306 million (2004: R5,423m) primarily due to increased capital expenditure in both the mobile and fixed-line segments and an increased contribution to the investment vehicle for purposes of funding the post retirement medical aid liability. Cash utilised in financing activities increased significantly as a result of the R1,710 million utilised for the repurchase of shares and the investment of R3,768 million in short-term repurchase agreements in the South African money and capital markets.

Group capital expenditure

Group capital expenditure increased 10.2% to R5,850 million (2004: R5,307m) and represents 13.6% of group revenue (2004: 13.1%) in line with the Group's announced guidance of maintaining capital expenditure in the range of 12% to 15% of group revenue.

Fixed-line capital expenditure increased 6.2% to R4,103 million (March 31, 2004: R3,862m) and represents 13.1% of fixed-line revenue (2004: 12.5%).

Mobile capital expenditure (50% of Vodacom's capital expenditure) increased 20.9% to R1,747 million (2004: R1,445m) and represents 12.8% of mobile revenue (2004: 12.6%) as a result of increased investment in South Africa for increased traffic and investment in 3G technologies.

Consolidated capital expenditures in property, plant and equipment for the 2006 financial year is budgeted to be R7,204 million, of which R5,037 million is budgeted to be spent in the fixed-line segment and R2,167 million in the mobile segment (50% of Vodacoms, which is the group's 50% share of Vodacom's total budgeted capital expenditure of R4,333m).

Share repurchase, employee share ownership and dividends

In the year ended March 31, 2005, the Company had repurchased 20.4 million shares amounting to R1.6 billion (including costs) which are currently being held as treasury shares and for purposes of the Telkom Conditional Share Plan (TCSP). In August 2004, 3.0 million shares were granted to employees through the TCSP.

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The Telkom board of directors declared an annual dividend of 400 cents per share and a special dividend of 500 cents per share on June 2, 2005, payable on July 8, 2005 for shareholders registered on July 1, 2005.

The Board aims to pay an increasing dividend annually. The level of dividend will be based upon a number of factors, including the assessment of financial results, available growth opportunities and capital requirements, the group's debt level, interest coverage and future expectations, including internal cash flows.

Audit report

The comprehensive annual financial statements, from which the summarised results have been derived, have been audited by the company's auditors Ernst & Young. Their unqualified audit opinion on the comprehensive annual financial statements is available for inspection at the Company's registered office.

Strategic direction

Telkom's turnaround is largely complete, and its operations and financial base have been stabilised. It has rewarded its shareholders for backing an ambitious vision to be a world-class operator, and management's ability to realise this vision. And to support long-term profitable growth, Telkom has continued to play a central role in the socio-economic transformation of South Africa.

The accelerated liberalisation of the market, in particular the implications of the Convergence Bill, in draft stage at the time of writing, is clearly material to Telkom's strategic intentions. Telkom believes that it is strongly positioned to compete in a liberalised market. Greater choice for consumers will also supply a relevant and credible basis for comparison, and Telkom believes that it will prove to be competitive on this basis.

To ensure that Telkom can sustain the creation of value relative to developments in its dynamic market environment, management have determined certain shifts in strategic emphasis.

Telkom will focus on the following imperatives to support growth:

o By moving to a predominantly IP based network, Telkom will have the ability to offer converged services such as voice, data and video services, thereby meeting the advancing needs of existing customers and attracting new customers.

o Expanding our VAN/IT/ISP services to win a larger market share and become the leading ISP and VAN provider in South Africa.

o Becoming a wholesale provider of choice by providing access to our high quality network at competitive prices.

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o Continuing to benefit from our investment in Vodacom to provide robust mobile customer growth. Management believes that the mobile market in South Africa will remain vibrant with good growth prospects.

o Although it is clear that significant potential for growth exists in Africa, Telkom will evaluate any acquisitive opportunities as they arise, using stringent criteria particularly in terms of their value accretive prospects.

The realisation of Telkom's strategic intentions ultimately lies in the hands of Telkom's people. Product, service and operational innovation vests mostly in people. As such, Telkom has committed to invest significantly in its people as the drivers of innovation, excellence and growth.

Telkom has a strong, capable and diverse management team with a clear sense of direction, and it stands ready for a new and exciting phase of development.

NE Mtshotshisa	SE Nxasana
Non-executive Chairman	Chief Executive Officer

June 2, 2005

Company registered office
Telkom SA Limited 1991/005476/06,
Telkom Towers North, 152 Proes Street
Pretoria, 0002, South Africa
Private Bag X881, Pretoria, 0001
Sponsor
UBS South Africa (Proprietary) Limited
Board of directors
Nomazizi Mtshotshisa (Chairman)
Sizwe Nxasana (CEO)
Thenjiwe Chikane
Brahm du Plessis
Tshepo Mahloele
Thabo Mosololi
Marius Mostert
Albertinah Ngwezi
Dumisani Tabata
Yekani Tenza
Lazarus Zim

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This information is also available on Telkom's investor relations website http://www.telkom.co.za/ir
Summarised group financial statements
Audited consolidated income statement

	Year ended March, 31		
		Restated	
	2003	2004	2005
	Rm	Rm	Rm
Operating revenue	37,322	40,484	43,117
Other income	401	255	280
Operating expenses	31,043	31,494	32,175
Employee expenses	7,208	7,408	8,111
Payments to other operators	6,092	5,985	6,132
Selling, general and administrative expenses	7,498	7,660	8,820
Services rendered	2,622	2,269	2,021
Operating leases	1,124	924	803
Depreciation,amortisation, impairment and write-offs	6,499	7,248	6,288
Operating profit	6,680	9,245	11,222
Investment income	256	322	350
Finance charges	4,201	3,264	1,69
Interest	2,869	2,488	1,686
Foreign exchange and fair value effect	1,332	776	9
Profit before tax	2,735	6,303	9,877
Taxation	1,035	1,711	3,070
Profit for the year	1,700	4,592	6,807
Attributable to:			
Equity holders of Telkom SA Ltd	1,628	4,523	6,724
Minority interest	72	69	83
			1,700
Basic earnings per share (cents)	292.3	812.0	1,241.8
Diluted earnings per share (cents)	812.0	1,239.4	
Dividend per share (cents)	-	90.0	110.0

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Audited consolidated balance sheet

	Years ended March, 31		
	Restated		
	2003	2004	2005
	Rm	Rm	Rm
Assets	2003	2004	2005
Non-current assets	44,739	42,841	42,672
Property, plant and equipment	41,046	39,024	39,073
Investment properties	-	32	25
Intangible assets	356	564	533
Investments	1,161	1,567	2,277
Other financial assets	1,571	1,101	134
Deferred expenses	143	202	118
Deferred taxation	462	351	512
Current assets	8,647	10,322	14,910
Current portion of other financial assets	342	140	4,940
Income tax receivable	276	-	-
Short term investments	26	168	69
Current portion of deferred expenses	272	430	214
Inventories	621	520	657
Trade and other receivables	5,993	5,846	5,820
Cash and cash equivalents	1,117	3,218	3,210
Total assets	53,386	53,163	57,582
Equity and liabilities			
Equity attributable to equity holders of Telkom SA Ltd	18,670	22,372	26,853
Share capital and premium	8,293	8,293	8,293
Treasury shares	-	(238)	(1,812)
Share-based compensation reserve	-	-	68
Non-distributable reserves	(15)	91	362
Retained earnings	10,392	14,226	19,942
Minority interest	194	200	220
Total equity	18,864	22,572	27,073
Non-current liabilities	20,663	16,420	13,546
Interest bearing debt	17,453	12,703	9,504
Other financial liabilities	143	153	83

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Deferred taxation	222	773	1,239
Deferred revenue	305	353	260
Provisions	2,540	2,438	2,460
Current liabilities	13,859	14,171	16,963
Credit facilities utilised	280	422	909
Trade and other payables	5,229	6,007	6,785
Shareholders for dividend	-	7	7
Current portion of interest bearing debt	4,759	4,051	4,499
Current portion of deferred revenue	1,023	1,404	1,394
Current portion of provisions	1,825	1,329	1,429
Income tax payable	177	459	1,710
Current portion of other financial liabilities	492	230	
Total liabilities	34,522	30,591	30,509
Total equity and liabilities	53,386	53,163	57,582

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Audited consolidated cash flow statement

	Years ended March, 31		
	2003	2004	2005
	Rm	Rm	Rm
Operating activities	9,748	13,884	15,711
Cash receipts from customers	37,494	40,520	43,561
Cash paid to suppliers and employees	(25,431)	(24,750)	(25,402)
Cash generated from operations	12,063	15,770	18,159
Interest received	384	479	477
Finance charges paid	(2,776)	(1,255)	(809)
Taxation refunded/(paid)	102	(562)	(1,487)
Cash generated from operations before dividend paid	9,773	14,432	16,340
Dividend paid	(25)	(548)	(629)
Investing activities	(5,731)	(5,423)	(6,306)
Proceeds on disposal of property, plant and equipment	21	52	37
Proceeds on disposal of investment	172	29	267
Proceeds on disposal of subsidiaries and joint ventures	16	-	-
Additions to property, plant and equipment	(5,671)	(5,187)	(5,880)
Intangible assets acquired	-	(61)	-
Additions to other investments	(269)	(331)	(592)
Acquisition of subsidiaries	-	75	(138)
Financing activities	(3,026)	(6,481)	(9,897)
Listing costs	(154)	-	-
Purchase of treasury shares	-	(102)	(1,710)
Loans raised	9,117	1,732	1,157
Loans repaid	(11,526)	(7,428)	(5,026)
Finance lease capital raised	5	-	-

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Finance lease capital repaid	-	(5)	(14)
Increase in net financial assets	(468)	(678)	(4,304)
Net increase/(decrease) in cash and cash equivalents	991	1,980	(492)
Net cash and cash equivalents at beginning of the year	(98)	837	2,796
Effect of foreign exchange rate differences	(21)	(3)	
Net cash and cash equivalents		837	2,796

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Audited consolidated statement of changes in equity

Year ended March, 31	2003 Rm	2004 Rm	2005 Rm
Balance at April 1	16,965	18,864	22,572
- Attributable to equity holders	16,832	18,670	22,372
- Minority interests	133	194	200
Restatement of employee liabilities	330	-	-
Change in accounting policies	14	-	-
Restated balance at April 1	17,309	18,864	22,572
- Attributable to equity holders	17,176	18,670	22,372
- Minority interests	133	194	200
Net profit for the year	1,700	4,592	6,807
Dividend declared	(25)	(555)	(673)
Foreign currency translation reserve	(160)	(100)	12
Fair value adjustment on investments	(37)	9	(22)
Capital contribution	33	-	-
Preliminary listing cost expensed	44	-	
Purchase of treasury shares	-	(238)	(1,574)
Purchase of subsidiary	-	-	5
Increase in share based compensation reserve	-	-	68
Business combinations	-	-	(122)
Balance at March 31	18,864	22,572	27,073
- Attributable to equity holders	18,670	22,372	26,853
- Minority interests	194	200	220

Notes to the summarised consolidated financial statements for the year ended March 31, 2005

Significant accounting policies

Basis of preparation

The Group has prepared summarised consolidated financial statements in conformity with International Financial Reporting Standards and in compliance with IAS34 Interim Financial Reporting.

The summarised financial statements are prepared on the historical cost basis, with the exception of certain financial instruments and share-based compensation which are measured at fair value. The Group's significant accounting policies are consistent with those applied in the previous financial year except for the following:

Adoption of certain International Financial Reporting Standards

The following revised and new standards have been early adopted for the year under review:

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The Group early adopted IFRS2 in the current year. The effect of the adoption of the standard in the current year is an increase of R68 million in employee expenses and R68 million in the share-based compensation reserve. There was no impact on the prior years as no grants were made prior to April 1, 2004.
The Group has also early adopted the following revised and new standards during the year under review. This has not impacted the Group's cash flow information, but impacted on the results and disclosure for the years ended March 31, 2005 and 2004.

IAS1 Presentation of Financial Statements
IAS2 Inventories
IAS8 Accounting Policies, Changes in Accounting Estimates and Errors
IAS10 Events after the Balance Sheet Date
IAS21 The Effects of Changes in Foreign Exchange Rates
IAS27 Consolidated and Separate Financial Statements
IAS28 Investments in Associates
IAS31 Interests in Joint Ventures
IAS32 Financial Instruments: Disclosure and Presentation
IAS33 Earnings per Share
IAS39 Financial Instruments: Recognition and Measurement
IFRS5 Non-current Assets Held for Sale and Discontinued Operations

Reclassifications
Certain comparative figures have been reclassified in accordance with current period classification and presentation. These reclassifications have no effect on the prior years' profit. The current period classification more closely resembles the nature of the transactions within the Group's operating structure. The principal reclassifications were as follows:
Interest received from debtors from investment income to other income;
Apportion Deferred revenue and Deferred expenses between current and long-term portions;
Deferred expenses from Trade and other receivables to Deferred expenses; and
Apportion Other financial assets and Other financial liabilities between current and long-term portions.

Change in accounting policies
The Group changed its accounting policies with respect to revenue recognition of mobile activation revenue and costs; minority interest (IAS27); goodwill translation (IAS21); and goodwill amortisation (IFRS3).

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Restatements

The Group has restated revenue relating to mobile equipment sales, deferred taxation and the sick leave liability as a result of incorrect application of GAAP in the past.

	2003	2004	2005
	Rm	Rm	Rm
Operating revenue	37,322	40,484	43,117
Fixed-line	29,106	30,443	30,844
Mobile	8,216	10,041	12,273
Fixed-line	29,106	30,443	30,844
Subscriptions, connections and other usage	4,595	5,024	5,316
Traffic	18,001	18,313	17,723
Domestic (local and long distance)	9,178	9,680	9,286
Fixed-to-mobile	7,539	7,321	7,302
International (outgoing)	1,284	1,312	1,135
Interconnection	1,587	1,441	1,319
Data	4,183	4,787	5,510
Directories and other	740	878	976

Change in comparatives

The Group restated its revenue relating to mobile equipment sales for the years ended March 31, 2004 with R311 million and 2003 with R185 million.

	2003	2004	2005
	Rm	Rm	Rm
Workforce reduction expenses	244	302	961

Telkom has continued to incur costs as a result of a plan to reduce the size of its workforce to a comparable level for international telecommunication companies. The total number of employees who left the company is 5,041 (2004: 1,633). These employees include management and operating staff. For 2,745 of the employees, March 31, 2005 was their last working day.

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	2003 Rm	2004 Rm	2005 Rm
Depreciation, amortisation, impairment and write-offs	6,499	7,248	6,288
Depreciation of property, plant and equipment	6,146	6,763	5,826
Depreciation of investment properties	-	2	2
Amortisation of intangible assets	148	133	116
Impairment of goodwill	16	-	-
Impairment of intangible assets	-	-	49
Impairment of property, plant and equipment	-	149	85
Write-offs of property, plant and equipment	189	201	210

In recognition of the changed usage patterns of certain items of property, plant and equipment, the Group reviewed their remaining useful lives in the current year. The assets affected were network equipment and data processing equipment and software. Accordingly, the Group revised the estimated useful lives of these assets from 5 to 7 years and 8 years respectively. As the prior period effects are not determinable, the estimated remaining useful lives of these assets were adjusted prospectively, which resulted in a decrease of the current year depreciation charge of R542 million.

	2003	2004	2005
Earnings per share			
Basic earnings per share (cents)	292.3	812.0	1,241.8

The calculation of earnings per share is based on profit attributable to equity holders of Telkom SA Ltd for the year of R6,724 million (2004: R4,523m, 2003: R1,628m) and 541,498,547 (2004: 556,994,962, 2003: 557,031,819) weighted average number of ordinary shares in issue.

	2003	2004	2005
Diluted earnings per share (cents)	292.3	812.0	1,239.40

The calculation of diluted earnings per share is based on earnings for the year of R6,724 million (2004: R4,523m, 2003: R1,628m) and 542,537,579 diluted weighted average number of ordinary shares (2004: 556,994,962, 2003: 557,031,819). The adjustment in the weighted average number of shares is as a result of the expected future vesting of shares already allocated to employees under the Telkom Conditional Share Plan.

	2003	2004	2005
Headline earnings per share (cents)	313.8	863.6	1,274.1

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The calculation of headline earnings per share is based on headline earnings of R6,899 million (2004: R4,809m, 2003: R1,748m) and 541,498,547 (2004: 556,994,962, 2003: 557,031,819) weighted average number of ordinary shares in issue.

	2003 Rm	2004 Rm	2005 Rm
Reconciliation between earnings and headline earnings:			
Earnings as reported	1,628	4,523	6,724
Adjustments:			
Profit on disposal of investment	(89)	(25)	(64)
Profit on disposal of property, plant and equipment	(15)	(19)	(30)
Impairment of assets	-	149	134
Write-offs of property, plant and equipment	189	201	210
Amortisation of goodwill	74	72	-
Impairment of goodwill	16	-	-
Tax and minority interest effects	(55)	(92)	(75)
Headline earnings	1,748	4,809	6,899
Diluted headline earnings per share (cents)	313.8	863.6	1,271.6

The calculation of diluted headline earnings per share is based on headline earnings of R6,899 million (2004: R4,809m, 2003: R1,748m) and 542,537,579 (2004: 556,994,962, 2003: 557,031,819) diluted weighted average number of ordinary shares in issue. The adjustment in the weighted average number of shares is as a result of the expected future vesting of shares already allocated to employees under the Telkom Conditional Share Plan.

	2003	2004	2005
Dividend per share (cents)	-	90	110

The calculation of dividend per share is based on dividends of R606 million (2004: R501m, 2003: RNil) declared on June 3, 2004 and 551,509,083 (2004: 557,031,819, 2003: 557,031,819) number of ordinary shares issued. The reduction in the number of shares represents the number of treasury shares held on date of payment.

	2003	2004	2005
Net asset value per share (cents)	3,351,7	4,039,4	5,033,7

The calculation of net asset value per share is based on net assets of R26,853 (2004: R22,372m, 2003: R18,670m) and 533,465,571 issued shares (2004: 553,846,083) (2003: 557,031,819).

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	2003	2004	2005
	Rm	Rm	Rm
Finance charges	4,201	3,264	1,695
Interest	2,869	2,488	1,686
Local debt	2,642	2,253	1,515
Foreign debt	375	303	281
Less: Finance costs capitalised	(148)	(68)	(110)
Foreign exchange gains and losses and fair value adjustments	1,332	776	9
Foreign exchange (gains)/losses	(761)	(368)	112
Fair value adjustments on derivative instruments	2,093	1,144	(103)

Change in comparatives
The Group changed its comparatives for fair value adjustments due to a change in accounting policy regarding minority interests for the year ended March 31, 2003 with R47 million.

	2003	2004	2005
	Rm	Rm	Rm
Additions to property, plant and equipment			
Freehold land and buildings	19	64	43
Leasehold buildings	41	59	-
Network equipment	2,479	1,524	1,787
Support equipment	341	140	121
Furniture and office equipment	22	10	10
Data and processing equipment and software	354	491	410
Under construction	2,416	2,968	3,407
Other	40	51	73
	5,712	5,307	5,851
Net cash and cash equivalents	837	2,796	2,301
Cash and bank balances	916	1,219	2,375
Short-term deposits	201	1,999	835
Cash shown as current assets	1,117	3,218	3,210
Credit facilities utilised	(280)	(422)	(909)
Undrawn borrowing facilities	3,018	2,995	4,750

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Share capital
Authorised and issued share capital and share premium are made up as follows:

Issued and fully paid	8,293	8,293	8,293
557,031,817 ordinary shares of R10 each	5,570	5,570	5,570
1 Class A ordinary share of R10	-	-	-
1 Class B ordinary share of R10	-	-	-
Share premium	2,723	2,723	2,723
Treasury shares	-	(238)	(1,812)

12,717,190 (2004: 3,185,736) and 10,849,058 (2004: Nil) ordinary shares in Telkom, with a fair value of R1,366 million (2004: R251m) and R1,166 million (2004: RNil) are currently held as treasury shares by its subsidiaries Rossal No 65 (Proprietary) Limited and Acajou Investments (Proprietary) Limited, respectively.

	2003 Rm	2004 Rm	2005 Rm
Interest bearing debt			
Long term interest bearing debt	17,453	12,703	9,504
Total interest bearing debt	22,212	16,754	14,003
Gross interest bearing debt	26,181	20,151	16,914
Discount on debt instruments issued	(3,969)	(3,397)	(2,911)
Less: -Current portion of interest bearing debt	(4,759)	(4,051)	(4,499)
Local debt	(4,527)	(3,628)	(264)
Locally registered Telkom debt instruments	(4,306)	(2,286)	-
Repurchase agreements	(167)	(27)	0
Commercial paper bills	(54)	(1,313)	(262)
Short-term interest free loans	-	(2)	(2)
Foreign debt	(225)	(408)	(4,210)
Finance lease	(7)	(15)	(25)
Commitments			
Capital commitments authorised	6,974	7,151	7,970
Fixed-line	4,977	4,566	5,029
Mobile	1,997	2,585	2,941

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Commitments against authorised capital expenditure	435	439	825
Fixed-line	104	88	91
Mobile	331	351	734
Authorised capital expenditure not yet contracted	6,539	6,712	7,145
Fixed-line	4,873	4,478	4,938
Mobile	1,666	2,234	2,207

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

Contingencies

Supplier dispute - Telcordia

No material changes since prior year.

Competition commission

No material changes since prior year.

Interception of Communications and Provisions of Communicationrelated Information Act ('the Act')

The Act was assented and published on January 22, 2003, but will only become effective at a future date which is currently uncertain. Due to the fact that certain provisions of the Act are still being finalised, a reliable estimate of capital and operating costs that will potentially be incurred in order to comply with the provisions of the Act cannot be estimated at this stage.

The Group exposure is 50% of the following items:

Service providers

The Vodacom Group has committed as part of its strategy to acquire its customer bases from certain independent service providers. Should all conditions be met, the Group's commitments in this regard are estimated at R1.2 billion.

Other

An offer to purchase a 51% stake in Cointel VAS (Proprietary) Limited for R112 million was made by the Vodacom Group during the year. The Group is currently awaiting Competion Commisssion approval.

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	2003 Rm	2004 Rm	2005 Rm
Segment information			
The inter-company transactions are reflected as net and are thus eliminated against segment results:			
Business Segment			
Consolidated operating revenue	37,322	40,484	43,117
Fixed line	29,542	30,906	31,414
To external customers	29,106	30,443	30,844
Intercompany	436	463	570
Mobile	9,705	11,428	13,657
To external customers	8,216	10,041	12,273
Intercompany	1,489	1,387	1,384
Elimination	(1,925)	(1,850)	(1,954)
Consolidated operating profit	6,680	9,245	11,222
Fixed line	4,516	6,626	7,979
Elimination	1,053	924	807
Mobile	2,164	2,619	3,243
Elimination	(1,053)	(924)	(807)
Consolidated finance charges	4,201	3,264	1,695
Fixed line	3,758	2,991	1,647
Mobile	485	284	48
Elimination	(42)	(11)	-
Profit for the year	1,628	4,523	6,724
Fixed line	823	4,054	6,493
Elimination	711	(137)	(893)
Mobile	1,105	1,519	1,931
Elimination	(1,011)	(913)	(807)

Related parties

Related party relationships exist within the Group. During the year all transactions were concluded at arm's length.

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	2003 Rm	2004 Rm	2005 Rm
With joint venture:			
Vodacom Group (Proprietary) Limited			
Related party balances			
Trade receivables	35	42	42
Trade payables	(253)	(250)	(250)
Related party transactions			
Income	(435)	(463)	(569)
Expenses	1,489	1,387	1,387
Audit fees	14	3	3
IPO costs	25	-	-
Interest received	(42)	(11)	-
With shareholder:			
Thintana Communications LLC			
Management fees	273	154	57
Government			
Revenue	(1,606)	(1,866)	(1,987)
Trade receivables	193	189	185
Employees			
Other receivables	126	114	102

Further related party disclosures are contained in the comprehensive financial statements.

Business combinations

On April 16, 2004, Vodacom acquired a 85.75% interest in the equity of Smartcom (Proprietary) Limited through its 51% owned subsidiary, Smartphone SP (Proprietary) Limited for R78 million (Telkom's 50% share: R40m).

On February 1, 2005, Vodacom acquired cellular business of Tiscali (Proprietary) Limited for R40 million (Telkom's 50% share: R20m).

The Vodacom Group has a 51% equity interest in Vodacom Congo (RDC) s.p.r.l. ('Vodacom Congo'), which commenced business on December 11, 2001. This investment is governed by a shareholders' agreement, which previously provided the minority shareholder with certain protective and participative rights and therefore, in terms of IAS31: Interests in Joint Ventures, Vodacom Congo was considered to be a joint venture resulting in it being proportionately consolidated in the financial statements for the year ended March 31, 2004.

During the current financial year a new shareholders' agreement was negotiated which removed these participative rights, resulting in

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Vodacom Congo now being controlled and considered to be a 51% owned subsidiary of Vodacom from April 1, 2004. Vodacom's interest in the company is consolidated from this date in accordance with IAS27: Consolidated and Separate Financial Statements.

Negative working capital

For the financial years ended March 31, 2005, 2004 and 2003 the Group's current liabilities are greater than current assets. Current liabilities will be financed from operating cash flows, new borrowings and existing credit facilities.

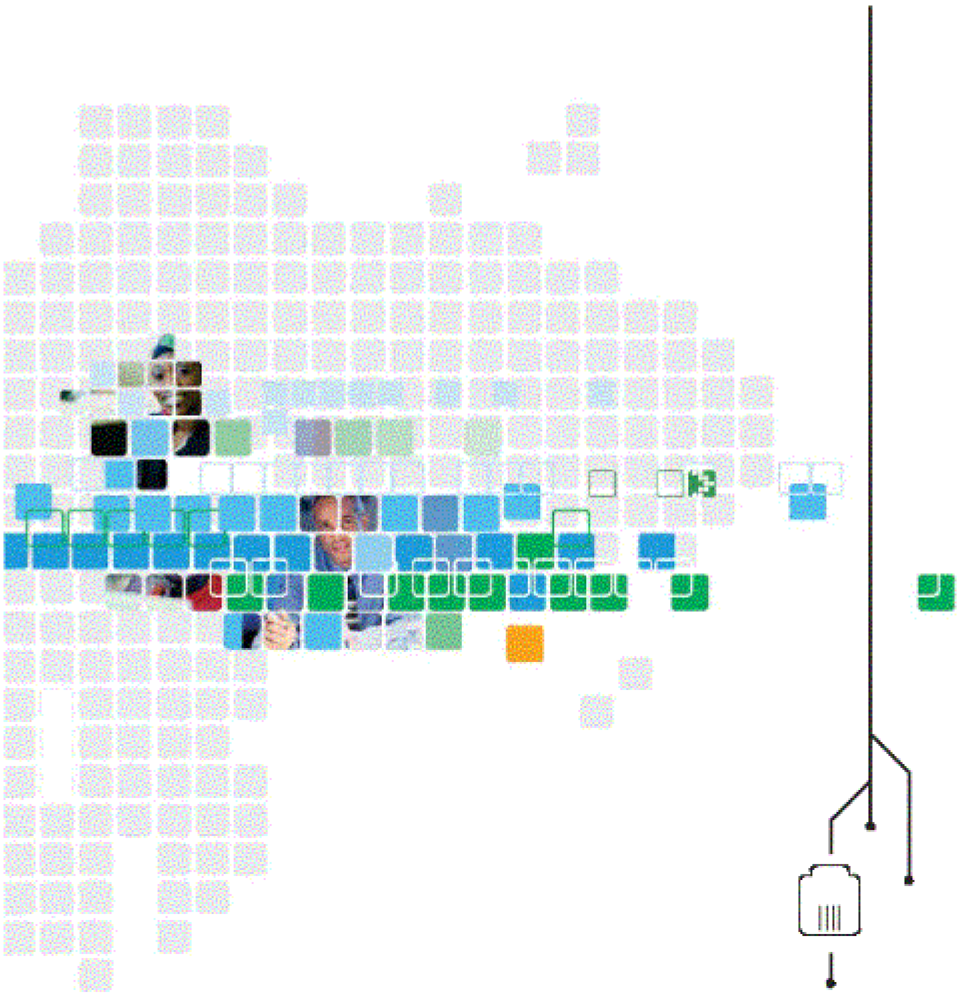
Subsequent events

Other than as disclosed elsewhere in this report the directors are not aware of any other matter or circumstance since the financial year end and the date of this report, not otherwise dealt with in the financial statements, which significantly affects the financial position of the Group and the results of its operations.

Special note regarding forward-looking statements

All statements contained herein, as well as oral statements that may be made by us or by officers, directors or employees acting on behalf of the Telkom Group, that are not statements of historical fact constitute "forward-looking statements" within the meaning of the US Private Securities Litigation Reform Act of 1995, specifically Section 27A of the US Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause our actual results to be materially different from historical results or from any future results expressed or implied by such forward-looking statements. Among the factors that could cause our actual results or outcomes to differ materially from our expectations are those risks identified under the caption "Risk Factors" contained in item 3 of Telkom's most recent annual report on Form 20-F filed with the U.S. Securities Exchange Commission (SEC) and our other filings with the SEC, available on Telkom's website at www.telkom.co.za/ir. You should not place undue reliance on these forward-looking statements. All written and oral forward-looking statements, attributable to us, or persons acting on our behalf, are qualified in their entirety by these cautionary statements. Moreover, unless we are required by law to update these statements, we will not necessarily update any of these statements after the date hereof either to conform them to actual results or to changes in our expectations.

EXHIBIT 99.3



Group annual results

for the year ended March 31, 2005

Telkom SA Limited

Registration number: 1991/005476/06, JSE and NYSE share
Symbol: TKG, ISIN: ZAE000044897

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This information is also available on Telkom's investor relations website
www.telkom.co.za/ir

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

Contacts

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1. **Highlights**

Johannesburg, South Africa - June 6, 2005, Telkom SA Limited (JSE and NYSE: TKG) announced group annual results, with strong performance across both business segments increasing both operating revenue and profit for the year ended March 31, 2005.

The company declared an annual dividend of 400 cents per share and a special dividend of 500 cents per share payable on July 8, 2005 for shareholders registered on July 1, 2005.

Group financial highlights for 2005

- 6.5% growth in operating revenue to R43,117 million
- 21.4% growth in operating profit to R11,222 million
- 40.6% group EBITDA margin
- 48.1% net debt decrease to R6,941 million, and debt to equity of 25.9%
- Headline earnings, per share increased by 47.5% to 1,274.1 cents per share
- Basic earnings per share increased by 52.9% to 1,241.8 cents per share
- Diluted headline earnings per share increased by 47.2% to 1,271.6 cents per share

Statement by Sizwe Nxasana, Chief Executive Officer:

“The Telkom Group has delivered strong performances in all spheres of its business, again displaying the ability to compete aggressively, defend and grow its market leadership and extract further efficiencies. Telkom has also invested significantly in its people and the sustainable development of its marketplace and despite a number of complex challenges has succeeded in creating significant value for all its stakeholders.

Telkom continued to build strength and flexibility into its financial base. Strong operating cash flows adequately covered capital expenditure requirements and allowed further debt to be repayment, resulting in a considerably strengthened balance sheet. This enabled the Group to repurchase shares and distribute a large proportion of controllable cash to shareholders.

Telkom's net profit growth was derived from the acceleration in the uptake of data services, robust growth in Vodacom's South African customers, efficiency gains and reduced finance charges. Increases in prices contributed an estimated R224 million or 10% of the R2.2 billion growth in net profit.

Telkom is steadily becoming a world-class operator and continues to deliver on its commitments as a leading driver of transformation and progress in South Africa. This all-round achievement reflects a business that I believe has found its balance.”

Proven ability to reach targets

The Group has delivered a strong performance for the financial year ended March 31, 2005, demonstrating management's ability to deliver on strategic objectives. Group operating revenue increased 6.5% to R43,117 million and operating profit increased 21.4% to R11,222 million. The group EBITDA margin declined slightly to 40.6% compared to 40.7% in the prior year primarily due to a substantial increase in workforce reduction expenses to R961 million (2004: R302 million) offset by cost reductions in the fixed-line business and expanded mobile margins.

Headline earnings per share grew 47.5% to 1274.1 cents per share and basic earnings per share grew 52.9% to 1241.8 cents. The strong growth in earnings was attributed to a 21.4% increase in operating profit and a 48.1% reduction in finance charges.

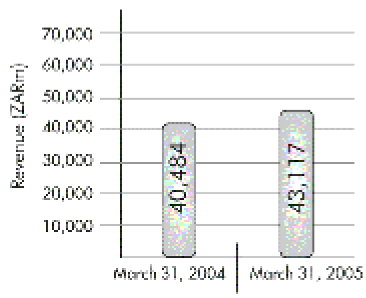
Cash from operating activities increased 13.2% to R15,711 million which facilitated capital expenditure of R5,880 million, the repayment of R3,870 million in debt and the repurchase of Telkom shares of R1,710 million. Net debt decreased 48.1% to R6,941 million. The balance sheet was strengthened with net debt to equity of 25.9% at March 31, 2005, below the announced targeted range of between 50% and 70%. The Group declared an annual dividend of 400 cents per share and a special dividend of 500 cent per share, payable on July 8, 2005 which will result in an adjusted net debt to equity ratio of 54.7%.

Summary group financial results

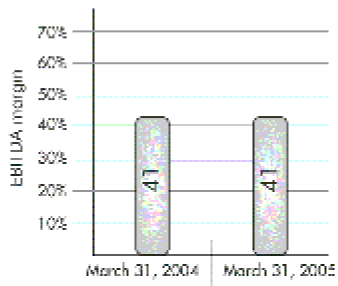
	Year ended March 31,		
In ZAR million	2004	**2005**	%
Revenue	40,484	**43,117**	6.5
Operating profit	9,245	**11,222**	21.4
EBITDA	16,493	**17,510**	6.2
Capital expenditure	5,307	**5,850**	10.2
Operating free cash flow	9,009	**10,034**	11.4
Net debt	13,362	**6,941**	(48.1)
Headline EPS (ZAR cents)	863.6	**1274.1**	47.5
Basic EPS (ZAR cents)	812.0	**1241.8**	52.9
DPS (ZAR cents) (Annual and Special)[1]	200.0	**90.0**	350.0
Operating profit margin (%)	22.8	**26.0**	
EBITDA margin (%)	40.7	**40.6**	
Net debt to equity (%)	59.7	**25.9**	
After tax operating return on assets (%)	16.9	**19.7**	
Capital expenditure to revenue (%)	13.1	**13.6**	

1. Includes dividends subsequent to the year ended March 31, 2005 of 90 cents per share (2004: 110 cents per share)

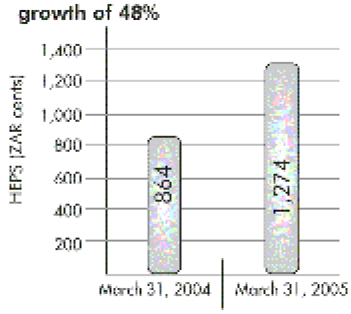
Solid group revenue growth of 7%



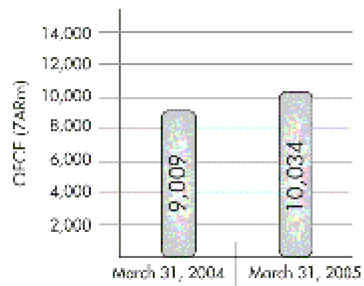
Maintained EBITDA margin



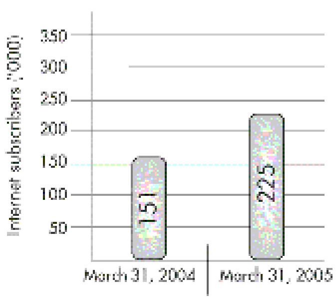
Headline earnings per share growth of 48%



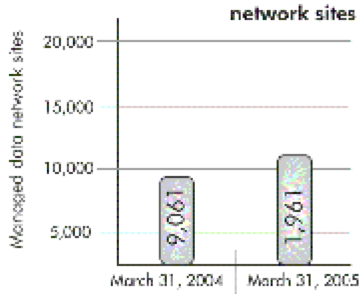
Strong operating free cash flow generation



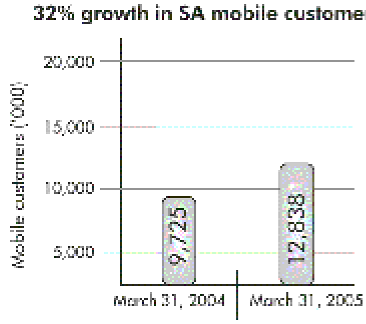
49% growth in Internet subscribers



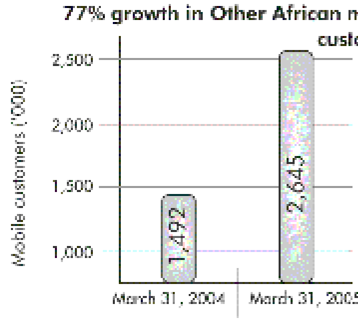
32% growth in managed data network sites



32% growth in SA mobile customers



77% growth in Other African mobile customers



Operational Data	Year ended March 31, 2004	**2005**	%
Fixed line-data			
Fixed access lines (thousands)[1]	4,821	**4,834**	0.3
Postpaid - PSTN	3,134	**3,058**	(2.4)
Postpaid - ISDN channels	656	**720**	9.8
Prepaid	855	**887**	3.7
Payphones	175	**169**	(3.4)
Fixed-line penetration rate (%)	10.4	**10.4**	
Revenue per fixed access line (ZAR)	5,169	**5,092**	(1.5)
Total fixed -line traffic (millions of minutes)	32,942	**31,706**	(3.8)
Local	20,547	**19,314**	(6.0)
Long distance	4,616	**4,453**	(3.5)
Fixed-to-mobile	3,980	**3,911**	(1.7)
International outgoing	427	**415**	(2.8)
International VoIP	25	**89**	256.0
Interconnection	3,347	**3,524**	5.3
Mobile interconnection	2,159	**2,206**	2.2
International interconnection	1,188	**1,318**	10.9
Managed data network sites	9,061	**11,961**	32.0
Internet subscribers[2]	150,767	**225,280**	49.4
ADSL customers	20,313	**58,532**	188.2
Fixed-line employees (excluding subsidiaries)	32,358	**28,972**	(10.5)
Fixed-line employees (including subsidiaries)	32,934	**29,544**	(10.3)
Fixed lines per fixed-line employee	149	**167**	12.1
Mobile data [3]			
Total customers (thousands)	11,217	**15,483**	38.0
South Africa			
Mobile customers (thousands)	9,725	**12,838**	32.0
Contract	1,420	**1,872**	31.8
Prepaid	8,282	**10,941**	32.1
Community services telephones	23	**25**	8.7
Mobile churn (%)	36.6	**27.1**	(26.0)
Contract	10.1	**9.1**	(9.9)
Prepaid	41.3	**30.3**	(26.6)
Mobile market share (%)	54	**56**	3.7
Mobile penetration (%)	39.2	**49.5**	26.3
Total mobile traffic (millions of minutes)	12,297	**15,014**	22.1
Mobile ARPU (ZAR)	177	**163**	(7.9)
Contract	634	**624**	(1.6)
Prepaid	90	**78**	(13.3)
Community services	2,155	**2,321**	7.7
Mobile employees	3,848	**3,918**	1.8
Mobile customers per mobile employee	2,527	**3,277**	29.7
Other African countries			
Mobile customers (thousands)	1,492	**2,645**	77.3
Mobile employees	761	**1,041**	36.8
Mobile customers per mobile employee	1,961	**2,541**	29.6

1. Includes Telkom internal lines of 108,521 (2004: 140,950)
2. Includes Telkom Internet ADSL and dial - up customers
3. 100% of Vodacom data

2. Operational Overview

Creating value

During the year ended March 31, 2005, the Group made good progress on its strategy to create value. This strategy is based on three key imperatives - customer growth and retention, operational excellence and sustaining marketplace development.

The fixed-line business posted modest growth in revenue of 1.6% as a result of low effective tariff increases and declining voice volumes. This was offset by the increasing adoption of data services in consumer and small and medium business markets. Significant progress was made in improving the competitiveness of the fixed-line segment through ongoing rationalisation, improving employee productivity and building a culture of innovation.

Driven by continued customer growth in South Africa and other African countries, the mobile business maintained its strong performance. Firmly remained the market leader in South Africa and achieved in South Africa and other African countries a substantial increase of 38.0% in customers and a high level of gross connections of 7.8 million. During the year Vodacom successfully launched its 3G Vodafone Live! services and the GPRS Blackberry product.

Driving greater adoption of data services across all markets

Telkom grew fixed-line data revenue by 15.6% during the year ended March 31, 2005. In the consumer and small business market, ADSL adoption accelerated as a result of extensive marketing campaigns, new lower speed ADSL products and reduced tariffs. These include the expansion of the Telkom Internet powered by ADSL-service with two reduced-cost, lower speed ADSL services, and the launch of a 4 Port Ethernet interface router and a 24-month ADSL contract bundled with a free modem. ADSL customers increased 188.2% to 58,532 and Telkom Internet subscribers grew 49.4% to 225,280, of which 10.2% are broadband customers. As a result of the substantial increase in ADSL customers, local fixed-line traffic decreased 6.0%. Excluding the loss of minutes to ADSL, local fixed-line traffic minutes increased by an estimated 4.5%. Telkom has partnered with Intel in trialling WiMAX enable future broadband demand to be captured, especially in areas where ADSL deployment is not feasible.

Telkom's drive to become the communications technology partner for corporate and business customers gained momentum as evidenced by the increasing penetration of value added data services such as data hosting and managed network care to corporate and business customers, resulting in 32% growth in managed data network sites.

Successful line retention

Telkom focused strongly on connecting and reconnecting fixed-line customers through discounted offers, targeted marketing campaigns and the prudent relaxing of selected credit management policies. These actions led to net a line growth of 1.0% (excluding Telkom internal lines). The 9.8% growth in ISDN channels was a major contributor to this result. Telkom is focused on offering value-for-money and is increasingly launching bundled minute packages and calling plans such as XtraTime and Surf Anytime.

