

Section 6

## Shareholder information

Improving our **strategic, operational and financial disclosure** allows our investors to make informed investment decisions

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## Shareholder analysis

at March 30, 2007

	No. of shareholders	%	No. of shares	%
<b>Shareholder spread</b>				
1 – 100 shares	59,552	70.97	2,009,386	0.38
101 – 1 000 shares	22,344	26.63	5,744,249	1.08
1 001 – 10 000 shares	1,139	1.36	3,249,334	0.61
10 001 – 50 000 shares	439	0.52	10,780,520	2.02
50 001 – 100 000 shares	151	0.18	11,127,213	2.09
100 001 – 1 000 000 shares	238	0.28	64,194,008	12.05
1 000 001 and over	47	0.06	435,750,818	81.77
	83,910	100.00	532,855,528	100.00
<b>Distribution of shareholders</b>				
Banks	168	0.20	77,790,879	14.60
Close Corporations	82	0.10	117,589	0.02
Empowerment	1	0.00	30,467,930	5.72
Endowment funds	90	0.11	1,024,149	0.19
Individuals	80,984	96.51	9,358,048	1.76
Insurance companies	63	0.08	10,638,232	2.00
Investment banks	2	0.00	817,000	0.15
Investment companies	36	0.04	21,101,229	3.96
Medical aid schemes	20	0.02	579,037	0.11
Mutual funds	342	0.41	39,315,958	7.38
Nominees and trusts	1,283	1.53	1,639,728	0.31
Other corporations	229	0.27	207,659,488	38.97
Own holdings	3	0.00	23,086,119	4.33
Pension funds	432	0.52	108,135,559	20.29
Private companies	160	0.19	773,677	0.15
Public companies	13	0.02	228,082	0.04
Share trusts	2	0.00	122,824	0.02
	83,910	100.00	532,855,528	100.00
<b>Public/non-public shareholders</b>				
	No. of shareholdings	%	No. of shares	%
Non-public shareholders	14	0.02	260,726,720	48.93
The Government of the Republic of South Africa	1	0.00	207,038,058	38.86
Empowerment	1	0.00	30,467,930	5.72
Telkom Share Trust	1	0.00	114,478	0.02
Diabo Share Trust	1	0.00	8,346	0.00
Government Buffer Account	1	0.00	9,461	0.00
Telkom Treasury Stock	3	0.01	23,086,119	4.33
Executive & Non-Executive Directors	1	0.00	455	0.00
Subsidiaries Directors	5	0.01	1,873	0.00
Public Shareholders	83,896	99.98	272,128,808	51.07
	83,910	100.00	532,855,528	100.00
<b>Geographical holdings by owner</b>				
South Africa	83,640	99.68	459,096,543	86.16
United Kingdom	52	0.06	18,778,606	3.52
United States	74	0.09	46,094,873	8.65
Other	108	0.13	4,036,883	0.76
Europe	36	0.04	4,848,623	0.91
	83,910	100.00	532,855,528	100.00

**Shareholder analysis** (continued)  
at March 30, 2007

Shareholders with an interest of 2% or more in shares	No. of shares	%
South African Government	207,038,058	38.85
Public Investment Corporation	81,368,087	15.27
Elephant Consortium (Newshelf 772 (Pty) Ltd)	30,467,930	5.72
Sanlam	12,350,687	2.32
Telkom Treasury Stock (Rossal No 65)	12,237,061	2.30
Old Mutual Group	11,982,049	2.25
Telkom Treasury Stock (Acajou Investments)	10,849,058	2.04

## Definitions

### **3G**

The generic term, 3G, is used to denote the next generation of mobile systems designed to support high-speed data transmission (144 Kbps and higher) and Internet Protocol (IP)-based services in fixed, portable and mobile environments. As envisaged by the ITU, the 3G system will integrate different service coverage zones and be a global platform and the necessary infrastructure for the distribution of converged service, whether mobile or fixed, voice or data, telecommunications, content or computing.

