Notes to the annual financial statements continued

for the year ended 31 March 2026

3. Performance

3.1 Segment information

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

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

In the current year, the reportable segments have been determined as Openserve, Telkom Consumer, BCX and "Other".

Due to the sale of Swiftnet in the prior year, the “Gyro” segment is no longer a reportable segment in the current year and has been aggregated into the “Other” segment as it shares similar economic characteristics with the “Other" segment. Gyro provides support to customer-facing units and its internal customers, and its services are similar to those offered by functions included in the "Other" segment.

In the prior year, Swiftnet and Gyro were included within the “Gyro” segment. Due to the change in the organisational structure, the 31 March 2025 segment information has been restated to include Gyro within the “Other” segment while Swiftnet continues to be included within the “Gyro” segment. The “Gyro” segment for the prior year therefore includes the results of Swiftnet only. This approach ensures comparability between the current and prior years.

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

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

- Interest revenue
- Interest on overdue accounts
- Interest on finance lease receivables

Interest revenue is included in operating revenue as a separate component of revenue. Interest on overdue accounts and interest on finance lease receivables is included in other income.

The CODM reviews the performance of the operating segments on an adjusted EBITDA basis.

EBITDA is adjusted for significant once-off costs and income, when applicable. The prior year EBITDA was adjusted for the following:

- Restructuring expenses of R160 million;
- Loss on settlement of the TRF of R618 million; and
- Gain on the disposal of Swiftnet of R4 408 million,

There are no significant once-off costs and income adjustments in the current financial year.

In the prior year, Swiftnet was sold effective 31 January 2025, and is presented as a discontinued operation in the Group statement of profit or loss and other comprehensive income for 10 months. The difference on the financial statement line items between the segment and the statement of profit or loss and other comprehensive income relates to Swiftnet. Refer to note 12.3 for details.

Notes to the annual financial statements continued

for the year ended 31 March 2026

3. Performance continued

3.1 Segment information continued

31 March 2026	Openserve Rm	Telkom Consumer Rm	BCX Rm	Other Rm	Eliminations Rm	IFRS 16 reversal Rm	Consolidated Rm
Revenue from external customers[1]	5 395	28 774	10 308	—	—	—	44 477
Revenue from contracts with customers recognised over time[2]	4 684	25 414	8 238	—	—	—	38 336
Voice	—	4 607	1 434	—	—	—	6 041
Interconnection	181	503	—	—	—	—	684
Data	4 503	19 717	2 378	—	—	—	26 598
Information technology services	—	—	3 746	—	—	—	3 746
Customer premises equipment related services	—	78	623	—	—	—	701
Interest revenue	—	377	57	—	—	—	434
Sundry revenue	—	132	—	—	—	—	132
Revenue from contracts with customers recognised at a point in time	527	2 999	2 022	—	—	—	5 548
Customer premises equipment	—	2 999	246	—	—	—	3 245
Information technology hardware and software	—	—	1 776	—	—	—	1 776
Sundry revenue	527	—	—	—	—	—	527
Lease revenue	184	78	48	—	—	—	310
Insurance revenue	—	283	—	—	—	—	283
Intersegmental operating revenue	7 237	106	1 104	327	(8 693)	(81)	—
Other income	280	686	95	1 900	(1 699)	—	1 262
Total expenses	(8 682)	(22 838)	(10 431)	(1 700)	10 392	—	(33 259)
Cost of handsets, equipment, software and directories	—	(3 699)	(1 534)	—	174	—	(5 059)
Sales commission, incentives and logistical costs	—	(3 575)	(9)	—	—	—	(3 584)
Payments to other operators	(559)	(2 015)	(353)	—	382	—	(2 545)
Employee expenses	(3 213)	(1 387)	(3 228)	(656)	—	—	(8 484)
Other expenses	(318)	(6 015)	(3 969)	(281)	8 043	—	(2 540)
Insurance service expenses	—	(179)	—	—	—	—	(179)
Maintenance	(1 790)	(2 583)	(739)	(436)	803	—	(4 745)
Marketing	(64)	(755)	(94)	(12)	—	—	(925)
Impairment of receivables, contract assets and loans	(23)	(1 006)	12	2	1	—	(1 014)
Service fees	(2 510)	(1 416)	(491)	(270)	872	—	(3 815)
Lease-related expenses	(205)	(208)	(26)	(47)	117	—	(369)
Adjusted EBITDA for reportable segments including intersegmental transactions	4 230	6 728	1 076	527	—	(81)	12 480
EBITDA							12 480
Depreciation, amortisation, impairments and write-offs							(6 547)
Operating profit							5 933
Investment income							431
Net finance charges, hedging costs and fair value movements							(1 608)
Profit before taxation							4 756
Other segment information							
Capital expenditure of property, plant and equipment and intangible assets	2 719	3 191	359	165	—	—	6 434

[1] *Revenue includes transactions generated by subsidiaries of BCX in countries outside of South Africa. These are however not considered material to the Group and are thus not disclosed separately.*

[2] *Revenue from contracts with customers recognised over time include interest revenue from customers.*