Preparing for increased competition

In line with Telkom's strategy of delivering excellent service to customers at competitive prices, Telkom limited its overall tariff increases for its regulated basket to 0.2% in 2005, well below Government's target inflation range of between 3% and 6%. From January 1, 2005, international calls decreased on average by 28% with rates of R1.70 per minute (VAT inclusive) for major destinations like the United States, United Kingdom and Australia. Local peak calls increased by 5.5% to 40 cents per minute (VAT inclusive) and monthly prices for subscriptions increased by 6.3%. From August 1, 2005 Telkom's ADSL prices will have reduced by 40.4% for Business512 DSL, 29.9% for Home512 DSL and 20% for Home384 DSL since January 2005. Its recently introduced Home192 DSL will also reduce by 17.9% to R270 per month. Telkom has lowered its international private leased circuits (IPLC) prices by 23% in the financial year. From August 1, 2005 IPLC prices will be lowered by a further 28%. There is still a need to rebalance certain tariffs to eliminate any cross subsidisation and allow for effective competition in all areas going forward.

Future fit technology

Investment in the evolution of Telkom's network is a key imperative to transform Telkom from its Time Division Multiplex network to an Internet Protocol (IP)-based Next Generation Network. Telkom is trialling a converged, softswitching capability to support VoIP solutions which provide advanced call control, hosted IP telephony and IP PBX solutions. In the PBX arena, Telkom already has a comprehensive IP offering aligned to customer requirements. In addition, Telkom has established new VoIP presence in various international centres in an effort to attract global telecommunication traffic.

Operations Support Systems continued to drive productivity and efficiency gains. Ongoing progress in the areas of customer relationship management and service provisioning and assurance, have resulted in cost savings, improved customer service and increased efficiencies - especially in the automated workforce management arena.

Operational excellence

Telkom remains focused on improving customer service and customer satisfaction levels. During the year the company embarked on a country-wide drive to reposition and transform the company's customer service branches and TelkomDirect, into world-class retail outlets. At the same time, Telkom continued with the process of closing down non-viable outlets.

Despite some short-term service-related challenges in the fixed-line business in the last quarter of the financial year, Telkom managed to reduce the overall fault rate and improve repair times and installation rates. Bad weather conditions, with an extraordinary high level of lightening incidence, resulted in increased fault rates in the last 15 weeks of the financial year, which temporarily impacted on Telkom's service levels. However, subsequent to year end, the Company has taken corrective action to ensure improved service levels.

The field force team, which delivers service to customers, achieved significant savings through an 11.7% reduction in the vehicle fleet, reduced dispatches driven by a reduction in overall repeat faults, theft and breakage incidents.

Telkom achieved further optimisation of its property portfolio through the relocation of employees from leased properties to owned properties, improvements in overall space utilisation, and energy management programmes and the sale of several non-core properties.

Meaningful investments in our workforce

In a challenging business environment, the commitment, skills and experience of Telkom's employee base remains its most important competitive advantage. To maintain this leadership position and to align itself with changing market conditions and technology, Telkom has continued to invest substantially in building its skills base. During the period under review, R402 million (2004: R390 million) was spent on training and development of fixed-line employees, totaling 224,662 training days. There has been a dedicated effort on furthering technical skills training (100,658 days) and a continued focus on advanced leadership development programmes as well as specific programmes aimed at developing technical skills among female employees.

After conducting a comprehensive health profile in 2003 among its employees, Telkom has launched an integrated wellness programme, “Thuso” (Sotho for “Help”). The programme includes voluntary counseling, testing and treatment to combat HIV/Aids and to provide care to employees and their families in all these health-related needs.

Maintaining leadership in the mobile market in South Africa

Vodacom's exceptional performance and customer growth once again exceeded expectations, further demonstrating the robust growth of the cellular industry in South Africa and Vodacom's ability to maintain its leadership position in this market. Vodacom South Africa added gross connections of 6.2 million customers, the highest level ever and increased market share to an estimated 56%. Vodacom continued to focus on customer care and retention, which saw contract customer churn at 9.1%.

Vodacom grew data revenues by 28.8% to R1,340 million (Telkom's 50% share is R670 million), largely as a result of the strong growth in SMSs transmitted. The signing of the Vodafone Affiliate Partner agreement announced in November 2004 allowed Vodacom to launch the Vodafone Live! offering, giving a distinct competitive advantage in the mobile phone arena.

Over 2.5 million customers outside of South Africa

Vodacom grew its customer base in other African countries by 77.3% to 2.6 million (2004: 1.5 million). Despite a fiercely competitive environment, Vodacom Tanzania grew its customer base by 75.6% to 1.2 million and extended its market share to 59%, further entrenching its leadership position. Vodacom Congo maintained its market share at 47% and grew its customer base to 1 million and expects substantial growth from this market going forward given the low level of mobile penetration. The investment in Mozambique is slowly making inroads with 265,000 customers.

The regulatory environment

In September 2004 the Minister of Communications, Dr Matsepe-Casaburri, made new policy announcements in terms of further deregulating the market. The Minister stated that the rationale for the acceleration of competition in certain segments is to stimulate growth in the ICT sector and reduce the cost of telecommunications.

In summary the new policy announcements address 5 key areas:

- The self provision of facilities by the mobile operators;
- The expansion of licensing for the provision of payphone services;
- The carrying of voice by value added network service providers (VANS);
- Telkom no longer being the sole provider of facilities to VANS; and
- The resale of Private Telecommunication Network facilities.

On January 31, 2005, the Minister clarified her intentions by stating that VANS operators are not permitted to self provide telecommunications facilities. On May 20, 2005, ICASA published regulations for VANS detailing the licence fees, empowerment requirements, application process and fees.

There are currently different views as to whether VANS operators will be allowed to provide Voice Over Internet Protocol or VoIP, to the general public or only to their own customers to whom they provided value added data services.

In September 2004, the Minister of Communications granted a license to a second national operator that will be 30% owned by Transtel and Esitel which are beneficially owned by the South African Government. 19% owned by Nexus Communication a black empowerment consortium, 12.5% to each of Communitel and Two Telecom and the remaining 26% by VSNL, a member of the TATA Group. ICASA is in the process of issuing this licence.

Regulations on interconnection and facilities leasing are still awaiting approval. While there are several network access issues to be resolved, we believe the Telecommunications Act does not allow for unbundling of the local loop for at least 2 years from the date the SNO is licensed.

In terms of the Telecommunications Act, Telkom was required to present the results of its retail and wholesale activities to ICASA, using a specific cost allocation methodology set out in a Chart of Accounts and Cost Allocation Manual (COA/CAM). Telkom delivered its audited regulatory financial statements to ICASA by the due date of September 30, 2004.

On November 8, 2004 a Government Gazette was issued with the proposed changes to Telkom's price control regulation and inviting comments on the proposal. A final regulation was submitted to the Minister by ICASA in May 2005. If the Minister approves the regulation by June 20, 2005, Telkom expects to file its tariffs in accordance with the new regulation to be effective from August 1, 2005.

The Convergence Bill was tabled in Parliament in March 2005. The Portfolio Committee on Communications invited written comments in April and will conduct public hearings from May 24 to June 24, 2005. Telkom is scheduled to make an oral presentation to the Committee on June 14, 2005.

The main stated objective of the legislation is to promote convergence in the broadcasting, broadcasting signal distribution and telecommunications sectors, and to provide the legal framework for convergence of these sectors. The primary provision of the Bill is the introduction of a new "horizontal" licensing regime, where a number of separate licenses will be issued for network infrastructure, communications services and application/content services. Individual licenses will be granted for network infrastructure, broadcasting services and frequency spectrum. Class Licences will be granted for communications and applications service using the communications infrastructure.

Telkom has several concerns with the proposed legislation. Many of the stakeholders that have made written submission also expressed similar concerns in their submissions to the Portfolio Committee.

Broad-based Black Economic Empowerment (BEE)

As a South African company, BEE is an important growth imperative for Telkom. The Group recognises the need for the creation of a sustainable marketplace by enlarging the domestic market to support ongoing revenue and profit growth.

During the year ended March 31, 2005, Telkom directed R5.2 billion (2004: R4.6 billion) to BEE suppliers, representing 61.9% of the Company's total procurement spend. The amount spent on black small, medium and micro enterprises (SMMEs) to provide core and non-core services totaled R901 million (2004: R719 million). During the year Telkom trained 1,370 suppliers (2004: 905) in categories ranging from tender courses to basic business management. A special fund for capacity-building initiatives has been created under the direction of the Chief Executive Officer.

For 2005, the second consecutive year, Telkom was ranked by Financial Mail and Empowerdex as the most empowered company amongst the top 185 companies on the JSE.

Telkom and Vodacom were actively involved in the development of the BEE Charter (Charter) for the ICT sector. A final draft was sent to the Minister of Communications in May 2005 and it is in the process for Cabinet approval. Under the Charter Telkom believes it would be considered a “good contributor” to broad-based BEE. Telkom's BEE objective is to be considered an excellent contributor to broad-based BEE in South Africa and has identified the areas of equity ownership, preferential procurement and skills development as focus areas. The Charter sets the equity ownership target at 30% which excludes Government shareholding in the calculation and a 20% free float exclusion for listed companies. The Charter further states that if R7.5 billion of the equity is BEE owned, the company will be fully compliant in the equity category. Based on these criteria, Telkom estimates that approximately 12% of the company should be BEE owned for it to be fully compliant.

Share repurchase, employee share ownership and dividends

In the year ended March 31, 2005, the Company had repurchased 20.4 million shares amounting to R1.6 billion (including costs) which are currently being held as treasury shares and for purposes of the Telkom Conditional Share Plan (TCSP). In August 2004, 3.0 million shares were granted to employees through the TCSP.

The Telkom board of directors declared an annual dividend of 400 cents per share and a special dividend of 500 cents per share on June 2, 2005, payable on July 8, 2005 for shareholders registered on July 1, 2005.

The Board aims to pay an increasing dividend annually. The level of dividend will be based upon a number of factors, including the assessment of financial results, available growth opportunities and capital requirements, the group's debt level, interest coverage and future expectations, including internal cash flows.

Strategic direction

Telkom's turnaround is largely complete, and its operations and financial base have been stabilised. It has rewarded its shareholders for backing an ambitious vision to be a world-class operator, and management's ability to realise this vision. To support long-term profitable growth, Telkom has continued to play a central role in the socio-economic transformation of South Africa.

The accelerated liberalisation of the market, in particular the implications of the Convergence Bill, in draft stage at the time of writing, is clearly material to Telkom's strategic intentions. Telkom believes that it is strongly positioned to compete in a liberalised market. Greater choice for consumers will also supply a relevant and credible basis for comparison, and Telkom believes that it will prove to be competitive on this basis.

To ensure that Telkom can sustain the creation of value relative to developments in its dynamic market environment, management have determined certain shifts in strategic emphasis. Telkom's vision is to be a leading communications provider with a heart for our people. This means that Telkom has chosen to increase its focus on growth opportunities while continuing to balance the needs of all stakeholders - in essence, to pursue leadership in all spheres of its business.

Telkom will focus on the following imperatives to support growth:

- By moving to a predominantly IP based network, Telkom will have the ability to offer converged services such as voice, data and video services, thereby meeting the advancing needs of existing customers and attracting new customers. Significant investment in the network will be required to support the ramp-up of ADSL.
- Expanding our VAN/IT/ISP services to win a larger market share and become the leading ISP and VAN provider in South Africa. This will require investment in IT and IP skills.
- Becoming a wholesale provider of choice by providing access to our high quality network at competitive prices.
- Continuing to benefit from our investment in Vodacom to provide robust mobile customer growth. Management believes that the mobile market in South Africa will remain vibrant with good growth prospects.
- Although it is clear that significant potential for growth exists in Africa, Telkom will evaluate any acquisitive opportunities as they arise, using stringent criteria particularly in terms of their value accretive prospects.

The realisation of Telkom's strategic intentions ultimately lies in the hands of Telkom's people. Product, service and operational innovation vests mostly in people. As such, Telkom has committed to invest significantly in its people as the drivers of innovation, excellence and growth.

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

Telkom has a strong, capable and diverse management team with a clear sense of direction, and it stands ready for a new and exciting phase of development.

3. Group performance

Group operating revenue

Group operating revenue increased 6.5% to R43,117 million (2004: R40,484 million) for the year ended March 31, 2005. Fixed-line operating revenue, after inter-segmental eliminations, increased 1.3% to R30,844 million primarily due to solid growth in data services revenue and increased subscription and connection revenue. Mobile operating revenue, after inter-segmental eliminations, increased 22.2% to R12,273 million primarily due to customer growth.

Group operating expenses

Group operating expenses increased 2.2% to R32,175 million (2004: R31,494 million) for the year ended March 31, 2005 due to a 17.9% increase in operating expenses in the mobile segment to R9,870 million (after inter-segmental eliminations). This was partially offset by a 3.5% decrease in the fixed-line operating expenses to R22,305 million (after inter-segmental eliminations) primarily due to reduced depreciation, amortisation, impairment and write-offs, services rendered, payments to other operators and operating leases, partially offset by an increase in employee expenses as a result of the R961 million (2004: R302 million) workforce reduction expense.

Investment income

Investment income consists of interest received on, short-term investments and bank accounts. Investment income increased 8.7% to R350 million (2004: R322 million) largely as a result of higher interest received due to higher average balances held in investment and bank accounts. Investment income has been reclassified to exclude interest on trade and other receivables, which is included in “other income”.

Finance charges

Finance charges include interest paid on local and foreign borrowings, amortised discounts on bonds and commercial paper bills, fair value gains and losses on financial instruments and foreign exchange gains and losses. Finance charges decreased 48.1% to R1,695 million (2004: R3,264 million) due to a 32.2% decrease in interest expense to R1,686 million (2004: R2,488 million) resulting from lower balances on local loans and a significant decrease in group net fair value and exchange losses on financial instruments of R9 million (2004: R776 million) as a result of a relatively stable currency.

Taxation

Consolidated tax expenses increased 79.4% to R3,070 million (2004: R1,711 million) for the year ended March 31, 2005. The consolidated effective tax rate for the year ended March 31, 2005 was 31.1% (2004: 27.2%). Telkom's effective tax rate was 20.6% (2004: 15.6%). The higher effective tax rate for Telkom Company in the year ended March 31, 2005 was primarily due to the lower exempt income and deferred tax on Secondary Taxation on Companies credits in the current year. Telkom is in a tax paying position for the current year and taxes of R1,331 million are payable by August 2005. Vodacom's effective tax rate was 40.2% (2004: 36.1%). The higher effective tax rate for Vodacom is largely as a result of the Secondary Taxation on Companies paid on the dividends declared by Vodacom.

Profit for the year

Profit for the year increased 48.2% to R6,807 million (2004: R4,592 million) for the year ended March 31, 2005.

Group basic earnings per share increased 52.9% to 1,241.8 cents (2004: 812.0 cents) and group headline earnings per share increased 47.5% to 1,274.1 cents (2004: 863.6 cents).

4. **Group balance sheet**

Solid operating performance across the Group combined with strict cost discipline and debt repayment has resulted in a strengthened balance sheet. Net debt, after financial assets and liabilities, decreased 48.1% to R6,941 million (2004: R13,362 million).

The strengthened balance sheet at March 31, 2005, resulted in a net debt to equity ratio of 25.9% from 59.8% at March 31, 2004. The Group intends to maintain a net debt to equity targeted range of between 50% and 70% by increasing distributions to shareholders in the form of dividends and share buy-backs while maintaining financial flexibility for potential growth opportunities. During the year ended March 2005, 20.4 million shares were repurchased for R1,574 million and the annual and special dividend totaling R5,013 million will be paid on July 8, 2005 for shareholders registered on July 1, 2005.

Interest bearing debt, including credit facilities utilised, decreased 13.2% to R14,912 million (2004: R17,176 million) in the year ended March 31, 2005. The Group's repayments in the year ended March 31, 2005 included a repayment of R2,299 million of the Telkom TL08 local bond. In April 2005, the Euro 500 million loan was settled and refinanced in the local debt markets.

Telkom remains committed to maintaining its investment grade credit ratings. In July 2004, Moody's upgraded Telkom's rating from Baa3 to Baa1, with a stable outlook. S&P's rating was also upgraded to BBB from BBB-.

5. **Group cash flow**

Cash flows from operating activities increased 13.2% to R15,711 million (2004: R13,884 million) primarily due to increased operational cash flows and decreased finance charges paid, offset in part by the increased taxation paid. Cash flows utilised in investing activities increased 16.3% to R6,306 million (2004: R5,423 million) primarily due to increased capital expenditure in both the mobile and fixed-line segments and an increased contribution to the investment vehicle for purposes of funding the post retirement medical aid liability. Cash utilised in financing activities increased significantly as a result of the R1,710 million utilised for the repurchase of shares and the investment of R3,768 million in short-term repurchase agreements in the South African money and capital markets.

Summary

	Year ended March 31,		
In ZAR million	2004	**2005**	%
Cash generated from operations	15,770	**18,159**	15.2
Cash from operating activities (after tax, interest, dividends)	13,884	**15,711**	13.2
Investing activities	(5,423)	**(6,306)**	16.3
Financing activities	(6,481)	**(9, 897)**	52.7
Net increase / (decrease) in cash	1,980	**(492)**	(124.8)

EBITDA minus capital expenditure

	Year ended March 31,		
In ZAR million	2004	**2005**	%
Fixed-line	8,747	**8,608**	(1.6)
Mobile	2,439	**3,052**	25.1
Group	11,186	**11,660**	4.2

6. **Group capital expenditure**

Group capital expenditure increased 10.2% to R5,850 million (2004: R5,307 million) and represents 13.6% of group revenue (2004: 13.1%) in line with the Group's announced guidance of maintaining capital expenditure in the range of 12% to 15% of group revenue.

Consolidated capital expenditures in property, plant and equipment for the 2006 financial year is budgeted to be R7,204 million, of which R5,037 million is budgeted to be spent in the fixed-line segment and R2,167 million in the mobile segment of (50% share of Vodacom's total budgeted capital expenditure of R4,333 million). It is Telkom's Group's policy to hedge all foreign denominated purchases.

Fixed-line capital expenditure

	Year ended March 31,		
In ZAR million	2004	2005	%
Base expansion and core support	1,632	1,902	16.5
Network evolution	668	729	9.1
Efficiencies and improvements	1,201	1,177	(2.0)
Company support and other	361	295	(18.3)
	3,862	4,103	6.2

Fixed-line capital expenditure increased 6.2% to R4,103 million (2004: R3,862 million) and represents 13.1% of fixed-line revenue (2004: 12.5%). Baseline expansion and core support capital expenditure of R1,902 million (2004: R1,632 million) was largely for the deployment of technologies to support the growing data services business and expenditure for access line deployment in selected high growth residential areas. The continued focus on rehabilitating the access network and increasing the efficiencies and redundancies in the transport network as well as the trialling of national softswitching capabilities contributed to the network evolution capital expenditure of R729 million (2004: R668 million).

Telkom continues to focus on its operations support system investment with current emphasis on workforce management, provisioning and fulfillment, assurance and customer care to improve customer service and enhance operational efficiencies. The second and third phases of the Work Force Management project will be rolled out during the 2006 financial year. In addition, the operational efficiencies will be greatly enhanced, with the implementation of Customer Management for Selected Segments and the introduction of Order Handler.

Mobile capital expenditure

	Year ended March 31,		
In ZAR million	2004	**2005**	%
South Africa	829	**1,394**	68.2
Other African countries	616	**353**	(42.7)
	1,445	**1,747**	20.9

The table above represents the consolidated 50% of Vodacom's capital expenditure which includes 100% of Vodacom Congo for the year ended March 31, 2005 and 51% in prior year.

Mobile capital expenditure (50% of Vodacom's capital expenditure) increased 20.9% to R1,747 million (2004: R1,445 million) and represents 12.8% of mobile revenue (2004: 12.6%) as a result of increased investment in South Africa for increased traffic and investment in 3G technologies. The decrease in capital expenditure in Other African countries is largely as a result of the lower investment in Mozambique.

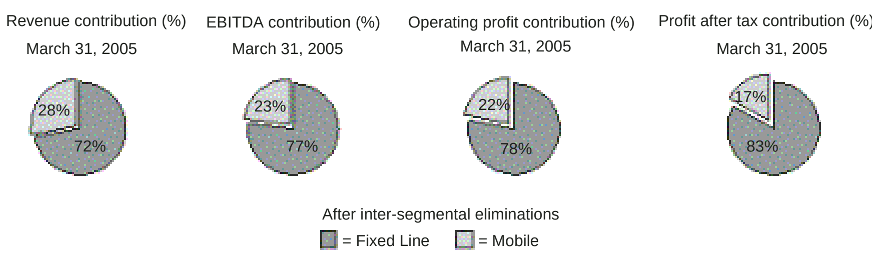
7. **Segment performance**

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

Vodacom's results are proportionately consolidated into the Telkom Group's consolidated financial statements. This means that we include 50% of Vodacom's results in each of the line items in the Telkom Group's consolidated financial statements. The year ended March 31, 2004, includes the proportionally consolidated 51% of Vodacom in Congo. Effective April 1, 2004 Vodacom Congo is fully consolidated after certain clauses which granted their minority shareholder certain rights have been removed from the shareholders agreement. Telkom Directory Services, Swiftnet, and the subsidiaries used for the repurchase of shares, Rossal No. 65 and Acajou are fully consolidated in the Telkom Group's consolidated financial statements.

Summary

	Year ended March 31,		
In ZAR million	2004	**2005**	%
Operating revenue	40,484	**43,117**	6.5
Fixed-line	30,906	**31,414**	1.6
Mobile	11,428	**13,657**	19.5
Inter-segmental eliminations	(1,850)	**(1,954)**	
Operating profit	9,245	**11,222**	21.4
Fixed-line	6,626	**7,979**	20.4
Mobile	2,619	**3,243**	23.8
Operating profit margin	22.8	**26.0**	
Fixed-line	21.4	**25.4**	
Mobile	22.9	**23.7**	
EBITDA	16,493	**17,510**	6.2
Fixed-line	12,609	**12,711**	0.8
Mobile	3,884	**4,799**	23.6
EBITDA margin	40.7	**40.6**	
Fixed-line	40.8	**40.5**	
Mobile	34.0	**35.1**	
Finance charges	3,264	**1,695**	(48.1)
Fixed-line	2,991	**1,647**	(44.9)
Mobile	284	**48**	(83.1)
Inter-segmental eliminations	(11)	**-**	



8. **Fixed-line segment**

The fixed-line segment accounted for 71.5% (2004: 75.2%) of group operating revenues (after inter-segmental eliminations) and 78.4% (2004: 81.7%) of group operating profit at March 31, 2005.

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

Summary

	Year ended March 31,		
In ZAR million	2004	**2005**	%
Revenue	30,906	**31,414**	1.6
Operating profit	6,628	**7,979**	20.4
EBITDA	12,609	**12,711**	0.8
Capital expenditure	3,863	**4,103**	6.2
Operating profit margin (%)	21.4	**25.4**	
EBITDA margin (%)	40.8	**40.5**	
Capex to revenue(%)	12.5	**13.1**	

Fixed-line operating revenue

	Year ended March 31,		
In ZAR million	2004	**2005**	%
Subscriptions and connections	5,024	**5,316**	5.8
Traffic	18,313	**17,762**	(3.0)
Local	5,910	**5,746**	(2.8)
Long distance	3,770	**3,579**	(5.1)
Fixed-to-mobile	7,321	**7,302**	(0.3)
International outgoing	1,312	**1,135**	(13.5)
Interconnection	1,643	**1,552**	(5.5)
Mobile operators[1]	697	**754**	8.2
International operators	946	**798**	(15.6)
Data	5,023	**5,808**	15.6
Leased lines and other data	4,114	**4,752**	15.5
Mobile leased facilities[2]	909	**1,056**	16.2
Directories and other	903	**976**	8.1
	30,906	**31,414**	1.6

1. Interconnection includes revenue from Vodacom of R465 million (2004: R417 million), of which 50% is eliminated on consolidation.

2. Data includes revenue from Vodacom of R562 million (2004: R466 million), of which 50% is eliminated on consolidation.

Operating revenue from the fixed-line segment, before inter-segmental eliminations, increased 1.6% to R31,414 million (2004: R30,906 million) primarily due to strong growth in data services revenue and increased subscription and connection revenue, partially offset by a decline in traffic and interconnection revenue.

Subscription and connections revenue grew 5.8%, largely as a result of a 1.0% increase in external access lines, increased tariffs, increased sales of customer premises equipment, including PABX, and penetration of higher value-added services. During the year Telkom decreased internal lines to 108,521 (2004: 140,950).

Traffic revenue decreased 3.0% as a result of the acceleration of broadband adoption and the resultant loss of internet dial-up minutes as well as the increasing substitution of calls placed using mobile services rather than fixed-line services. Traffic minutes, including traffic but excluding interconnection traffic, decreased 4.8% to 28,182 million minutes (2004: 29,595 million minutes).

Interconnection revenue decreased 5.5% largely as a result of a decrease of 15.6% in international interconnection revenue due to the appreciation of the Rand during the period, partially offset by a 10.9% increase in international interconnection traffic minutes of 1,318 million minutes (2004: 1,188 million minutes). Mobile interconnection revenue increased 8.2% to R754 million (2004: R697 million) due to tariff increases and increased interconnection traffic from mobile operators.

Data revenue increased 15.6% mainly due to higher demand for data services, including ADSL, with leased line revenue increasing 15.5% and mobile leased facilities revenue increasing 16.2% primarily due to the links required for the rollout of 3G networks by the mobile operators.

Fixed-line operating expenses

	Year ended March 31,		
In ZAR million	2004	**2005**	%
Employee expenses	6,743	**7,285**	8.0
Salaries and wages	4,795	**4,785**	(0.2)
Benefits	2,161	**2,110**	(2.4)
Workforce reduction expense	302	**961**	218.2
Employee related expenses capitalised	(515)	**(571)**	10.9
Payments to other network operators[1]	6,063	**5,896**	(2.8)
Payment to mobile operators	5,041	**5,059**	0.4
Payment to international operators	1,022	**837**	(18.1)
SG&A	2,640	**3,045**	15.3
Materials and maintenance	1,623	**1,754**	8.1
Marketing	306	**360**	17.6
Bad debts	228	**168**	(26.3)
Other	483	**763**	58.0
Services rendered	2,202	**1,976**	(10.3)
Property management	1,164	**1,068**	(8.2)
Consultants and security	1,038	**908**	(12.5)
Operating leases	879	**756**	(14.0)
Depreciation, amortisation impairment and write-offs	5,983	**4,732**	(20.9)
	24,510	**23,690**	(3.3)

1. Payments to other network operators include payments made to Vodacom of R2,761 million (2004 R2,764 million), 50% is eliminated on consolidation.

Fixed-line operating expenses, before inter-segmental eliminations, decreased 3.3% in the year ended March 31, 2005 to R23,690 million (2004: R24,510 million), primarily due to lower depreciation, amortisation, impairment and write-offs, services rendered, payments to other operators and operating leases. The decrease was partially offset by increased employee expenses and selling, general and administrative expenses.

Employee expenses increased 8.0% largely due to increased workforce reduction expenses to R961 million (2004: R302 million) and an 8.0% wage increase, for bargaining unit employees and 5% for management, partially offset by a 10.5% reduction in headcount. Workforce reduction expenses increased substantially relating to 5,041 employees who left Telkom in the year ended March 31, 2005 or shortly thereafter compared to 1,633 in the year ended March 31, 2004.

Payments to other network operators decreased 2.8% as a result of lower payments to international operators. Payments to mobile operators increased 0.4% largely as a result of tariff increases offset by a 1.7% decrease in fixed-to-mobile traffic. Payments to international operators decreased 18.1% primarily due to the strength of the Rand against the SDR, the notional currency in which international traffic settlements rates are determined, lower international settlement rates and a reduction in international outgoing traffic.

Selling, general and administrative expenses increased 15.3% as a result of the reversal of the provision for the Telcordia dispute of R356 million in the prior year which lowered selling general and administrative expenses in that year and higher materials and maintenance expenses. The increase in materials and maintenance expenses was largely as a result of higher import duties payable on software licence fees, offset by lower incidence of theft and faults in the network.

Services rendered decreased 10.3% with property management expenses decreasing 8.2% as a result of the optimisation of properties and improved efficiencies in property management. Consultants and security costs decreased 12.5% primarily as a result of the lower fees paid to Thintana due to less personnel and a more favourable exchange rate. The Thintana service agreement was terminated in November 2004.

Operating leases decreased 14.0% as a result of an 11.7% reduction in the vehicle fleet from 11,849 vehicles at March 31, 2004 to 10,458 vehicles at March 31, 2005 and the continued reduction in building leases as a result of the space optimisation programme where employees have been relocated from leased premises to owned premises.

Depreciation, amortisation, impairment and write-offs decreased 20.9% to R4,732 million (2004: R5,983 million) largely as a result of extending the useful lives of certain IT software and hardware assets, as well as the impairment of the ICO asset in the prior year and other assets approaching the end of their usefull lives.

Fixed-line operating profit increased 20.4% to R7,979 million (2004: R6,626 million) with an operating profit margin of 25.4% (2004: 21.4%). EBITDA increased 0.8% to R12,711 million (2004: R12,609 million) with EBITDA margins decreasing to 40.5%. (2004: 40.8%).

9. **Mobile segment**

The mobile segment accounted for 28.5% of group operating revenue (2004: 24.8%) (after inter-segmental eliminations) and 21.7% of group operating profits in the year ended March 31, 2005. (2004: 18.3%). Vodacom's operational statistics are presented below at 100%, but all financial figures represent the 50% that is proportionately consolidated in the Group and presented before inter-segmental eliminations.

Summary

	Year ended March 31,		
In ZAR million	2004	**2005**	%
Operating revenue	11,428	**13,657**	19.5
Operating profit	2,619	**3,243**	23.8
EBITDA	3,884	**4,799**	23.6
Capital expenditure	1,445	**1,747**	20.9
Operating profit margin (%)	22.9	**23.7**	
EBITDA margin (%)	34.0	**35.1**	
Capex to revenue (%)	12.6	**12.8**	

The table above includes 100% of Vodacom Congo for the year ended March 31, 2005 and 51% in the prior year.

Mobile operating revenue

	Year ended March 31,		
In ZAR million	2004	**2005**	%
Airtime[1]	6,369	**8,096**	27.1
Data	520	**670**	28.8
Interconnection[2]	2,892	**2,962**	2.4
Equipment sales[3]	1,137	**1,344**	18.2
International services	330	**444**	34.5
Other sales	180	**141**	(21.7)
	11,428	**13,657**	19.5

The table above includes 100% of Vodacom Congo for the year ended March 31, 2005 and 51% in the prior year.

1. The change in accounting for mobile activation revenue and costs in line with International Financial Reporting Standards has resulted in the restatement of the comparative figures for airtime revenue to reflect the deferral of activation revenue and related cost.
2. Interconnection includes revenue from Telkom fixed line of R1,385 million (2004: R1,387 million), which is eliminated on consolidation.
3. Equipment sales has been restated to correct intercompany equipment sales that were previously not eliminated on consolidation.

Operating revenue from the mobile segment increased 19.5%, before inter-segmental eliminations, to R13,657 million (2004: R11,428 million) primarily driven by customer growth. Revenue from Vodacom's operations outside of South Africa as a percentage of Vodacom's total mobile operating revenue increased to 8.3% (2004: 6.5%) to R2,271 million (2004: R1,497 million). The strengthening of the Rand against the dollar by 1.6% in the year ended March 31, 2005, compared to the prior year, resulted in a negative impact on the translation of Vodacom's revenue from other African countries.

The growth in revenue can largely be attributed to a 38.0% increase in Vodacom's total customers to 15,483 million as of March 31, 2005, (2004: 11,217 million) resulting from strong growth in prepaid and contract customers in South Africa and 77.3% growth in customers outside of South Africa. In South Africa, total average monthly revenue per user (ARPUs) decreased 7.9% to R163 (2004: R177). Contract ARPUs decreased 1.6% to R624 (2004: R634) and prepaid ARPUs decreased 13.3% to R78 (2004: R90).

Vodacom's continued implementation of upgrade and retention policies in the period ended March 31, 2005, ensured a decrease in contract churn to 9.1% (2004: 10.1%). The prepaid churn of 30.3% (2004: 41.3%) remains higher than the contract churn as it is associated with the nature of the South African prepaid market, characterised by low acquisition costs due to flexibility required to be able to access services when the customer has disposable income. The decrease in pre-paid churn is largely as a result of a change in business rules. As of June 1, 2003, any 4U connection for which the network recorded no revenue generating activity for a period of 90 consecutive days was deleted from the network. Subsequently, as of December 1, 2003, aligning with industry standards, any Vodago or 4U connection for which the network records no revenue generating activity in a period of 215 consecutive days is deleted.

Data revenue increased 28.8% and represents 4.9% (2004: 4.6%) of mobile revenue. The growth was largely due to the 25.2% growth in SMSs to 2.4 billion transmitted in South Africa.

Mobile interconnection revenue increased by 2.4% primarily due to an increase in the number of calls terminating on Vodacom's network as a result of the increased number of Vodacom's customers and South African mobile users. Equipment sales increased 18.2% primarily due to the increased uptake in new handsets in South Africa driven by cheaper Rand prices for MMS, GPRS and camera capable handsets.

Vodacom's international revenue is largely international calls by Vodacom's customers, roaming revenue from Vodacom customers making and receiving calls while abroad and revenue from international customers roaming on Vodacom's network. International revenue increased 34.5% as a result of increased international airtime in Vodacom Congo and Vodacom South Africa. The increase in South Africa international airtime was offset by the strengthening of the Rand against the trade-weighed basket of international currencies.

Mobile operating expenses

	Year ended March 31,		
In ZAR million	2004	**2005**	%
Employee expenses	666	**826**	24.0
Payments to other operators[1]	1,495	**1,826**	22.1
SG&A [2]	5,121	**5,888**	15.0
Services rendered	21	**45**	114.3
Operating leases[3]	266	**307**	15.4
Depreciation, amortisation, impairment and write offs	1,265	**1,556**	23.0
	8,834	**10,448**	18.3

The table above includes 100% of Vodacom Congo for the year ended March 31, 2005 and 51% in the prior year.

1. Payments to other operators includes payments to Telkom fixed-line of R233 million (2004: R209 million), which are eliminated on consolidation.
2. Selling, general and administrative has been restated to correct inter-company equipment sales and related cost that were previously not eliminated on consolidation.
3. Operating leases includes payments to Telkom fixed-line of R281 million (2004:R233 million), which are eliminated on consolidation.

Mobile operating expenses, before inter-segmental eliminations, increased by 18.3% in the year ended March 31, 2005, primarily due to increased selling and distribution costs and payments to other operators.

Mobile employee expenses increased 24.0% primarily due to an 8.0% overall increase in average employee salaries, a 7.6% increase in the number of employees to 4,959 (2004: 4,609) and a higher employee deferred bonus incentive accrual resulting from Vodacom's higher net profit. Vodacom increased the total number of its employees by 36.8% in its other African operations to 1,041 employees and by 1.8% in its operations in South Africa to 3,918 employees as of March 31, 2005.

Employee productivity in South Africa and other African countries, as measured by customers per employee, increased 28.1% to 3,122 customers per employee as of March 31, 2005.

Mobile payments to other operators increased 22.1% in the year ended March 31, 2005 as a result of increased outgoing traffic and a higher volume growth of outgoing traffic terminating on the other mobile networks relative to traffic terminating on the fixed-line network and partially due to an increase in interconnection tariffs on January 1, 2005 in South Africa. The cost of terminating calls on other mobile networks is higher than calls terminating on Telkom's fixed-line network.

Mobile selling, general and administrative expenses increased 15.0% in the year ended March 31, 2005 primarily due to an increase in selling and distribution expenses to support the growth in South African and other African operations.

Mobile depreciation amortisation, impairment and write-offs increased by 23.0% as a result of the impairment of Vodacom Mozambique's assets. The increased capital investment in South Africa, in particular the investment in 3G and the amortisation of intangible assets in Smartcall contributed to the increased depreciation.

The impairment of Vodacom Mozambique's assets amounted to R134 million (50% of Vodacom's impairment of R268 million). In terms of IAS 36 Vodacom was required to recognize an impairment loss to the extent that Vodacom Mozambique's assets exceeded their recoverable amounts, which are defined as the higher of the net present value of expected future cash flows, and the amount obtainable from the sale of the assets.

The standard requires expected future pre-tax cash flows to be discounted at a rate commensurate with the risk profile of the assets producing the cash flows. Because of the high perceived risk of assets in Mozambique, this discount rate is relatively high. The high discount rate used and the high capital outlay required at the beginning of the project resulted in the calculated net present value of expected future cash flows being lower than the expected fair value less cost of disposal.

Telkom's 50% share of Vodacom's profit from operations increased 23.8% to R3,243 million (2004: R2,619 million) and the mobile operating profit margin increased to 23.7% (2004: 22.9%). Mobile EBITDA increased 23.6% to R4,799 million (2004: R3,884 million) with EBITDA margins increasing to 35.1% (2004: 34.0%).

Audit report

The comprehensive annual financial statements, from which the summarised results have been derived, have been audited by the company's auditors Ernst & Young. Their unqualified opinion on the comprehensive annual financial statements are available for inspection at the company's registered office.

10. Employees

Fixed-line

	Year ended March 31,		
	2004	**2005**	%
Telkom Company	32,358	**28,972**	(10.5)
Lines per employee	*149*	**167**	*12.1*
Subsidiaries	576	**572**	(0.7)
Fixed-line employees at year end	32,934	**29,544**	(10.3)
Average fixed-line employees (including subsidiaries)	34,438	**31,239**	(9.3)
Number of Strategic Equity investor employees	18	**-**	-
SBC Communications	13	**-**	-
Telekom Malaysia	5	**-**	-

Movement in fixed-line employees

(Telkom company only, excluding subsidiaries)

	Year ended March 31,	
	2004	**2005**
Opening balance	35,361	**32,358**
Appointments	103	**159**
Employee losses	(3,106)	**(3,545)**
Workforce reductions	(1,321)	**(2,296)**
Voluntary early retirement	(224)	**(513)**
Voluntary severance	(985)	**(1,741)**
Involuntary reductions	(112)	**(42)**
Outsourcing	-	**-**
Natural attrition	(1,785)	**(1,249)**
Closing balance	32,358	**28,972**

Mobile

	Year ended March 31,		
	2004	**2005**	%
South Africa	3,848	**3,918**	1.8
Customers per employee	*2,527*	**3,277**	*29.7*
Other African countries	761	**1,041**	36.8
Customers per employee	*1,961*	**2,541**	*29.6*
Vodacom Group	4,609	**4,959**	7.6
Customers per employee	*2,434*	**3,122**	*28.3*

11. **Summarised Group financial statements**

Audited consolidated income statement

	Notes	Restated 2003 Rm	Restated 2004 Rm	2005 Rm
		Year ended March 31,		
Operating revenue	2	37,322	40,484	**43,117**
Other income		401	255	**280**
Operating expenses		31,043	31,494	**32,175**
Employee expenses		7,208	7,408	**8,111**
Payments to other operators		6,092	5,985	**6,132**
Selling, general and administrative expenses		7,498	7,660	**8,820**
Services rendered		2,622	2,269	**2,021**
Operating leases		1,124	924	**803**
Depreciation,amortisation, impairment and write-offs	4	6,499	7,248	**6,288**
Operating profit		6,680	9,245	**11,222**
Investment income		256	322	**350**
Finance charges	7	4,201	3,264	**1,695**
Interest		2,869	2,488	**1,686**
Foreign exchange and fair value effect		1,332	776	**9**
Profit before tax		2,735	6,303	**9,877**
Taxation		1,035	1,711	**3,070**
Profit for the year		1,700	4,592	**6,807**
Attributable to:				
Equity holders of Telkom SA Ltd		1,628	4,523	**6,724**
Minority interest		72	69	**83**
		1,700	4,592	**6,807**
Basic earnings per share (cents)	5	292.3	812.0	**1,241.8**
Diluted earnings per share (cents)	5	292.3	812.0	**1,239.4**
Dividend per share (cents)	5	-	90.0	**110.0**

Audited consolidated balance sheet

	Notes	Restated 2003 Rm	Restated 2004 Rm	2005 Rm
		Year ended March 31,		
ASSETS				
Non-current assets		44,739	42,841	**42,672**
Property, plant and equipment	8	41,046	39,024	**39,073**
Investment properties		-	32	**25**
Intangible assets		356	564	**533**
Investments		1,161	1,567	**2,277**
Other financial assets		1,571	1,101	**134**
Deferred expenses		143	202	**118**
Deferred taxation		462	351	**512**
Current assets		8,647	10,322	**14,910**
Current portion of other financial assets		342	140	**4,940**
Income tax receivable		276	-	**-**
Short term investments		26	168	**69**
Current portion of deferred expenses		272	430	**214**
Inventories		621	520	**657**
Trade and other receivables		5,993	5,846	**5,820**
Cash and cash equivalents	9	1,117	3,218	**3,210**
Total assets		53,386	53,163	**57,582**
EQUITY AND LIABILITIES				
Equity attributable to equity holders of Telkom SA Ltd		18,670	22,372	**26,853**
Share capital and premium	10	8,293	8,293	**8,293**
Treasury shares	10	-	(238)	**(1,812)**
Share-based compensation reserve		-	-	**68**
Non-distributable reserves		(15)	91	**362**
Retained earnings		10,392	14,226	**19,942**
Minority interest		194	200	**220**
Total equity		18,864	22,572	27,073

Audited consolidated balance sheet

	Notes	Restated 2003 Rm	Restated 2004 Rm	**2005 Rm**
		Year ended March 31,		
Non-current liabilities		20,663	16,420	**13,546**
Interest bearing debt	11	17,453	12,703	**9,504**
Other financial liabilities		143	153	**83**
Deferred taxation		222	773	**1,239**
Deferred revenue		305	353	**260**
Provisions		2,540	2,438	**2,460**
Current liabilities		13,859	14,171	**16,963**
Credit facilities utilised	9	280	422	**909**
Trade and other payables		5,229	6,007	**6,785**
Shareholders for dividend		-	7	**7**
Current portion of interest bearing debt	11	4,759	4,051	**4,499**
Current portion of deferred revenue		1,023	1,404	**1,394**
Current portion of provisions		1,825	1,329	**1,429**
Income tax payable		177	459	**1,710**
Current portion of other financial liabilities		566	492	**230**
Total liabilities		34,522	30,591	**30,509**
Total equity and liabilities		53,386	53,163	**57,582**

Audited consolidated cash flow statement

	Notes	Year ended March 31, 2003 Rm	2004 Rm	**2005 Rm**
Operating activities		9,748	13,884	**15,711**
Cash receipts from customers		37,494	40,520	**43,561**
Cash paid to suppliers and employees		(25,431)	(24,750)	**(25,402)**
Cash generated from operations		12,063	15,770	**18,159**
Interest received		384	479	**477**
Finance charges paid		(2,776)	(1,255)	**(809)**
Taxation refunded/(paid)		102	(562)	**(1,487)**
Cash generated from operations before dividend paid		9,773	14,432	**16,340**
Dividend paid		(25)	(548)	**(629)**
Investing activities		(5,731)	(5,423)	**(6,306)**
Proceeds on disposal of property, plant and equipment		21	52	**37**
Proceeds on disposal of investment		172	29	**267**
Proceeds on disposal of subsidiaries and joint ventures		16	-	**-**
Additions to property, plant and equipment	8	(5,671)	(5,187)	**(5,880)**
Intangible assets acquired		-	(61)	**-**
Additions to other investments		(269)	(331)	**(592)**
Acquisition of subsidiaries		-	75	**(138)**
Financing activities		(3,026)	(6,481)	**(9,897)**
Listing costs		(154)	-	**-**
Purchase of treasury shares		-	(102)	**(1,710)**
Loans raised		9,117	1,732	**1,157**
Loans repaid		(11,526)	(7,428)	**(5,026)**
Finance lease capital raised		5	-	**-**
Finance lease capital repaid		-	(5)	**(14)**
Increase in net financial assets		(468)	(678)	**(4,304)**
Net increase/(decrease) in cash and cash equivalents		991	1,980	**(492)**
Net cash and cash equivalents at beginning of the year		(98)	837	**2,796**
Effect of foreign exchange rate differences		(56)	(21)	**(3)**
Net cash and cash equivalents at end of the year	9	837	2,796	**2,301**

Audited consolidated statement of changes in equity

	Year ended March 31,		
	2003 Rm	2004 Rm	**2005 Rm**
Balance at April 1	16,965	18,864	**22,572**
- Attributable to equity holders	16,832	18,670	**22,371**
- Minority interests	133	194	**200**
Restatement of employee liabilities	330	-	**-**
Change in accounting policies	14	-	**-**
Restated balance at April 1	17,309	18,864	**22,571**
- Attributable to equity holders	17,176	18,670	**22,371**
- Minority interests	133	194	**200**
Profit for the year	1,700	4,592	**6,807**
Dividend declared	(25)	(555)	**(673)**
Foreign currency translation reserve	(160)	(100)	**12**
Fair value adjustment on investments	(37)	9	**(22)**
Capital contribution	33	-	**-**
Preliminary listing cost expensed	44	-	
Purchase of treasury shares	-	(238)	**(1,574)**
Purchase of subsidiary	-	-	**5**
Increase in share based compensation reserve	-	-	**68**
Business combinations	-	-	**(122)**
Balance at March 31	18,864	22,572	**27,073**
- Attributable to equity holders	18,670	22,372	**26,853**
- Minority interests	194	200	**220**

Notes to the summarised consolidated financial statements for the year ended March 31, 2005

1. **Significant accounting policies**

Basis of preparation
The Group has prepared summarised consolidated financial statements in conformity with International Financial Reporting Standards and in compliance with IAS34 - Interim Financial Reporting respectively.