### **ADSL (Asymmetrical Digital Subscriber Line)**

ADSL is a broadband access standard which uses existing copper lines to offer high-speed digital connections over the local loop. ADSL transmits data asymmetrically, meaning that the bandwidth usage is much higher in one direction than the other. ADSL provides greater bandwidth from the exchange to the customer (ie. downloading) than from the customer to the exchange (ie. sending).

### **ARPU**

Vodacom's average monthly revenue per customer, or 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.

### **ATM (Asynchronous Transfer Mode)**

ATM is a high-speed Wide Area Network (WAN), connection-oriented, packet-switching data communications protocol that allows voice, data and video to be delivered across existing local and Wide Area Networks. ATM divides data into cells and can handle data traffic in bursts. It is asynchronous, in that the stream of cells from one particular user is not necessarily continuous.

### **Bandwidth**

Bandwidth is a measure of the quantity of signals that can travel over a transmission medium such as copper or a glass fibre strand. It is the available space available to carry a signal. The greater the bandwidth, the greater the information carrying capacity. Bandwidth is measured in bits per second.

### **Broadband**

Broadband is a method of measuring the capacity of different types of transmission. Digital bandwidth is measured in the rate of bits transmitted per second (bps). For example, an individual ISDN channel has a bandwidth of 64 kilobits per second (Kbps), meaning that it transmits 64,000 bits (digital signals) every second.

### **CAGR**

Compound Annual Growth Rate.

### **Carrier pre-selection**

Carrier pre-selection is usually initiated by the telecoms Regulator. It enables individuals to choose which telecom will carry their traffic (mainly long distance) by a signalling contract rather than having to dial extra digits.

### **CDMA (Code Division Multiple Access)**

CDMA is one of many technologies for digital transmission of radio signals between, for example, mobile telephones and radio base stations. In CDMA, which is a spread-spectrum modulation technology, each call is assigned a unique "pseudorandom" sequence of frequency shifts that serve as a code to distinguish it. The mobile phone is then instructed to decipher only a particular code to pluck, as it were, the right conversation off the air. CDMA is the technology of choice for 3G mobile systems. CDMA, however, also refers to a particular air-interface standard (a fact that is often a source of confusion).

### **Circuit**

A circuit is a connection or line between two points. This connection can be made through various media, including copper, coaxial cable, fibre or microwave. A telephone exchange is a circuit switch.

### **DECT (Digital Enhanced Cordless Telecommunications)**

DECT is the standard for cordless telephones. DECT phones communicate using the PSTN (public switched telephone network) through a small base station in the home or office and have a working radius of between 50 and 300 metres.

### **EBITDA**

EBITDA represents profit for the year before taxation, finance charges, investment income and depreciation, amortisation, impairment and write-offs.

### **EDGE (Enhanced Data for GSM evolution)**

EDGE is a technology designed to enhance GSM and TDMA systems with respect to data rates and is widely considered to be the GSM evolution beyond GPRS. It enhances the data capabilities of GSM and TDMA systems by altering the RF modulation scheme to allow greater data rates per time slot. Because it uses a different modulation technique across the air-interface, EDGE requires different mobile terminals/handsets than those designed for the GSM air-interface.

### **Effective tax rate**

The effective tax rate is the tax charge in the income statement divided by pre-tax profit.

### **EMOTEL**

Empresa Mocambicana de Telecomunicacoes.

### **Ethernet**

Ethernet is a protocol that defines how data is transmitted to and received from LANs. It is the most prevalent LAN protocol, with speeds of up to 10 Mbps.

### **Fibre optics**

Fibre optics is where messages or signals are sent via light rather than electrical signals down a very thin strand of glass. Light transmission enables much higher data rates than conventional wire, coaxial cable and many forms of radio. Signals travel at the speed of light and do not generate nor are subject to interference.