The summarised financial statements are prepared on the historical cost basis, with the exception of certain financial instruments and share-based compensation which are measured at fair value. The Group's significant accounting policies are consistent with those applied in the previous financial year except for the following:

Adoption of certain International Financial Reporting Standards
The following revised and new standards have been early adopted for the year under review:

The Group early adopted IFRS2 in the current year. The effect of the adoption of the standard in the current year is an increase of R68m in employee expenses and R68m in the share-based compensation reserve. There was no impact on the prior years as no grants were made prior to April 1, 2004.

The Group has also early adopted the following revised and new standards during the year under review. This has not impacted the Group's cash flow information, but impacted on the results and disclosure for the years ended March 31, 2005 and 2004.

- IAS1 Presentation of Financial Statements
- IAS2 Inventories
- IAS8 Accounting Policies, Changes in Accounting Estimates and Errors
- IAS10 Events after the Balance Sheet Date
- IAS21 The Effects of Changes in Foreign Exchange Rates
- IAS27 Consolidated and Separate Financial Statements
- IAS28 Investments in Associates
- IAS31 Interests in Joint Ventures
- IAS32 Financial Instruments: Disclosure and Presentation
- IAS33 Earnings per share
- IAS39 Financial Instruments: Recognition and Measurement
- IFRS5 Non-current Assets Held for Sale and Discontinued Operations

Notes to the summarised consolidated financial statements for the year ended March 31, 2005

Reclassifications
Certain comparative figures have been reclassified in accordance with current period classification and presentation. These reclassifications have no effect on the prior years' profit. The current period classification more closely resembles the nature of the transactions within the Group's operating structure. The principal reclassifications were as follows:

- » Interest received from debtors from investment income to other income.
- » Apportion Deferred revenue and Deferred expenses between current and long term portion.
- » Reclassify Deferred expenses from Trade and other receivables to Deferred expenses.
- » Apportion other financial assets and Other financial liabilities to current and long term portions.

Change in accounting policies

The Group changed its accounting policies with respect to revenue recognition of mobile activation revenue and costs; minority interest (IAS 27); goodwill translation (IAS21); and goodwill authorisation (IFRS 3).

Restatements
The Group has restated revenue relating to mobile equipment sales, deferred taxation and the sick leave liability as a result of incorrect application of GAAP.

		2003 Rm	2004 Rm	**2005 Rm**
2.	**Operating revenue**	37,322	40,484	**43,117**
	Fixed-line	29,106	30,443	**30,844**
	Mobile	8,216	10,041	**12,273**
	Fixed-line	29,106	30,443	**30,844**
	Subscriptions, connections and other usage	4,595	5,024	**5,316**
	Traffic	18,001	18,313	**17,723**
	Domestic (local and long distance)	9,178	9,680	**9,286**
	Fixed-to-mobile	7,539	7,321	**7,302**
	International (outgoing)	1,284	1,312	**1,135**
	Interconnection	1,587	1,441	**1,319**
	Data	4,183	4,787	**5,510**
	Directories and other	740	878	**976**

Change in comparatives
The Group restated its revenue relating to mobile equipment sales for the years ended March 31, 2004 with R311millon) (2003: R185millon).

Notes to the summarised consolidated financial statements for the year ended March 31, 2005

		2003 Rm	2004 Rm	**2005 Rm**
3.	**Workforce reduction expenses**	244	302	**961**

Telkom has continued to incur costs as a result of a plan to reduce the size of its workforce to a comparable level for international telecommunication companies. The total number of employees who left the company is 5,041 (2004: 1,633). These employees include management and operating staff. For 2,745 of the employees, March 31, 2005 was their last working day.

		2003 Rm	2004 Rm	**2005 Rm**
4.	**Depreciation, amortisation, impairment and write-offs**	6,499	7,248	**6,288**
	Depreciation of property, plant and equipment	6,146	6,763	**5,826**
	Depreciation of investment properties	-	2	**2**
	Amortisation of intangible assets	148	133	**116**
	Impairment of goodwill	16	-	**-**
	Impairment of intangible assets	-	-	**49**
	Impairment of property, plant and equipment	-	149	**85**
	Write-offs of property, plant and equipment	189	201	**210**

In recognition of the changed usage patterns of certain items of property, plant and equipment, the Group reviewed their remaining useful lives in the current year. The assets affected were network equipment and data processing equipment and software. Accordingly, the Group revised the estimated useful lives of these assets from 5 to 7 years and 8 years respectively. As the prior period effects are not determinable, the estimated remaining useful lives of these assets were adjusted prospectively, which resulted in a decrease of the current year

		2003	2004	2005
5.	**Earnings per share**			
	Basic earnings per share (cents)	292.3	812.0	**1,241.8**

The calculation of earnings per share is based on profit attributable to equity holders of Telkom SA Ltd for the year of R6,724m (2004: R4,523m, 2003: R1,628m) and 541,498,547 (2004: 556,994,962, 2003: 557,031,819) weighted average number of ordinary shares in issue.

	2003	2004	2005
Diluted earnings per share (cents)	292.3	812.0	**1,239.4**

The calculation of diluted earnings per share is based on earnings for the year of R6,724m (2004: R4,523m, 2003: R1,628m) and 542,537,579 diluted weighted average number of ordinary shares (2004: 556,994,962, 2003: 557,031,819). The adjustment in the weighted average number of shares is as a result of the expected future vesting of shares already allocated to employees under the Telkom Conditional Share Plan.

Notes to the summarised consolidated financial statements for the year ended March 31, 2005

5. **Earnings per share (continued)**

	2003	2004	**2005**
Headline earnings per share (cents)	313.8	863.6	**1,274.1**

The calculation of headline earnings per share is based on headline earnings of R6,899m (2004: R4,809m, 2003: R1,748m) and 541,498,547 (2004: 556,994,962, 2003: 557,031,819) weighted average number of ordinary shares in issue.

	2003 Rm	2004 Rm	**2005 Rm**
Reconciliation between earnings and headline earnings:			
Earnings as reported	1,628	4,523	**6,724**
Adjustments:			
Profit on disposal of investment	(89)	(25)	**(64)**
Profit on disposal of property, plant and equipment	(15)	(19)	**(30)**
Impairment of assets	-	149	**134**
Write-offs of property, plant and equipment	189	201	**210**
Amortisation of goodwill	74	72	**-**
Impairment of goodwill	16	-	**-**
Tax and minority interest effects	(55)	(92)	**(75)**
Headline earnings	1,748	4,809	**6,899**
Diluted headline earnings per share (cents)	313.8	863.6	**1,271.6**

The calculation of diluted headline earnings per share is based on headline earnings of R6,899m (2004: R4,809m, 2003: R1,748m) and 542,537,579 (2004: 556,994,962, 2003: 557,031,819) diluted weighted average number of ordinary shares in issue.
The adjustment in the weighted average number of shares is as a result of the expected future vesting of shares already allocated to employees under the Telkom Conditional Share Plan.

	2003 Rm	2004 Rm	**2005 Rm**
Dividend per share (cents)	-	90	**110**

The calculation of dividend per share is based on dividends of R606m (2004: R501m, 2003: RNil) declared on June 3, 2004 and 551,509,083 (2004: 557,031,819, 2003: 557,031,819) number of ordinary shares issued. The reduction in the number of shares represents the number of treasury shares held on date of payment.

6. **Net asset value per share**

	2003	2004	**2005**
Net asset value per share (cents)	3,351.7	4,039.4	**5,033.7**

The calculation of net asset value per share is based on net assets of R26,853m (2004: R22,372m, 2003: R18,670m) and 533,465,571 issued shares (2004: 553,846,083, 2003: 557,031,819).

		2003 Rm	2004 Rm	**2005 Rm**
7.	**Finance charges**	4,201	3,264	**1,695**
	Interest	2,869	2,488	**1,686**
	Local debt	2,642	2,253	**1,515**
	Foreign debt	375	303	**281**
	Less: Finance costs capitalised	(148)	(68)	**(110)**
	Foreign exchange gains and losses and fair value adjustments	1,332	776	**9**
	Foreign exchange (gains)/losses	(761)	(368)	**112**
	Fair value adjustments on derivative instruments	2,093	1,144	**(103)**

Change in comparatives

The Group changed its comparatives for fair value adjustments due to a change in accounting policy regarding minority interests for the year ended March 31, 2003 with R47m.

8. **Additions to property plant and equipment**

	2003 Rm	2004 Rm	**2005 Rm**
Freehold land and buildings	19	64	**43**
Leasehold buildings	41	59	**-**
Network equipment	2,479	1,524	**1,787**
Support equipment	341	140	**121**
Furniture and office equipment	22	10	**10**
Data and processing equipment and software	354	491	**410**
Under construction	2,416	2,968	**3,407**
Other	40	51	**72**
	5,712	5,307	**5,850**

		2003 Rm	2004 Rm	**2005 Rm**
9.	**Net cash and cash equivalents**	837	2,796	**2,301**
	Cash and bank balances	916	1,219	**2,375**
	Short-term deposits	201	1,999	**835**
	Cash shown as current assets	1,117	3,218	**3,210**
	Credit facilities utilised	(280)	(422)	**(909)**
	Undrawn borrowing facilities	3,018	2,995	**4,750**

10. **Share capital**

Authorised and issued share capital and share premium are made up as follows:

	2003 Rm	2004 Rm	**2005 Rm**
Issued and fully paid	8,293	8,293	**8,293**
557,031,817 ordinary shares of R10 each	5,570	5,570	**5,570**
1 Class A ordinary share of R10	-	-	**-**
1 Class B ordinary share of R10	-	-	**-**
Share premium	2,723	2,723	**2,723**
Treasury shares	-	(238)	**(1,812)**

12,717,190 (2004: 3,185,736) and 10,849,058 (2004: Nil) ordinary shares in Telkom, with a fair value of R1,366m (2004: R251m) and R1,166m (2004: RNil) are currently held as treasury shares by its subsidiaries Rossal No 65 (Proprietary) Limited and Acajou Investments (Proprietary) Limited, respectively.

Notes to the summarised consolidated financial statements for the year ended March 31, 2005

		2003 Rm	2004 Rm	**2005 Rm**
11.	**Interest bearing debt**			
	Long term interest bearing debt	17,453	12,703	**9,504**
	Total interest bearing debt	22,212	16,754	**14,003**
	Gross interest bearing debt	26,181	20,151	**16,914**
	Discount on debt instruments issued	(3,969)	(3,397)	**(2,911)**
	Less: Current portion of interest bearing debt	(4,759)	(4,051)	**(4,499)**
	Local debt	(4,527)	(3,628)	**(264)**
	Locally registered Telkom debt instruments	(4,306)	(2,286)	**-**
	Repurchase agreements	(167)	(27)	**-**
	Commercial paper bills	(54)	(1,313)	**(262)**
	Short-term interest free loans	-	(2)	**(2)**
	Foreign debt	(225)	(408)	**(4,210)**
	Finance lease	(7)	(15)	**(25)**
12.	**Commitments**			
	Capital commitments authorised	6,974	7,151	**7,970**
	Fixed-line	4,977	4,566	**5,029**
	Mobile	1,997	2,585	**2,941**
	Commitments against authorised capital expenditure	435	439	**825**
	Fixed-line	104	88	**91**
	Mobile	331	351	**734**
	Authorised capital expenditure not yet contracted	6,539	6,712	**7,145**
	Fixed-line	4,873	4,478	**4,938**
	Mobile	1,666	2,234	**2,207**

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

13. **Contingencies**

Supplier dispute-Telcordia

No material changes since prior year.

Competition commission

No material changes since prior year.

14. **Interception of Communications and Provisions of Communication-related Information Act ('the Act')**

The Act was assented and published on January 22, 2003, but will only become effective at a future date which is currently uncertain. Due to the fact that certain provisions of the Act are still being finalised, a reliable estimate of capital and operating costs that will potentially be incurred in order to comply with the provisions of the Act cannot be estimated at this stage.

The Group exposure is 50% of the following items:

Service providers

The Vodacom Group has committed as part of its strategy to acquire its customer bases from certain independent service providers. Should all conditions be met, the Group's commitments in this regard are estimated at R1.2 billion.

15. **Other**

An offer to purchase a 51% stake in Cointel VAS (Proprietary) Limited for R112 million was made by the Vodacom Group during the year. The Group is currently awaiting Competion Commisssion approval.

	2003 Rm	2004 Rm	**2005 Rm**
16. **Segment information**			
The inter-company transactions are reflected as net and are thus eliminated against segment results:			
Business Segment			
Consolidated operating revenue	37,322	40,484	**43,117**
Fixed-line	29,542	30,906	**31,414**
To external customers	29,106	30,443	**30,844**
Intercompany	436	463	**570**
Mobile	9,705	11,428	**13,657**
To external customers	8,216	10,041	**12,273**
Intercompany	1,489	1,387	**1,384**
Elimination	(1,925)	(1,850)	**(1,954)**
OtherIncome	401	255	**280**
Fixed-line	366	230	**255**
Elimination	-	-	**(9)**
Mobile	35	25	**34**
Operating expenses	31,043	31,494	**32,175**
Fixed-line	25,392	24,510	**23,690**
Elimination	(1,489)	(1,387)	**(1,385)**
Mobile	7,576	8,834	**10,448**
Elimination	(436)	(463)	**(578)**

Notes to the summarised consolidated financial statements for the year ended March 31, 2005

16. Segment information (continued)

	2003 Rm	2004 Rm	**2005 Rm**
Consolidated operating profit	6,680	9,245	**11,222**
Fixed-line	4,516	6,626	**7,979**
Elimination	1,053	924	**807**
Mobile	2,164	2,619	**3,243**
Elimination	(1,053)	(924)	**(807)**
Consolidated investment income	256	322	**350**
Fixed-line	562	1,324	**1,992**
Elimination	(342)	(1,061)	**(1,700)**
Mobile	36	59	**58**
Consolidated finance charges	4,201	3,264	**1,695**
Fixed-line	3,758	2,991	**1,647**
Mobile	485	284	**48**
Elimination	(42)	(11)	**-**
Consolidated taxation	1,035	1,71	**3,070**
Fixed-line	449	849	**1,763**
Mobile	586	86	**1,307**
Minority Interests	72	69	**83**
Fixed line	48	56	**68**
Mobile	24	13	**15**
Net Profit for the year	1,628	4,523	**6,724**
Fixed-line	823	4,054	**6,493**
Elimination	711	(137)	**(893)**
Mobile	1,105	1,519	**1,931**
Elimination	(1,011)	(913)	**(807)**
Consolidated assets	50,010	50,187	**50,163**
Fixed-line	42,333	41,44	**40,205**
Mobile	8,268	9,78	**11,143**
Elimination	(591)	(1,042)	**(1,186)**
Investments	1,187	1,735	**2,346**
Fixed-line	1,448	1,466	**2,240**
Mobile	199	26	**106**
Elimination	(460)	-	**-**

Notes to the summarised consolidated financial statements for the year ended March 31, 2005

16. Segment information (continued)

	2003 Rm	2004 Rm	**2005 Rm**
Other financial assets	1,913	1,24	**5,074**
Fixed-line	1,882	1,22	**5,039**
Mobile	31	1	**35**
Consolidated liabilities	11,424	12,73	**14,483**
Fixed-line	8,774	9,02	**9,980**
Mobile	3,241	4,75	**5,689**
Elimination	(591)	(1,042	**(1,186)**
Interest bearing debt	22,212	16,75	**14,003**
Fixed-line	21,128	15,72	**12,703**
Mobile	1,544	1,03	**1,300**
Elimination	(460)	-	**-**
Other financial liabilities	709	645	**313**
Fixed-line	609	613	**313**
Mobile	100	32	**-**
Tax liabilities	177	459	**1,710**
Fixed-line	20	33	**1,394**
Mobile	157	426	**316**
Other segment information			
Capital expenditure for property, plant and equipment	5,712	5,307	**5,850**
Fixed-line	4,013	3,862	**4,103**
Mobile	1,699	1,445	**1,747**
Capital expenditure for intangible assets-Fixed-line	14	-	**-**
Capital expenditure for intangible assets-Mobile	-	61	**-**
Depreciation and amortization	6,294	6,898	**5,944**
Fixed-line	5,105	5,633	**4,522**
Mobile	1,189	1,265	**1,422**
Impairment and asset write-offs 189		350	**293**
Fixed-line	189	350	**208**
Mobile	-	-	**85**
Intangible assets impairment - Mobile	-	-	**49**
Intangible assets impairment - Fixed-line	16	-	**-**

Notes to the summarised consolidated financial statements for the year ended March 31, 2005

17. **Related parties**

Related party relationships exist within the Group. During the year all transactions were concluded at arm's length.

	2003 Rm	2004 Rm	**2005 Rm**
With joint venture: Vodacom Group (Proprietary) Limited			
Related party balances			
Trade receivables	35	42	**42**
Trade payables	(253)	(250)	**(250)**
Related party transactions			
Income	(435)	(463)	**(569)**
Expenses	1,489	1,387	**1,387**
Audit fees	14	3	**3**
IPO costs	25	-	**-**
Interest received	(42)	(11)	**-**
With shareholder: Thintana Communications LLC			
Management fees	273	154	**57**
Government			
Revenue	(1,606)	(1,866)	**(1,987)**
Trade receivables	193	189	**185**
Employees			
Other receivables	126	114	**102**

Further related party disclosures are contained in the comprehensive financial statements.

18. **Business combination**

On April 16, 2004, Vodacom acquired a 85.75% interest in the equity of Smartcom (Proprietary) Limited through its 51% owned subsidiary, Smartphone SP (Proprietary) Limited for R78m (Telkom's 50% share: R40m).

On February 1, 2005, Vodacom acquired cellular business of Tiscali (Proprietary) Limited. for R40 million (Telkom's 50% share: R20 million)

The Vodacom Group has a 51% equity interest in Vodacom Congo (RDC) s.p.r.l. ('Vodacom Congo'), which commenced business on December 11, 2001. This investment is governed by a shareholders' agreement, which previously provided the minority shareholder with certain protective and participative rights and therefore, in terms of IAS31: Interests in Joint Ventures, Vodacom Congo was considered to be a joint venture resulting in it being proportionately consolidated in the financial statements for the year ended March 31, 2004.

During the current financial year a new shareholders' agreement was negotiated which removed these participative rights, resulting in Vodacom Congo now being controlled and considered to be a 51% owned subsidiary of Vodacom from April 1, 2004. Vodacom's interest in the company is consolidated from this date in accordance with IAS27: Consolidated and Separate Financial Statements.

Notes to the summarised consolidated financial statements for the year ended March 31, 2005

19. Negative working capital

For the financial years ended March 31, 2005, 2004 and 2003 the Group's current liabilities are greater than current assets. Current liabilities will be financed from operating cash flows, new borrowings and existing credit facilities.

20. Subsequent events

Other than as disclosed elsewhere in this report the directors are not aware of any other matter or circumstance since the financial year end and the date of this report, not otherwise dealt with in the financial statements, which significantly affects the financial position of the Group and the results of its operations.

12. Supplementary information

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

	Year ended March 31,	
In ZAR million	2004 Rm	**2005 Rm**
EBITDA		
Earnings before interest, taxation, depreciation and amortisation (EBITDA) can be reconciles as follows:		
EBITDA	16,493	**17,510**
Depreciation, amortisation, impairment and write-offs	(7,248)	**(6,288)**
Investment income	322	**350**
Finance charges	(3,264)	**(1,695)**
Taxation	(1,711)	**(3,070)**
Minority interests	(69)	**(83)**
Profit attributable to equity holders of Telkom SA Limited	4,523	**6,724**
Headline earnings		
The disclosure of headline earnings is a requirement of the JSE Securities Exchange, South Africa and is not a recognised measure under US GAAP		
Headline earnings can be reconciles as follows:		
Headline earnings	4,809	**6,899**
Profit on disposal of property, plant and equipment	19	**30**
Profit on disposal of investment	25	**64**
Property, plant & equipment impairments and write-offs	(350)	**(344)**
Goodwill amortisation	(72)	**-**
Tax and minority interest effects	92	**75**
Profit attributable to equity holders of Telkom SA Limited	4,523	**6,724**

13. US dollar convenience translations

	Year ended March 31,		
	2004	**2005**	%
Revenue	6,406	**6,932**	8.2
Operating profits	1,463	**1,804**	23.3
Profit for the year	727	**1,094**	50.5
EBITDA	2,610	**2,815**	7.9
EPS (cents)	128.5	**199.6**	55.3
Net debt	2,114	**1,116**	(47.2)
Total assets	8,412	**9,258**	10.1
Cash flow from operating activities	2,197	**2,526**	15.0
Cash flow used in investing activities	(858)	**(1,014)**	18.2
Cash flow used in financing activities	(1,025)	**(1,591)**	55.2

Exchange rates			
Period end [1]			
US$1 = ZAR	6.32	**6.22**	(1.6)
Average rate for year			
US$1 = ZAR	7.11	**6.24**	(12.2)

1. Noon buying rate

14. Special note regarding forward-looking statements

All statements contained herein, as well as oral statements that may be made by us or by officers, directors or employees acting on behalf of the Telkom Group, that are not statements of historical fact constitute “forward-looking statements” within the meaning of the US Private Securities Litigation Reform Act of 1995, specifically Section 27A of the U.S. Securities Exchange Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause our actual results to be materially different from historical results or from any future results expressed or implied by such forward-looking statements. Among the factors that could cause our actual results or outcomes to differ materially from our expectations are those risks identified under the caption “Risk Factors” contained in item 3 of Telkom's most recent annual report on Form 20-F filed with the U.S. Securities Exchange Commission (SEC) and our other filings with the SEC, available on Telkom's website at www.telkom.co.za/ir, including, but not limited to, increased competition in the South African fixed-line and mobile communications markets; developments in the regulatory environment; Telkom's ability to reduce expenditure, customer non-payments, theft and bad debt, the outcome and further liberalisation of the telecommunications market of arbitration or litigation proceedings, including the outcome of Telkom's hearing before the Competition Commission related to the VANS litigation and its proceedings with Telcordia Technologies Incorporated and others; general economic, political, social and legal conditions in South Africa and in other countries where Vodacom invests; fluctuations in the value of the Rand and inflation rates, our ability to retain key personnel; and other matters not yet known to us or not currently considered material by us. You should not place undue reliance on these forward-looking statements. All written and oral forward-looking statements, attributable to us, or persons acting on our behalf, are qualified in their entirety by these cautionary statements. Moreover, unless we are required by law to update these statements, we will not necessarily update any of these statements after the date hereof either to conform them to actual results or to changes in our expectations.

Notes

EXHIBIT 99.4

Telkom SA Limited

Group annual results – March 2005

[1]

Cautionary statement on forward looking statements

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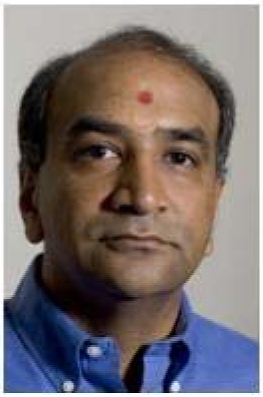
Chief officers

Chief Executive Officer
Sizwe Nxasana



Chief Financial Officer
Kaushik Patel

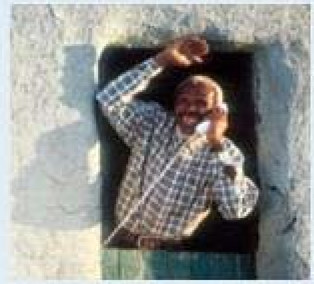
Chief Sales & Marketing Officer
Nombulelo Moholi

Chief Technical Officer
Reuben September

Group highlights

Financial achievements

- **7%** growth in group operating **revenue**
- **41%** group **EBITDA** margin
- **21%** growth in group **operating profit**
- **53%** growth in basic earnings per share
- **350%** increase in total **dividend** to 900 cents per share



48% increase

in headline earnings per share to 1,274 cents per share

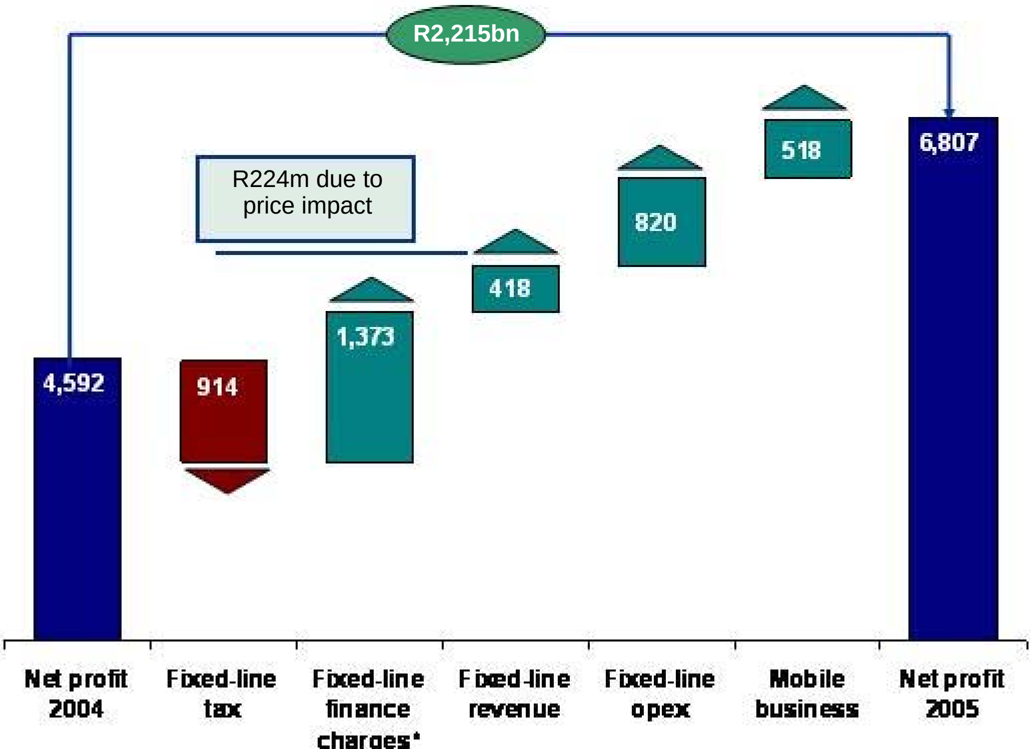
12% increase

in group operating free cash flow[1] to R10 billion

1. Group operating free cash flow is defined as cash flow from operating activities, after interest and taxation, before dividends, less cash from investing activities

Group net profit drivers

In ZAR million



* Finance charges net of investment income

Profit growth

driven by reduced fixed-line finance charges, savings in fixed-line opex growth in mobile business and growth in fixed-line revenue

Delivering on strategic targets

A world-class
communications
company

Customer growth and retention

- 32% growth in managed data network sites
- 49% growth in internet customers
- 38% growth in mobile customers
- 188% growth in ADSL customers

Operational excellence

- 12% improvement in fixed lines per employee
- 12% reduction in vehicle fleet
- 28% improvement in mobile customers per employee

Sustaining market place

- R5.2bn BEE spend, 62% of procurement spend
- Trained 1,370 BEE suppliers

Increasing competitive market place

Licencing SNO

- In September 2004, Minister granted the SNO licence
- In Feb 2005, Minister announced VSNL as 26% strategic equity partner

1 Feb 2005 liberalisation

- Mobile operators may self provide leased links
- VANS and PTN can resell telecommunications facilities
- VANS may carry voice over data networks

USALS

- Licences where teledensity less than 5%
- 27 under serviced areas identified
- 7 licences issued to date

Regulatory developments

Facilities leasing and interconnection

- **Draft guidelines published in Jan 2005**
- **Proposal for facilities and interconnect rates to be set based on LRIC**
- **Consultative process not concluded**

VANS regulations

- **VANS regulation published in May 2005**
- **Addresses applications process and fees**
- **Rights still unclear**

Tariff regulation

- **Final regulation submitted to Minister in May 2005**
- **Proposal to increase productivity factor from 1.5% to 3.5%**

Convergence Bill

- **Tabled in parliament in February 2004**
- **Proposes to change market to horizontally integrated, service based, technology neutral market structure**

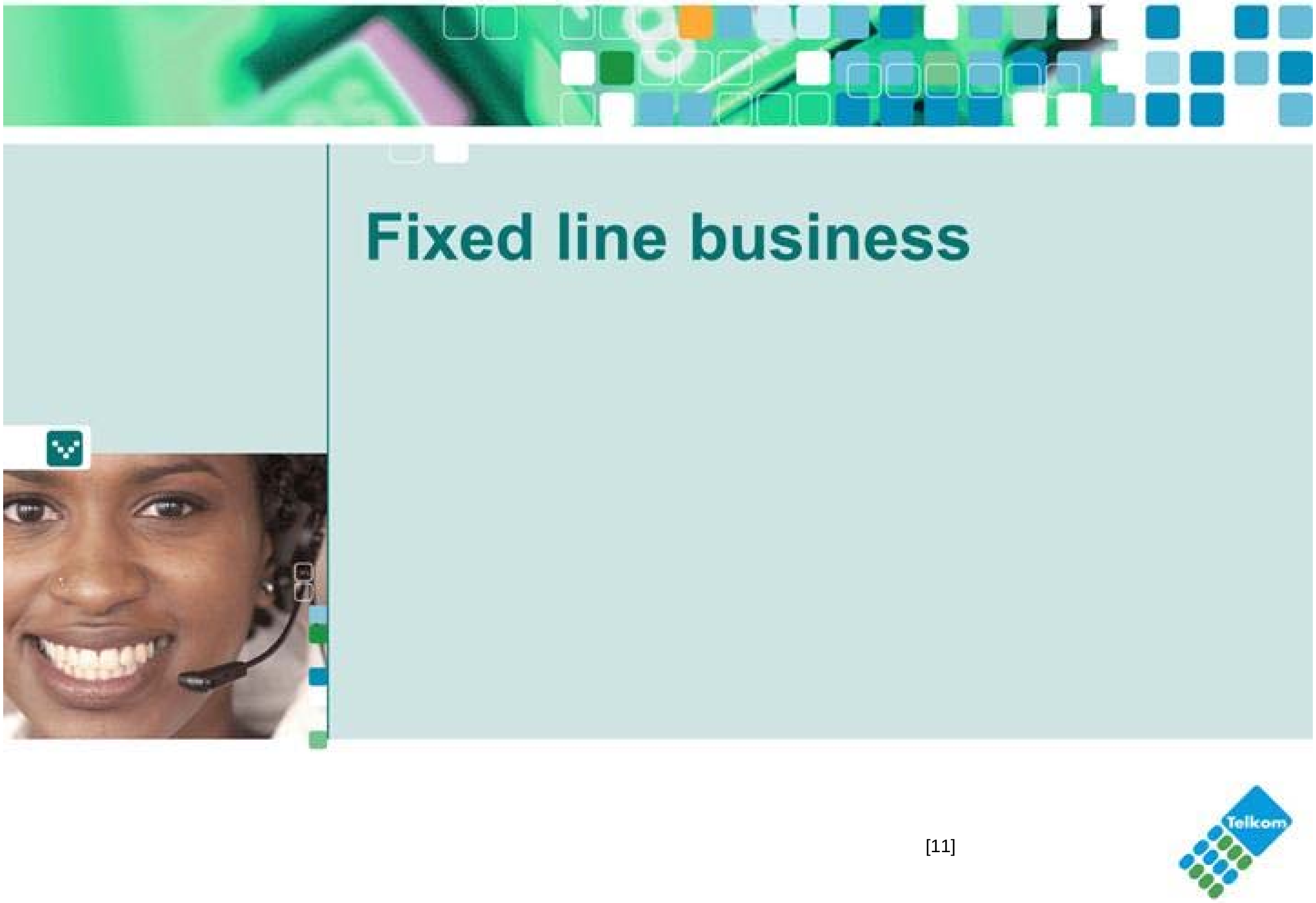
Finalising BEE charter for sector

Category	Weighting	Target
Equity ownership	20%	30% (20% of free float and government holding excluded) or R7.5bn cap
Management	10%	60% black, of which 50% black women
Employment equity	10%	50% black, of which 30% black women
Skills development	17%	2% of payroll
Enterprise development	11%	5% of procurement
Preferential procurement	20%	70% of procurement
Access to ICT	12%	1.5% PBT

Telkom ranked

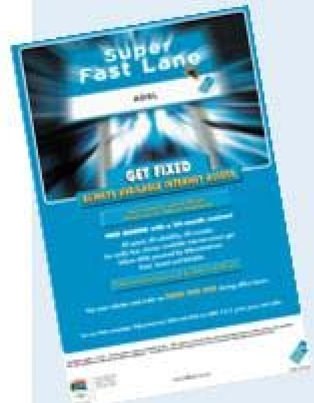
most empowered company 2nd consecutive year amongst the top 185 JSE companies

TOP EMPOWERMENT Companies 2005


Fixed line business
[11]

A more competitive fixed-line business

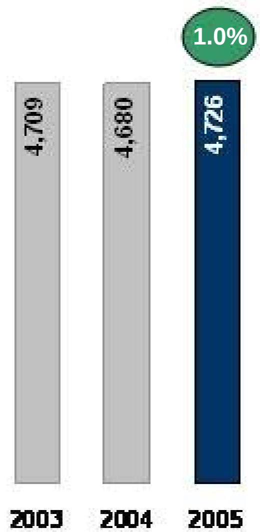
- **16%** growth in fixed-line **data revenue**
- **Accelerated** ADSL rollout plans
- Significant **price reductions**
- **EBITDA margin** of **41%**
- **11% reduction** in headcount
- **12% reduction** in vehicle fleet



Some growth in fixed-line customer base

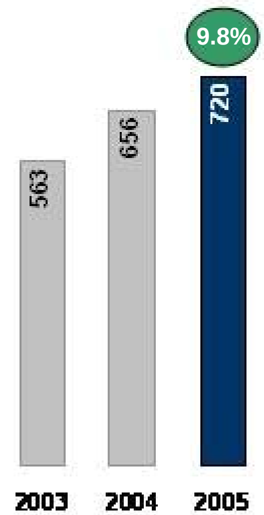
Fixed access lines

In thousands (external lines)



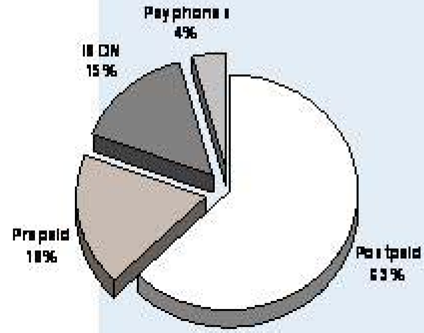
ISDN channels

In thousands



Line contribution

March 31, 2005



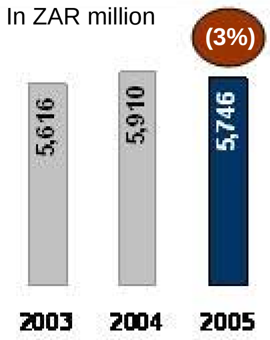
21% reduction

in fixed access line disconnections

Successfully moving minutes to ADSL

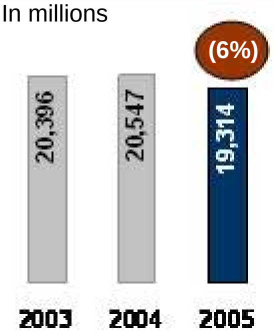
Local traffic revenue

In ZAR million



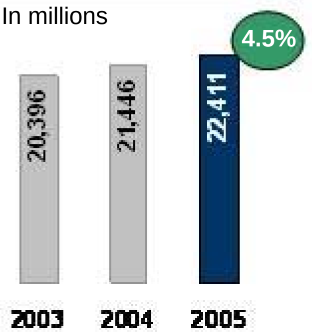
Local minutes

In millions



Local minutes (excl ADSL impact)

In millions



Local call rate

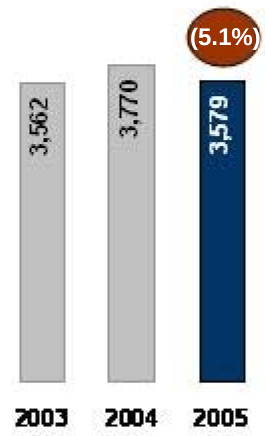
40 cents

per min

Price reductions in long distance

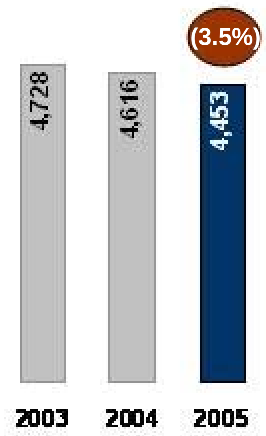
DLD revenue

In ZAR million



DLD minutes

In millions



10% reduction

in domestic long distance tariffs from 1 Jan 2005

Domestic long distance call rate

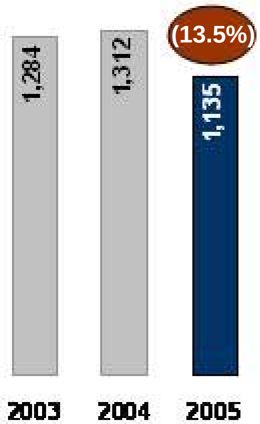
89 cents

per min

Competitive international rates

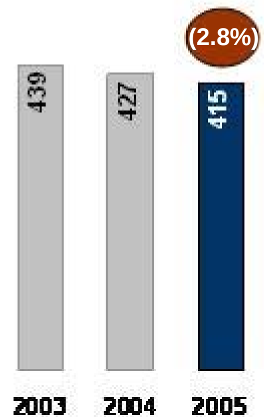
ILD revenue

In ZAR million



ILD minutes

In millions



28% reduction

on average in international long distance tariffs from 1 Jan 2005

US/UK/Australia call rate

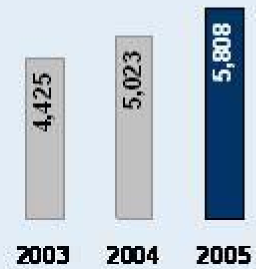
R1.70 per min on circuit switching

and R1.20 per min for VOIP

Strong data, internet and ADSL growth

- **32% growth** in managed data network sites to 11,961
- **49% growth** in **internet** customers to 225,280, of which 10% are broadband
- **188% growth** in **ADSL** customers to 58,532
- Launched **WIFI** Telkom T-Zones commercially

16% growth
in data revenue
ZAR million

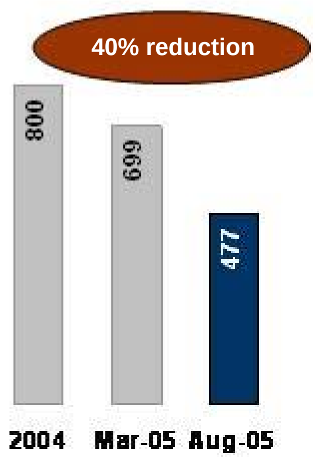


Managing the reduction in ADSL prices

The ADSL challenge

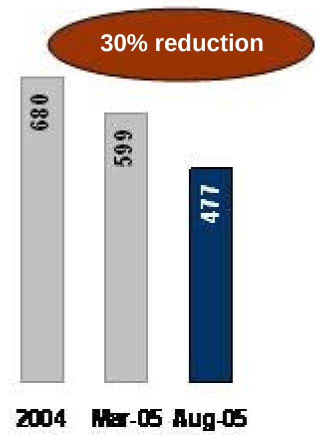
Business DSL512

In ZAR



Residential DSL512

In ZAR



- Distance limitation
  - Copper quality
    - Cost of the infrastructure requires high density
  - Cost and time taken to provisioning

DSL192 and DSL 384 for R270 and R359 per month, respectively

(effective August 2005)

Investing for new services

Capex for customer growth

- ADSL services
- New line growth – e.g. gated communities
- Data connectivity and business systems
- Links for the mobile operator 3G rollouts

Capex to evolve the network

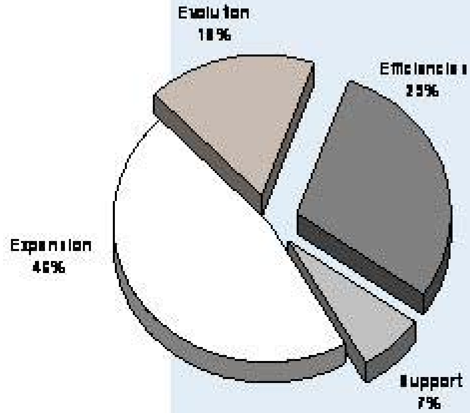
- Evolving transport network to high speed and improved reliability
- Softwitch deployed in trial
- Legacy switches upgraded to interface with softswitch and new services capability

Capex to increase efficiencies

- Workforce management
- Asset management
- Customer relationship management

R4.1 billion

Fixed-line capital expenditure



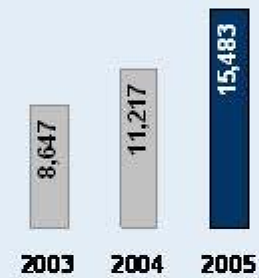
Mobile business

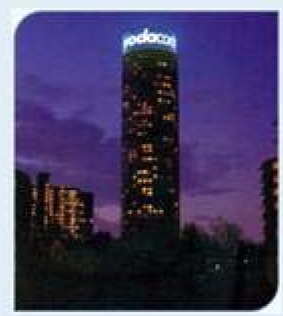
Strong performance from Vodacom

- **20%** growth in operating **revenue** to R27.3 billion
- **24%** growth in **EBITDA** to R9.6 billion
- **35.1% EBITDA** margin
- **24%** growth in **operating profit**
- **27%** growth in net profit
- **Dividends** paid of R3.4 billion

100% of Vodacom, Telkom consolidates 50%

38% growth
in total customers
In thousands

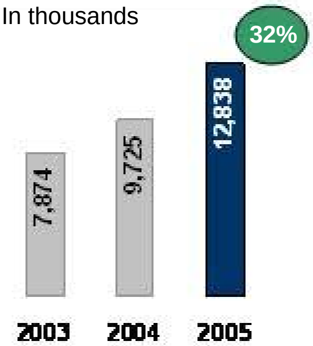




Leading mobile operator in SA

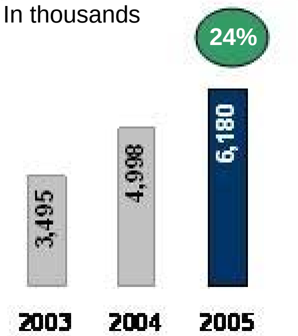
Customers

In thousands



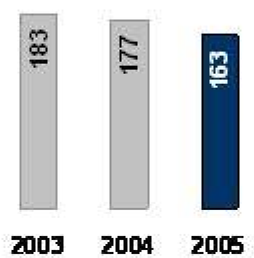
Gross connections

In thousands



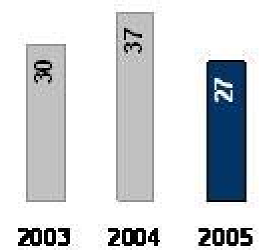
ARPU

In ZAR



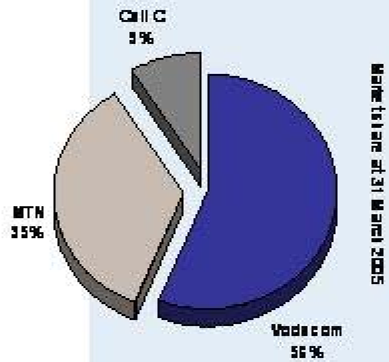
Churn

%



23 million

Estimated mobile customers in SA



Successful launch of 3G service in SA

SMS's transmitted

In billions

- Launched first 3G network in SA
- Launch of Vodafone Live! services

GPRS users

In thousands

MMS users

In thousands

- 10,853 active 3G users on network at 31 March 2005

100% of Vodacom, Telkom consolidates 50%

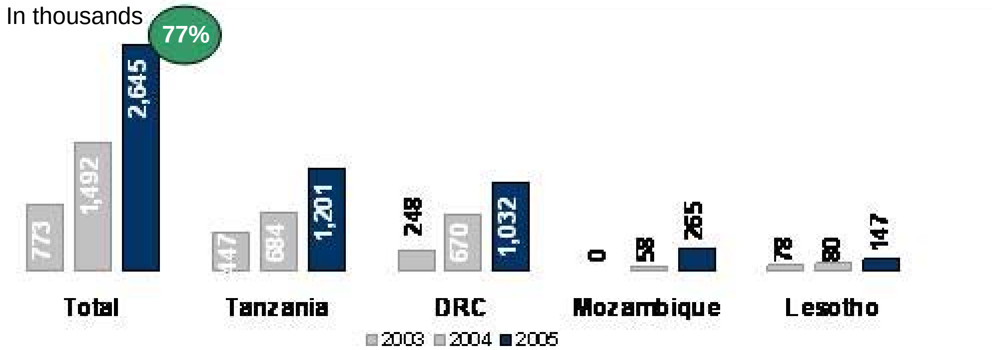
29% growth
in data revenue to R1.3 bn

R400 million
capital expenditure on 487 3G base stations

Strong mobile growth outside SA borders

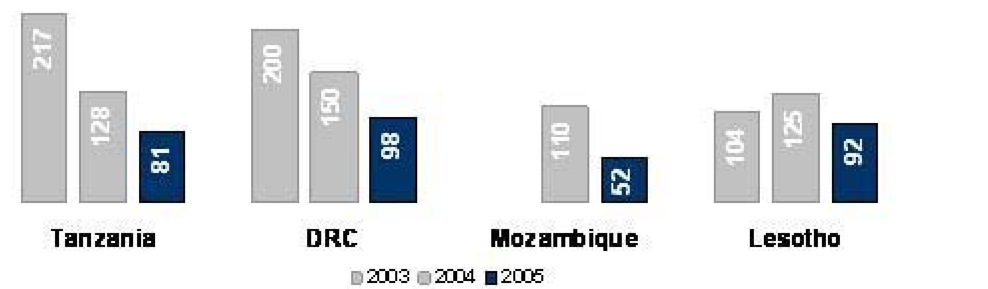
Customers

In thousands



ARPU per month

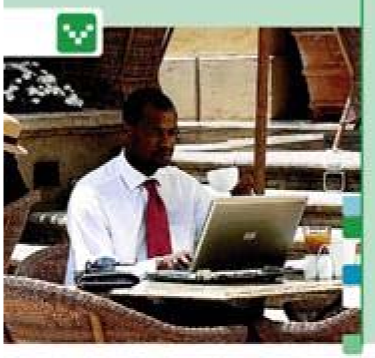
In ZAR



2.6 million

mobile customers outside of South Africa

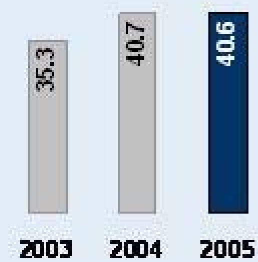
Group financials



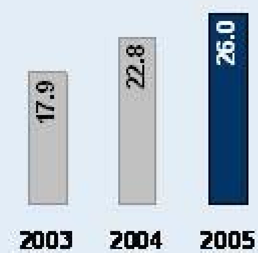
Increasing group profitability

ZAR million	2004	**2005**	%
Operating revenue	40,484	**43,117**	6.5
Other income	255	**280**	9.8
Operating expenses	(31,494)	**(32,175)**	2.2
Operating profit	9,245	**11,222**	21.4
Investment income	322	**350**	8.7
Finance charges	(3,264)	**(1,695)**	(48.1)
Taxation	(1,711)	**(3,070)**	79.4
Net profit	4,592	**6,807**	47.6
Basic earnings per share (cents)	812	**1,239**	52.3
EBITDA	16,493	**17,510**	6.2

41% EBITDA
margin



26% operating
profit margin

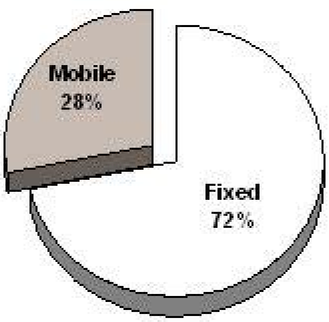


Segment contribution

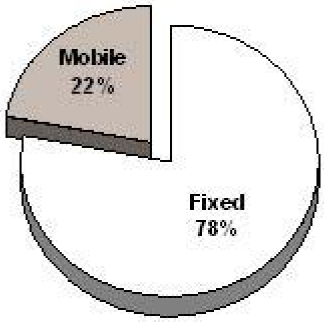
Segment contribution (after inter-segmental eliminations)

March 31, 2005

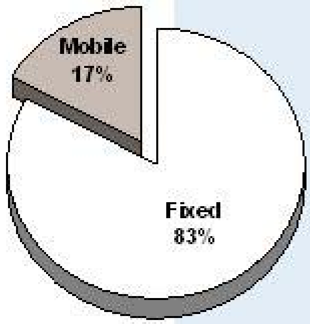
Operating revenue



Operating profit



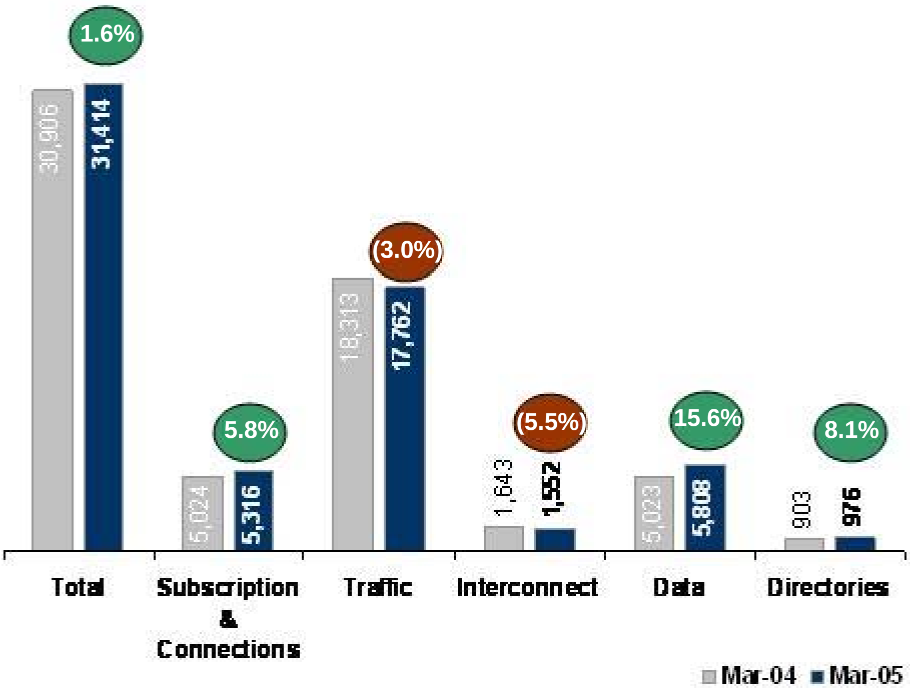
Net profit



Growth in fixed-line revenue impacted by cannibalisation and lower tariffs

Fixed-line revenue (before inter-segmental eliminations)

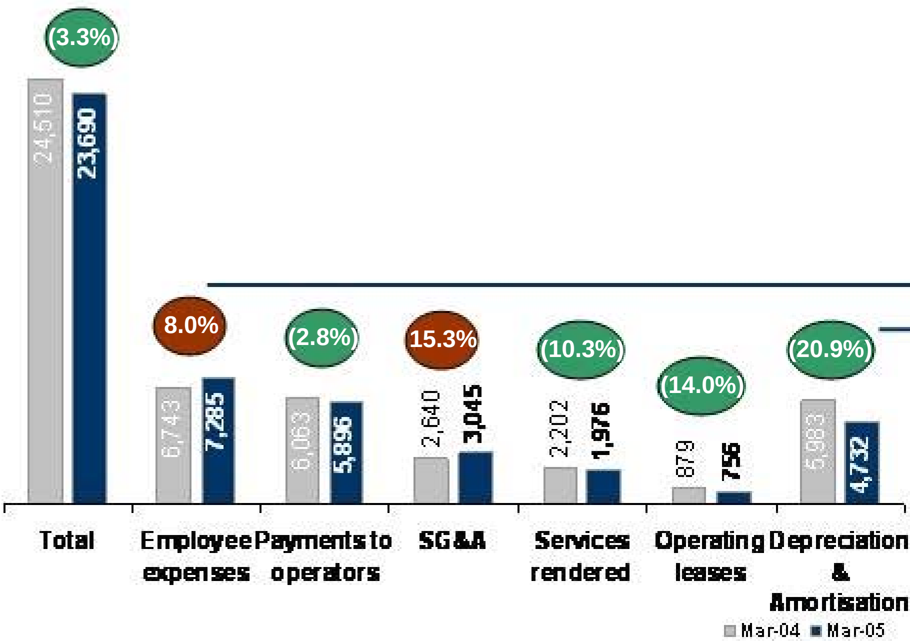
In ZAR million



Reduced operating expenses

Fixed-line operating expenses (before inter-segmental eliminations)

In ZAR million



Increase due to R961m workforce reduction expense, excluding workforce reduction expenses decreased 2%

Decrease due to extending useful lives of IT assets and impairment of ICO asset in prior year.

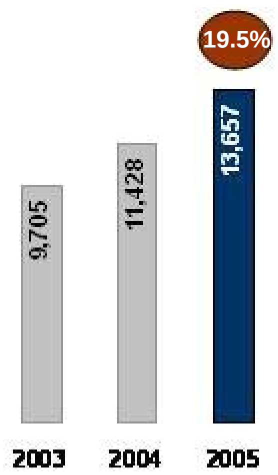
Fixed-line profitability

ZAR million	2004	**2005**	%
Operating profit	6,626	**7,979**	20.4
Operating profit margin (%)	*21.4*	***25.4***	
EBITDA	12,609	**12,711**	0.8
EBITDA margin	*40.8*	***40.5***	

Increasing mobile profitability

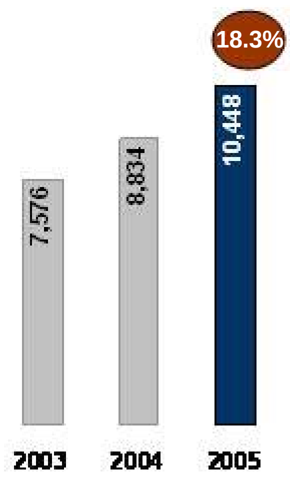
Mobile revenue

In ZAR million



Mobile operating expense

In ZAR million



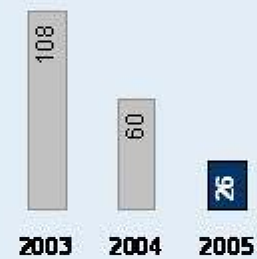
35% EBITDA margin

Before inter-segmental eliminations

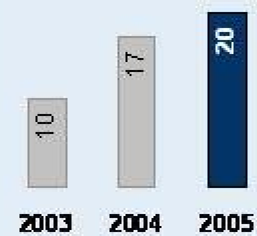
Strengthened group balance sheet

In ZAR million	2004	**2005**	%
Non-current assets	42,841	**42,672**	(0.4)
Current assets	10,322	**14,910**	44.8
Total assets	53,163	**57,582**	8.3
Capital and reserves	22,572	**27,073**	19.9
Non-current liabilities	16,420	**13,546**	17.5
Current liabilities	14,171	**16,963**	19.7
Total equity and liabilities	53,162	**57,582**	8.3
Net debt	13,362	**6,941**	(48.1)

26% net debt
to equity



20% return
on assets



Capital investment to support growth

Capital expenditure

In ZAR million

Capex to revenue

%

Maintained capital expenditure to revenue within guidance range of 12% - 15%

Increased group cash flow level

12% increase
in operating free cash flow to R10 billion

ZAR million	2004	**2005**	%
Cash generated from operations	14,432	**16,340**	13.2
Dividend paid	(548)	**(629)**	14.8
Operating activities	13,884	**15,711**	13.2
Investing activities	(5,423)	**(6,306)**	16.3
Financing activities	(6,481)	**(9,897)**	52.7
Net decrease in cash	1,980	**(492)**	(124.8)
Cash at end of year	2,796	**2,301**	17.7

Higher capital expenditure and increase in investment in retirement funding vehicle

Includes repurchase of shares of R1.7bn and short-term cash investments of R3.8bn

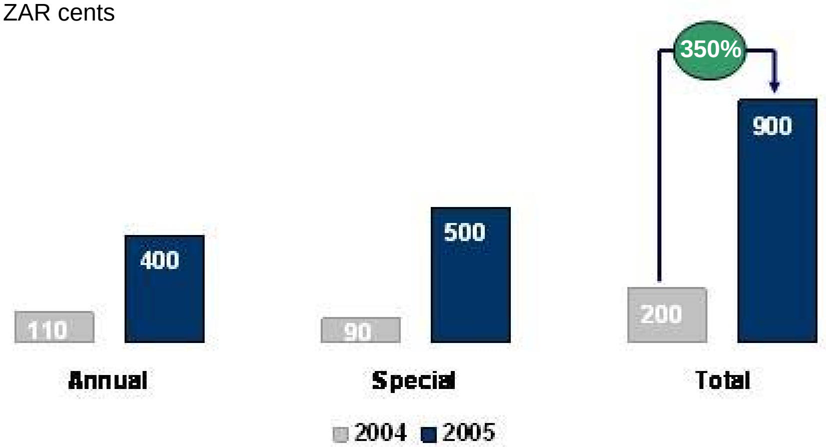
Strong growth in shareholder returns

Level of dividend

ensures that net debt to equity remains within targeted level of 50%-70%

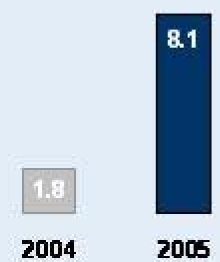
Dividends per share

In ZAR cents



8% dividend

yield



Based on share price of R111.80 on 31 May 2005

Outlook

Future strategic direction

Our vision is
to be a leading communications company

Transform traditional business

- Move to IP based network
- Aggressive rollout of ADSL
- Offer converged IP services

Growth engines

- VAN/ISP/IT services
- Wholesale services
- Mobility
- Outside SA

Financial outlook for March 2006

- 2005 EBITDA target was to achieve 39%, 41% achieved
- EBITDA margin in 2006 is expected to be impacted by the introduction of competition, price reductions in data services and more aggressive rollout of IP network
- Capital expenditure in 2006 is expected to be closer to the top end of our guidance of 12%-15% as we more aggressively rollout ADSL and our IP network
- Debt levels are expected to be maintained to achieve net debt to equity ratio of 50%-70%

Investor relations

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Telkom

Exhibit 99.5

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

Telkom SA

Vodacom Group (Proprietary) Limited ("Vodacom") in which Telkom has a 50.0% holding, today released its results for the year ended 31 March 2005:

Operating highlights

Total customers up 38.0% to 15.5 million
- o Customers up 32.0% in South Africa to 12.8 million
- o Customers up 54.0% in DRC to 1.0 million
- o Customers up 75.6% in Tanzania to 1.2 million

South African market share of 56%
Vodafone strategic alliance announced in November 2004 First 3G network in South Africa launched in December 2004

Financial highlights

Revenue up 19.5% to R27.3 billion
Profit from operations up 23.9% to R6.5 billion
EBITDA up 23.6% to R9.6 billion
EBITDA margin up 1.1% points to 35.1%
Net profit up 27.2% to R3.9 billion
Dividends up 61.9% to R3.4 billion

Commentary

The year under review
We are pleased to present the Vodacom Group Annual Results for 2005 in what has once again been another outstanding year in the history of Vodacom. Our strong financial performance is underpinned by excellent growth in customers, improved market share, good growth in revenues and profits, strong free cash flows, and a continued improvement in productivity.

Vodacom South Africa has had an exceptional year in terms of growth in customers, revenue, profit from operations and earnings before interest, taxation, depreciation, amortisation and impairment (EBITDA), all underpinned by a strategy of improving market share through aggressive growth and retention initiatives. Trading conditions were favourable, with a growing customer market and low inflation and interest rates in South Africa leading to customers having higher disposable income. As a result, Vodacom South Africa had a record 6.2 million gross connections (2004: 5.0 million), fuelling customer growth of 32.0% to a base of 12.8 million (2004: 9.7 million). Vodacom consequently saw an increase in its market share to 56% (2004: 54%) at the end of the year. The estimated penetration of the South African population is 48.5% and further growth can be expected given the robustness of the market and the strong economy.

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Vodacom's expansion outside South Africa contributed 8.3% (2004: 6.6%) to revenue and with 2.6 million customers (2004: 1.5 million), these operations constitute 17.1% of the total customer base (2004: 13.3%). All of Vodacom's other African operations, with the exception of Vodacom Mozambique, are now profitable at the profit from operations level. Mozambique remains a tough challenge, but we are confident that in the medium to long term it will also contribute to the overall growth of Vodacom.

Performance

The Group delivered a strong financial performance for the year ended March 31, 2005. Growth has been driven by excellent performances from all the Group's operations, with the exception of Mozambique which remains in its start-up phase.

Revenue continued its strong growth year on year, reaching R27.3 billion (2004: R22.9 billion), a 19.5% increase over 2004. This increase was driven by customer growth and an improved market share. Vodacom has experienced declining average revenue per user (ARPU), with a decrease in monthly ARPU in South Africa to R163 (2004: R177) as a result of lower spending customers being connected and a change in the customer mix. Nevertheless, the continued improvement in productivity mitigates against reducing ARPUs through the maintenance of ARPU margins.

Vodacom currently has 15.5 million customers (2004: 11.2 million), an increase of 38.0% for the year. We remain the market leader in all the countries in which we operate, with the exception of Mozambique.

As a result of sound cost management, Vodacom has ensured that its revenue growth has been translated into increased profits from operations, which increased 23.9% to R6.5 billion (2004: R5.2 billion), exceeding the revenue growth of 19.5%. Vodacom's EBITDA increased substantially by 23.6% to R9.6 billion (2004: R7.8 billion) and the EBITDA margin increased to 35.1% (2004: 34.0%).

Strategic acquisitions

There have been no acquisitions or investments in respect of African based cellular networks. However, Vodacom continued acquisitions in South Africa of businesses that are of strategic importance, including the process of gaining control of its service provider channel.

Regulatory

In South Africa, Vodacom is preparing for a range of new regulatory legislation such as the BEE ICT charter, number portability, the Convergence Bill, and the Monitoring and Interception Act, amongst others. These regulatory developments will lead to changes in the operating environment, and have an uncertain impact on business. It is therefore critical that Vodacom remains innovative, pragmatic, vigilant, pro-active, and quick in its decision-making process so as to protect both the investment of its shareholders and its market share. In Vodacom's other African operations the regulatory and fiscal environment has been subjected to changes and challenges and it faces the test of continued management of these.

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We support the industry initiative to formalise a BEE charter for the ICT sector. The Group is well positioned to comply with the ICT charter and it is committed to the transformation objectives of the charter.

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Financial review

The year under review
The Vodacom Group achieved remarkable results in an ever more competitive and demanding environment. Vodacom's revenue increased by 19.5% to R27.3 billion (2004: R22.9 billion) and the profit from operations increased by 23.9% to R6.5 billion (2004: R5.2 billion). Excluding the effects of Vodacom Mozambique, the profit from operations would have been R6.9 billion (2004: R5.3 billion), a 30.4% increase on the prior year. EBITDA increased by 23.6% to R9.6 billion (2004: R7.8 billion) and, despite the impairment of assets in respect of Mozambique, net profit after taxation increased by 27.2% to R3.9 billion (2004: R3.1 billion). South Africa constitutes the majority of Vodacom's revenue at 91.7% (2004: 93.4%), although the other African operations continue to improve their contribution, increasing to 8.3% (2004: 6.6%) of revenue. The growth in the South African operations has been outstanding, fuelled by the favourable economic conditions and strong consumer spending.

Two significant events need to be taken into account when analysing Vodacom's results for the year ended March 31, 2005. Firstly, with effect from April 1, 2004, Vodacom Congo meets the definition of a subsidiary because certain clauses granting the outside shareholders participating rights have been removed from the shareholders agreement. Consequently, it is now fully consolidated in the Group annual financial statements. Prior to this date, the Group proportionally consolidated 51% of the results of Vodacom Congo. Any comparison of consolidated numbers with prior periods will therefore be distorted since prior periods reflect only the Group's share of 51% of revenues, expenses, assets and liabilities, whereas the current period reflects 100%. To facilitate a better comparison of numbers with prior periods, adjusted amounts have been presented in the segmented analyses below, which reflect 100% of Vodacom Congo for the prior periods. Secondly, IAS 36 - Impairment of Assets (IAS 36), has resulted in an impairment charge to the assets of Vodacom Mozambique of R268 million. This has been reflected separately in the income statement for the current year.

The performance of the South African operations has been impacted by a number of factors which taken together resulted in improved margins. The factors positively impacting on margins were the inclusion for the first full year of Smartphone SP (Proprietary) Limited and Smartcom (Proprietary) Limited, as well as increased operational efficiencies achieved from economies of scale.

It should be noted that in South Africa, the equipment sales revenue in 2004 and 2003 was restated by R623 million and R369 million, respectively, to eliminate revenue from handset sales to Vodacom's own distribution channel, as required by IFRS, and to correct an inter-system error. The amounts have been reallocated to other direct network operating costs in those years, and therefore have a nil effect on profit from operations and EBITDA, but have increased the margins in the comparative years.

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Two factors have had a negative impact on margins. Firstly, incentives and discounts for the higher volume of gross contract connections increased 28.0% year on year and has led to higher customer acquisition costs and further margin pressure. Secondly, the continuing trend of fixed-mobile substitution has seen Vodacom's net interconnect revenue declining further because of increased interconnect costs. Interconnect costs increased because the cost of terminating calls on other mobile networks is much higher than the cost of terminating calls on Telkom's fixed-line network. Despite these factors, the Vodacom Group achieved strong results in an ever more competitive environment.

Key financial indicators

<TABLE>
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Year ended March 31,	2001	2002	2003	2004	2005
<S>	<C>	<C>	<C>	<C>	<C>
Profit from operations margin(1)	19.2%	22.4%	22.3%	22.9%	23.7%
EBITDA margin(1)	31.6%	35.2%	34.5%	34.0%	35.1%
Net profit margin(1)	9.9%	14.7%	11.6%	13.4%	14.2%
Net debt/EBITDA	63.1%	66.7%	36.5%	6.0%	4.4%
Net debt/equity	75.4%	69.4%	35.8%	6.1%	5.4%
Net debt/net tangible assets	99.0%	81.1%	38.4%	6.9%	6.1%
Gross capital expenditure as % of revenue(1)	24.0%	25.3%	17.5%	12.6%	12.8%

</TABLE>

1 South African equipment sales revenue and operating costs have been restated in 2003 and 2004 by R369 million and R623 million, respectively, to eliminate revenue and costs relating to handset sales to Vodacom's own distribution channel, as required by IFRS, and to correct an inter-system error. Margins have been restated accordingly. The restatement does not impact the Group's results for the years ended March 31, 2003 and 2004.

Revenue - geographical split

<TABLE>
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	Rand millions			% change	
Year ended March 31,	2003	2004	2005	04/03	05/04
<S>	<C>	<C>	<C>	<C>	<C>
South Africa(1)	18,175	21,350	25,041	17.5	17.3
Tanzania	880	897	959	1.9	6.9
DRC(2)	259	476	1,075	83.8	125.8
Lesotho	96	119	137	24.0	15.1
Mozambique	-	13	103	-	692.3
Revenue	19,410	22,855	27,315	17.7	19.5
DRC (100%)(2)	508	933	1,075	83.7	15.2
Adjusted revenue	19,659	23,312	27,315	18.6	17.2

</TABLE>

1 South African equipment sales revenue has been restated in 2003 and 2004 by R369 million and R623 million, respectively, to eliminate revenue from handset sales to Vodacom's own distribution channel, as required by IFRS, and to correct an inter-system error. Margins have been restated accordingly.

<PAGE>

2 During the years ended March 31, 2003 and 2004, 51% of Vodacom Congo was proportionally consolidated in the group financial statements. Effective April 1, 2004, Vodacom Congo is being fully consolidated as a subsidiary after certain clauses granting the outside shareholders participating rights have been removed from the shareholders agreement. The adjusted revenue has been adjusted to reflect 100% of Vodacom Congo's revenue for the prior periods for comparison purposes.

Revenue

Revenue increased 19.5% to R27.3 billion (2004: R22.9 billion). The increase in revenues was primarily driven by strong customer growth in all of Vodacom's operations coupled with lower overall churn and the inclusion of 100% of Vodacom Congo's results. However, the contribution of Vodacom's other African operations has been negatively impacted by the strong South African Rand.

South Africa

South Africa is by far the biggest contributor to Vodacom's revenue growth, accounting for 82.8% or R3.7 billion of the growth in revenue. Revenue from Vodacom's South African operations increased by 17.3% to R25.0 billion (2004: R21.4 billion), driven by the robust growth in customers in South Africa of 32.0% to 12.8 million customers (2004: 9.7 million). Revenue growth was marginally diluted by declining ARPU, in particular in respect of the connection of prepaid customers who are lower spending customers.

The number of contract customers increased by 31.8% to 1.9 million (2004: 1.4 million) and the number of prepaid customers increased by 32.1% to 10.9 million as at March 31, 2005 (2004: 8.3 million). Revenue growth from contract customers was slightly inhibited by a reduction in the average usage per customer to 226 monthly minutes (2004: 263), offset by standard tariff increases and increased value-added services usage. South African contract ARPU decreased marginally by 1.6% to R624 per month (2004: R634) for the year ended March 31, 2005.

Revenue growth from prepaid customers was negatively impacted by a reduction in the average usage per customer to 52 monthly minutes (2004: 56), as a result of increased penetration into the lower spending prepaid customer market. Prepaid ARPU consequently decreased by 13.3% to R78 (2004: R90) per month. Total blended ARPU decreased by 7.9% to R163 per month (2004: R177).

Other African countries

Vodacom's revenue from its other African operations increased 51.1% to R2.3 billion (2004: R1.5 billion) for the year ended March 31, 2005, contributing 8.3% (2004: 6.6%) to total revenue. The increase in revenue was driven by very strong customer growth, which mitigated the effect of a declining ARPU and lower Rand-based revenues in these countries, due to the strengthening of the South African Rand against the US Dollar and Tanzanian Shilling, although it weakened against the Mozambique Metical.

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Tanzania

Vodacom Tanzania's revenue increased by 6.9% to R1.0 billion (2004: R0.9 billion), driven primarily by the increase in the customer base. The customer base at March 31, 2005 of 1.2 million (2004: 0.7 million) represents a substantial increase of 75.6% on the prior year, primarily achieved through increases in the prepaid customer base. The customer growth has been driven by sustained sales marketing campaigns focused on customer acquisition and additional coverage. ARPU levels have decreased by 36.7% to R81 (2004: R128), as a result of two tariff reductions, which were necessitated by a competitive environment. In addition, regulatory intervention and substantially reducing interconnect revenue also contributed to the lower ARPU. Vodacom Tanzania's billing currency is the Tanzanian Shilling, which was effective from April 1, 2004. Prior to this date, the billing currency was the US Dollar.

In Tanzanian shilling terms, Vodacom Tanzania's revenue grew by 25.3% to TSH167.7 billion (2004: TSH133.5 billion) and Tanzanian shilling ARPUs decreased by 28.8% to TSH14,130 (2004: TSH19,850) per month.

Democratic Republic of Congo (DRC)

Vodacom Congo's revenue increased by 15.2% to R1.1 billion (2004: R0.9 billion), driven by a 54.0% increase in customers to 1.0 million (2004: 0.7 million). However, due to the inclusion of 100% of Vodacom Congo's results, effective April 1, 2004, the Group's portion of the revenue included in the results increased 125.8% from R476 million in 2004 to R1.1 billion in 2005. There has been pressure on ARPU which has declined 34.7% to R98 (2004: R150), principally due to the connection of lower spending prepaid customers, coupled with the 32.9% devaluation of the local currency against the US Dollar, which resulted in lower disposable US Dollar incomes for customers. In US Dollar terms, Vodacom Congo's revenue grew by 32.3% to US$172 million (2004: US$130 million) and US Dollar-based ARPUs decreased by 23.8% to $16 (2004: $21) per month.

Lesotho

Vodacom Lesotho's revenue increased by 15.1% to R137 million (2004: R119 million), and its customer base increased by 83.8% to 147,000 customers (2004: 80,000). ARPU decreased by 26.4% to R92 (2004: R125). Vodacom Lesotho's billing currency is the Maloti, which is linked to the Rand on a 1:1 basis.

Mozambique

Vodacom Mozambique's revenue increased substantially to R103 million (2004: R13 million), in the company's first full year of operation. Its customer base increased 356.9% to 265,000 (2004: 58,000) customers. With Vodacom Mozambique being the second entrant to the Mozambique market it is connecting lower spending customers and as a result ARPU has decreased 52.7% to R52 (2004: R110), due to decreased customer usage. Vodacom Mozambique's billing currency is the Metical. In Metical terms, Vodacom Mozambique's revenue was MZM353.6 billion for the year ended March 31, 2005 (2004: MZM49.5 billion) and Metical-based ARPU was MZM177,954 per month (2004: MZM425,511).

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Profit from operations

Profit from operations increased by 23.9% to R6.5 billion for the year ended March 31, 2005 (2004: R5.2 billion), fuelled by buoyant consumer spending and a low inflationary environment in South Africa, and cost containment in all operations. Operating expenses increased by 18.2% which was lower than revenue growth of 19.5%. This resulted in Vodacom's profit from operations margin increasing to 23.7% (2004: 22.9%). The profit from operations was negatively impacted by losses in Mozambique of R454 million including a R268 million impairment charge to Vodacom Mozambique's assets, the high levels of contract customer connections in South Africa, the implementation of a new Corporate Governance division, costs associated with the Vodafone alliance and the implementation of 3G and Vodafone live!. Excluding Vodacom Mozambique's losses yields an operating profit margin of 25.5% (2004: 23.3%), a substantial increase on the margin of the prior period. Operating profit margins in all other operations increased.

Profit from operations - geographical split

<TABLE>
<CAPTION>

	Rand millions			% change	
Year ended March 31,	2003	2004	2005	04/03	05/04
<S>	<C>	<C>	<C>	<C>	<C>
South Africa excluding holding companies(1)	4,295	5,282	6,625	23.0	25.4
Tanzania	178	135	183	(24.2)	35.6
DRC(2)	(117)	10	50	108.5	400.0
Lesotho	4	1	25	(75.0)	-
Mozambique	-	(88)	(454)	-	(415.9)
Holding companies	(33)	(105)	56	218.2	153.3
Profit from operations	4,327	5,235	6,485	21.0	23.9
DRC (100%)(2)	(229)	20	50	108.6	155.0
Adjusted profit from operations	4,215	5,245	6,485	24.4	23.6

</TABLE>

1 South African equipment sales revenue and operating costs have been restated in 2003 and 2004 by R369 million and R623 million, respectively, to eliminate revenue and costs relating to handset sales to Vodacom's own distribution channel, as required by IFRS, and to correct an inter-system error. Margins have been restated accordingly. The restatement does not impact the Group's results for the years ended March 31, 2003 and 2004.

2 During the years ended March 31, 2003 and 2004, 51% of Vodacom Congo was proportionally consolidated in the Group financial statements. Effective April 1, 2004, Vodacom Congo is being fully consolidated as a subsidiary after certain clauses granting the outside shareholders participating rights have been removed from the shareholders agreement. The adjusted profit from operations has been adjusted to reflect 100% of Vodacom Congo's profit/(loss) from operations for the prior periods for comparison purposes.

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South Africa
Vodacom South Africa's profit from operations increased by 25.4% to R6.6 billion for the year (2004: R5.3 billion) and profit from operations margin increased to 26.5% for 2005 (2004: 24.7%) despite more competitive operating conditions and increased interconnect costs due to the negative impact of the change in traffic mix. However, these pressures were offset by the consolidation of a part of Vodacom's distribution channel, including Smartcom and Smartcall.

Operating expenses in South Africa grew by 14.6% versus the revenue growth of 25.4%, resulting in the increased South African margin.

Other African countries
Tanzania
Vodacom Tanzania's profit from operations improved substantially by 35.6% to R183 million for the year (2004: R135 million), and operating profit margin increased to 19.1% (2004: 15.1%), despite pressures from tariff reductions in response to the competitive market environment. The improvement in profit from operations was aided by sound cost management.

DRC
Vodacom Congo experienced excellent growth with profit from operations increasing 155.0% to R50 million for the year (2004: R20 million) and operating profit margin increasing to 4.7% (2004: 2.1%). The profit from operations has been negatively affected by higher direct expenditure on the implementation of a new dealer incentive and discount scheme. The effect of this was mitigated by increased revenue.

Lesotho
Vodacom Lesotho's profit from operations increased substantially to R25 million for the year (2004: R1 million) and operating profit margin increased to 18.2%, despite an increase in termination tariffs and increased interconnect expenditure on more calls to South Africa.

Mozambique
Vodacom Mozambique's loss from operations worsened to R454 million for the year (2004: R88 million loss), primarily due to an impairment charge of R268 million, and as a result of low spending customers leading to lower than expected revenue, offset by savings in respect of operational and administrative expenses. Management expects Vodacom Mozambique's performance to improve going forward.

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The impairment of capital assets of R268 million was done in compliance with IAS 36, which requires Vodacom to recognise an impairment loss to the extent that the carrying values of Vodacom Mozambique assets exceed their recoverable amounts, which is defined as the higher of the net present value of expected future cash flows and the fair value less cost of disposal. Vodacom Mozambique has consequently impaired the assets to their estimated fair value less cost of disposal, which was R268 million less than the book values at March 31, 2005. The standard requires expected future pre-tax cash flows to be discounted at a rate commensurate with the riskiness of the assets producing the cash flows. Because of the high perceived risk of assets in Mozambique, this discount rate is relatively high. The high discount rate used, and the substantial capital outlay required at the beginning of the project, resulted in the calculated net present value of expected future cash flows being lower than the expected fair value less cost of disposal.

Holding companies
The holding companies have become profitable, with a profit from operations of R56 million (2004: R105 million loss), mainly as a result of management and directors fees received from Vodacom Congo relating to the outside shareholder agreement of US$9 million, and revenue and costs relating to Nigeria which have not been repeated in the current year.

EBITDA - geographical split

<TABLE>
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	Rand millions			% change	
Year ended March 31,	2003	2004	2005	04/03	05/04
<S>	<C>	<C>	<C>	<C>	<C>
South Africa excluding holding companies(1)	6,423	7,536	9,002	17.3	19.5
Tanzania	333	278	345	(16.5)	24.1
DRC(2)	(49)	97	252	298.0	159.8
Lesotho	26	27	48	3.8	77.8
Mozambique	-	(71)	(111)	-	(56.3)
Holding companies	(30)	(100)	61	233.3	161.0
EBITDA	6,703	7,767	9,597	15.9	23.6
DRC (100%)(2)	(96)	190	252	297.9	32.6
Adjusted EBITDA	6,656	7,860	9,597	18.1	22.1

</TABLE>

1 South African equipment sales revenue and operating costs have been restated in 2003 and 2004 by R369 million and R623 million, respectively, to eliminate revenue and costs relating to handset sales to Vodacom's own distribution channel, as required by IFRS, and to correct an inter-system error. Margins have been restated accordingly. The restatement does not impact the Group's results for the years ended March 31, 2003 and 2004.

2 During the years ended March 31, 2003 and 2004, 51% of Vodacom Congo was proportionally consolidated in the Group financial statements. Effective April 1, 2004, Vodacom Congo is being fully consolidated as a subsidiary after certain clauses granting the outside shareholders participating rights have been removed from the shareholders agreement. The adjusted EBITDA has been adjusted to reflect 100% of Vodacom Congo's EBITDA for the prior periods for comparison purposes.

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EBITDA

EBITDA increased by 23.6% to R9.6 billion (2003: R7.8 billion) for the year ended March 31, 2005, with Vodacom's other African operations contributing 5.6% (2004: 4.3%). Vodacom's EBITDA margin increased to 35.1% (2004: 34.0%).

The satisfactory improvement in the EBITDA margin is the result of lower prepaid acquisition costs and lower contract retention costs in South Africa, the consolidation of Smartcom and Smartcall, savings in distribution expenses and operational improvement of all productivity ratios. A healthy increase in on-net traffic also contributed favourably to profit margins. The margin improvement was further helped by increased EBITDA margins in all of Vodacom's other African operations. Vodacom Mozambique, in its first full year of operation, showed a decline in EBITDA to a negative EBITDA of R111 million (2004: R71 million negative EBITDA), due to low ARPUs and a competitive environment. Excluding the impact of sales of low margin cellular phone and equipment sales, Vodacom Group's EBITDA margin was 40.2% (2004: 38.0%).

Revenue

Revenue composition

<TABLE>
<CAPTION>

Year ended March 31,	Rand millions			% of total			% change	
	2003	2004	2005	2003	2004	2005	04/03	05/04
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Airtime, connection and access	10,647	12,738	16,191	54.8	55.7	59.4	19.6	27.1
Data revenue	654	1,039	1,340	3.4	4.5	4.9	58.9	29.0
Interconnection	5,309	5,785	5,924	27.4	25.3	21.7	9.0	2.4
Equipment sales(1)	1,895	2,275	2,687	9.8	10.0	9.8	20.1	18.1
International airtime	539	659	887	2.8	2.9	3.2	22.3	34.6
Other sales and services	366	359	286	1.9	1.6	1.0	(1.9)	(20.3)
Revenue	19,410	22,855	27,315	100.0	100.0	100.0	17.7	19.5

</TABLE>

1 South African equipment sales revenue has been restated in 2003 and 2004 by R369 million and R623 million, respectively, to eliminate revenue from handset sales to Vodacom's own distribution channel, as required by IFRS, and to correct an inter-system error. Margins have been restated accordingly.