**Fibre rings**

Fibre rings have come to be used in many fibre networks as it provides more network resiliency: if there is a failure along a route and a ring is broken, the direction of the traffic can be reversed and the traffic will still reach its final destination.

**Fixed access lines**

Fixed access lines are comprised of public switched telecommunications network lines, or PSTN lines, including integrated services digital network channels, or ISDN channels, and public and private payphones, but excluding internal lines in service.

**Fixed access lines per employee**

To calculate the number of access lines per employee the total number of access lines is divided by the number of employees at the end of the period.

**Fixed-line penetration**

Fixed-line penetration or teledensity is based on the total number of telephone lines in service at the end of the period per 100 persons in the population of South Africa. Population is the estimated South African population at the mid-year in the periods indicated as published by Statistics South Africa, a South African Government department.

**Fixed-line traffic**

Fixed-line traffic, other than international outgoing mobile traffic, international interconnection traffic and international Voice over Internet Protocol traffic, is calculated by dividing traffic operating revenue for the particular category by the weighted average tariff for such category during the relevant period. Fixed-line international outgoing mobile traffic and international interconnection traffic are based on the traffic registered through the respective exchanges and reflected in international interconnection invoices. International Voice over Internet Protocol traffic is based on the traffic reflected in invoices.

**Frame relay**

Frame relay is a widely implemented telecommunications service designed for cost-efficient data transmission for data traffic between local area networks and between end-points in a wide area network. The network effectively provides a permanent circuit, which means that the customer sees a continuous, dedicated connection, but does not pay for a full-time leased line.

**GPRS (General Packet Radio Service)**

GPRS is a packet rather than a circuit-based technology. GPRS allows for faster data transmission speed to both GSM and TDMA (IS-136) networks. GPRS is a packet-switched technology that overlays the circuit-switched GSM network. The service can be introduced to cellular networks by infrastructure.

**GSM (Global System for Mobile)**

GSM is a second generation digital mobile cellular technology using a combination of frequency division multiple access (FDMA) and time division

multiple access (TDMA). GSM operates in several frequency bands: 400 MHz, 900 MHz and 1800 MHz. On the TDMA side, there are eight timeslots or channels carrying calls, which operate on the same frequency. Unlike other cellular systems, GSM provides a high degree of security by using subscriber identity module (SIM) cards and GSM encryption.

**HSDPA**

High Speed Downlink Packet Access.

**IAS**

International Accounting Standards.

**IFRS**

International financial reporting standards.

**Interconnection**

Interconnection refers to the joining of two or more networks. Networks need to interconnect to enable traffic to be transmitted to and from destinations. The amounts paid and received by the operators vary according to distance, time, the direction of traffic, and the type of networks involved.

**Interest cover**

Interest cover is calculated by dividing EBIT by the net interest charge in the income statement. It is a measure of income gearing.

**ISDN (Integrated Services Digital Network)**

ISDN is a data communications standard used to transmit digital signals over ordinary copper telephone cables. This is one technology for overcoming the "last mile" of copper cables from the local exchange to the subscribers premises, which has proved a bottleneck for Internet access, for example. ISDN allows to carry voice and data simultaneously, in each of at least two channels capable of carrying 64 Kbps. It provides up to 128 Kbps and a total capacity of 144 Kbps exist.

**ITU (International Telecommunications Union)**

ITU is the global technical standard-setting body for telecommunications services.

**LAN (Local Area Network)**

A LAN is a group of devices that communicate with each other within a limited geographic area, such as an office.

**Leased line**

A leased line is a telecommunications transmission circuit that is reserved by a communications provider for the private use of a customer.

**Libor**

London Interbank Offer Rate.

**Local loop**

The local loop is the final connection between the exchange and the home or office. It is also known as the last mile.

## Definitions (continued)

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### **Microwave**

Microwave is radio transmission using very short wavelengths.