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Airtime, connection and access
Vodacom's airtime, connection and access revenue increased 27.1% to R16.2 billion (2004: R12.7 billion) during the year ended March 31, 2005, primarily due to the increase in the number of customers, as well as the 100% consolidation of Vodacom Congo from April 1, 2004, offset by declining ARPUs in all operations.

Total customers increased 38.0% to 15.5 million (2004: 11.2 million), primarily due to strong prepaid customer growth in operations. In South Africa, gross contract connections of 610,000 (2004: 377,000) exceeded the prior year connections by 61.8%. South African APRU decreased 7.9% to R163 (2004: R177) due to the strong increase in prepaid customers and lower usage by the new connections.

Data revenue - geographical split

<TABLE>
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	Rand millions			% of total			% change	
Year ended March 31,	2003	2004	2005	2003	2004	2005	04/03	05/04
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
South Africa	581	943	1,246	88.8	90.8	93.0	62.3	32.1
Tanzania	71	91	74	10.9	8.8	5.5	28.2	(18.7)
DRC	-	-	9	-	-	0.7	-	-
Lesotho	2	5	9	0.3	0.4	0.7	150.0	80.0
Mozambique	-	-	2	-	-	0.1	-	-
Data revenue	654	1,039	1,340	100.0	100.0	100.0	58.9	29.1

</TABLE>

Data revenue
Vodacom's data revenue increased 29.1% to R1.3 billion (2004: R1.0 billion), mainly due to growth in SMS traffic, as well as increased usage and popularity of other data products.

The contribution to data revenue from other African operations declined from 9.2% to 7.0%. New data revenues from Vodacom Congo and an increase in Vodacom Lesotho data revenues were offset by a decrease of 18.7% in Vodacom Tanzania data revenues, which was adversely affected by aggressive pricing by competitors. Vodacom Tanzania has subsequently matched the competitors' lower tariffs, which has resulted in increased usage, with data revenue stabilising at a lower level.

Vodacom transmitted 2.4 billion SMSs (2004: 2.0 billion) over its South African network during the year ended March 31, 2005, up 25.2% from 2004. The number of active MMS users on the network as at March 31, 2005 was 328,974 (2004: 61,374), sending an average of 811,270 messages (2004: 165,951) per month. The number of active GPRS users on the network was 579,581 (2004: 100,128). In respect of 3G services, the number of active 3G users on the network as at March 31, 2005 was 10,853 and the number of active Mobile Connect Card users on the network as at March 31, 2005 was 5,105.

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Interconnection

Vodacom's interconnection revenue increased by only 2.4% during the year to R5.9 billion (2004: R5.8 billion) primarily due to little growth in fixed to mobile traffic.

In South Africa, the growth in interconnection revenue was negatively affected by a 0.5% decline in the traffic originating from Telkom and terminating on Vodacom's network caused by the changing call patterns of cellular users through fixed-mobile substitution.

Equipment sales

Vodacom's revenue from equipment sales increased by 18.1% to R2.7 billion (2004: R2.3 billion) during the year. Equipment sales was restated in 2004 and 2003 by R623 million and R369 million, respectively, as noted earlier in this report. In South Africa, handset sales increased 14% to 2.4 million units (2004: 2.0 million). The growth in equipment unit sales was primarily due to growth of Vodacom's customer base and the continued uptake of new handsets in South Africa fuelled by Vodacom's successful strategic drive to increase access in the robust South African market. Sales were further driven by cheaper Rand-prices of new handsets coupled with the added functionality of the new phones, based on new technologies such as camera phones and colour screens.

International airtime

International airtime revenues are predominantly from international calls by Vodacom customers, roaming revenue from Vodacom's customers making and receiving calls while abroad, and revenue from international customers roaming on Vodacom's networks. International airtime increased 34.6% to R887 million (2004: R659 million) for the year ended March 31, 2005, primarily as a result of healthy increases in international airtime from Vodacom Congo and Vodacom South Africa, as well as an increase in roaming partners. The increase in South African international airtime was offset to a degree by the strengthening of the Rand against the trade-weighted basket of international currencies during 2005.

Other sales and services

Revenue from other sales and services includes revenue from non-core operations such as income from Vodacom's cell captive insurance scheme. Revenue decreased by 20.3% to R286 million (2004: R359 million), primarily as a result of the reallocation of value-added services revenue, which was previously included under other sales and services, to airtime connection and access. The decrease was offset marginally by other sales and services revenue received in Smartcom (Proprietary) Limited.

Operating expenses

Operating expenses included the effect of the first full year of consolidating Smartcall (Proprietary) Limited, Smartcom (Proprietary) Limited and Vodacom Mozambique, as well as including 100% of Vodacom Congo, compared to 51% in the prior year.

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Depreciation, amortisation and impairment

Vodacom's depreciation, amortisation and impairment increased by 22.9% to R3.1 billion in the year ended March 31, 2005 (2004: R2.5 billion). The biggest contributing factor to this increase was the impairment of Vodacom Mozambique's assets which amounted to R268 million, and which has been reflected as a separate line item in the income statement in terms of IAS 36. The increase in the depreciation and amortisation would have been 12.3% if the Mozambique impairment was excluded.

Although Vodacom's biggest capital investments have already been made in South Africa, the aggressive roll-out of infrastructure, in particular with the introduction of 3G, and the amortisation of intangible assets in Smartcall, has caused an increase in South African depreciation and amortisation. The continued strengthening of the Rand against most other currencies again resulted in depreciation on foreign-denominated capital expenditure in Vodacom's other African operations being translated at a lower exchange rate than in the past, which resulted in only a marginal increase in depreciation and amortisation in Vodacom's other African operations, despite increased capital expenditure. A comparison of the exchange rates applicable to Vodacom is presented under the section "Financial instruments and risk management".

Payments to other network operators

Vodacom's payments to other network operators increased by 22.1% to R3.7 billion in 2005 (2004: R3.0 billion) as a result of an increased amount of outgoing traffic terminating on other cellular networks, rather than on fixed-line networks. As the cost of terminating calls on other cellular networks is materially higher than calls terminating on fixed-line networks, and as mobile substitution increases with the growing number of total mobile users in South Africa, interconnection charges will continue to increase, putting pressure on margins.

Operating expenses composition

<TABLE>
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	Rand millions			% change	
Year ended March 31,	2003	2004	2005	04/03	05/04
<S>	<C>	<C>	<C>	<C>	<C>
Depreciation, impairment and amortisation	2,376	2,532	3,112	6.6	22.9
Payments to other network operators	2,217	2,990	3,652	34.9	22.1
Other direct network operating costs(1), (2)	8,274	9,440	10,962	14.1	16.1
Staff expenses	1,019	1,332	1,653	30.7	24.1
Marketing and advertising	653	702	767	7.5	9.3
General administration expenses	612	682	748	11.4	9.7
Other operating income	(68)	(58)	(64)	(14.7)	10.3
Operating expenses	15,083	17,620	20,830	16.8	18.2

</TABLE>

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1 Direct network operating costs excluding payments to other operators.

2 South African equipment sales revenue and operating costs have been restated in 2003 and 2004 by R369 million and R623 million, respectively, to eliminate revenue and costs relating to handset sales to Vodacom's own distribution channel, as required by IFRS, and to correct an inter-system error. Margins have been restated accordingly. The restatement does not impact the Group's results for the years ended March 31, 2003 and 2004.

Other direct network operating costs

Other direct network expenses increased 16.1% to R11.0 billion (2004: R9.4 billion) in the year ended March 31, 2005. The low growth in direct network operating expenses was achieved due to lower prepaid acquisition costs, lower cost of retention, as well as the positive impact of the strong Rand on the translation of foreign currency denominated expenses.

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

Staff expenses

Staff expenses increased by 24.1% in the year ended March 31, 2005 to R1.7 billion (2004: R1.3 billion) primarily as a result of an increase in headcount of 8.3% in 2005 to support the growth in operations, as well as an average Group-wide salary increase of approximately 8.0%. Staff expenses also increased further due to a higher deferred bonus incentive accrual brought about by Vodacom's increased profits.

Vodacom's staff expenses include fees to directors, secondment fees and expenses raised in connection with our deferred bonus incentive scheme.

Total headcount in Vodacom's South African operations increased by 2.8% to 3,954 employees (2004: 3,848). Total headcount in our other African operations increased by a significant 36.5% to 1,039 employees (2004: 761) to meet the demands of the rapid expansion of these operations. Employee productivity has improved in all of Vodacom's operations, as measured by customers per employee, improving by 22.7% to 2,986 customers per employee (2004: 2,434), which includes 4,993 Group employees and 191 outsourced customer care employees in South Africa. Excluding the outsourced employees, the Group customers per employee is 3,101.

Marketing and advertising

Marketing and advertising expenses increased by 9.3% in 2005 to R767 million, (2004: R702 million) driven mainly by an amplified marketing drive in South Africa, in particular in connection with the Vodafone alliance and the launch of 3G, BlackBerry(R) and Vodafone live!, coupled with the marketing expenses related to establishing Vodacom Mozambique.

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General administration expenses

General administration expenses increased by 9.7% to R748 million (2004:R682 million), where the increase was mitigated by the effect of a strong Rand and improvements in productivity. General administration expenses comprise a number of expenses including accommodation, information technology costs, office administration, consultant expenses, social economic investment and insurance.

Other operating income

Other operating income increased 10.3% to R64 million (2004: R58 million). Other operating income comprises income that Vodacom does not view as part of its core activities, such as risk management services, consultant cost recoveries, franchise fees, and the recovery of costs relating to Nigeria, and is therefore shown separately.

Capital expenditure

The total cumulative capital expenditure of the Group at March 31, 2004 increased by 18.2% to R24.4 billion (2004: R20.7 billion). The Group invested R3.5 billion (2004: R2.9 billion) in property, plant and equipment, of which R3.4 billion (2004: R2.8 billion) was for cellular network infrastructure and related information technology and billing systems.

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

Vodacom (Proprietary) Limited, the subsidiary that owns the South African cellular operator licence, had a capital expenditure per customer of R1,471 (2004: R1,720) as at March 31, 2005, which is once again at its lowest level ever. Despite the African expansion, gross capital expenditure as a percentage of revenue was only 12.8% in 2005 (2004: 12.6%).

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Capital expenditure additions - geographical split

<TABLE>
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	Rand millions			% of total			% change	
Year ended March 31,	2003	2004	2005	2003	2004	2005	04/03	05/04
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
South Africa excluding holding	2,482	1,654	2,777	73.0	57.3	79.5	(33.4)	
Tanzania	323	351	234	9.5	12.1	6.7	8.7	(33.3)
DRC(1)	516	395	335	15.2	13.7	9.6	(23.4)	(15.2)
Lesotho	72	7	10	2.1	0.3	0.3	(90.3)	42.9
Mozambique	-	478	115	-	16.5	3.3	-	(75.9)
Holding companies	6	6	23	0.2	0.2	0.6	-	283.3
Capital expenditure for the year	3,399	2,891	3,494	100.0	100.0	100.0	(14.9)	20.9
DRC (100%)(1)	1,012	775	335	26.0	23.7	9.6	(23.4)	(56.8)
Adjusted capital expenditure	3,895	3,271	3,494	100.0	100.0	100.0	(16.0)	6.8

</TABLE>

Cumulative capital expenditure - geographical split

<TABLE>
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Year ended March 31,	2004		2005	
	R billion	Foreign	R billion	Foreign
<S>	<C>	<C>	<C>	<C>
South Africa	18.2	18.2	20.3	20.3
Tanzania (Foreign: TSH billion)	1.1	201.0	1.4	240.1
DRC (Foreign: US$ million)(1)	0.7	114	1.8	281
Lesotho (Foreign: Maloti million)	0.2	201	0.2	211
Mozambique (Foreign: MZM billion)	0.5	1,785.6	0.7	2,173.7
Cumulative capital expenditure	20.7	-	24.4	-
DRC (100%) (Foreign: US$ million)(1)	1.4	227	1.8	281
Adjusted cumulative capital expenditure	21.4	-	24.4	-

</TABLE>

1 During the years ended March 31, 2003 and 2004, 51% of Vodacom Congo was proportionally consolidated in the Group financial statements. Effective April 1, 2004, Vodacom Congo is being fully consolidated as a subsidiary after certain clauses granting the outside shareholders participating rights have been removed from the shareholders agreement. The adjusted capital expenditure has been adjusted to reflect 100% of Vodacom Congo's capital expenditure for the prior periods for comparison purposes.

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Financial structure and funding
Vodacom's consolidated net debt position has decreased to R426 million as at March 31, 2005 (2004: R463 million), despite the inclusion of 100% of Vodacom Congo's debt, compared to 51% in the prior year. The Group's net debt to EBITDA ratio was 4.4% as at March 31, 2005 (2004: 6.0%). Vodacom's net debt to equity ratio improved to 5.4% at March 31, 2005, (2004: 6.1%). However, the final dividend of R1.8 billion, which was paid on April 1, 2005, should be taken into account when evaluating the net debt to equity ratio. In addition, in terms of covenant calculations intangible assets are excluded from the calculation. If the shareholders for dividends is included in, and intangible assets are excluded from, the calculation, the net debt to equity ratio at March 31, 2005, increases to 31.7% (2004: 29.5%).

A medium term loan of R1,129 million (US$180.0 million) was obtained for Vodacom Congo during the year, which is collateralised by guarantees provided by the Group. This loan replaced Vodacom Group's share of extended credit facilities relating to Vodacom Congo of R312.2 million (US$16.3 million) and R310.1 million (E38.8 million), which was repaid during the year. For further details refer to Note 18 of the annual financial statements.

Summary of net debt and maturity profile

<TABLE>
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			Repayment of 2005 debt					
Year ended March 31,	2004	2005	2006	2007	2008	2009	2010	2011
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Finance leases								
South Africa	886	858	51	79	114	194	98	322
Funding loans								
Vodacom Tanzania shareholder and project finance loans	426	369	92	104	89	-	84	-
Vodacom Congo medium term loan(1)	-	1,129	-	1,129	-	-	-	-
Vodacom Congo extended and revolving credit facilities(1)	626	6	6	-	-	-	-	-
Vodacom Congo preference share liability(1)	119	232	232	-	-	-	-	-
Vodacom Lesotho minority shareholders' loan	4	4	4	-	-	-	-	-
Other	-	1	1	-	-	-	-	-
Debt excluding bank overdrafts	2,061	2,599	386	1,312	203	194	182	322
Less: Net bank and cash balances	(1,598)	(2,173)						
Net debt	463	426						
Vodacom Congo (100%)	1,435	1,378						
Adjusted net debt	1,167	426						

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1 During the years ended March 31, 2003 and 2004, 51% of Vodacom Congo was proportionally consolidated in the Group financial statements. Effective April 1, 2004, Vodacom Congo is being fully consolidated as a subsidiary after certain clauses granting the outside shareholders participating rights have been removed from the shareholders agreement. The adjusted capital expenditure has been adjusted to reflect 100% of Vodacom Congo's capital expenditure for the prior periods for comparison purposes.

Funding sources
Vodacom's ongoing objective is to fund all its other African operations by means of project finance, structured such that there is no recourse to our South African operations. Strong South African cash flows would therefore principally be utilised to pay dividends and make new, growth enhancing investments. We utilise own funds and Group supported funding structures, subject to South African Reserve Bank approval, to fund offshore investments in the initial stages of the investment, until the project is able to support project funding.

While we have project funding in place for our Tanzania investment, at this stage Vodacom Congo and Vodacom Mozambique are still substantially dependent on funding from South Africa. These operations are funded by a mix of market priced direct loans as well as security to facilitate their own credit lines. Vodacom Lesotho repaid its shareholder loans during the year.

In South Africa, debt consists of finance lease liabilities of R858 million (2004: R886 million) and net positive bank balances of R2.0 billion (2004: R1.4 billion) held principally on money market at variable rates. Vodacom has funded all of its major properties by way of finance leases.

Financial instruments and risk management
Subject to central bank regulations in the various countries, and the local market condition restrictions, Vodacom actively manages foreign currency risk, interest rate risk, credit risk and liquidity risk on an ongoing basis. Management believes that Vodacom's procedures are adequate for the organisation. The Group's risk management procedures are described fully in Note 41 of the Group's annual financial statements.

Foreign exchange rates

<TABLE>
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	Rand exchange rate			% change	
Year ended March 31,	2003	2004	2005	04/03	05/04
<S>	<C>	<C>	<C>	<C>	<C>
US Dollar					
Average	9.81	7.17	6.24	26.9	13.0
Closing	7.97	6.32	6.27	20.7	0.8
Tanzanian Shilling					
Average	129.00	163.31	175.01	26.6	7.2
Closing	129.11	174.19	176.68	34.9	1.4
Mozambique Metical					
Average	-	3,734.52	3,418.17	-	(8.5)
Closing	-	3,745.36	3,122.82	-	(16.6)

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Taxation

The taxation expense increased 51.5% to R2.6 billion (2004: 1.7 billion) for the year ended March 31, 2005, mainly due to a significant increase in secondary taxation on companies (STC) paid on higher dividends, as well as higher South African normal tax. Vodacom's effective tax rate increased to 40.2% (2004: 36.1%), with STC increasing Vodacom's effective tax rate by 6.6% (2004: 5.5%). Furthermore, no deferred tax asset was raised in respect of Vodacom Mozambique's impairment of assets, resulting in a higher effective tax rate.

Shareholder distributions

Dividends for the 2005 financial year totalled R3.4 billion (2004: 2.1 billion) an increase of 61.9%. One of the largest dividends paid by a South African company to date. In 2004, shareholder distributions included R47 million of shareholder interest, which is not repeated in 2005 as shareholder loans have been repaid.

Cash flow

The Group had a positive free cash flow before shareholder distributions and financing activities of R3.9 billion (2004: R3.0 billion), an increase of 27.6%, mainly due to the greater cash generation from operations. Free cash flow growth was negatively impacted by an increase in taxation paid of 87.5% to R2.7 billion (2004: R1.5 billion) on increased profits and STC on increased dividends, an increase in cash utilised in investing activities of 12.5% to R3.4 billion (2004: R3.0 billion). These factors were partially offset by an increase in cash generated from operations of 31.8% to R10.0 billion (2004: R7.6 billion).

Conclusion

The Vodacom Group has performed well in an evolving and competitive African market. The performance of the South African market continues to be robust and management believes that a lot of growth can still be extracted from it. The strong cash generation ability of Vodacom's South African operations ensured that its consolidated balance sheet remained sturdy, even after paying out substantial dividends to its shareholders and funding the investments in Mozambique and the DRC. Vodacom continues to be confident of its success in all of its operations despite a challenging competitive and regulatory environment. In South Africa, Vodacom intends to position itself strategically to minimise any negative impact from the pending deregulation of the South African market and to seize any opportunities that may emerge. With its strong brand and robust balance sheet, the Group is well positioned to capitalise on investment and growth opportunities.

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Vodacom South Africa review

Customers and traffic
Customer growth and connections
The South African customer base continued to grow this year, showing the market is larger than previously forecast. Total customers increased by 32.0% to 12.8 million (2004: 9.7 million) with the majority of the growth coming from the prepaid market. The number of prepaid customers increased by 32.1% to 10.9 million, while the number of contract customers increased by 31.8% to 1.9 million. However, despite the increase in contract customers Vodacom has seen a decrease in connection incentive levels in the market. The strong growth in customers was a direct result of the remarkable number of gross connections achieved, with continued levels of handset support to service providers in respect of the contract base, coupled with decreased churn in the contract and prepaid bases.

Contract gross connections increased by 61.8% to 610,000 (2004: 377,000), while prepaid gross connections increased 20.6% to 5.6 million (2004: 4.6 million), bringing the total number of connections for the year to 6.2 million (2004: 5.0 million). The growth in the contract connections was largely due to the increased connections in the hybrid product, Family Top Up, in which the customer signs up for a 24 month airtime contract and receives a monthly amount of airtime after which he is able to recharge using prepaid vouchers. This product, allowing the customer to control his spend, has been particularly popular in the youth market.

The year under review was another year of records in South Africa with 715,000 prepaid gross connections achieved in December 2004, the highest ever monthly figure and 22.3% more than the previous record of December 2003. Contract gross connections of 61,000 achieved in December 2004, was also the highest ever, 31.3% higher than the previously reported record of March 2004.

Loyalty and retention programmes continue to play an integral role in achieving the strategy of retaining market share and attracting new customers.

ARPU
The developing market through the prepaid service continued to drive market penetration in 2005 and made up 90.1% (2004: 92.4%) of all gross connections. During the period under review, ARPU decreased to R163 per month (2004: R177) due to the continued dilution of ARPU caused by the higher proportion of lower ARPU prepaid connections and lower usage as the lower end of the market is penetrated.

Contract customer ARPU has decreased by 1.6% to R624. The main contributing factor to this decrease has been the high growth in the low end hybrid, Family Top Up. The prepaid customer ARPU decreased by 13.3% to R78 (2004: R90) per customer per month.

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Community services ARPU increased by 7.7% to R2,321 (2004: R2,155) due to tariff increases coupled with stable usage patterns. One community services phone is equivalent to approximately 45 prepaid customers on an outgoing revenue basis and nearly 128 on an outgoing usage basis, due to the subsidisation of community service tariffs.

Churn
The cost to acquire contract customers in a highly developed market is high. Vodacom has therefore implemented upgrade and retention policies over the last couple of years. Through the continued high level of handset support to service providers, Vodacom has ensured the decrease in contract churn to the lowest level in our history of 9.1% in 2005 (2004: 10.1%).

The developing prepaid market is characterised by low acquisition costs due to the flexibility required by this market to access our services. The decrease in prepaid churn experienced during the year under review to 30.3% (2004: 41.3%) is partly a result of a change in business rules.

Traffic and minutes of use
Total traffic on the network, excluding the impact of national and international roaming, has shown an increase of 22.1% to 15.0 billion minutes in 2005 (2004: 12.3 billion). This growth was due mainly to the 32.0% growth in the total customer base from 9.7 million to a base of 12.8 million as at the end of March 2005. Also evident was a marked change in customer calling patterns, with total mobile to mobile traffic increasing by 31.6% while total mobile to fixed and fixed to mobile traffic decreased by 0.9%.

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Key operational information

<TABLE>
<CAPTION>

	Year ended March 31,					% change			
	2001	2002	2003	2004	2005	02/01	03/02	04/03	05/04
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Customers (`000)(1)	5,108	6,557	7,874	9,725	12,838	28.4	20.1	23.5	32.0
Contract	1,037	1,090	1,181	1,420	1,872	5.1	8.3	20.2	31.8
Prepaid	4,046	5,439	6,664	8,282	10,941	34.4	22.5	24.3	32.1
Community services	25	28	29	23	25	12.0	3.6	(20.7)	8.7
Gross connections (`000)	2,990	3,038	3,495	4,998	6,180	1.6	15.0	43.0	23.6
Contract	263	199	197	377	610	(24.3)	(1.0)	91.4	61.8
Prepaid	2,725	2,836	3,295	4,617	5,566	4.1	16.2	40.1	20.6
Community services	2	3	3	4	4	50.0	-	33.3	-
Inactives (3 months - %)(2)	n/a	13.9	18.2	17.6	7.9	-	4.3	(0.6)	(9.7)
Contract	n/a	3.8	5.3	5.7	1.5	-	1.5	0.4	(4.2)
Prepaid	n/a	15.9	20.5	19.7	9.0	-	4.6	(0.8)	(10.7)
Total churn (%)(3)	23.3	27.2	30.4	36.6	27.1	3.9	3.2	6.2	(9.5)
Contract	18.7	14.5	11.9	10.1	9.1	(4.2)	(2.6)	(1.8)	(1.0)
Prepaid	24.8	30.1	34.0	41.3	30.3	5.3	3.9	7.3	(11.0)
Traffic (millions of minutes)(4)	7,472	8,881	10,486	12,297	15,014	18.9	18.1	17.3	22.1
Outgoing	4,052	4,967	6,343	7,772	10,027	22.6	27.7	22.5	29.0
Incoming	3,420	3,914	4,143	4,525	4,987	14.4	5.9	9.2	10.2
ARPU (Rand per month)(5)	208	182	183	177	163	(12.5)	0.5	(3.3)	(7.9)
Contract	493	560	629	634	624	13.6	12.3	0.8	(1.6)
Prepaid	98	93	90	90	78	(5.1)	(3.2)	-	(13.3)
Community service	1,453	1,719	1,861	2,155	2,321	18.3	8.3	15.8	7.7
Minutes of use per month (MOU)(6)	137	111	101	96	84	(19.0)	(9.0)	(5.0)	(12.5)
Contract	270	264	269	263	226	(2.2)	1.9	(2.2)	(14.1)
Prepaid	70	58	54	56	52	(17.1)	(6.9)	3.7	(7.1)
Community service	2,859	3,354	3,162	3,061	3,185	17.3	(5.7)	(3.2)	4.1
Cumulative capex	10,232	14,317	16,535	18,132	20,358	39.9	15.5	9.7	12.3
SA network capex per customer (Rand)	2,053	1,991	1,933	1,720	1,515	(3.0)	(2.9)	(11.0)	(13.5)

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Number of employees(8)	4,102	3,859	3,904	3,848	3,954	(5.9)	1.2	(1.4)	2.
Customers per employee(8)	1,245	1,699	2,017	2,527	3,247	36.5	18.7	25.3	28.
Market share (%)(7)	61	61	57	54	56	-	(4.0)	(3.0)	2.

</TABLE>

Notes

1. Customer totals are based on the total number of customers registered on Vodacom's network which have not been disconnected including inactive customers as at the end of the period indicated.
2. n/a - not available. A software error was identified in the calculation of inactive which has been confirmed by independent auditors. Vodacom was unable to restate prior year figures including 2002 to 2004 statistics. This does not impact any other statistics presented as all are based on registered customers.
3. Churn is calculated by dividing the average monthly number of disconnections during the period by the average monthly total reported customer base during the period. From December 1, 2003, to align ourselves with industry standards, any Vodago or 4U connection for which the network records no revenue generating activity within a period of 215 consecutive days will be deleted and counted as churn.
4. Traffic comprises total traffic registered on Vodacom's network, including bundled minutes, outgoing international roaming calls and calls to free services, but excluding national roaming and incoming international roaming calls.
5. ARPU is calculated by dividing the average monthly revenue during the period by the average monthly total reported customer base during the period. ARPU excludes revenues from equipment sales, other sales and services and revenues from national and international users roaming on Vodacom's networks.
6. Minutes of use per month is calculated by dividing the average monthly minutes during the period by the average monthly total reported customer base during the period. Minutes of use excludes calls to free services, bundled minutes and data minutes.
7. Market share is calculated based on Vodacom's total reported customers and the estimated total customers of MTN and Cell C.
8. The number of employees in 2005 excludes 191 outsourced customer care employees, which yields customers per employee of 3,097, a 22.5% increase on the prior year.

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Minutes of use is reflective of voice trends outside, and in excess of the bundle, and shows a stabilised trend for the period under review as contract minutes show a 14.1% decrease to 226 per month for 2005 (2004: 263 per month), and prepaid minutes decreased 7.1% to 52 per month in 2005 (2004: 56 per month).

Market share

Vodacom has retained its leadership in the South African market with an estimated 56% (2004: 54%) market share as at March 31, 2005, despite strong competition. The improved market share is as a result of the increased competitiveness of Vodacom in acquiring contract customers, as well as the stability of prepaid sales. The cellular industry in South Africa has grown by 27.4% since March 2004, a net growth of 5.0 million, of which Vodacom has contributed 62.7%. The market penetration of the cellular industry is now an estimated 48.5% (2004: 41.2%) of the population with a total cellular market of 23.0 million customers (2004: 18.1 million). Prepaid customers continue to dominate the market and comprise 83.7% of the total cellular market (2004: 83.8%).

Vodafone strategic alliance

The signing of an alliance with Vodacom's 35% shareholder Vodafone during the year was of strategic importance, as well as the associated launch of third generation (3G), or UMTS, cellular services, and the launch of Vodafone Live!.

Vodacom's alliance with the world's largest cellular operator will give Vodacom access to Vodafone's global research and development, buying power, products, services and content, and benchmarking, under a co-branding arrangement.

Vodacom obtained a 3G licence during the year and launched the first commercial 3G network in South Africa in December 2004. This is an important step in the technical evolution of our business and the greater telecommunications market. Vodacom is excited and proud of its first mover commitment to 3G and expects, given the competitive pricing, low entry costs and excellent timing, that 3G will create a competitive advantage in the new liberalised sector. R400 million has been spent in rolling out the initial 487 3G sites in the major metropolitan areas. In the forthcoming year, there are plans to spend an additional R835 million on 3G capital expenditure, which will include the roll-out of a further 1,000 3G sites.

Products and services

Vodacom has a culture of innovation and our record of accomplishments with regard to our product offering bears testimony to this. Recent significant products launched include 3G, BlackBerry(R) and Vodafone live!. Vodacom offers contract, prepaid, data and value-added voice and data services.

Contract services

Vodacom offers contract customers a range of mobile service packages designed to appeal to specific customer segments, with packages such as Weekend Everyday for consumer customers and business packages such as Business Call for business customers.

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As at March 31, 2005, 14.6% (2004: 14.6%) of Vodacom's customers were contract customers. The high spending contract customer market is of strategic importance, and therefore a number of retention and upgrade strategies have been implemented to retain these customers. The decrease in churn rates for contract customers bears testimony to our continued success in achieving this goal.

The innovative Top Up product that was launched in 2003, designed to facilitate migrations to contract packages from existing prepaid packages, has proved highly successful and has contributed to the growth in contract customers. As at March 31, 2005, 19.8% (2004: 5.1%) of Vodacom's contract customers were Top Up customers.

Prepaid services

The majority of Vodacom's customers are prepaid customers and at March 31, 2005 comprised 85.2% (2004: 85.3%) of the customer base.

Vodacom has three prepaid products namely Vodago, SmartStep and 4U. Our 4U offering, which was primarily aimed at the youth market, continues to prove highly successful and as at March 31, 2005, 70.7% (2004: 67.9%) of Vodacom's prepaid customers comprised 4U customers.

During the year, Vodacom introduced a new Super six 4U starter pack and changed the Vodago Super six starter pack to include free SMSs.

Recharge related innovations include the Yebo 5 voucher, adding SMS as a recharge channel, and the addition of electronic recharge as a service to the Vodacom4me portal.

Value-added voice and data services

A comprehensive Value Added Services (VAS) portfolio complements our contract and prepaid offerings. Vodacom's current data portfolio includes various pay-as-you-use and bundled GPRS and 3G offerings available to prepaid, Top Up and contract customers.

Vodacom was the first operator to introduce a commercial 3G offer into the local market in December 2004 and has created a new niche market in data related products and services. The take up by customers during this initial period of deployment has been encouraging. The number of active 3G users on the network as at March 31, 2005 was 10,853. The 3G launch included a number of innovative products, such as the Vodafone Mobile Connect Card, and after 4 months we had already acquired 5,105 users.

Vodacom was also the first to launch BlackBerry(R) devices into the South African market, shifting the focus to data and email on demand, and was one of the messaging highlights for the year.

At the same time we introduced new data tariffs for our contract customers and dramatically reduced our data pricing from R10 to an effective 60 cents per megabyte. Whilst prepaid customers currently enjoy a competitive data tariff, during the course of 2005 we plan to make data bundles available to them.

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During the year there was an increase in the usage of GPRS, with the number of GPRS users increasing to 579,581 as at March 31, 2005 (2004: 100,128).

On the messaging side, our aim was to make SMS and MMS more affordable. To this end, we introduced an SMS voucher for prepaid customers in December 2004 and changed the MMS pricing so that the cost of sending an MMS is the same as that of sending an SMS. Both these initiatives have contributed to increased usage. In addition, the volumes of preconfigured mobile phones supporting MMS registered on the network increased to 2.0 million (2004: 510,000). The number of active MMS users on the network as at March 31, 2005 was 328,974 (2004: 61,374). MMS messages volumes continued to grow from 350,260 messages in March 2004 to 1,780,657 in March 2005, with an average of 811,270 messages sent monthly.

On the VAS side new, innovative additions include call sponsor, airtime transfer, detailed billing and the prepaid passport number securing product. Further additions and enhancements include SMS-only roaming, video telephony charged at the same rate as voice calls, video mail and the missed call keeper service.

Vodacom continued to deliver on its data strategy which is centred on a Wireless Application Service Provider (WASP) model for ease of connectivity and standardised interfaces. Currently, the WASP model is driven largely by consumer applications with the majority of interest being in premium-rated outgoing SMS and bulk incoming SMS services. As at March 31, 2005, 136 WASPs (2004: 106) had applied for connectivity to the Vodacom network.

Premium rated SMS content is still focused on competitions, accounting for approximately 20% of new services and information and alerts which account for roughly 18%. There has been a substantial increase in messaging services which represented 12% of new services in 2005. Consumer sensitivity to pricing appears to be stabilising, as average monthly volumes have grown to 9.8 million.

Strategic acquisitions

On April 16, 2004 Smartphone SP (Proprietary) Limited, a subsidiary of Vodacom Group, acquired 85.8% of Smartcom (Proprietary) Limited for a purchase consideration of R77.2 million, giving Vodacom an effective interest of 43.7% in Smartcom. Vodacom believes that effective control of the customer base will facilitate enhanced communication with customers and improve margins. On February 1, 2005 Vodacom acquired its customer base from Tiscali South Africa for a purchase consideration of R40.1 million. Vodacom South Africa now directly controls 78.3% of its contract customers and 98.4% of its prepaid customers.

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Vodacom Tanzania review

Key indicators

<TABLE>
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	Year ended March 31,			% change	
	2003	2004	2005	04/03	05/04
<S>	<C>	<C>	<C>	<C>	<C>
Customers (`000)(1)	447	684	1,201	53.0	75.6
Contract	5	5	5	-	-
Prepaid	440	676	1,193	53.6	76.5
Community services	2	3	3	50.0	-
Gross connections (`000)	262	404	746	54.2	84.7
Churn (%)	13.3	30.0	29.6	16.7	(0.4)
ARPU (Rand)(2)	217	128	81	(41.0)	(36.7)
Cumulative capex (Rand millions)	1,058	1,146	1,359	8.3	18.6
Number of employees	224	316	340	41.1	7.6
Customers per employee	1,996	2,165	3,532	8.5	63.2
Mobile penetration (%)(3)	2.2	3.3	5.1	1.1	1.8
Mobile market share (%)(3)	53	57	59	4.0	2.0

</TABLE>

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

Vodacom Tanzania has overcome the challenges it faced and continues to contribute to Vodacom's growth and profitability. Under the leadership of Managing Director Jose Dos Santos, Vodacom Tanzania has improved its performance in respect of profit from operations and EBITDA, through redesigning aspects of its distribution channel, complimented by sound cost management.

Vodacom Tanzania achieved a substantial 75.6% increase in customers to 1.2 million (2004: 0.7 million), primarily through increases in the prepaid customer base, offset slightly by higher churn. Per-second billing continues to prove highly successful.

Despite increased competition from all market participants, Vodacom Tanzania has achieved exceptional growth and has increased its market share to 59% (2004: 57%).

ARPU levels have decreased by 36.7% to R81 (2004: R128) as a result of both increased penetration and two tariff reductions during the period. Vodacom anticipates that continued tariff pressure is possible in the future.

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Vodacom Congo review

Key indicators (all indicators include 100% of Vodacom Congo)

<TABLE>
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	Year ended March 31, 2003	2004	2005	% change 04/03	05/04
<S>	<C>	<C>	<C>	<C>	<C>
Customers (`000)(1)	248	670	1,032	170.2	54.0
Contract	4	8	10	100.0	25.0
Prepaid	237	653	1,010	175.5	54.7
Community services	7	9	12	28.6	33.3
Gross connections (`000)	260	513	565	97.3	10.1
Churn (%)	24.2	20.2	23.1	(4.0)	2.9
ARPU (Rand)(2)	200	150	98	(25.0)	(34.7)
Cumulative capex (Rand millions)	944	1,432	1,759	51.7	22.8
Number of employees	204	334	527	63.7	57.8
Customers per employee	1,216	2,006	1,958	64.9	(2.4)
Mobile penetration (%)(3)	1.0	2.3	3.5	1.3	1.2
Mobile market share (%)(3)	44	47	47	3.0	-

</TABLE>

Notes

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

Vodacom Congo has performed above expectations over the past year, with solid growth in customers, profit from operations and EBITDA under the leadership of Managing Director, Dietlof Mare. Vodacom Congo's focus on being competitive in coverage and quality has been successful to date. Notwithstanding the uncertainties surrounding the elections, which are planned for later this year, management is confident of the future success of the operations.

Vodacom Congo achieved a 54.0% increase in customers to 1.0 million customers (2004: 670,000), as a result of substantial gross connections and a low churn rate.

Vodacom Congo continues to be the market leader with an estimated market share of 47% on March 31, 2005 (2004: 47%). A key success factor in achieving the market share is Vodacom Congo's effective distribution channels.

There has been increased pressure on ARPU, with a decline of 34.7% to R98 as lower spending prepaid customers are connected coupled with the devaluation of the local currency against the US Dollar. As tariffs are denominated in US Dollars, the devaluation has impacted spending patterns,

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as it has resulted in lower disposable incomes in US Dollar terms for current
and new customers.

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Vodacom Lesotho review

Key indicators

<TABLE>
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	Year ended March 31,			% change	
	2003	2004	2005	04/03	05/04
<S>	<C>	<C>	<C>	<C>	<C>
Customers (`000)(1)	78	80	147	2.6	83.8
Contract	4	3	4	(25.0)	33.3
Prepaid	73	76	142	4.1	86.8
Community services	1	1	1	-	-
Gross connections (`000)	76	51	70	(32.9)	37.3
Churn (%)	70.6	65.1	17.3	(5.5)	(47.8)
ARPU (Rand)(2)	104	125	92	20.2	(26.4)
Cumulative capex (Rand millions)	185	201	210	8.6	4.5
Number of employees	74	68	63	(8.1)	(7.4)
Customers per employee	1,054	1,176	2,333	11.6	98.3
Mobile penetration (%)(3)	4.3	5.1	7.4	0.8	2.3
Market share (%)(3)	80	80	80	-	-

</TABLE>

Notes

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

Although Vodacom Lesotho will always remain a small operation, under its Managing Director, Mervyn Visagie, it has improved significantly on the previous year's performance in respect of revenues, profit from operations and EBITDA. The collection of interconnection revenue from the government-owned LTC continues to be a challenge.

Vodacom Lesotho increased its customer base by 83.8% to 147,000 customers (2004: 80,000) as at March 31, 2005, constituted mainly of prepaid customers, resulting from substantial gross connections, coupled with a much improved churn rate.

Vodacom Lesotho has retained its 80% share of the market by continually providing the best coverage, brand and distribution and introducing new products and services.

ARPU decreased by 26.4% to R92 (2004: R125) and is an area of focus for improvement through the introduction of new products and services.

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Vodacom Mozambique review

Key indicators

	Year ended March 31,		% change
	2004	2005	05/04
Customers (`000)(1)	58	265	356.9
Contract	1	4	300.0
Prepaid	57	261	357.9
Gross connections (`000)	58	225	287.9
Churn (%)	0.3	11.3	11.0
ARPU (Rand)(2)	110	52	(52.7)
Cumulative capex (Rand millions)	478	696	45.6
Number of employees	43	109	153.5
Customers per employee	1,349	2,431	80.2
Mobile penetration (%)(3)	2.6	4.2	1.6
Mobile market share (%)(3)	11	33	22

Notes

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

Vodacom Mozambique remains in its infancy, having just experienced its first full year of operations. Performance has been disappointing due to extremely low ARPUs. ARPU decreased 52.7% to R52 (2004: R110), below what was envisaged for the operations. On the positive side, Vodacom Mozambique has rolled out a competitive network from a coverage and quality point of view.

Vodacom Mozambique increased its customer base by a substantial 356.9%, albeit off a low base, to 265,000 customers (2004: 58,000) as at March 31, 2005 and increased its market share to 33% (2004: 11%). Vodacom Mozambique intends to revisit its approach to the market in the year ahead.

Vodacom Mozambique's challenge is to raise usage on its network which will improve ARPU. Following his success in Tanzania, Jose Dos Santos has been identified as the new Managing Director to lead Vodacom Mozambique in the next financial year.

WYN Luhabe
Non-executive chairman

ADC Knott-Craig
Chief Executive Officer

Johannesburg
6 June 2005

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Consolidated income statements
for the three years ended March 31, 2005

<TABLE>
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	2003 Restated Rm	2004 Restated Rm	2005 Restated Rm
<S>	<C>	<C>	<C>
Revenue	19,409.7	22,855.2	27,315.3
Other operating income	68.0	57.6	63.8
Direct network operating cost	(10,491.4)	(12,430.1)	(14,614.1)
Depreciation	(2,163.0)	(2,316.9)	(2,611.1)
Staff expenses	(1,018.6)	(1,331.6)	(1,652.9)
Marketing and advertising expenses	(652.5)	(702.0)	(767.3)
General administration expenses	(611.6)	(682.3)	(747.9)
Amortisation of intangible assets	(213.2)	(214.8)	(232.1)
Impairment of assets	-	-	(268.4)
Profit from operations	4,327.4	5,235.1	6,485.3
Interest, dividends and other financial income	649.6	656.6	662.8
Finance costs	(1,546.3)	(1,107.5)	(641.7)
Profit before taxation	3,430.7	4,784.2	6,506.4
Taxation	(1,171.1)	(1,725.0)	(2,614.2)
Net profit	2,259.6	3,059.2	3,892.2
Attributable to:			
Equity shareholders	2,212.1	3,033.0	3,861.4
Minority interests	47.5	26.2	30.8
	2003 R	2004 R	2005 R
Basic and diluted earnings per share	221,210	303,300	386,140
Dividend per share	60,000	210,000	340,000

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Consolidated balance sheets
as at March 31, 2005

<TABLE>
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	2003 Restated Rm	2004 Restated Rm	2005 Restated Rm
<S>	<C>	<C>	<C>
ASSETS			
Non-current assets	12,024.2	12,865.0	13,903.7
Property, plant and equipment	10,675.0	10,858.6	12,230.7
Investment properties	-	63.8	49.7
Intangible assets	535.5	1,002.7	940.8
Financial assets	373.0	258.3	137.5
Deferred taxation	154.9	277.8	308.1
Deferred cost	285.8	403.8	236.9
Current assets	4,971.7	7,286.8	8,662.2
Inventory	238.8	288.5	479.5
Trade and other receivables	2,896.0	3,450.0	3,621.4
Deferred cost	544.9	859.8	428.3
Short-term financial assets	85.5	318.4	142.9
Cash and cash equivalents	1,206.5	2,370.1	3,990.1
Total assets	16,995.9	20,151.8	22,565.9
EQUITY AND LIABILITIES			
Equity	6,909.8	7,664.7	7,954.3
Ordinary share capital	-	-	-
Non-distributable reserves	(141.0)	(324.9)	(298.0)
Retained earnings	6,962.8	7,896.6	8,123.6
Minority interests	88.0	93.0	128.7
Non-current liabilities	2,617.6	2,234.8	3,137.8
Interest bearing debt	1,732.2	1,216.6	2,213.5
Deferred taxation	443.3	436.0	499.2
Deferred revenue	285.8	403.8	240.7
Provisions	156.3	178.4	184.4
Current liabilities	7,468.5	10,252.3	11,473.8
Trade and other payables	2,918.5	3,862.1	4,830.8
Deferred revenue	1,190.1	1,883.4	1,411.4
Taxation payable	315.2	852.0	632.6
Shareholder loans	920.0	-	-
Non-interest bearing debt	4.3	4.3	4.3
Short-term interest bearing debt	436.4	839.9	381.6
Short-term provisions	324.4	473.7	595.0
Dividends payable	600.0	1,500.0	1,800.0
Derivative financial liabilities	200.6	64.5	1.0
Bank overdraft	559.0	772.4	1,817.1
Total equity and liabilities	16,995.9	20,151.8	22,565.9

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Consolidated statements
of changes in equity
for the three years ended March 31, 2005

<TABLE>
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	Share capital Restated Rm	Retained earnings Restated Rm	Non-distributable reserves Restated Rm	Minority interest Restated Rm	Total Restated Rm
<S>	<C>	<C>	<C>	<C>	<C>
Balance at March 31, 2002					
- previously reported	-	5,357.7	106.1	10.6	5,474.4
Changes in accounting policies, reclassifications					
and restatements	-	(4.4)	31.7	-	27.3
Balance at March 31, 2002 - restated	-	5,353.3	137.8	10.6	5,501.7
Net profit for the year	-	2,212.1	-	47.5	2,259.6
Dividends declared	-	(600.0)	-	-	(600.0)
Contingency reserve	-	(2.6)	2.6	-	-
Capital contribution	-	-	-	65.0	65.0
Net gains and losses not recognised in the income statement					
Foreign currency translation reserve	-	-	(302.4)	(35.1)	(337.5)
Foreign currency translation reserve					
- deferred taxation	-	-	21.0	-	21.0
Balance at March 31, 2003 - restated	-	6,962.8	(141.0)	88.0	6,909.8
Net profit for the year	-	3,033.0	-	26.2	3,059.2
Dividends declared	-	(2,100.0)	-	-	(2,100.0)
Contingency reserve	-	0.8	(0.8)	-	-
Net gains and losses not recognised in the income statement					
Foreign currency translation reserve	-	-	(194.0)	(21.2)	(215.2)
Foreign currency translation reserve					
- deferred taxation	-	-	10.9	-	10.9
Balance at March 31, 2004 - restated	-	7,896.6	(324.9)	93.0	7,664.7
Net profit for the year	-	3,861.4	-	30.8	3,892.2

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Dividends declared	-	(3,400.0)	-	(3.8)	(3,403.8
Contingency reserve	-	(1.0)	1.0	-	
Acquired reserves from the minorities of Vodacom Congo (RDC) s.p.r.l.	-	(233.4)	82.1	-	(151.3
Acquisition of subsidiary	-	-	-	10.1	10.
Revaluation of available-for-sale investments	-	-	0.2	0.1	0.
Net gains and losses not recognised in the income statement					
Foreign currency translation reserve	-	-	(56.4)	(1.5)	(57.9
Balance at March 31, 2005	-	8,123.6	(298.0)	128.7	7,954.

</TABLE>

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Consolidated cash flow statements
for the three years ended March 31, 2005

<TABLE>
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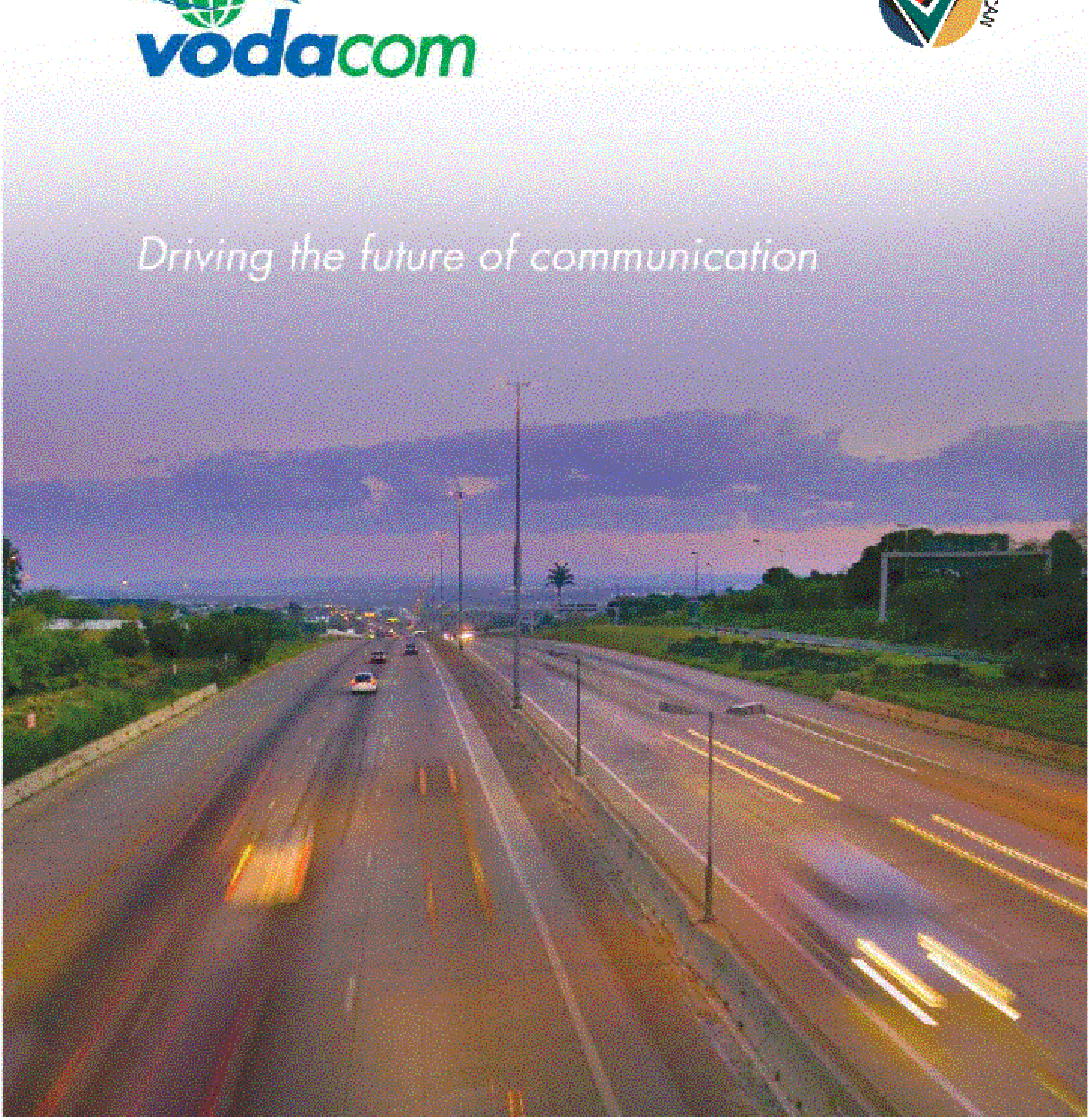
	2003 Restated Rm	2004 Restated Rm	2005 Restated Rm
<S>	<C>	<C>	<C>
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers	18,980.0	22,175.5	27,078.8
Cash paid to suppliers and employees	(12,258.9)	(14,578.8)	(17,066.8)
Cash generated from operations	6,721.1	7,596.7	10,012.0
Finance costs paid	(721.7)	(512.3)	(259.2)
Interest, dividends and other financial income received	280.0	368.7	246.8
Taxation paid	(1,337.4)	(1,463.3)	(2,744.4)
Dividends paid - equity shareholders	(600.0)	(1,200.0)	(3,100.0)
Dividends paid - minority shareholders	-	-	(5.2)
Net cash flows from operating activities	4,342.0	4,789.8	4,150.0
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	(3,066.5)	(2,813.8)	(3,253.4)
Proceeds on disposal of property, plant and equipment	7.7	5.0	20.1
Acquisition of intangible assets	-	(121.1)	-
Disposal of subsidiaries	31.5	-	-
Acquisition of subsidiaries	-	149.6	(289.8)
Acquired cash from Vodacom Congo (RDC) s.p.r.l.	-	-	12.9
Advance to minority shareholders	(157.9)	-	-
Disposal of other investments	9.0	-	-
Other investing activities	(67.0)	(219.5)	136.0
Net cash flows utilised in investing activities	(3,243.2)	(2,999.8)	(3,374.2)
CASH FLOW FROM FINANCING ACTIVITIES			
Shareholder loans repaid	-	(920.0)	-
Interest bearing debt incurred	774.1	186.9	1,165.3
Interest bearing debt repaid	(426.1)	(55.6)	(1,332.3)
Finance lease capital repaid	(1.6)	(9.6)	(28.1)
Finance lease capital incurred	13.2	-	-
Funding received from minority shareholders	157.9	-	-
Net cash flows (utilised in)/from financing activities	517.5	(798.3)	(195.1)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,616.3	991.7	580.7
Cash and cash equivalents at the beginning of the year	(857.6)	647.5	1,597.7
Effect of foreign exchange rate changes	(111.2)	(41.5)	(5.4)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	647.5	1,597.7	2,173.0

</TABLE>

EXHIBIT 99.6



Vodacom Group (Proprietary)

Limited

Annual Results

For the year ended March 31, 2005

operating highlights

Total customers up 38.0% to 15.5 million

- Customers up 32.0% in South Africa to 12.8 million
- Customers up 54.0% in DRC to 1.0 million
- Customers up 75.6% in Tanzania to 1.2 million

South African market share of 56%

Vodafone strategic alliance announced in November 2004

First 3G network in South Africa launched in December 2004

financial highlights

Revenue up 19.5% to R27.3 billion

Profit from operations up 23.9% to R6.5 billion

EBITDA up 23.6% to R9.6 billion

EBITDA margin up 1.1% points to 35.1%

Net profit up 27.2% to R3.9 billion

Dividends up 61.9% to R3.4 billion

COMMENTARY

The year under review

We are pleased to present the Vodacom Group Annual Results for 2005 in what has once again been another outstanding year in the history of Vodacom. Our strong financial performance is underpinned by excellent growth in customers, improved market share, good growth in revenues and profits, strong free cash flows, and a continued improvement in productivity.

Vodacom South Africa has had an exceptional year in terms of growth in customers, revenue, profit from operations and earnings before interest, taxation, depreciation, amortisation and impairment (EBITDA), all underpinned by a strategy of improving market share through aggressive growth and retention initiatives. Trading conditions were favourable, with a growing customer market and low inflation and interest rates in South Africa leading to customers having higher disposable income. As a result, Vodacom South Africa had a record 6.2 million gross connections (2004: 5.0 million), fuelling customer growth of 32.0% to a base of 12.8 million (2004: 9.7 million). Vodacom consequently saw an increase in its market share to 56% (2004: 54%) at the end of the year. The estimated penetration of the South African population is 48.5% and further growth can be expected given the robustness of the market and the strong economy.

Vodacom's expansion outside South Africa contributed 8.3% (2004: 6.6%) to revenue and with 2.6 million customers (2004: 1.5 million), these operations constitute 17.1% of the total customer base (2004: 13.3%). All of Vodacom's other African operations, with the exception of Vodacom Mozambique, are now profitable at the profit from operations level. Mozambique remains a tough challenge, but we are confident that in the medium to long term it will also contribute to the overall growth of Vodacom.

Performance

The Group delivered a strong financial performance for the year ended March 31, 2005. Growth has been driven by excellent performances from all the Group's operations, with the exception of Mozambique which remains in its start-up phase.

Revenue continued its strong growth year on year, reaching R27.3 billion (2004: R22.9 billion), a 19.5% increase over 2004. This increase was driven by customer growth and an improved market share. Vodacom has experienced declining average revenue per user (ARPU), with a decrease in monthly ARPU in South Africa to R163 (2004: R177) as a result of lower spending customers being connected and a change in the customer mix. Nevertheless, the continued improvement in productivity mitigates against reducing ARPUs through the maintenance of ARPU margins.

Vodacom currently has 15.5 million customers (2004: 11.2 million), an increase of 38.0% for the year. We remain the market leader in all the countries in which we operate, with the exception of Mozambique.

As a result of sound cost management, Vodacom has ensured that its revenue growth has been translated into increased profits from operations, which increased 23.9% to R6.5 billion (2004: R5.2 billion), exceeding the revenue growth of 19.5%. Vodacom's EBITDA increased substantially by 23.6% to R9.6 billion (2004: R7.8 billion) and the EBITDA margin increased to 35.1% (2004: 34.0%).

Strategic acquisitions

There have been no acquisitions or investments in respect of African based cellular networks. However, Vodacom continued acquisitions in South Africa of businesses that are of strategic importance, including the process of gaining control of its service provider channel.

Regulatory

In South Africa, Vodacom is preparing for a range of new regulatory legislation such as the BEE ICT charter, number portability, the Convergence Bill, and the Monitoring and Interception Act, amongst others. These regulatory developments will lead to changes in the operating environment, and have an uncertain impact on business. It is therefore critical that Vodacom remains innovative, pragmatic, vigilant, pro-active, and quick in its decision-making process so as to protect both the investment of its shareholders and its market share. In Vodacom's other African operations the regulatory and fiscal environment has been subjected to changes and challenges and it faces the test of continued management of these.

We support the industry initiative to formalise a BEE charter for the ICT sector. The Group is well positioned to comply with the ICT charter and it is committed to the transformation objectives of the charter.

FINANCIAL REVIEW

The year under review

The Vodacom Group achieved remarkable results in an ever more competitive and demanding environment. Vodacom's revenue increased by 19.5% to R27.3 billion (2004: R22.9 billion) and the profit from operations increased by 23.9% to R6.5 billion (2004: R5.2 billion). Excluding the effects of Vodacom Mozambique, the profit from operations would have been R6.9 billion (2004: R5.3 billion), a 30.4% increase on the prior year. EBITDA increased by 23.6% to R9.6 billion (2004: R7.8 billion) and, despite the impairment of assets in respect of Mozambique, net profit after taxation increased by 27.2% to R3.9 billion (2004: R3.1 billion). South Africa constitutes the majority of Vodacom's revenue at 91.7% (2004: 93.4%), although the other African operations continue to improve their contribution, increasing to 8.3% (2004: 6.6%) of revenue. The growth in the South African operations has been outstanding, fuelled by the favourable economic conditions and strong consumer spending.

Two significant events need to be taken into account when analysing Vodacom's results for the year ended March 31, 2005. Firstly, with effect from April 1, 2004, Vodacom Congo meets the definition of a subsidiary because certain clauses granting the outside shareholders participating rights have been removed from the shareholders agreement. Consequently, it is now fully consolidated in the Group annual financial statements. Prior to this date, the Group proportionally consolidated 51% of the results of Vodacom Congo. Any comparison of consolidated numbers with prior periods will therefore be distorted since prior periods reflect only the Group's share of 51% of revenues, expenses, assets and liabilities, whereas the current period reflects 100%. To facilitate a better comparison of numbers with prior periods, adjusted amounts have been presented in the segmented analyses below, which reflect 100% of Vodacom Congo for the prior periods. Secondly, IAS 36 – Impairment of Assets (IAS 36), has resulted in an impairment charge to the assets of Vodacom Mozambique of R268 million. This has been reflected separately in the income statement for the current year.

The performance of the South African operations has been impacted by a number of factors which taken together resulted in improved margins. The factors positively impacting on margins were the inclusion for the first full year of Smartphone SP (Proprietary) Limited and Smartcom (Proprietary) Limited, as well as increased operational efficiencies achieved from economies of scale.

It should be noted that in South Africa, the equipment sales revenue in 2004 and 2003 was restated by R623 million and R369 million, respectively, to eliminate revenue from handset sales to Vodacom's own distribution channel, as required by IFRS. The amounts have been reallocated to other direct network operating costs in those years, and therefore have a nil effect on profit from operations and EBITDA, but have increased the margins in the comparative years.

Two factors have had a negative impact on margins. Firstly, incentives and discounts for the higher volume of gross contract connections increased 28.0% year on year and has led to higher customer acquisition costs and further margin pressure. Secondly, the continuing trend of fixed-mobile substitution has seen Vodacom's net interconnect revenue declining further because of increased interconnect costs. Interconnect costs increased because the cost of terminating calls on other mobile networks is much higher than the cost of terminating calls on Telkom's fixed-line network. Despite these factors, the Vodacom Group achieved strong results in an ever more competitive environment.

Key financial indicators

Year ended March 31,	2001	2002	2003	2004	2005
Profit from operations margin [1]	19.2%	22.4%	22.3%	22.9%	**23.7%**
EBITDA margin[1]	31.6%	35.2%	34.5%	34.0%	**35.1%**
Net profit margin [1]	9.9%	14.7%	11.6%	13.4%	**14.2%**
Net debt/EBITDA	63.1%	66.7%	36.5%	6.0%	**4.4%**
Net debt/equity	75.4%	69.4%	35.8%	6.1%	**5.4%**
Net debt/net tangible assets	99.0%	81.1%	38.4%	6.9%	**6.1%**
Gross capital expenditure as % of revenue [1]	24.0%	25.3%	17.5%	12.6%	**12.8%**

1 *South African equipment sales revenue and operating costs have been restated in 2003 and 2004 by R369 million and R623 million, respectively, to eliminate revenue and costs relating to handset sales to Vodacom's own distribution channel, as required by IFRS. Margins have been restated accordingly. The restatement does not impact the Group's results for the years ended March 31, 2003 and 2004.*

Revenue

Revenue increased 19.5% to R27.3 billion (2004: R22.9 billion). The increase in revenues was primarily driven by strong customer growth in all of Vodacom's operations coupled with lower overall churn and the inclusion of 100% of Vodacom Congo's results. However, the contribution of Vodacom's other African operations has been negatively impacted by the strong South African Rand.

South Africa

South Africa is by far the biggest contributor to Vodacom's revenue growth, accounting for 82.8% or R3.7 billion of the growth in revenue. Revenue from Vodacom's South African operations increased by 17.3% to R25.0 billion (2004: R21.4 billion), driven by the robust growth in customers in South Africa of 32.0% to 12.8 million customers (2004: 9.7 million). Revenue growth was marginally diluted by declining ARPU, in particular in respect of the connection of prepaid customers who are lower spending customers.

The number of contract customers increased by 31.8% to 1.9 million (2004: 1.4 million) and the number of prepaid customers increased by 32.1% to 10.9 million as at March 31, 2005 (2004: 8.3 million). Revenue growth from contract customers was slightly inhibited by a reduction in the average usage per customer to 226 monthly minutes (2004: 263), offset by standard tariff increases and increased value-added services usage. South African contract ARPU decreased marginally by 1.6% to R624 per month (2004: R634) for the year ended March 31, 2005.

Revenue growth from prepaid customers was negatively impacted by a reduction in the average usage per customer to 52 monthly minutes (2004: 56), as a result of increased penetration into the lower spending prepaid customer market. Prepaid ARPU consequently decreased by 13.3% to R78 (2004: R90) per month. Total blended ARPU decreased by 7.9% to R163 per month (2004: R177).

Revenue – geographical split

	Rand millions			% change	
Year ended March 31,	**2003**	**2004**	**2005**	***04/03***	***05/04***
South Africa [1]	18,175	21,350	**25,041**	*17.5*	*17.3*
Tanzania	880	897	**959**	*1.9*	*6.9*
DRC [2]	259	476	**1,075**	*83.8*	*125.8*
Lesotho	96	119	**137**	*24.0*	*15.1*
Mozambique	–	13	**103**	*–*	*692.3*
Revenue	**19,410**	**22,855**	**27,315**	***17.7***	***19.5***
DRC (100%) [2]	508	933	**1,075**	*83.7*	*15.2*
Adjusted revenue	**19,659**	**23,312**	**27,315**	***18.6***	***17.2***

1 *South African equipment sales revenue has been restated in 2003 and 2004 by R369 million and R623 million, respectively, to eliminate revenue from handset sales to Vodacom's own distribution channel, as required by IFRS. Margins have been restated accordingly.*

2 *During the years ended March 31, 2003 and 2004, 51% of Vodacom Congo was proportionally consolidated in the group financial statements. Effective April 1, 2004, Vodacom Congo is being fully consolidated as a subsidiary after certain clauses granting the outside shareholders participating rights have been removed from the shareholders agreement. The adjusted revenue has been adjusted to reflect 100% of Vodacom Congo's revenue for the prior periods for comparison purposes.*

Other African countries

Vodacom's revenue from its other African operations increased 51.1% to R2.3 billion (2004: R1.5 billion) for the year ended March 31, 2005, contributing 8.3% (2004: 6.6%) to total revenue. The increase in revenue was driven by very strong customer growth, which mitigated the effect of a declining ARPU and lower Rand-based revenues in these countries, due to the strengthening of the South African Rand against the US Dollar and Tanzanian Shilling, although it weakened against the Mozambique Metical.

Tanzania

Vodacom Tanzania's revenue increased by 6.9% to R1.0 billion (2004: R0.9 billion), driven primarily by the increase in the customer base. The customer base at March 31, 2005 of 1.2 million (2004: 0.7 million) represents a substantial increase of 75.6% on the prior year, primarily achieved through increases in the prepaid customer base. The customer growth has been driven by sustained sales marketing campaigns focused on customer acquisition and additional coverage. ARPU levels have decreased by 36.7% to R81 (2004: R128), as a result of two tariff reductions, which were necessitated by a competitive environment. In addition, regulatory intervention and substantially reducing interconnect revenue also contributed to the lower ARPU. Vodacom Tanzania's billing currency is the Tanzanian Shilling, which was effective from April 1, 2004. Prior to this date, the billing currency was the US Dollar.

In Tanzanian shilling terms, Vodacom Tanzania's revenue grew by 25.3% to TSH167.7 billion (2004: TSH133.5 billion) and Tanzanian shilling ARPUs decreased by 28.8% to TSH14,130 (2004: TSH19,850) per month.

Democratic Republic of Congo (DRC)

Vodacom Congo's revenue increased by 15.2% to R1.1 billion (2004: R0.9 billion), driven by a 54.0% increase in customers to 1.0 million (2004: 0.7 million). However, due to the inclusion of 100% of Vodacom Congo's results, effective April 1, 2004, the Group's portion of the revenue included in the results increased 125.8% from R476 million in 2004 to R1.1 billion in 2005. There has been pressure on ARPU which has declined 34.7% to R98 (2004: R150), principally due to the connection of lower spending prepaid customers, coupled with the 32.9% devaluation of the local currency against the US Dollar, which resulted in lower disposable US Dollar incomes for customers. In US Dollar terms, Vodacom Congo's revenue grew by 32.3% to US$172 million (2004: US$130 million) and US Dollar-based ARPUs decreased by 23.8% to $16 (2004: $21) per month.

Lesotho

Vodacom Lesotho's revenue increased by 15.1% to R137 million (2004: R119 million), and its customer base increased by 83.8% to 147,000 customers (2004: 80,000). ARPU decreased by 26.4% to R92 (2004: R125). Vodacom Lesotho's billing currency is the Maloti, which is linked to the Rand on a 1:1 basis.

Mozambique

Vodacom Mozambique's revenue increased substantially to R103 million (2004: R13 million), in the company's first full year of operation. Its customer base increased 356.9% to 265,000 (2004: 58,000) customers. With Vodacom Mozambique being the second entrant to the Mozambique market it is connecting lower spending customers and as a result ARPU has decreased 52.7% to R52 (2004: R110), due to decreased customer usage. Vodacom Mozambique's billing currency is the Metical. In Metical terms, Vodacom Mozambique's revenue was MZM353.6 billion for the year ended March 31, 2005 (2004: MZM49.5 billion) and Metical-based ARPU was MZM177,954 per month (2004: MZM425,511).

Profit from operations

Profit from operations increased by 23.9% to R6.5 billion for the year ended March 31, 2005 (2004: R5.2 billion), fuelled by buoyant consumer spending and a low inflationary environment in South Africa, and cost containment in all operations. Operating expenses increased by 18.2% which was lower than revenue growth of 19.5%. This resulted in Vodacom's profit from operations margin increasing to 23.7% (2004: 22.9%). The profit from operations was negatively impacted by losses in Mozambique of R454 million including a R268 million impairment charge to Vodacom Mozambique's assets, the high levels of contract customer connections in South Africa, the implementation of a new Corporate Governance division, costs associated with the Vodafone alliance and the implementation of 3G and Vodafone live!. Excluding Vodacom Mozambique's losses yields an operating profit margin of 25.5% (2004: 23.3%), a substantial increase on the margin of the prior period. Operating profit margins in all other operations increased.

Profit from operations – geographical split

	Rand millions			*% change*	
Year ended March 31,	**2003**	**2004**	**2005**	***04/03***	***05/04***
South Africa excluding holding companies[1]	4,295	5,282	**6,625**	*23.0*	*25.4*
Tanzania	178	135	**183**	*(24.2)*	*35.6*
DRC[2]	(117)	10	**50**	*108.5*	*400.0*
Lesotho	4	1	**25**	*(75.0)*	*–*
Mozambique	–	(88)	**(454)**	*–*	*(415.9)*
Holding companies	(33)	(105)	**56**	*218.2*	*153.3*
Profit from operations	**4,327**	**5,235**	**6,485**	***21.0***	***23.9***
DRC (100%)[2]	(229)	20	**50**	*108.6*	*155.0*
Adjusted profit from operations	**4,215**	**5,245**	**6,485**	***24.4***	***23.6***

1 *South African equipment sales revenue and operating costs have been restated in 2003 and 2004 by R369 million and R623 million, respectively, to eliminate revenue and costs relating to handset sales to Vodacom's own distribution channel, as required by IFRS. Margins have been restated accordingly. The restatement does not impact the Group's results for the years ended March 31, 2003 and 2004.*

2 *During the years ended March 31, 2003 and 2004, 51% of Vodacom Congo was proportionally consolidated in the Group financial statements. Effective April 1, 2004, Vodacom Congo is being fully consolidated as a subsidiary after certain clauses granting the outside shareholders participating rights have been removed from the shareholders agreement. The adjusted profit from operations has been adjusted to reflect 100% of Vodacom Congo's profit/(loss) from operations for the prior periods for comparison purposes.*

FINANCIAL REVIEW continued

South Africa

Vodacom South Africa's profit from operations increased by 25.4% to R6.6 billion for the year (2004: R5.3 billion) and profit from operations margin increased to 26.5% for 2005 (2004: 24.7%) despite more competitive operating conditions and increased interconnect costs due to the negative impact of the change in traffic mix. However, these pressures were offset by the consolidation of a part of Vodacom's distribution channel, including Smartcom and Smartcall.

Operating expenses in South Africa grew by 14.6% versus the revenue growth of 25.4%, resulting in the increased South African margin.

Other African countries

Tanzania

Vodacom Tanzania's profit from operations improved substantially by 35.6% to R183 million for the year (2004: R135 million), and operating profit margin increased to 19.1% (2004: 15.1%), despite pressures from tariff reductions in response to the competitive market environment. The improvement in profit from operations was aided by sound cost management.

DRC

Vodacom Congo experienced excellent growth with profit from operations increasing 155.0% to R50 million for the year (2004: R20 million) and operating profit margin increasing to 4.7% (2004: 2.1%). The profit from operations has been negatively affected by higher direct expenditure on the implementation of a new dealer incentive and discount scheme. The effect of this was mitigated by increased revenue.

Lesotho

Vodacom Lesotho's profit from operations increased substantially to R25 million for the year (2004: R1 million) and operating profit margin increased to 18.2%, despite an increase in termination tariffs and increased interconnect expenditure on more calls to South Africa.

Mozambique

Vodacom Mozambique's loss from operations worsened to R454 million for the year (2004: R88 million loss), primarily due to an impairment charge of R268 million, and as a result of low spending customers leading to lower than expected revenue, offset by savings in respect of operational and administrative expenses. Management expects Vodacom Mozambique's performance to improve going forward.

The impairment of capital assets of R268 million was done in compliance with IAS 36, which requires Vodacom to recognise an impairment loss to the extent that the carrying values of Vodacom Mozambique assets exceed their recoverable amounts, which is defined as the higher of the net present value of expected future cash flows and the fair value less cost of disposal. Vodacom Mozambique has consequently impaired the assets to their estimated fair value less cost of disposal, which was R268 million less than the book values at March 31, 2005. The standard requires expected future pre-tax cash flows to be discounted at a rate commensurate with the riskiness of the assets producing the cash flows. Because of the high perceived risk of assets in Mozambique, this discount rate is relatively high. The high discount rate used, and the substantial capital outlay required at the beginning of the project, resulted in the calculated net present value of expected future cash flows being lower than the expected fair value less cost of disposal.

Holding companies

The holding companies have become profitable, with a profit from operations of R56 million (2004: R105 million loss), mainly as a result of management and directors fees received from Vodacom Congo relating to the outside shareholder agreement of US$9 million, and revenue and costs relating to Nigeria which have not been repeated in the current year.

EBITDA

EBITDA increased by 23.6% to R9.6 billion (2003: R7.8 billion) for the year ended March 31, 2005, with Vodacom's other African operations contributing 5.6% (2004: 4.3%). Vodacom's EBITDA margin increased to 35.1% (2004: 34.0%).

The satisfactory improvement in the EBITDA margin is the result of lower prepaid acquisition costs and lower contract retention costs in South Africa, the consolidation of Smartcom and Smartcall, savings in distribution expenses and operational improvement of all productivity ratios. A healthy increase in on-net traffic also contributed favourably to profit margins. The margin improvement was further helped by increased EBITDA margins in all of Vodacom's other African operations. Vodacom Mozambique, in its first full year of operation, showed a decline in EBITDA to a negative EBITDA of R111 million (2004: R71 million negative EBITDA), due to low ARPUs and a competitive environment. Excluding the impact of sales of low margin cellular phone and equipment sales, Vodacom Group's EBITDA margin was 40.2% (2004: 38.0%).

EBITDA – geographical split

	Rand millions			*% change*	
Year ended March 31,	**2003**	**2004**	**2005**	***04/03***	***05/04***
South Africa excluding holding companies[1]	6,423	7,536	**9,002**	*17.3*	*19.5*
Tanzania	333	278	**345**	*(16.5)*	*24.1*
DRC[2]	(49)	97	**252**	*298.0*	*159.8*
Lesotho	26	27	**48**	*3.8*	*77.8*
Mozambique	–	(71)	**(111)**	–	*(56.3)*
Holding companies	(30)	(100)	**61**	*233.3*	*161.0*
EBITDA	**6,703**	**7,767**	**9,597**	***15.9***	***23.6***
DRC (100%)[2]	(96)	190	**252**	*297.9*	*32.6*
Adjusted EBITDA	**6,656**	**7,860**	**9,597**	***18.1***	***22.1***

1 *South African equipment sales revenue and operating costs have been restated in 2003 and 2004 by R369 million and R623 million, respectively, to eliminate revenue and costs relating to handset sales to Vodacom's own distribution channel, as required by IFRS. Margins have been restated accordingly. The restatement does not impact the Group's results for the years ended March 31, 2003 and 2004.*

2 *During the years ended March 31, 2003 and 2004, 51% of Vodacom Congo was proportionally consolidated in the Group financial statements. Effective April 1, 2004, Vodacom Congo is being fully consolidated as a subsidiary after certain clauses granting the outside shareholders participating rights have been removed from the shareholders agreement. The adjusted EBITDA has been adjusted to reflect 100% of Vodacom Congo's EBITDA for the prior periods for comparison purposes.*

FINANCIAL REVIEW continued

Revenue

Revenue composition

	Rand millions			% of total			*% change*	
Year ended March 31,	**2003**	**2004**	**2005**	**2003**	**2004**	**2005**	***04/03***	***05/04***
Airtime, connection and access	10,647	12,738	**16,191**	54.8	55.7	**59.4**	*19.6*	*27.1*
Data revenue	654	1,039	**1,340**	3.4	4.5	**4.9**	*58.9*	*29.0*
Interconnection	5,309	5,785	**5,924**	27.4	25.3	**21.7**	*9.0*	*2.4*
Equipment sales [1]	1,895	2,275	**2,687**	9.8	10.0	**9.8**	*20.1*	*18.1*
International airtime	539	659	**887**	2.8	2.9	**3.2**	*22.3*	*34.6*
Other sales and services	366	359	**286**	1.9	1.6	**1.0**	*(1.9)*	*(20.3)*
Revenue	**19,410**	**22,855**	**27,315**	**100.0**	**100.0**	**100.0**	***17.7***	***19.5***

1 *South African equipment sales revenue has been restated in 2003 and 2004 by R369 million and R623 million, respectively, to eliminate revenue from handset sales to Vodacom's own distribution channel, as required by IFRS. Margins have been restated accordingly.*

Airtime, connection and access

Vodacom's airtime, connection and access revenue increased 27.1% to R16.2 billion (2004: R12.7 billion) during the year ended March 31, 2005, primarily due to the increase in the number of customers, as well as the 100% consolidation of Vodacom Congo from April 1, 2004, offset by declining ARPUs in all operations.

Total customers increased 38.0% to 15.5 million (2004: 11.2 million), primarily due to strong prepaid customer growth in operations. In South Africa, gross contract connections of 610,000 (2004: 377,000) exceeded the prior year connections by 61.8%. South African APRU decreased 7.9% to R163 (2004: R177) due to the strong increase in prepaid customers and lower usage by the new connections.

Data revenue – geographical split

	Rand millions			% of total			*% change*	
Year ended March 31,	**2003**	**2004**	**2005**	**2003**	**2004**	**2005**	***04/03***	***05/04***
South Africa	581	943	**1,246**	88.8	90.8	**93.0**	*62.3*	*32.1*
Tanzania	71	91	**74**	10.9	8.8	**5.5**	*28.2*	*(18.7)*
DRC	–	–	**9**	–	–	**0.7**	–	–
Lesotho	2	5	**9**	0.3	0.4	**0.7**	*150.0*	*80.0*
Mozambique	–	–	**2**	–	–	**0.1**	–	–
Data revenue	**654**	**1,039**	**1,340**	**100.0**	**100.0**	**100.0**	***58.9***	***29.1***

Data revenue

Vodacom's data revenue increased 29.1% to R1.3 billion (2004: R1.0 billion), mainly due to growth in SMS traffic, as well as increased usage and popularity of other data products.

The contribution to data revenue from other African operations declined from 9.2% to 7.0%. New data revenues from Vodacom Congo and an increase in Vodacom Lesotho data revenues were offset by a decrease of 18.7% in Vodacom Tanzania data revenues, which was adversely affected by aggressive pricing by competitors. Vodacom Tanzania has subsequently matched the competitors' lower tariffs, which has resulted in increased usage, with data revenue stabilising at a lower level.

Vodacom transmitted 2.4 billion SMSs (2004: 2.0 billion) over its South African network during the year ended March 31, 2005, up 25.2% from 2004. The number of active MMS users on the network as at March 31, 2005 was 328,974 (2004: 61,374), sending an average of 811,270 messages (2004: 165,951) per month. The number of active GPRS users on the network was 579,581 (2004: 100,128). In respect of 3G services, the number of active 3G users on the network as at March 31, 2005 was 10,853 and the number of active Mobile Connect Card users on the network as at March 31, 2005 was 5,105.

Interconnection

Vodacom's interconnection revenue increased by only 2.4% during the year to R5.9 billion (2004: R5.8 billion) primarily due to little growth in fixed to mobile traffic.

In South Africa, the growth in interconnection revenue was negatively affected by a 0.5% decline in the traffic originating from Telkom and terminating on Vodacom's network caused by the changing call patterns of cellular users through fixed-mobile substitution.

Equipment sales

Vodacom's revenue from equipment sales increased by 18.1% to R2.7 billion (2004: R2.3 billion) during the year. Equipment sales was restated in 2004 and 2003 by R623 million and R369 million, respectively, as noted earlier in this report. In South Africa, handset sales increased 14% to 2.4 million units (2004: 2.0 million). The growth in equipment unit sales was primarily due to growth of Vodacom's customer base and the continued uptake of new handsets in South Africa fuelled by Vodacom's successful strategic drive to increase access in the robust South African market. Sales were further driven by cheaper Rand-prices of new handsets coupled with the added functionality of the new phones, based on new technologies such as camera phones and colour screens.

International airtime

International airtime revenues are predominantly from international calls by Vodacom customers, roaming revenue from Vodacom's customers making and receiving calls while abroad, and revenue from international customers roaming on Vodacom's networks. International airtime increased 34.6% to R887 million (2004: R659 million) for the year ended March 31, 2005, primarily as a result of healthy increases in international airtime from Vodacom Congo and Vodacom South Africa, as well as an increase in roaming partners. The increase in South African international airtime was offset to a degree by the strengthening of the Rand against the trade-weighted basket of international currencies during 2005.

Other sales and services

Revenue from other sales and services includes revenue from non–core operations such as income from Vodacom's cell captive insurance scheme. Revenue decreased by 20.3% to R286 million (2004: R359 million), primarily as a result of the reallocation of value-added services revenue, which was previously included under other sales and services, to airtime connection and access. The decrease was offset marginally by other sales and services revenue received in Smartcom (Proprietary) Limited.

Operating expenses

Operating expenses included the effect of the first full year of consolidating Smartcall (Proprietary) Limited, Smartcom (Proprietary) Limited and Vodacom Mozambique, as well as including 100% of Vodacom Congo, compared to 51% in the prior year.

Depreciation, amortisation and impairment

Vodacom's depreciation, amortisation and impairment increased by 22.9% to R3.1 billion in the year ended March 31, 2005 (2004: R2.5 billion). The biggest contributing factor to this increase was the impairment of Vodacom Mozambique's assets which amounted to R268 million, and which has been reflected as a separate line item in the income statement in terms of IAS 36. The increase in the depreciation and amortisation would have been 12.3% if the Mozambique impairment was excluded.

Although Vodacom's biggest capital investments have already been made in South Africa, the aggressive roll-out of infrastructure, in particular with the introduction of 3G, and the amortisation of intangible assets in Smartcall, has caused an increase in South African depreciation and amortisation. The continued strengthening of the Rand against most other currencies again resulted in depreciation on foreign-denominated capital expenditure in Vodacom's other African operations being translated at a lower exchange rate than in the past, which resulted in only a marginal increase in depreciation and amortisation in Vodacom's other African operations, despite increased capital expenditure. A comparison of the exchange rates applicable to Vodacom is presented under the section "Financial instruments and risk management".

Payments to other network operators

Vodacom's payments to other network operators increased by 22.1% to R3.7 billion in 2005 (2004: R3.0 billion) as a result of an increased amount of outgoing traffic terminating on other cellular networks, rather than on fixed-line networks. As the cost of terminating calls on other cellular networks is materially higher than calls terminating on fixed-line networks, and as mobile substitution increases with the growing number of total mobile users in South Africa, interconnection charges will continue to increase, putting pressure on margins.

Operating expenses composition

	Rand millions			*% change*	
Year ended March 31,	**2003**	**2004**	**2005**	***04/03***	***0504***
Depreciation, impairment and amortisation	2,376	2,532	**3,112**	*6.6*	*22.9*
Payments to other network operators	2,217	2,990	**3,652**	*34.9*	*22.1*
Other direct network operating costs [1, 2]	8,274	9,440	**10,962**	*14.1*	*16.1*
Staff expenses	1,019	1,332	**1,653**	*30.7*	*24.1*
Marketing and advertising	653	702	**767**	*7.5*	*9.3*
General administration expenses	612	682	**748**	*11.4*	*9.7*
Other operating income	(68)	(58)	**(64)**	*(14.7)*	*10.3*
Operating expenses	**15,083**	**17,620**	**20,830**	***16.8***	***18.2***

1 *Direct network operating costs excluding payments to other operators.*

2 *South African equipment sales revenue and operating costs have been restated in 2003 and 2004 by R369 million and R623 million, respectively, to eliminate revenue and costs relating to handset sales to Vodacom's own distribution channel, as required by IFRS. Margins have been restated accordingly. The restatement does not impact the Group's results for the years ended March 31, 2003 and 2004.*

Other direct network operating costs

Other direct network expenses increased 16.1% to R11.0 billion (2004: R9.4 billion) in the year ended March 31, 2005. The low growth in direct network operating expenses was achieved due to lower prepaid acquisition costs, lower cost of retention, as well as the positive impact of the strong Rand on the translation of foreign currency denominated expenses.

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

Staff expenses

Staff expenses increased by 24.1% in the year ended March 31, 2005 to R1.7 billion (2004: R1.3 billion) primarily as a result of an increase in headcount of 8.3% in 2005 to support the growth in operations, as well as an average Group–wide salary increase of approximately 8.0%. Staff expenses also increased further due to a higher deferred bonus incentive accrual brought about by Vodacom's increased profits.

Vodacom's staff expenses include fees to directors, secondment fees and expenses raised in connection with our deferred bonus incentive scheme.

Total headcount in Vodacom's South African operations increased by 2.8% to 3,954 employees (2004: 3,848). Total headcount in our other African operations increased by a significant 36.5% to 1,039 employees (2004: 761) to meet the demands of the rapid expansion of these operations. Employee productivity has improved in all of Vodacom's operations, as measured by customers per employee, improving by 22.7% to 2,986 customers per employee (2004: 2,434), which includes 4,993 Group employees and 191 outsourced customer care employees in South Africa. Excluding the outsourced employees, the Group customers per employee is 3,101.