### **MMS (Multimedia Messaging Services)**

MMS is a service developed jointly together with 3GPP, allows users to combine sounds with images and text when sending messages, much like the text-only SMS.

### **Mobile churn**

Vodacom's 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.

### **Mobile penetration**

Vodacom calculates penetration, or teledensity, based on the total number of customers at the end of the period per 100 persons in the population of South Africa. Population is the estimated South African population at the mid-year in the periods indicated as published by Statistics South Africa, a South African Governmental department.

### **Mobile traffic**

Vodacom's traffic comprises total traffic registered on Vodacom's network, including bundled minutes, outgoing international roaming calls and calls to free services, but excluding national and incoming international roaming calls.

### **Mobitel**

MIC Tanzania Limited, a company incorporated in the United Republic of Tanzania.

### **MOU (Mobile Minutes of Use)**

Vodacom's average monthly minutes of use per customer, or average MOU, is calculated by dividing the average monthly minutes during the period by the average monthly total reported customer base during the period. MOU excludes calls to free services, bundled minutes and data minutes.

### **Net debt**

Net debt is all interest-bearing debt finance (long-term and short-term) less cash and marketable securities.

### **Net debt to total equity**

Net debt to total equity is a measure of book leverage (gearing): net debt in the balance sheet divided by total equity (the sum of shareholders' funds plus minority interests).

### **Operating free cash flow**

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

### **Packet switching**

Packet switching is designed specifically for data traffic, as it cuts the information up into small packets, which are each sent across the network separately and are then reassembled at the final destination. This allows more users to share a given amount of bandwidth. X.25, ATM and frame relay are all packet switching techniques.

### **POP (Point of Presence)**

A POP is a service provider's location for connecting to users. Generally, POPs refer to the location where people can dial into the provider's computer. Most providers have several POPs to allow low-cost local access via telephone lines.

### **PSTN (Public Switched Telephone Network)**

The PSTN is a collection of interconnected voice telephone networks, either for a given country or the whole world. It is the sum of the parts. It was originally entirely analog, but now increasingly digital (indeed in many developed countries digitisation has reached 100%), these networks can be either state-owned or commercially owned. PSTN is distinct from closed private networks (although these may interconnect to the PSTN) and from public data networks (PDN).

### **Revenue per fixed access line**

Revenue per fixed access line is calculated by dividing total fixed-line revenue during the period, excluding data and directories and other revenue, by the average number of fixed access lines during the period.

### **RICA**

Regulation of Interception of Communication and Provision of Communication-related Information Act.

### **ROA (Return on Assets)**

Return on Assets is calculated by dividing net profit (annualised) by total assets.

### **ROE (Return on Equity)**

Return on Equity is calculated by dividing net income by the average of the shareholders' funds.

### **SDH (Synchronous Digital Hierarchy)**

SDH is used in most modern systems, where multimedia can be transmitted at high speeds. The networks are shaped in a ring, so that if there is a problem, the traffic can be redirected in the other direction and the caller will not detect the interruption.

### **SMS (Short Message Service)**

SMS refers to short, usually text-based messages sent by or to a wireless subscriber. They are not delivered to the recipient instantly and have some degree of transmission time delay. SMS messages are usually limited to total character lengths of 140 to 160 characters.

**Switch**

A switch is a computer that acts as a conduit and director of traffic. It is a means of sharing resources as a network.

**Total interest-bearing debt**

Total interest-bearing debt is defined as short- and long-term interest-bearing debt, including credit facilities, finance leases and other financial liabilities.

**UMTS (Universal Mobile Telecommunications System)**

UMTS is the Western European name for the 3G WCDMA standard adopted as an evolutionary path by the GSM world. However, it utilises the radio spectrum in a fundamentally different manner than GSM. UMTS is based on DCMA technology and the GSM standard is based on TDMA technology.

**VLR**

Visitor Location Register.