Marketing and advertising

Marketing and advertising expenses increased by 9.3% in 2005 to R767 million, (2004: R702 million) driven mainly by an amplified marketing drive in South Africa, in particular in connection with the Vodafone alliance and the launch of 3G, BlackBerry® and Vodafone live!, coupled with the marketing expenses related to establishing Vodacom Mozambique.

General administration expenses

General administration expenses increased by 9.7% to R748 million (2004: R682 million), where the increase was mitigated by the effect of a strong Rand and improvements in productivity. General administration expenses comprise a number of expenses including accommodation, information technology costs, office administration, consultant expenses, social economic investment and insurance.

Other operating income

Other operating income increased 10.3% to R64 million (2004: R58 million). Other operating income comprises income that Vodacom does not view as part of its core activities, such as risk management services, consultant cost recoveries, franchise fees, and the recovery of costs relating to Nigeria, and is therefore shown separately.

Capital expenditure

The total cumulative capital expenditure of the Group at March 31, 2004 increased by 18.2% to R24.4 billion (2004: R20.7 billion). The Group invested R3.5 billion (2004: R2.9 billion) in property, plant and equipment, of which R3.4 billion (2004: R2.8 billion) was for cellular network infrastructure and related information technology and billing systems.

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

Vodacom (Proprietary) Limited, the subsidiary that owns the South African cellular operator licence, had a capital expenditure per customer of R1,471 (2004: R1,720) as at March 31, 2005, which is once again at its lowest level ever. Despite the African expansion, gross capital expenditure as a percentage of revenue was only 12.8% in 2005 (2004: 12.6%).

Capital expenditure additions – geographical split

	Rand millions			% of total			*% change*	
Year ended March 31,	**2003**	**2004**	**2005**	**2003**	**2004**	**2005**	***04/03***	***05/04***
South Africa excluding holding companies	2,482	1,654	**2,777**	73.0	57.3	**79.5**	*(33.4)*	*67.9*
Tanzania	323	351	**234**	9.5	12.1	**6.7**	*8.7*	*(33.3)*
DRC[1]	516	395	**335**	15.2	13.7	**9.6**	*(23.4)*	*(15.2)*
Lesotho	72	7	**10**	2.1	0.3	**0.3**	*(90.3)*	*42.9*
Mozambique	–	478	**115**	–	16.5	**3.3**	–	*(75.9)*
Holding companies	6	6	**23**	0.2	0.2	**0.6**	–	*283.3*
Capital expenditure for the year	**3,399**	**2,891**	**3,494**	**100.0**	**100.0**	**100.0**	***(14.9)***	***20.9***
DRC (100%)[1]	1,012	775	335	26.0	23.7	**9.6**	*(23.4)*	*(56.8)*
Adjusted capital expenditure	**3,895**	**3,271**	**3,494**	**100.0**	**100.0**	**100.0**	***(16.0)***	***6.8***

Cumulative capital expenditure – geographical split

Year ended March 31,	**2004**		**2005**	
	R billion	**Foreign**	**R billion**	**Foreign**
South Africa	18.2	18.2	**20.3**	**20.3**
Tanzania (Foreign: TSH billion)	1.1	201.0	**1.4**	**240.1**
DRC (Foreign: US$ million)[1]	0.7	114	**1.8**	**281**
Lesotho (Foreign: Maloti million)	0.2	201	**0.2**	**211**
Mozambique (Foreign: MZM billion)	0.5	1,785.6	**0.7**	**2,173.7**
Cumulative capital expenditure	**20.7**	**–**	**24.4**	**–**
DRC (100%) (Foreign: US$ million)[1]	1.4	227	**1.8**	**281**
Adjusted cumulative capital expenditure	**21.4**	**–**	**24.4**	**–**

1 *During the years ended March 31, 2003 and 2004, 51% of Vodacom Congo was proportionally consolidated in the Group financial statements. Effective April 1, 2004, Vodacom Congo is being fully consolidated as a subsidiary after certain clauses granting the outside shareholders participating rights have been removed from the shareholders agreement. The adjusted capital expenditure has been adjusted to reflect 100% of Vodacom Congo's capital expenditure for the prior periods for comparison purposes.*

Financial structure and funding

Vodacom's consolidated net debt position has decreased to R426 million as at March 31, 2005 (2004: R463 million), despite the inclusion of 100% of Vodacom Congo's debt, compared to 51% in the prior year. The Group's net debt to EBITDA ratio was 4.4% as at March 31, 2005 (2004: 6.0%). Vodacom's net debt to equity ratio improved to 5.4% at March 31, 2005, (2004: 6.1%). However, the final dividend of R1.8 billion, which was paid on April 1, 2005, should be taken into account when evaluating the net debt to equity ratio. In addition, in terms of covenant calculations intangible assets are excluded from the calculation. If the shareholders for dividends is included in, and intangible assets are excluded from, the calculation, the net debt to equity ratio at March 31, 2005, increases to 31.7% (2004: 29.5%).

A medium term loan of R1,129 million (US$180.0 million) was obtained for Vodacom Congo during the year, which is collateralised by guarantees provided by the Group. This loan replaced Vodacom Group's share of extended credit facilities relating to Vodacom Congo of R312.2 million (US$16.3 million) and R310.1 million (€38.8 million), which was repaid during the year. For further details refer to Note 18 of the annual financial statements.

Summary of net debt and maturity profile

			Repayment of 2005 debt					
Year ended March 31,	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Finance leases								
South Africa	886	**858**	51	79	114	194	98	322
Funding loans								
Vodacom Tanzania shareholder and project finance loans	426	**369**	92	104	89	–	84	–
Vodacom Congo medium term loan[1]	–	**1,129**	–	1,129	–	–	–	–
Vodacom Congo extended and revolving credit facilities[1]	626	**6**	6	–	–	–	–	–
Vodacom Congo preference share liability [1]	119	**232**	232	–	–	–	–	–
Vodacom Lesotho minority shareholders' loan	4	**4**	4	–	–	–	–	–
Other	–	**1**	1	–	–	–	–	–
Debt excluding bank overdrafts	**2,061**	**2,599**	**386**	**1,312**	**203**	**194**	**182**	**322**
Less: Net bank and cash balances	(1,598)	**(2,173)**						
Net debt	**463**	**426**						
Vodacom Congo (100%)	1,435	**1,378**						
Adjusted net debt	**1,167**	**426**						

1 During the years ended March 31, 2003 and 2004, 51% of Vodacom Congo was proportionally consolidated in the Group financial statements. Effective April 1, 2004, Vodacom Congo is being fully consolidated as a subsidiary after certain clauses granting the outside shareholders participating rights have been removed from the shareholders agreement. The adjusted capital expenditure has been adjusted to reflect 100% of Vodacom Congo's capital expenditure for the prior periods for comparison purposes.

FINANCIAL REVIEW continued

Funding sources

Vodacom's ongoing objective is to fund all its other African operations by means of project finance, structured such that there is no recourse to our South African operations. Strong South African cash flows would therefore principally be utilised to pay dividends and make new, growth enhancing investments. We utilise own funds and Group supported funding structures, subject to South African Reserve Bank approval, to fund offshore investments in the initial stages of the investment, until the project is able to support project funding.

While we have project funding in place for our Tanzania investment, at this stage Vodacom Congo and Vodacom Mozambique are still substantially dependent on funding from South Africa. These operations are funded by a mix of market priced direct loans as well as security to facilitate their own credit lines.
Vodacom Lesotho repaid its shareholder loans during the year.

In South Africa, debt consists of finance lease liabilities of R858 million (2004: R886 million) and net positive bank balances of R2.0 billion (2004: R1.4 billion) held principally on money market at variable rates. Vodacom has funded all of its major properties by way of finance leases.

Financial instruments and risk management

Subject to central bank regulations in the various countries, and the local market condition restrictions, Vodacom actively manages foreign currency risk, interest rate risk, credit risk and liquidity risk on an ongoing basis. Management believes that Vodacom's procedures are adequate for the organisation. The Group's risk management procedures are described fully in Note 41 of the Group's annual financial statements.

Foreign exchange rates

	Rand exchange rate			*% change*	
Year ended March 31,	**2003**	**2004**	**2005**	***04/03***	***05/04***
US Dollar					
Average	9.81	7.17	**6.24**	*26.9*	*13.0*
Closing	7.97	6.32	**6.27**	*20.7*	*0.8*
Tanzanian Shilling					
Average	129.00	163.31	**175.01**	*26.6*	*7.2*
Closing	129.11	174.19	**176.68**	*34.9*	*1.4*
Mozambique Metical					
Average	–	3,734.52	**3,418.17**	–	*(8.5)*
Closing	–	3,745.36	**3,122.82**	–	*(16.6)*

Taxation

The taxation expense increased 51.5% to R2.6 billion (2004: 1.7 billion) for the year ended March 31, 2005, mainly due to a significant increase in secondary taxation on companies (STC) paid on higher dividends, as well as higher South African normal tax. Vodacom's effective tax rate increased to 40.2% (2004: 36.1%), with STC increasing Vodacom's effective tax rate by 6.6% (2004: 5.5%). Furthermore, no deferred tax asset was raised in respect of Vodacom Mozambique's impairment of assets, resulting in a higher effective tax rate.

Shareholder distributions

Dividends for the 2005 financial year totalled R3.4 billion (2004: 2.1 billion) an increase of 61.9%. One of the largest dividends paid by a South African company to date. In 2004, shareholder distributions included R47 million of shareholder interest, which is not repeated in 2005 as shareholder loans have been repaid.

Cash flow

The Group had a positive free cash flow before shareholder distributions and financing activities of R3.9 billion (2004: R3.0 billion), an increase of 27.6%, mainly due to the greater cash generation from operations. Free cash flow growth was negatively impacted by an increase in taxation paid of 87.5% to R2.7 billion (2004: R1.5 billion) on increased profits and STC on increased dividends, an increase in cash utilised in investing activities of 12.5% to R3.4 billion (2004: R3.0 billion). These factors were partially offset by an increase in cash generated from operations of 31.8% to R10.0 billion (2004: R7.6 billion).

Conclusion

The Vodacom Group has performed well in an evolving and competitive African market. The performance of the South African market continues to be robust and management believes that a lot of growth can still be extracted from it. The strong cash generation ability of Vodacom's South African operations ensured that its consolidated balance sheet remained sturdy, even after paying out substantial dividends to its shareholders and funding the investments in Mozambique and the DRC. Vodacom continues to be confident of its success in all of its operations despite a challenging competitive and regulatory environment. In South Africa, Vodacom intends to position itself strategically to minimise any negative impact from the pending deregulation of the South African market and to seize any opportunities that may emerge. With its strong brand and robust balance sheet, the Group is well positioned to capitalise on investment and growth opportunities.

VODACOM SOUTH AFRICA REVIEW

Customers and traffic

Customer growth and connections

The South African customer base continued to grow this year, showing the market is larger than previously forecast. Total customers increased by 32.0% to 12.8 million (2004: 9.7 million) with the majority of the growth coming from the prepaid market. The number of prepaid customers increased by 32.1% to 10.9 million, while the number of contract customers increased by 31.8% to 1.9 million. However, despite the increase in contract customers Vodacom has seen a decrease in connection incentive levels in the market. The strong growth in customers was a direct result of the remarkable number of gross connections achieved, with continued levels of handset support to service providers in respect of the contract base, coupled with decreased churn in the contract and prepaid bases.

Contract gross connections increased by 61.8% to 610,000 (2004: 377,000), while prepaid gross connections increased 20.6% to 5.6 million (2004: 4.6 million), bringing the total number of connections for the year to 6.2 million (2004: 5.0 million). The growth in the contract connections was largely due to the increased connections in the hybrid product, Family Top Up, in which the customer signs up for a 24 month airtime contract and receives a monthly amount of airtime after which he is able to recharge using prepaid vouchers. This product, allowing the customer to control his spend, has been particularly popular in the youth market.

The year under review was another year of records in South Africa with 715,000 prepaid gross connections achieved in December 2004, the highest ever monthly figure and 22.3% more than the previous record of December 2003. Contract gross connections of 61,000 achieved in December 2004, was also the highest ever, 31.3% higher than the previously reported record of March 2004.

Loyalty and retention programmes continue to play an integral role in achieving the strategy of retaining market share and attracting new customers.

ARPU

The developing market through the prepaid service continued to drive market penetration in 2005 and made up 90.1% (2004: 92.4%) of all gross connections. During the period under review, ARPU decreased to R163 per month (2004: R177) due to the continued dilution of ARPU caused by the higher proportion of lower ARPU prepaid connections and lower usage as the lower end of the market is penetrated.

Contract customer ARPU has decreased by 1.6% to R624. The main contributing factor to this decrease has been the high growth in the low end hybrid, Family Top Up. The prepaid customer ARPU decreased by 13.3% to R78 (2004: R90) per customer per month.

Community services ARPU increased by 7.7% to R2,321 (2004: R2,155) due to tariff increases coupled with stable usage patterns. One community services phone is equivalent to approximately 45 prepaid customers on an outgoing revenue basis and nearly 128 on an outgoing usage basis, due to the subsidisation of community service tariffs.

Churn

The cost to acquire contract customers in a highly developed market is high. Vodacom has therefore implemented upgrade and retention policies over the last couple of years. Through the continued high level of handset support to service providers, Vodacom has ensured the decrease in contract churn to the lowest level in our history of 9.1% in 2005 (2004: 10.1%).

The developing prepaid market is characterised by low acquisition costs due to the flexibility required by this market to access our services. The decrease in prepaid churn experienced during the year under review to 30.3% (2004: 41.3%) is partly a result of a change in business rules.

Traffic and minutes of use

Total traffic on the network, excluding the impact of national and international roaming, has shown an increase of 22.1% to 15.0 billion minutes in 2005 (2004: 12.3 billion). This growth was due mainly to the 32.0% growth in the total customer base from 9.7 million to a base of 12.8 million as at the end of March 2005. Also evident was a marked change in customer calling patterns, with total mobile to mobile traffic increasing by 31.6% while total mobile to fixed and fixed to mobile traffic decreased by 0.9%.

Key operational information

	Year ended March 31,					% change			
	2001	**2002**	**2003**	**2004**	**2005**	***02/01***	***03/02***	***04/03***	***05/04***
Customers ('000) [1]	**5,108**	**6,557**	**7,874**	**9,725**	**12,838**	***28.4***	***20.1***	***23.5***	***32.0***
Contract	1,037	1,090	1,181	1,420	**1,872**	*5.1*	*8.3*	*20.2*	*31.8*
Prepaid	4,046	5,439	6,664	8,282	**10,941**	*34.4*	*22.5*	*24.3*	*32.1*
Communityservices	25	28	29	23	**25**	*12.0*	*3.6*	*(20.7)*	*8.7*
Gross connections ('000)	**2,990**	**3,038**	**3,495**	**4,998**	**6,180**	***1.6***	***15.0***	***43.0***	***23.6***
Contract	263	199	197	377	**610**	*(24.3)*	*(1.0)*	*91.4*	*61.8*
Prepaid	2,725	2,836	3,295	4,617	**5,566**	*4.1*	*16.2*	*40.1*	*20.6*
Communityservices	2	3	3	4	**4**	*50.0*	–	*33.3*	–
Inactives (3 months – %) [2]	**n/a**	**13.9**	**18.2**	**17.6**	**7.9**	**–**	***4.3***	***(0.6)***	***(9.7)***
Contract	n/a	3.8	5.3	5.7	**1.5**	–	*1.5*	*0.4*	*(4.2)*
Prepaid	n/a	15.9	20.5	19.7	**9.0**	–	*4.6*	*(0.8)*	*(10.7)*
Total churn (%) [3]	**23.3**	**27.2**	**30.4**	**36.6**	**27.1**	***3.9***	***3.2***	***6.2***	***(9.5)***
Contract	18.7	14.5	11.9	10.1	**9.1**	*(4.2)*	*(2.6)*	*(1.8)*	*(1.0)*
Prepaid	24.8	30.1	34.0	41.3	**30.3**	*5.3*	*3.9*	*7.3*	*(11.0)*
Traffic (millions of minutes) [4]	**7,472**	**8,881**	**10,486**	**12,297**	**15,014**	***18.9***	***18.1***	***17.3***	***22.1***
Outgoing	4,052	4,967	6,343	7,772	**10,027**	*22.6*	27.7	22.5	29.0
Incoming	3,420	3,914	4,143	4,525	**4,987**	*14.4*	*5.9*	*9.2*	*10.2*
ARPU (Rand per month) [5]	**208**	**182**	**183**	**177**	**163**	***(12.5)***	***0.5***	***(3.3)***	***(7.9)***
Contract	493	560	629	634	**624**	*13.6*	*12.3*	*0.8*	*(1.6)*
Prepaid	98	93	90	90	**78**	*(5.1)*	*(3.2)*	–	*(13.3)*
Communityservice	1,453	1,719	1,861	2,155	**2,321**	*18.3*	*8.3*	*15.8*	*7.7*
Minutes of use per month (MOU) [6]	**137**	**111**	**101**	**96**	**84**	***(19.0)***	***(9.0)***	***(5.0)***	***(12.5)***
Contract	270	264	269	263	**226**	*(2.2)*	*1.9*	*(2.2)*	*(14.1)*
Prepaid	70	58	54	56	**52**	*(17.1)*	*(6.9)*	*3.7*	*(7.1)*
Communityservice	2,859	3,354	3,162	3,061	**3,185**	*17.3*	*(5.7)*	*(3.2)*	*4.1*
Cumulativecapex	10,232	14,317	16,535	18,132	**20,358**	*39.9*	*15.5*	*9.7*	*12.3*
SA network capex per customer(Rand)	2,053	1,991	1,933	1,720	**1,515**	*(3.0)*	*(2.9)*	*(11.0)*	*(13.5)*
Number of employees [8]	**4,102**	**3,859**	**3,904**	**3,848**	**3,954**	***(5.9)***	***1.2***	***(1.4)***	***2.8***
Customers per employee[8]	1,245	1,699	2,017	2,527	**3,247**	*36.5*	*18.7*	*25.3*	*28.5*
Market share (%) [7]	61	61	57	54	**56**	–	*(4.0)*	*(3.0)*	*2.0*

Notes

1. *Customer totals are based on the total number of customers registered on Vodacom's network which have not been disconnected including inactive customers as at the end of the period indicated.*
2. *n/a – not available. A software error was identified in the calculation of inactive which has been confirmed by independent auditors. Vodacom was unable to restate prior year figures including 2002 to 2004 statistics. This does not impact any other statistics presented as all are based on registered customers.*
3. *Churn is calculated by dividing the average monthly number of disconnections during the period by the average monthly total reported customer base during the period. From December 1, 2003, to align ourselves with industry standards, any Vodago or 4U connection for which the network records no revenue generating activity within a period of 215 consecutive days will be deleted and counted as churn.*
4. *Traffic comprises total traffic registered on Vodacom's network, including bundled minutes, outgoing international roaming calls and calls to free services, but excluding national roaming and incoming international roaming calls.*
5. *ARPU is calculated by dividing the average monthly revenue during the period by the average monthly total reported customer base during the period. ARPU excludes revenues from equipment sales, other sales and services and revenues from national and international users roaming on Vodacom's networks.*
6. *Minutes of use per month is calculated by dividing the average monthly minutes during the period by the average monthly total reported customer base during the period. Minutes of use excludes calls to free services, bundled minutes and data minutes.*
7. *Market share is calculated based on Vodacom's total reported customers and the estimated total customers of MTN and Cell C.*
8. *The number of employees in 2005 excludes 191 outsourced customer care employees, which yields customers per employee of 3,097, a 22.5% increase on the prior year.*

Minutes of use is reflective of voice trends outside, and in excess of the bundle, and shows a stabilised trend for the period under review as contract minutes show a 14.1% decrease to 226 per month for 2005 (2004: 263 per month), and prepaid minutes decreased 7.1% to 52 per month in 2005 (2004: 56 per month).

Market share

Vodacom has retained its leadership in the South African market with an estimated 56% (2004: 54%) market share as at March 31, 2005, despite strong competition. The improved market share is as a result of the increased competitiveness of Vodacom in acquiring contract customers, as well as the stability of prepaid sales. The cellular industry in South Africa has grown by 27.4% since March 2004, a net growth of 5.0 million, of which Vodacom has contributed 62.7%. The market penetration of the cellular industry is now an estimated 48.5% (2004: 41.2%) of the population with a total cellular market of 23.0 million customers (2004: 18.1 million). Prepaid customers continue to dominate the market and comprise 83.7% of the total cellular market (2004: 83.8%).

Vodafone strategic alliance

The signing of an alliance with Vodacom's 35% shareholder Vodafone during the year was of strategic importance, as well as the associated launch of third generation (3G), or UMTS, cellular services, and the launch of Vodafone Live!.

Vodacom's alliance with the world's largest cellular operator will give Vodacom access to Vodafone's global research and development, buying power, products, services and content, and benchmarking, under a co-branding arrangement.

Vodacom obtained a 3G licence during the year and launched the first commercial 3G network in South Africa in December 2004. This is an important step in the technical evolution of our business and the greater telecommunications market. Vodacom is excited and proud of its first mover commitment to 3G and expects, given the competitive pricing, low entry costs and excellent timing, that 3G will create a competitive advantage in the new liberalised sector. R400 million has been spent in rolling out the initial 487 3G sites in the major metropolitan areas. In the forthcoming year, there are plans to spend an additional R835 million on 3G capital expenditure, which will include the roll-out of a further 1,000 3G sites.

Products and services

Vodacom has a culture of innovation and our record of accomplishments with regard to our product offering bears testimony to this. Recent significant products launched include 3G, BlackBerry® and Vodafone live!. Vodacom offers contract, prepaid, data and value-added voice and data services.

Contract services

Vodacom offers contract customers a range of mobile service packages designed to appeal to specific customer segments, with packages such as Weekend Everyday for consumer customers and business packages such as Business Call for business customers.

As at March 31, 2005, 14.6% (2004: 14.6%) of Vodacom's customers were contract customers. The high spending contract customer market is of strategic importance, and therefore a number of retention and upgrade strategies have been implemented to retain these customers. The decrease in churn rates for contract customers bears testimony to our continued success in achieving this goal.

The innovative Top Up product that was launched in 2003, designed to facilitate migrations to contract packages from existing prepaid packages, has proved highly successful and has contributed to the growth in contract customers. As at March 31, 2005, 19.8% (2004: 5.1%) of Vodacom's contract customers were Top Up customers.

Prepaid services

The majority of Vodacom's customers are prepaid customers and at March 31, 2005 comprised 85.2% (2004: 85.3%) of the customer base.

Vodacom has three prepaid products namely Vodago, SmartStep and 4U. Our 4U offering, which was primarily aimed at the youth market, continues to prove highly successful and as at March 31, 2005, 70.7% (2004: 67.9%) of Vodacom's prepaid customers comprised 4U customers.

During the year, Vodacom introduced a new Super six 4U starter pack and changed the Vodago Super six starter pack to include free SMSs.

Recharge related innovations include the Yebo 5 voucher, adding SMS as a recharge channel, and the addition of electronic recharge as a service to the Vodacom4me portal.

Value-added voice and data services

A comprehensive Value Added Services (VAS) portfolio complements our contract and prepaid offerings. Vodacom's current data portfolio includes various pay-as-you-use and bundled GPRS and 3G offerings available to prepaid, Top Up and contract customers.

Vodacom was the first operator to introduce a commercial 3G offer into the local market in December 2004 and has created a new niche market in data related products and services. The take up by customers during this initial period of deployment has been encouraging. The number of active 3G users on the network as at March 31, 2005 was 10,853. The 3G launch included a number of innovative products, such as the Vodafone Mobile Connect Card, and after 4 months we had already acquired 5,105 users.

Vodacom was also the first to launch BlackBerry® devices into the South African market, shifting the focus to data and email on demand, and was one of the messaging highlights for the year.

At the same time we introduced new data tariffs for our contract customers and dramatically reduced our data pricing from R10 to an effective 60 cents per megabyte. Whilst prepaid customers currently enjoy a competitive data tariff, during the course of 2005 we plan to make data bundles available to them.

During the year there was an increase in the usage of GPRS, with the number of GPRS users increasing to 579,581 as at March 31, 2005 (2004: 100,128).

On the messaging side, our aim was to make SMS and MMS more affordable. To this end, we introduced an SMS voucher for prepaid customers in December 2004 and changed the MMS pricing so that the cost of sending an MMS is the same as that of sending an SMS. Both these initiatives have contributed to increased usage. In addition, the volumes of preconfigured mobile phones supporting MMS registered on the network increased to 2.0 million (2004: 510,000). The number of active MMS users on the network as at March 31, 2005 was 328,974 (2004: 61,374). MMS messages volumes continued to grow from 350,260 messages in March 2004 to 1,780,657 in March 2005, with an average of 811,270 messages sent monthly.

On the VAS side new, innovative additions include call sponsor, airtime transfer, detailed billing and the prepaid passport number securing product. Further additions and enhancements include SMS-only roaming, video telephony charged at the same rate as voice calls, video mail and the missed call keeper service.

Vodacom continued to deliver on its data strategy which is centred on a Wireless Application Service Provider (WASP) model for ease of connectivity and standardised interfaces. Currently, the WASP model is driven largely by consumer applications with the majority of interest being in premium-rated outgoing SMS and bulk incoming SMS services. As at March 31, 2005, 136 WASPs (2004: 106) had applied for connectivity to the Vodacom network.

Premium rated SMS content is still focused on competitions, accounting for approximately 20% of new services and information and alerts which account for roughly 18%. There has been a substantial increase in messaging services which represented 12% of new services in 2005. Consumer sensitivity to pricing appears to be stabilising, as average monthly volumes have grown to 9.8 million.

Strategic acquisitions

On April 16, 2004 Smartphone SP (Proprietary) Limited, a subsidiary of Vodacom Group, acquired 85.8% of Smartcom (Proprietary) Limited for a purchase consideration of R77.2 million, giving Vodacom an effective interest of 43.7% in Smartcom. Vodacom believes that effective control of the customer base will facilitate enhanced communication with customers and improve margins. On February 1, 2005 Vodacom acquired its customer base from Tiscali South Africa for a purchase consideration of R40.1 million. Vodacom South Africa now directly controls 78.3% of its contract customers and 98.4% of its prepaid customers.

VODACOM TANZANIA REVIEW

Key indicators

	Year ended March 31,			*% change*	
	2003	**2004**	**2005**	***04/03***	***05/04***
Customers (‘000) [1]	**447**	**684**	**1,201**	***53.0***	***75.6***
Contract	5	5	**5**	–	–
Prepaid	440	676	**1,193**	*53.6*	*76.5*
Community services	2	3	**3**	*50.0*	–
Gross connections (‘000)	**262**	**404**	**746**	***54.2***	***84.7***
Churn (%)	**13.3**	**30.0**	**29.6**	***16.7***	***(0.4)***
ARPU (Rand) [2]	**217**	**128**	**81**	***(41.0)***	***(36.7)***
Cumulative capex (Rand millions)	**1,058**	**1,146**	**1,359**	***8.3***	***18.6***
Number of employees	**224**	**316**	**340**	***41.1***	***7.6***
Customers per employee	**1,996**	**2,165**	**3,532**	***8.5***	***63.2***
Mobile penetration (%) [3]	**2.2**	**3.3**	**5.1**	***1.1***	***1.8***
Mobile market share (%) [3]	**53**	**57**	**59**	***4.0***	***2.0***

Notes

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

Vodacom Tanzania has overcome the challenges it faced and continues to contribute to Vodacom’s growth and profitability. Under the leadership of Managing Director José Dos Santos, Vodacom Tanzania has improved its performance in respect of profit from operations and EBITDA, through redesigning aspects of its distribution channel, complimented by sound cost management.

Vodacom Tanzania achieved a substantial 75.6% increase in customers to 1.2 million (2004: 0.7 million), primarily through increases in the prepaid customer base, offset slightly by higher churn. Per-second billing continues to prove highly successful.

Despite increased competition from all market participants, Vodacom Tanzania has achieved exceptional growth and has increased its market share to 59% (2004: 57%).

ARPU levels have decreased by 36.7% to R81 (2004: R128) as a result of both increased penetration and two tariff reductions during the period. Vodacom anticipates that continued tariff pressure is possible in the future.

VODACOM CONGO REVIEW

Key indicators (all indicators include 100% of Vodacom Congo)

	Year ended March 31,			% change	
	2003	2004	2005	04/03	05/04
Customers (‘000) [1]	**248**	**670**	**1,032**	***170.2***	***54.0***
Contract	4	8	**10**	*100.0*	*25.0*
Prepaid	237	653	**1,010**	*175.5*	*54.7*
Community services	7	9	**12**	*28.6*	*33.3*
Gross connections (‘000)	**260**	**513**	**565**	***97.3***	***10.1***
Churn (%)	**24.2**	**20.2**	**23.1**	***(4.0)***	***2.9***
ARPU (Rand) [2]	**200**	**150**	**98**	***(25.0)***	***(34.7)***
Cumulative capex (Rand millions)	**944**	**1,432**	**1,759**	***51.7***	***22.8***
Number of employees	**204**	**334**	**527**	***63.7***	***57.8***
Customers per employee	**1,216**	**2,006**	**1,958**	***64.9***	***(2.4)***
Mobile penetration (%) [3]	**1.0**	**2.3**	**3.5**	***1.3***	***1.2***
Mobile market share (%) [3]	**44**	**47**	**47**	***3.0***	**–**

Notes

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

Vodacom Congo has performed above expectations over the past year, with solid growth in customers, profit from operations and EBITDA under the leadership of Managing Director, Dietlof Maré. Vodacom Congo’s focus on being competitive in coverage and quality has been successful to date. Notwithstanding the uncertainties surrounding the elections, which are planned for later this year, management is confident of the future success of the operations.

Vodacom Congo achieved a 54.0% increase in customers to 1.0 million customers (2004: 670,000), as a result of substantial gross connections and a low churn rate.

Vodacom Congo continues to be the market leader with an estimated market share of 47% on March 31, 2005 (2004: 47%). A key success factor in achieving the market share is Vodacom Congo’s effective distribution channels.

There has been increased pressure on ARPU, with a decline of 34.7% to R98 as lower spending prepaid customers are connected coupled with the devaluation of the local currency against the US Dollar. As tariffs are denominated in US Dollars, the devaluation has impacted spending patterns, as it has resulted in lower disposable incomes in US Dollar terms for current and new customers.

VODACOM LESOTHO REVIEW

Key indicators

	Year ended March 31,			% change	
	2003	2004	2005	*04/03*	*05/04*
Customers (‘000) [1]	**78**	**80**	**147**	***2.6***	***83.8***
Contract	4	3	**4**	*(25.0)*	*33.3*
Prepaid	73	76	**142**	*4.1*	*86.8*
Community services	1	1	**1**	–	–
Gross connections (‘000)	**76**	**51**	**70**	***(32.9)***	***37.3***
Churn (%)	**70.6**	**65.1**	**17.3**	***(5.5)***	***(47.8)***
ARPU (Rand) [2]	**104**	**125**	**92**	***20.2***	***(26.4)***
Cumulative capex (Rand millions)	**185**	**201**	**210**	***8.6***	***4.5***
Number of employees	**74**	**68**	**63**	***(8.1)***	***(7.4)***
Customers per employee	**1,054**	**1,176**	**2,333**	***11.6***	***98.3***
Mobile penetration (%) [3]	**4.3**	**5.1**	**7.4**	***0.8***	***2.3***
Market share (%) [3]	**80**	**80**	**80**	**–**	**–**

Notes

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

Although Vodacom Lesotho will always remain a small operation, under its Managing Director, Mervyn Visagie, it has improved significantly on the previous year’s performance in respect of revenues, profit from operations and EBITDA. The collection of interconnection revenue from the government-owned LTC continues to be a challenge.

Vodacom Lesotho increased its customer base by 83.8% to 147,000 customers (2004: 80,000) as at March 31, 2005, constituted mainly of prepaid customers, resulting from substantial gross connections, coupled with a much improved churn rate.

Vodacom Lesotho has retained its 80% share of the market by continually providing the best coverage, brand and distribution and introducing new products and services.

ARPU decreased by 26.4% to R92 (2004: R125) and is an area of focus for improvement through the introduction of new products and services.

VODACOM MOZAMBIQUE REVIEW

Key indicators

	Year ended March 31,		% change
	2004	2005	05/04
Customers ('000) [1]	**58**	**265**	***356.9***
Contract	1	**4**	*300.0*
Prepaid	57	**261**	*357.9*
Gross connections ('000)	**58**	**225**	***287.9***
Churn (%)	**0.3**	**11.3**	***11.0***
ARPU (Rand) [2]	**110**	**52**	***(52.7)***
Cumulative capex (Rand millions)	**478**	**696**	***45.6***
Number of employees	**43**	**109**	***153.5***
Customers per employee	**1,349**	**2,431**	***80.2***
Mobile penetration (%) [3]	**2.6**	**4.2**	***1.6***
Mobile market share (%) [3]	**11**	**33**	***22***

Notes

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

Vodacom Mozambique remains in its infancy, having just experienced its first full year of operations. Performance has been disappointing due to extremely low ARPUs. ARPU decreased 52.7% to R52 (2004: R110), below what was envisaged for the operations. On the positive side, Vodacom Mozambique has rolled out a competitive network from a coverage and quality point of view.

Vodacom Mozambique increased its customer base by a substantial 356.9%, albeit off a low base, to 265,000 customers (2004: 58,000) as at March 31, 2005 and increased its market share to 33% (2004: 11%). Vodacom Mozambique intends to revisit its approach to the market in the year ahead.

Vodacom Mozambique's challenge is to raise usage on its network which will improve ARPU. Following his success in Tanzania, José Dos Santos has been identified as the new Managing Director to lead Vodacom Mozambique in the next financial year.

WYN Luhabe
Non-executive Chairman

ADC Knott-Craig
Chief Executive Officer

CONSOLIDATED INCOME STATEMENTS

for the three years ended March 31, 2005

	2003 Restated Rm	2004 Restated Rm	**2005 Rm**
Revenue	19,409.7	22,855.2	**27,315.3**
Other operating income	68.0	57.6	**63.8**
Direct network operating cost	(10,491.4)	(12,430.1)	**(14,614.1)**
Depreciation	(2,163.0)	(2,316.9)	**(2,611.1)**
Staff expenses	(1,018.6)	(1,331.6)	**(1,652.9)**
Marketing and advertising expenses	(652.5)	(702.0)	**(767.3)**
General administration expenses	(611.6)	(682.3)	**(747.9)**
Amortisation of intangible assets	(213.2)	(214.8)	**(232.1)**
Impairment of assets	–	–	**(268.4)**
Profit from operations	4,327.4	5,235.1	**6,485.3**
Interest, dividends and other financial income	649.6	656.6	**662.8**
Finance costs	(1,546.3)	(1,107.5)	**(641.7)**
Profit before taxation	3,430.7	4,784.2	**6,506.4**
Taxation	(1,171.1)	(1,725.0)	**(2,614.2)**
Net profit	2,259.6	3,059.2	**3,892.2**

Attributable to:			
Equity shareholders	2,212.1	3,033.0	**3,861.4**
Minority interests	47.5	26.2	**30.8**

	2003 R	2004 R	**2005 R**
Basic and diluted earnings per share	221,210	303,300	**386,140**
Dividend per share	60,000	210,000	**340,000**

CONSOLIDATED BALANCE SHEETS

as at March 31, 2005

	2003 Restated Rm	2004 Restated Rm	**2005 Rm**
ASSETS			
Non-current assets	12,024.2	12,865.0	**13,903.7**
Property, plant and equipment	10,675.0	10,858.6	**12,230.7**
Investment properties	–	63.8	**49.7**
Intangible assets	535.5	1,002.7	**940.8**
Financial assets	373.0	258.3	**137.5**
Deferred taxation	154.9	277.8	**308.1**
Deferred cost	285.8	403.8	**236.9**
Current assets	4,971.7	7,286.8	**8,662.2**
Inventory	238.8	288.5	**479.5**
Trade and other receivables	2,896.0	3,450.0	**3,621.4**
Deferred cost	544.9	859.8	**428.3**
Short-term financial assets	85.5	318.4	**142.9**
Cash and cash equivalents	1,206.5	2,370.1	**3,990.1**
Total assets	16,995.9	20,151.8	**22,565.9**
EQUITY AND LIABILITIES			
Equity	6,909.8	7,664.7	**7,954.3**
Ordinary share capital	–	–	**–**
Non-distributable reserves	(141.0)	(324.9)	**(298.0)**
Retained earnings	6,962.8	7,896.6	**8,123.6**
Minority interests	88.0	93.0	**128.7**
Non-current liabilities	2,617.6	2,234.8	**3,137.8**
Interest bearing debt	1,732.2	1,216.6	**2,213.5**
Deferred taxation	443.3	436.0	**499.2**
Deferred revenue	285.8	403.8	**240.7**
Provisions	156.3	178.4	**184.4**
Current liabilities	7,468.5	10,252.3	**11,473.8**
Trade and other payables	2,918.5	3,862.1	**4,830.8**
Deferred revenue	1,190.1	1,883.4	**1,411.4**
Taxation payable	315.2	852.0	**632.6**
Shareholder loans	920.0	–	**–**
Non-interest bearing debt	4.3	4.3	**4.3**
Short-term interest bearing debt	436.4	839.9	**381.6**
Short-term provisions	324.4	473.7	**595.0**
Dividends payable	600.0	1,500.0	**1,800.0**
Derivative financial liabilities	200.6	64.5	**1.0**
Bank overdraft	559.0	772.4	**1,817.1**
Total equity and liabilities	16,995.9	20,151.8	**22,565.9**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the three years ended March 31, 2005

	Share capital Restated Rm	Retained earnings Restated Rm	Non-distributable reserves Restated Rm	Minority interests Restated Rm	Total Restated Rm
Balance at March 31, 2002 – previously reported	–	5,357.7	106.1	10.6	5,474.4
Changes in accounting policies, reclassifications and restatements	–	(4.4)	31.7	–	27.3
Balance at March 31, 2002 – restated	–	5,353.3	137.8	10.6	5,501.7
Net profit for the year	–	2,212.1	–	47.5	2,259.6
Dividends declared	–	(600.0)	–	–	(600.0)
Contingency reserve	–	(2.6)	2.6	–	–
Capital contribution	–	–	–	65.0	65.0
Net gains and losses not recognised in the income statement					
Foreign currency translation reserve	–	–	(302.4)	(35.1)	(337.5)
Foreign currency translation reserve – deferred taxation	–	–	21.0	–	21.0
Balance at March 31, 2003 – restated	–	6,962.8	(141.0)	88.0	6,909.8
Net profit for the year	–	3,033.0	–	26.2	3,059.2
Dividends declared	–	(2,100.0)	–	–	(2,100.0)
Contingency reserve	–	0.8	(0.8)	–	–
Net gains and losses not recognised in the income statement					
Foreign currency translation reserve	–	–	(194.0)	(21.2)	(215.2)
Foreign currency translation reserve – deferred taxation	–	–	10.9	–	10.9
Balance at March 31, 2004 – restated	–	7,896.6	(324.9)	93.0	7,664.7
Net profit for the year	–	3,861.4	–	30.8	3,892.2
Dividends declared	–	(3,400.0)	–	(3.8)	(3,403.8)
Contingency reserve	–	(1.0)	1.0	–	–
Acquired reserves from the minorities of Vodacom Congo (RDC) s.p.r.l.	–	(233.4)	82.1	–	(151.3)
Acquisition of subsidiary	–	–	–	10.1	10.1
Revaluation of available-for-sale investments	–	–	0.2	0.1	0.3
Net gains and losses not recognised in the income statement					
Foreign currency translation reserve	–	–	(56.4)	(1.5)	(57.9)
Balance at March 31, 2005	**–**	**8,123.6**	**(298.0)**	**128.7**	**7,954.3**

CONSOLIDATED CASH FLOW STATEMENTS

for the three years ended March 31, 2005

	2003 Restated Rm	2004 Restated Rm	**2005 Rm**
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers	18,980.0	22,175.5	**27,078.8**
Cash paid to suppliers and employees	(12,258.9)	(14,578.8)	**(17,066.8)**
Cash generated from operations	6,721.1	7,596.7	**10,012.0**
Finance costs paid	(721.7)	(512.3)	**(259.2)**
Interest, dividends and other financial income received	280.0	368.7	**246.8**
Taxation paid	(1,337.4)	(1,463.3)	**(2,744.4)**
Dividends paid – equity shareholders	(600.0)	(1,200.0)	**(3,100.0)**
Dividends paid – minority shareholders	–	–	**(5.2)**
Net cash flows from operating activities	4,342.0	4,789.8	**4,150.0**
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	(3,066.5)	(2,813.8)	**(3,253.4)**
Proceeds on disposal of property, plant and equipment	7.7	5.0	**20.1**
Acquisition of intangible assets	–	(121.1)	**–**
Disposal of subsidiaries	31.5	–	**–**
Acquisition of subsidiaries	–	149.6	**(289.8)**
Acquired cash from Vodacom Congo (RDC) s.p.r.l.	–	–	**12.9**
Advance to minority shareholders	(157.9)	–	**–**
Disposal of other investments	9.0	–	**–**
Other investing activities	(67.0)	(219.5)	**136.0**
Net cash flows utilised in investing activities	(3,243.2)	(2,999.8)	**(3,374.2)**
CASH FLOW FROM FINANCING ACTIVITIES			
Shareholder loans repaid	–	(920.0)	**–**
Interest bearing debt incurred	774.1	186.9	**1,165.3**
Interest bearing debt repaid	(426.1)	(55.6)	**(1,332.3)**
Finance lease capital repaid	(1.6)	(9.6)	**(28.1)**
Finance lease capital incurred	13.2	–	**–**
Funding received from minority shareholders	157.9	–	**–**
Net cash flows (utilised in)/from financing activities	517.5	(798.3)	**(195.1)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,616.3	991.7	**580.7**
Cash and cash equivalents at the beginning of the year	(857.6)	647.5	**1,597.7**
Effect of foreign exchange rate changes	(111.2)	(41.5)	**(5.4)**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	647.5	1,597.7	**2,173.0**

NOTES

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EXHIBIT 99.7

vodacom

Driving the future of communication

Vodacom Group (Proprietary) Limited

For the year ended March 31, 2005
June 6, 2005

Content

Alan Knott-Craig
Chief Executive Officer

Operational highlights

Leon Crouse
Chief Financial Officer

Financial review

Operational highlights

Alan Knott-Craig
Chief Executive Officer

vodacom

Group highlights

Total customers	**Revenue**	**EBITDA**
15.5 million	R27.3 billion	R9.6 billion
38.0%	19.5%	23.6%
EBITDA margin	**Net profit**	**Dividends**
35.1%	R3.9 billion	R3.4 billion
1.1%pts	27.2%	61.9%

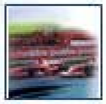
- **Launch of South Africa's first 3G network**
- **Signing of Vodafone strategic alliance**
- **Launch of BlackBerry®**

Vodacom South Africa tariffs

Vodago prepaid on-net

R2.55/min

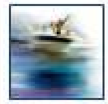
10.5%



Vodago off-peak

R1.40/min

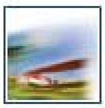
10.0%



4U on-net

R3.25/min

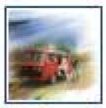
9.7%



Data

R0.60/MB

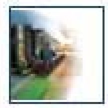
94.0%



SMS

Effective R0.33/sms

58.8%



Average outgoing prepaid tariff

R2.09/min

9.5%

Consistent delivery on strategy

Revenue growth

- Market penetration and leadership
- Vodafone strategic alliance
- The continuous introduction of new high-utility services
  - 3G
  - Vodafone live!
- High speed mobile data
- New markets
- Brand and distribution

Margin management

- Leveraging economies of scale
- Integration of service provider channel enhances control of customer base
- Optimising efficiencies
- Synergy between operations
- Productivity up 22.7% to 2,987 customers per employee

Strategy underpinned by:

Market leadership | **Strong brand** | **Strong distribution**

Strategic matters

- Deregulation and liberalisation
- Continued consolidation of service providers in South Africa
  - Control 78.3% of contract customers
  - Control 98.4% of prepaid customers
- Restructuring of Vodacom South Africa
- ICT BEE Charter
- 3G and data
  - Vodafone strategic alliance
  - Launch of South Africa’s first 3G network
  - Vodafone live!
- African expansion

BEE – an economic imperative in South Africa

- Employment equity
  67.0% of workforce in Vodacom South Africa from designated groups, excluding white women
- Procurement
  75.3% of total commercial spend with BEE companies
- Enterprise development
  25,224 community services phones, in excess of the 22,000 requirement
- Skills development
  SETA involvement
  Yebo bursary scheme
  Advanced executive development programme
- Vodacom Foundation
- ICT Charter engagement

South Africa – market share 56%

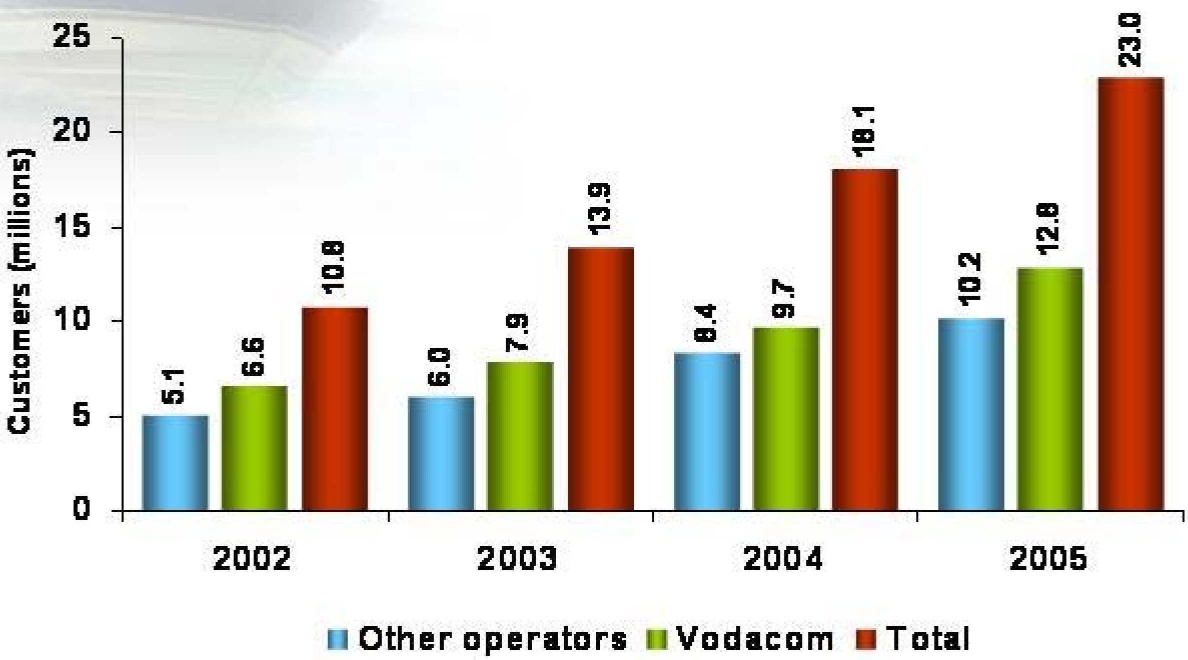
Population 47.4 million, penetration 48.5%

	2004	2005	% change	
Total customers	9.7 million	12.8 million	32.0%	↑
Revenue	R21,350 million	R25,041 million	17.3%	↑
EBITDA	R7,536 million	R9,002 million	19.5%	↑
ARPU	R177	R163	7.9%	↓
Customers per employee	2,527	3,097	22.5%	↑
Capex additions	R1,654 million	R2,777 million	67.9%	↑
Capex as a % of revenue	7.7%	11.1%	3.4%pts	↑

- **Record 5.6 million prepaid and 610,000 contract gross connections**
- **Increase of 2%pts in market share**

Note: Vodacom South Africa's revenue and operating costs in 2004 have been restated by R623 million to eliminate revenue on handset sales to Vodacom's distribution. There is no impact on profits or EBITDA; margins have accordingly been restated.