**VoIP (Voice over Internet Protocol)**

Voice over Internet Protocol is a protocol enabling voice calls to be made over the Internet. Rather than a dedicated circuit being set up between the caller and receiver, as with ordinary phone calls, the voice conversation is digitised and transmitted over Internet Protocol using packet-switched data networks.

**WAN (Wide Area Network)**

A WAN comprises LANs in different geographic locations that are connected, often over the public network.

**WAP (Wireless Application Protocol)**

WAP is an application environment designed to bridge the gap between the mobile and Internet worlds. It is a set of communication protocols for wireless devices designed to provide vendor-neutral and technology-neutral access to the Internet and advanced telecommunications services.

**WiMAX**

WiMAX is a standard for extending broadband wireless access to new locations and over longer distances. The technology is expected to enable multimedia applications with wireless connectivity and typically with a range of up to 30 km. It is a standard for fixed wireless access with substantially higher bandwidth capabilities than cellular networks.

The emergence of further enhancements to the standard will enable nomadic data communications across an entire metropolitan area network linking homes and businesses to the core telecommunications network. WiMAX can be viewed as a technology complementing existing ADSL broadband offerings.

## Special note regarding forward-looking statements

Many of the statements included in this annual report, as well as oral statements that may be made by us or by officers, directors or employees acting on behalf of us, constitute or are based on forward looking statements 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. All statements, other than statements of historical facts, including, among others, statements regarding our future financial position and plans, strategies, objectives, capital expenditures, projected costs and anticipated cost savings and financing plans, as well as projected levels of growth in the communications market, are forward looking statements. Forward looking statements can generally be identified by the use of terminology such as “may”, “will”, “should”, “expect”, “envisage”, “intend”, “plan”, “project”, “estimate”, “anticipate”, “believe”, “hope”, “can”, “is designed to” or similar phrases, although the absence of such words does not necessarily mean that a statement is not forward looking.

These forward looking statements involve a number of known and unknown risks, uncertainties and other factors that could cause our actual results and outcomes to be materially different from historical results or from any future results expressed or implied by such forward looking statements. Among the factors that could cause our actual results or outcomes to differ materially from our expectations are those risks identified in Item 3. “Key Information — Risk Factors”, including, but not limited to our ability to execute on our mobile strategy and changes thereto, increased competition in the South African telecommunications market; developments in the regulatory environment; the significant political, economic, regulatory and legal risks associated with Vodacom’s and Telkom’s investments outside South Africa; continued mobile growth and reductions in Vodacom’s and Telkom’s net interconnect margins; Telkom’s and Vodacom’s ability to expand their operations and make acquisitions and investments in other African countries; our ability to improve and maintain our management information and other systems; 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 negative working capital; continuing rapid changes in technology and delays in the implementation of new technologies; our ability to reduce high rates of theft, vandalism, network and payphone fraud and lost revenue to non-licensed operators; health risks related to mobile handsets, base stations and associated equipment; risks related to our control by the Government of the Republic of South Africa and major shareholders and the South African Government’s other positions in the telecommunications industry; the amount of damages Telkom is ultimately required to pay to Telcordia Technologies Incorporated; the outcome of regulatory, legal and arbitration proceedings, including tariff approvals, and the outcome of Telkom’s hearings before the Competition Commission and others; any requirements that we unbundle the local loop, our ability to negotiate favorable terms, rates and conditions for the provision of interconnection services and facilities leasing services or if ICASA finds that we or Vodacom have significant market power or otherwise imposes unfavorable terms and conditions on us; our ability to implement and recover the substantial capital and operational costs associated with carrier pre-selection, number portability and the monitoring, interception and customer registration requirements contained in the South African Regulation of Interception of Communications and Provisions of Communication-Related Information Act and the impact of these requirements on our business; 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, HIV infection, labor laws and labor relations and exchange control restrictions in South Africa; and other matters not yet known to us or not currently considered material by us.

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