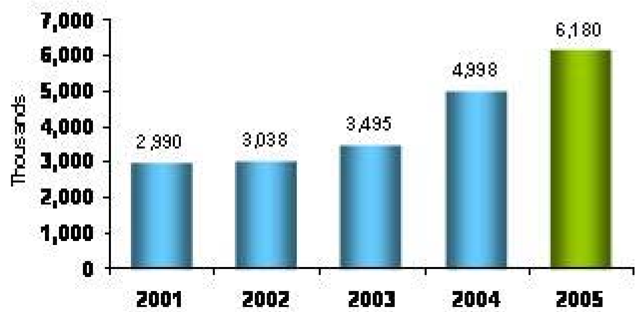
South Africa – impressive market growth



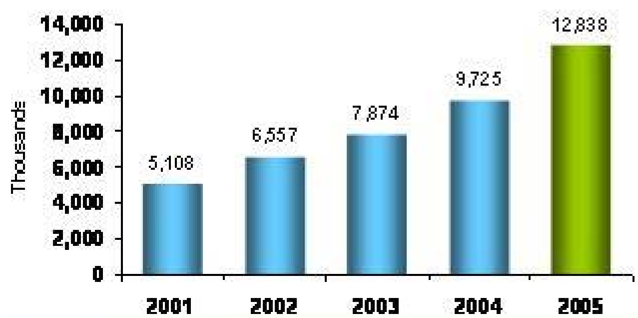
Strong Vodacom South Africa operational indicators

- Gross connections up 23.6% to a new high of 6.2 million
- Customers up 32.0% to 12.8 million
- Total traffic increased by 22.1% to 15.0 billion minutes
- Number of SMSs up 25.2% to 2.4 billion

Vodacom South Africa gross connections



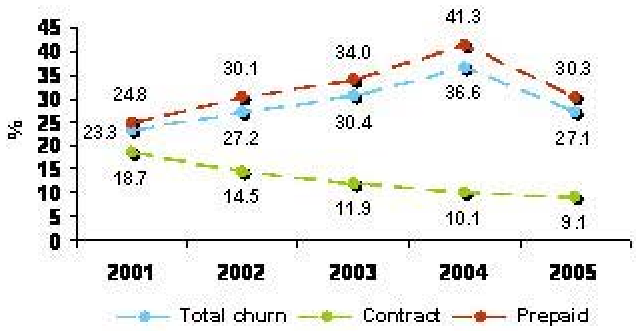
Vodacom South Africa customers



Improved South Africa churn and inactive customers

- Contract churn at all-time low of 9.1%
- Prepaid churn decreased to 30.3%
- Contract inactive customers at 1.5%
- Prepaid inactive customers at 9.0%

Vodacom South Africa churn history



Vodacom South Africa inactive history

Lower South Africa prepaid ARPU and stable contract ARPU

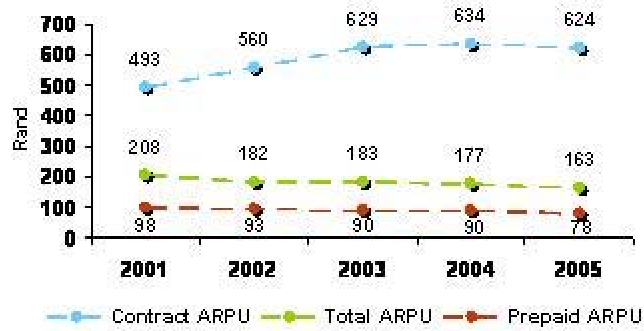
- Prepaid ARPU decreased 13.3% to R78
- Contract ARPU decreased 1.6% to R624
- Blended ARPU decreased 7.9% to R163

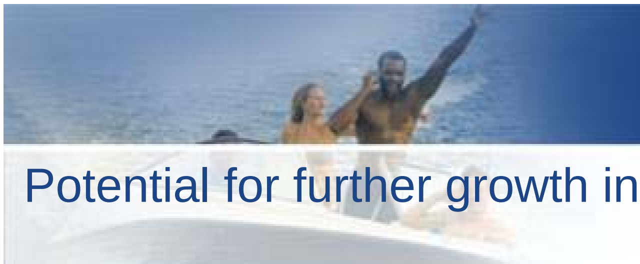
  Higher prepaid mix

  Lower incoming revenue per customer

  Lower average usage

Vodacom South Africa ARPU





Potential for further growth in South Africa

- Potential for further growth
  Continued data focus with Vodafone strategic alliance, 3G and Vodafone Live!

  South Africa market estimated at

  31 million customers
- Vodacom is strategically placed for continued market leadership
  Lowest-cost operator

  Extensive distribution

  Market share defence

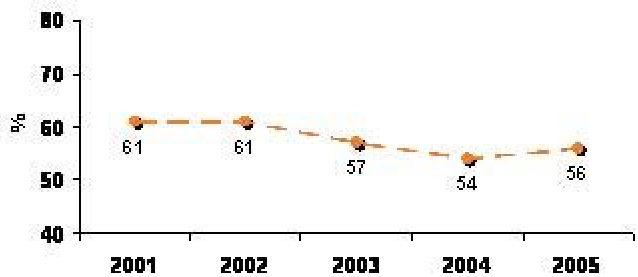
  Key market and focus

  Strong recognised brand

  Strong and stable management
- Other indicators supporting our market share
  Revenue share

  Traffic share

Vodacom South Africa market share



Tanzania – market share 59%

Population 35.9 million, penetration 5.1%

	2004	2005	% change	
Total customers	684,000	1,201,000	75.6%	↑
Revenue	R897 million	R959 million	6.9%	↑
EBITDA	R278 million	R345 million	24.1%	↑
ARPU	R128	R81	36.7%	↓
Customers per employee	2,165	3,532	63.2%	↑
Capex additions	R351 million	R234 million	33.3%	↓
Capex as a % of revenue	39.1%	24.4%	14.7%pts	↓

- **Competitive market**
- **Challenging regulatory and fiscal environment**

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Democratic Republic of Congo (DRC) – market share 47%

Population 58.3 million, penetration 3.5%

	2004	2005	% change
Total customers	670,000	1,032,000	54.0%
Revenue	R933 million	R1,075 million	15.2%
EBITDA	R190 million	R252 million	32.6%
ARPU	R150	R98	34.7%
Customers per employee	2,006	1,958	2.4%
Capex additions	R775 million	R335 million	56.8%
Capex as a % of revenue	83.1%	31.2%	51.9%pts

- **Substantial growth in customers and EBITDA**
- **Entrenched market position in a competitive market**
- **Amended shareholder agreement eliminated some minority protection rights. EBITDA positively affected**

Lesotho – market share 80%

Population 1.8 million, penetration 7.4%

	2004	2005	% change
Total customers	80,000	147,000	83.8%
Revenue	R119 million	R137 million	15.1%
EBITDA	R27 million	R48 million	77.8%
ARPU	R125	R92	26.4%
Customers per employee	1,176	2,333	98.3%
Capex additions	R7 million	R10 million	42.9%
Capex as a % of revenue	5.9%	7.3%	1.4%pts

- **Performance substantially improved**
- **Competitive environment**

Mozambique – market share 33%

Population 17.5 million, penetration 4.2%

	2004	2005	% change	
Total customers	58,000	265,000	356.9%	↑
Revenue	R13 million	R103 million	692.3%	↑
EBITDA	(R71 million)	(R111 million)	56.3%	↓
ARPU	R110	R52	52.7%	↓
Customers per employee	1,349	2,431	80.2%	↑
Capex additions	R478 million	R115 million	75.9%	↓

- **Competitive network coverage and quality**
- **R268 million impairment of assets**
- **Lower than expected ARPUs**

Note: Vodacom Mozambique operating for its first full year. Only four months of operations in 2004.

Financial review

Leon Crouse
Chief Financial Officer

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Group results

R million	2003	2004	2005	% change
Revenue	**19,410**	**22,855**	**27,315**	**19.5**
Operating expenses excluding depreciation, amortisation and impairment	(12,707)	(15,088)	**(17,718)**	17.4
EBITDA	6,703	7,767	**9,597**	23.6
Depreciation, amortisation and impairment	(2,376)	(2,532)	**(3,112)**	22.9
Profit from operations	4,327	5,235	**6,485**	23.9
Net finance costs	(896)	(451)	**21**	n/m
Profit before tax	3,431	4,784	**6,506**	36.0
Taxation	(1,171)	(1,725)	**(2,614)**	51.5
Net profit	**2,260**	**3,059**	**3,892**	**27.2**
IAS 39 adjustment	*(486)*	(277)	*134*	*n/m*

Note: Vodacom South Africa's revenue and operating costs in 2004 and 2003 have been restated as previously noted.

Group revenue analysis

By country

R million	2003	2004	2005	% change
South Africa	18,175	21,350	**25,041**	17.3
Tanzania	880	897	**959**	6.9
DRC	259	476	**1,075**	–
Mozambique	–	13	**103**	–
Lesotho	96	119	**137**	15.1
	19,410	**22,855**	**27,315**	**19.5**

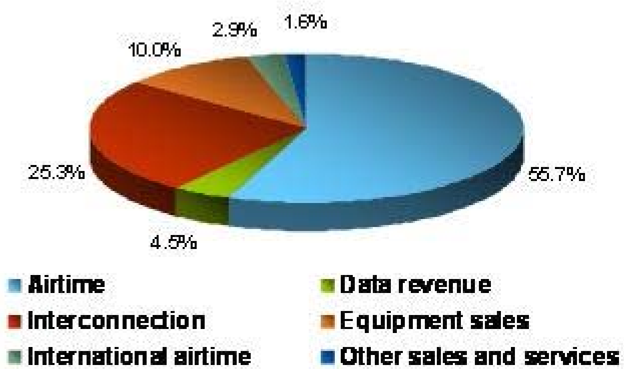
- **Revenue driven by strong customer growth**
- **Other African operations' contribution 8.3% (2004: 6.5%)**
- **Assuming 2004 average exchange rates remained constant, revenue would have been higher by R220 million**

Note: Vodacom South Africa's revenue in 2004 and 2003 has been restated as previously noted.
Revenue in 2004 reallocated to more accurately represent the geographical split.
DRC previously 51% proportionately consolidated. Now 100% consolidated.

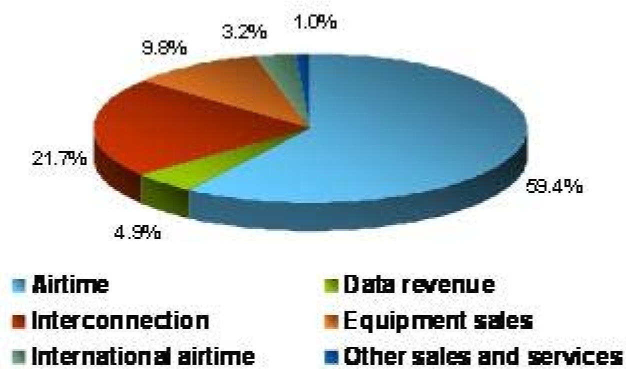
Group revenue analysis

By revenue type

Revenue analysis – 2004
R22,855 million



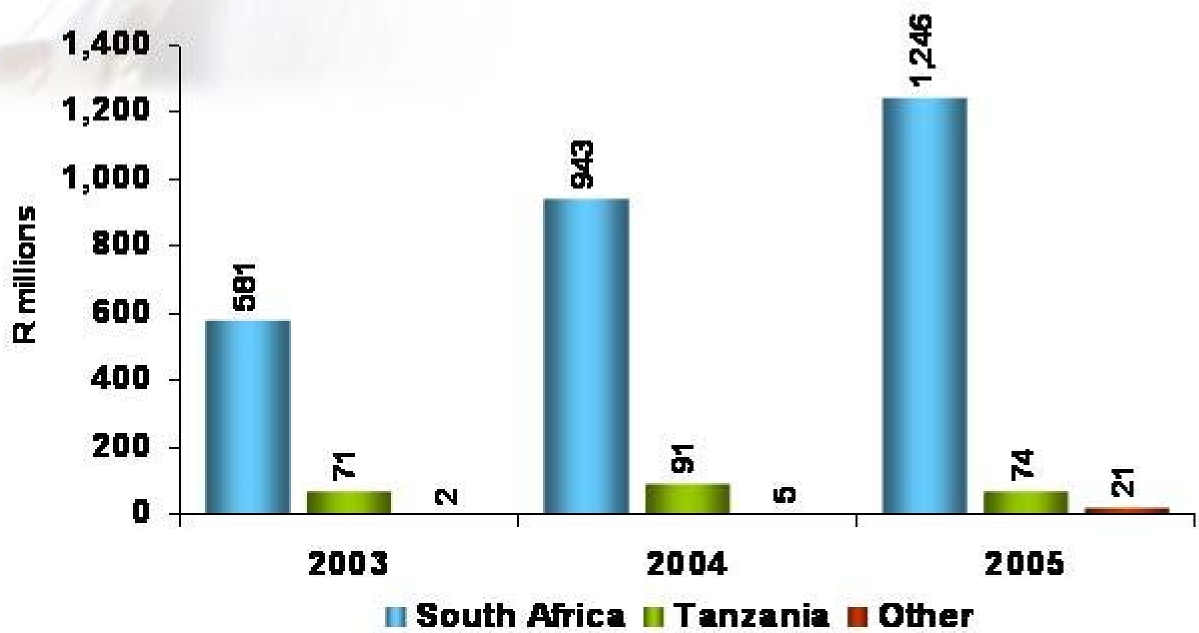
Revenue analysis – 2005
R27,315 million



- **Airtime contribution up 3.7%; revenue up 27.1% to R16.2 billion**
- **Interconnect contribution down 3.6%; revenue up 2.4% to R5.9 billion**
- **Data contribution up 0.4%; revenue up 29.0% to R1.3 billion**

Data revenue growth

By country



- South Africa data revenue up 32.1%
- Tanzania data revenue down 18.7% due to tariff reductions

Group EBITDA analysis

By country

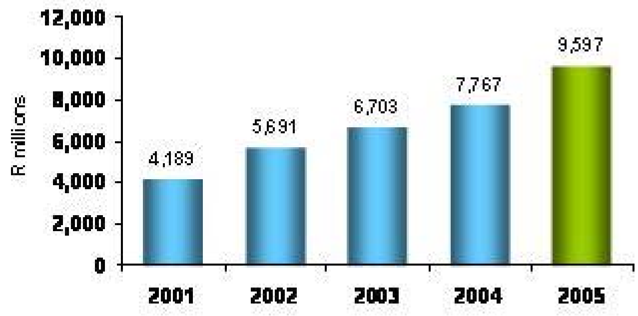
R million	2003	2004	2005	% change
South Africa	6,423	7,536	**9,002**	19.5
Tanzania	333	278	**345**	24.1
DRC	(49)	97	**252**	–
Mozambique	–	(71)	**(111)**	–
Lesotho	26	27	**48**	77.8
Holding companies	(30)	(100)	**61**	–
Vodacom Group	**6,703**	**7,767**	**9,597**	**23.6**
EBITDA margin (%)	34.5	34.0	**35.1**	**1.1**

- **Assuming 2004 average exchange rates remained constant, EBITDA would have been higher by R75 million**
- **Holding companies have positive EBITDA due to amended financial arrangements with DRC's outside shareholders, and non-recurring costs and revenue relating to Nigeria transaction**

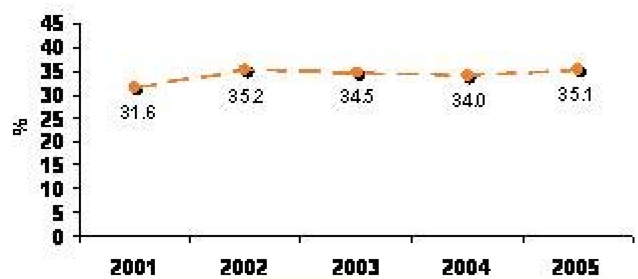
EBITDA growth and margin analysis

- Strong EBITDA performance
  Increased 23.6% to R9.6 billion
  EBITDA margin increased 1.1%pts to 35.1%
- South Africa EBITDA
  Increased 19.5% to R9.0 billion
  EBITDA margin increased 0.6%pts to 35.9%
- Improved EBITDA from other African operations
  Contributed 5.6% (2004: 4.3%) at R534 million
  Excluding Mozambique, EBITDA increased 60.4% to R645 million

EBITDA



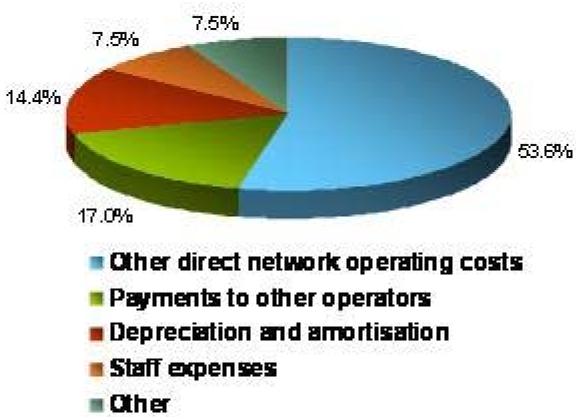
EBITDA margin



Group operating expenses

By expense type

Operating expense analysis 2004
R17,620 million



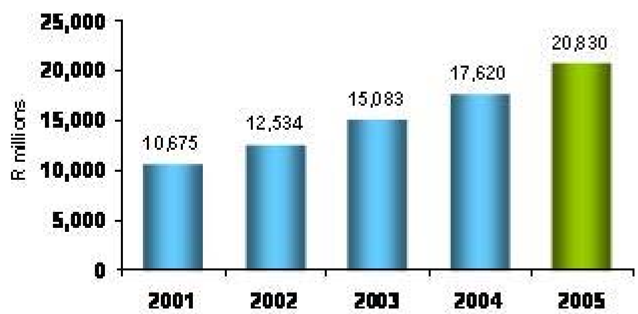
Operating expense analysis 2005
R20,830 million

- **Other direct network operating cost contribution down 0.9%; costs up 16.1% to R11.0 billion**
- **Payment to other operators' contribution up 0.5%; costs up 22.1% to R3.7 billion**
- **Depreciation, amortisation and impairment contribution up 0.5%; costs up 22.9% to R3.1 billion**

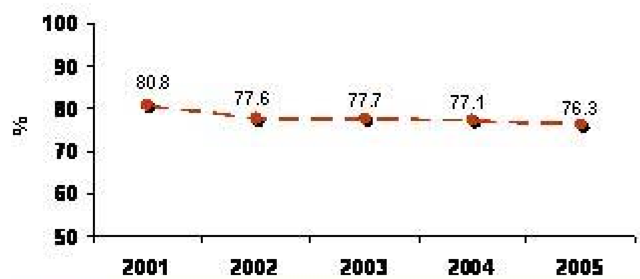
Operating expenses and operating expenses as a % of revenue

- Acceptable growth in other direct network costs, despite
  - High levels of connections
  - First time full consolidation of DRC, Mozambique and Smart companies
- Growth in payments to other networks
- Depreciation, amortisation and impairment
  - R268 million impairment in Mozambique
  - Excluding the impairment, the depreciation and amortisation increased 12.3%
- Staff expenses
  - Increased 24.1% to R1.7 billion
  - Group headcount increased 8.3%
  - Increased incentive payments

Operating expenses



Operating expenses to revenue %



Note: Vodacom South Africa's operating expenses in 2004 and 2003 have been restated as previously noted. Margins have been restated accordingly

Mozambique impairment

- **IAS 36 – impairment of assets**
  Requires impairment testing for cash-generating units
  All African operations were tested

- **Impair to the higher of**
  Value in use (NPV of expected future pre-tax cash flows)
  Fair value less costs to sell (selling price less selling costs)

- **Mozambique**
  Business plan requires higher initial capital outlays
  High cost of capital because of perceived African risk
  Lower than expected initial ARPUs

- **Assets were impaired by R268 million**
  Difference between book value and fair value less costs to sell
  Independent valuation obtained

Group profit from operations analysis

R million	2003	2004	2005	% change
South Africa	4,295	5,282	**6,625**	25.4
Tanzania	178	135	**183**	35.6
DRC	(117)	10	**50**	–
Mozambique	–	(88)	**(454)**	–
Lesotho	4	1	**25**	–
Holding companies	(33)	(105)	**56**	–
Vodacom Group	**4,327**	**5,235**	**6,485**	**23.9**
Profit from operations margin (%)	22.3	22.9	**23.7**	**0.8**

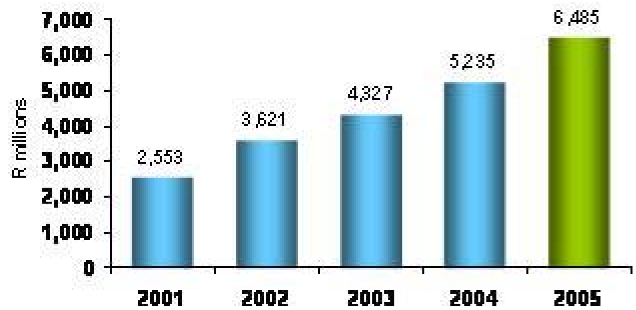
- **Profit growth excluding Mozambique's results was 30.4%**
- **Assuming 2004 average exchange rates remained constant, profit would have been higher by R62 million**

Note: DRC previously 51% proportionately consolidated. Now 100% consolidated.
Amortisation on goodwill, trademarks and customer bases in 2003 and 2004 that was previously included in Holding companies has been reallocated to South Africa and Tanzania.

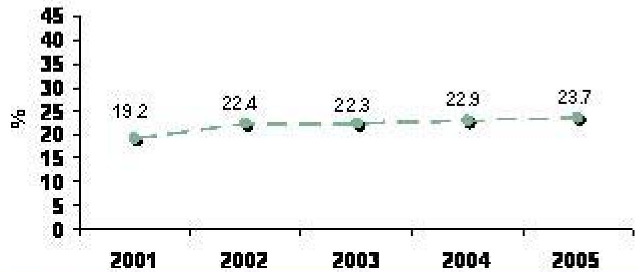
Profit from operations growth and margin analysis

- Profit growth of 23.9% to R6.5 billion
- South Africa
  Exceptional growth of 32.0% in customers
  Reduced interconnect margin
- Tanzania
  75.6% growth in customers
  Pressures from tariff reductions
  Sound cost management
- DRC
  Increased revenue driven by 54.0% growth in customers
  Focus on margins
- Mozambique
  Lower than expected ARPUs
  R268 impairment of assets

Profit from operations



Profit from operations margin



Factors affecting trends and margins

- Gross South Africa customer connections of 6.2 million
  - Prepaid customer connections of 5.6 million, an increase of 20.6%
  - Contract customer connections of 0.6 million, an increase of 61.8%
- Gross other African customer connections of 1.6 million, an increase of 56.6%
- Low margin equipment sales
- Net South Africa interconnect revenue decreased 14.4% to R2.0 billion
- Lower average customer acquisition costs
- First time consolidation of
  - 100% of DRC
  - Full year of Mozambique
  - Smart companies

Equipment sales

South Africa net interconnect revenue

Factors affecting trends and margins (continued)

- ## Change in South Africa traffic mix

  Outgoing traffic increased 29.0% to 10.0 billion minutes

  Incoming traffic increased 10.2% to 5.0 billion minutes

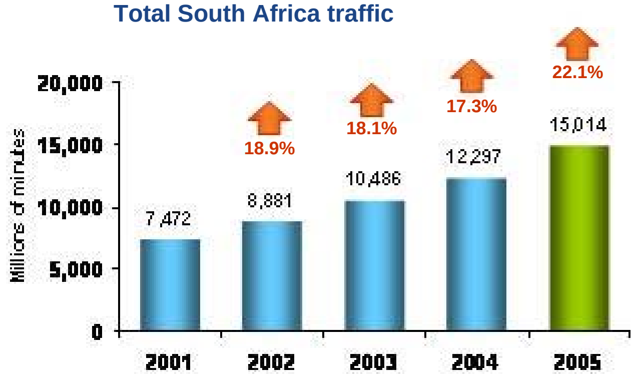
  Mobile to mobile traffic increased 31.6 % to 11.5 billion minutes

  Mobile / fixed traffic decreased 1.0 % to 3.5 billion minutes

  On-net traffic increased by 40.5%

- ## Highly competitive markets
- ## Strengthening of average Rand by 13% to the US Dollar

Total South Africa traffic

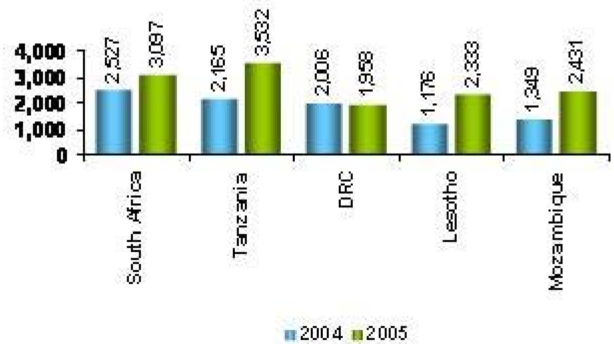


Rand/US Dollar	2003	2004	2005
Closing rate	7.97	6.32	**6.27**
Average rate	9.81	7.17	**6.24**

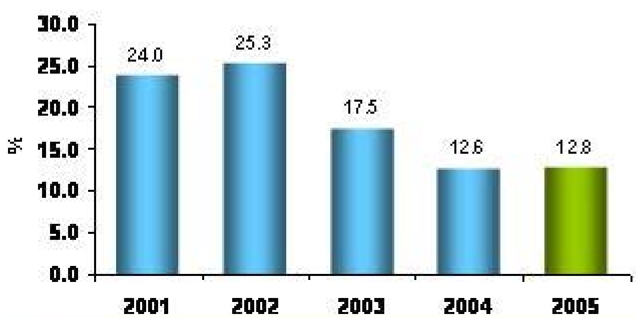
Improved efficiencies

- Consolidated customers per employee
  - Increased 27.4% to 3,101 based on 4,993 Group employees
  - Increased 22.7% to 2,986 (including 191 outsourced customer care employees)
- Consolidated gross capex as a % of revenue increased to 12.8%

Customers per employee

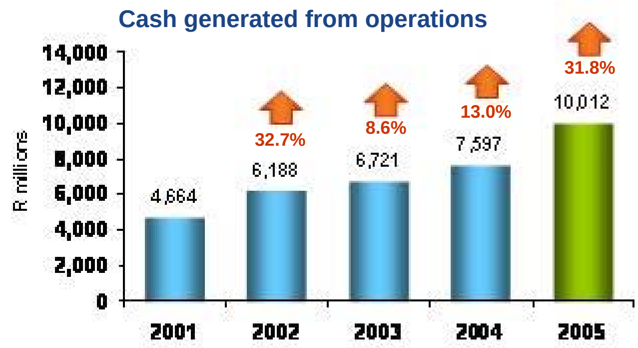


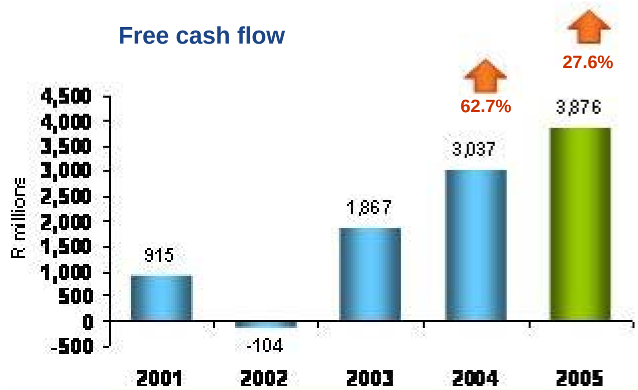
Gross capex as a % of revenue



Strong cash generation

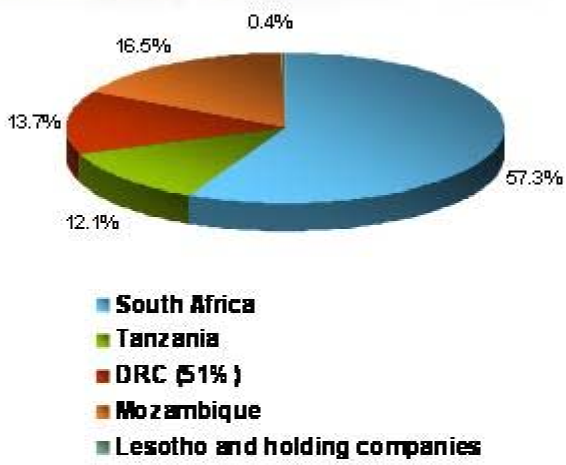
- Cash generated from operations increased 31.8% to R10.0 billion
- Taxation paid increased 87.5% to R2.7 billion
  - Increased profits
  - Phasing of provisional payments
  - STC on increased dividends
- Cash utilised in investing activities increased 12.5% to R3.4 billion
  - Capex investment of R3.3 billion
  - Investments in Smart companies and Tiscali of R290 million
- Free cash flow increased 27.6% to R3.9 billion



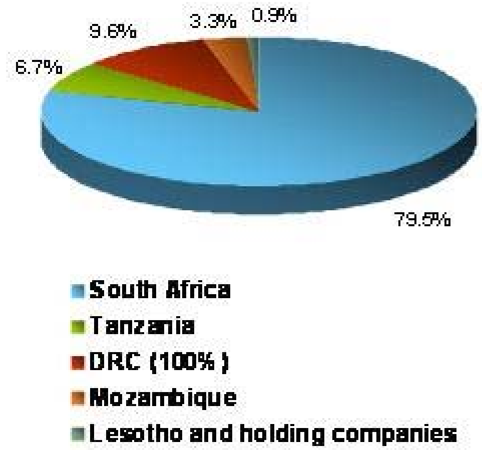


Capex additions and capex composition

Capex additions R2,891 million – 2004



Capex additions R3,494 million – 2005



- **South Africa capex additions increased 67.9% to R2.8 billion**
- **Other African capex additions decreased 56.9% to R694 million**

Net debt maturity profile

R million	2006	2007	2008	2009	2010	>2011	Total 2005	2004
South Africa finance leases	51	79	114	194	98	322	**858**	886
Tanzania	92	104	89	–	84	–	**369**	426
DRC	238	1,129	–	–	–	–	**1,367**	745
Lesotho	4	–	–	–	–	–	4	4
Other	1	–	–	–	–	–	1	–
Debt excluding bank overdrafts	**386**	**1,312**	**203**	**194**	**182**	**322**	**2,599**	**2,061**
Bank overdrafts							**1,817**	772
Gross debt							**4,416**	**2,833**
Less: Bank and cash balances							**(3,990)**	(2,370)
Net debt							**426**	**463**

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Debt composition

Gross debt composition including bank overdrafts – 2004

R2,833 million

Gross debt composition including bank overdrafts – 2005

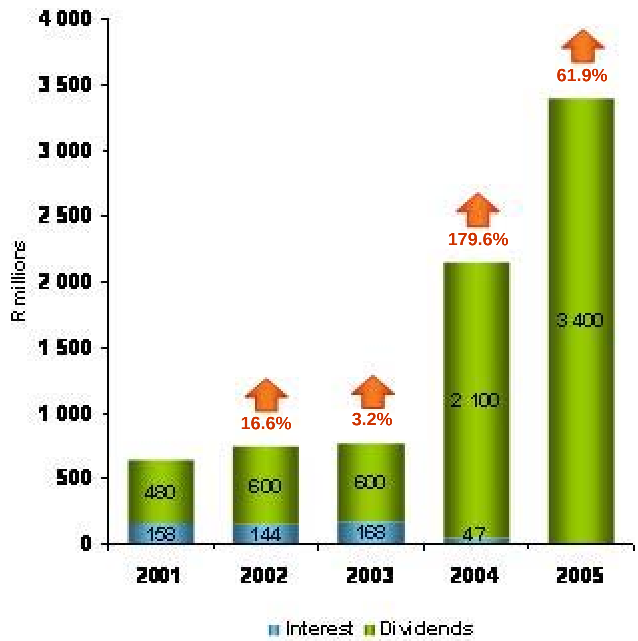
R4,416 million

- Positive cash balances R3,990 million (2004: R2,370 million)
- Net debt to equity ratio 5.4% (2004: 6.1%)
- Adjusting for dividends payable and intangibles yields net debt to equity ratio of 31.7% (2004: 29.5%)

Shareholder distributions

- Dividends of R3.4 billion, one of the largest dividends in South African history
  - Interim dividend paid of R1.6 billion
  - Final dividend declared of R1.8 billion
- Shareholder loans repaid in 2004

Dividends and interest on shareholder loans



Questions?

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- The information contained in this presentation is subject to change without notice and may be incomplete or condensed. In addition, this presentation may not contain all material information pertaining to Vodacom Group (Proprietary) Limited and its subsidiaries.
- Without in anyway derogating from the generality of the foregoing, it should be noted that:
  - Many of the statements included in this presentation are forward-looking statements that involve risks and/or uncertainties and caution must be exercised in placing any reliance on these statements. Moreover, Vodacom Group (Proprietary) Limited will not necessarily update any of these statements after the date of this presentation either to conform them to actual results or to changes in its expectations.
  - Insofar as the shareholders of Vodacom Group (Proprietary) Limited are listed and offer their shares publicly for sale on recognised stock exchanges locally and/or internationally, potential investors in the shares of Vodacom Group (Proprietary) Limited's shareholders are cautioned not to place undue reliance on this presentation.

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Group income statements

Extracts for the years ended March 31

R million	2003	2004	2005	% change
Revenue	**19,410**	**22,855**	**27,315**	**19.5**
Operating expenses excluding depreciation, amortisation and impairment	(12,707)	(15,088)	**(17,718)**	17.4
EBITDA	6,703	7,767	**9,597**	23.6
Depreciation, amortisation and impairment	(2,376)	(2,532)	**(3,112)**	22.9
Profit from operations	4,327	5,235	**6,485**	23.9
Net finance costs	(896)	(451)	**21**	n/m
Profit before tax	3,431	4,784	**6,506**	36.0
Taxation	(1,171)	(1,725)	**(2,614)**	51.5
Net profit	**2,260**	**3,059**	**3,892**	**27.2**

Group balance sheets

Extracts as at March 31

R million	2003	2004	2005	% change
ASSETS				
Non-current assets	12,024	12,865	**13,904**	8.1
Current assets	4,972	7,287	**8,662**	18.9
Total assets	**16,996**	**20,152**	**22,566**	**12.0**
EQUITY AND LIABILITIES				
Capital and reserves	6,910	7,665	**7,954**	3.8
Non-current liabilities	2,618	2,235	**3,138**	40.4
Current liabilities	7,468	10,252	**11,474**	11.9
Total equity and liabilities	**16,996**	**20,152**	**22,566**	**12.0**

Group cash flow statements

Extracts for the years ended March 31

R million	2003	2004	2005	% change
Cash generated from operations	6,721	7,597	**10,012**	31.8
Net cash flows from operating activities	**4,342**	**4,790**	**4,150**	**(13.4)**
Net cash flows utilised in investing activities	**(3,243)**	**(3,000)**	**(3,374)**	**12.5**
Net cash flows from / (utilised in) financing activities	**517**	**(798)**	**(195)**	**75.6**
Net increase in cash and cash equivalents	**1,616**	**992**	**581**	**(41.4)**
Cash and cash equivalents at the beginning of the year	(858)	647	**1,598**	146.7
Effect of foreign exchange rate changes	(111)	(41)	**(6)**	85.4
Cash and cash equivalents at the end of the year	**647**	**1,598**	**2,173**	**36.0**

EXHIBIT 99.8

Telkom Sa Limited - Telkom Sa Limited - Vodacom Press Release

Release Date: 03/06/2005 08:23:55 Code(s): TKG

Telkom SA Limited - Telkom SA Limited - Vodacom press release

Telkom SA Limited
(Registration Number 1991/005476/06)
ISIN ZAE000044897
JSE and NYSE Share Code TKG
("Telkom")
Telkom SA Limited - Vodacom press release
Vodacom Group (Proprietary) Limited ("Vodacom") in which Telkom has a 50.0% holding, yesterday issued the following statement:
"Vodacom and Virgin Group confirmed their intention to bring together their extensive expertise in the Mobile Telephony market, and to form a Consortium together to undertake a joint bid for a controlling stake in Nigeria"s V-Mobile. The members of the new Consortium believe that the combination of Vodacom"s extensive expertise in African Telecommunications markets and Virgin Group"s proven skills in successfully operating in highly competitive markets, will prove to be a very attractive proposition for V-Mobile shareholders, staff and customers, and will ensure that V-Mobile becomes a far stronger company. Further details will be announced at the appropriate time. "
Johannesburg
3 June 2005
Date: 03/06/2005
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