Notes to the annual financial statements continued

for the year ended 31 March 2026

3. Performance continued

3.1 Segment information continued

31 March 2025[3]	Openserve Rm	Telkom Consumer Rm	BCX Rm	Gyro[3] Rm	Other[3] Rm	Eliminations[3] Rm	IFRS 16 reversal Rm	Consolidated Rm
Revenue from external customers[1]	4 875	27 689	11 276	692	40	—	—	44 572
Revenue from contracts with customers recognised over time[2]	4 322	24 109	9 042	—	25	—	—	37 498
Voice	—	5 014	1 748	—	—	—	—	6 762
Interconnection	220	578	—	—	—	—	—	798
Data	4 102	17 962	2 664	—	—	—	—	24 728
Information technology services	—	—	3 766	—	—	—	—	3 766
Customer premises equipment related services	—	84	803	—	—	—	—	887
Interest revenue	—	299	61	—	—	—	—	360
Sundry revenue	—	172	—	—	25	—	—	197
Revenue from contracts with customers recognised at a point in time	402	3 218	2 116	—	7	—	—	5 743
Customer premises equipment	—	3 215	352	—	—	—	—	3 567
Information technology hardware and software	—	—	1 764	—	—	—	—	1 764
Sundry revenue	402	3	—	—	7	—	—	412
Lease revenue	151	70	118	692	8	—	—	1 039
Insurance revenue	—	292	—	—	—	—	—	292
Intersegmental operating revenue	7 474	115	1 070	529	292	(8 927)	(553)	—
Other income (adjusted for once-off income)	263	615	42	—	2 017	(1 385)	—	1 552
Total expenses (adjusted for once-off costs)	(8 607)	(22 852)	(11 012)	(309)	(1 347)	10 312	—	(33 815)
Cost of handsets, equipment, software and directories	—	(3 731)	(1 641)	—	—	187	—	(5 185)
Sales commission, incentives and logistical costs	—	(3 214)	—	—	—	—	—	(3 214)
Payments to other operators	(623)	(2 117)	(369)	—	—	416	—	(2 693)
Employee expenses	(3 072)	(1 222)	(3 404)	(23)	(337)	—	—	(8 058)
Other expenses	(303)	(6 119)	(4 026)	(129)	(224)	8 039	—	(2 762)
Insurance service expenses	—	(202)	—	—	—	—	—	(202)
Maintenance	(2 000)	(2 618)	(858)	—	(436)	868	—	(5 044)
Marketing	(58)	(793)	(89)	—	(15)	—	—	(955)
Impairment of receivables, contract assets and loans	22	(1 226)	(137)	—	(1)	—	—	(1 342)
Service fees	(2 385)	(1 334)	(481)	(155)	(314)	670	—	(3 999)
Lease-related expenses	(188)	(276)	(7)	(2)	(20)	132	—	(361)
Adjusted EBITDA for reportable segments including intersegmental transactions and excluding once-off costs and income	4 005	5 567	1 376	912	1 002	—	(553)	12 309
Once-off costs and income								
Gain on disposal of Swiftnet								4 408
Restructuring expenses								(160)
Loss on settlement of the TRF								(618)
EBITDA								15 939
Depreciation, amortisation, impairments and write-offs								(5 962)
Operating profit								9 977
Investment income								382
Net finance charges, hedging costs and fair value movements								(1 998)
Profit before taxation								8 361
Other segment information								
Capital expenditure of property, plant and equipment and intangible assets	2 535	2 797	392	248	114	—	—	6 086

[1] *Revenue includes transactions generated by subsidiaries of BCX in countries outside of South Africa. These are however not considered material to the Group and are thus not disclosed separately.*

[2] *Revenue from contracts with customers recognised over time include interest revenue from customers.*

[3] *In the 31 March 2025 segment, Swiftnet and Gyro were included within the "Gyro" segment. Due to the change in the organisational structure, the prior year segment information has been restated to include Gyro within the "Other" segment, while Swiftnet continues to be included within the "Gyro" segment. The "Gyro" segment for 31 March 2025 therefore includes Swiftnet only for 10 months until the date of sale.*

Notes to the annual financial statements continued

for the year ended 31 March 2026

3. Performance continued

3.1 Segment information continued

Entity-wide disclosures

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

No single customer contributes more than 10% of the revenue from external customers and thus no specific information relating to major customers is included in the segment information. For the purpose of assessing revenue contribution per customer, management does not treat the South African government as a single customer, but views each department/municipality within the government as a single customer.

3.2 Revenue

Significant accounting judgements, estimates and assumptions

Recognition and measurement of revenue

Stand-alone selling prices and transaction price

The stand-alone selling prices for mobile devices are based on the standard list prices at which the Group sells them separately (without a service contract). Stand-alone selling prices for communication services are set based on prices for non-bundled offers with the same range of services. The transaction price is calculated as the total consideration receivable from the customer over the contract term.

Significant financing component

In order to determine whether a significant financing component exists, a model was designed that calculates the financing component on a contract-by-contract basis. If the financing component is less than 5% of the total transaction price, it is deemed not to be significant and the financing component will not be recognised separately.

Google Equiano

As part of the Google Equiano arrangement entered into during the 2024 financial year, Openserve received an upfront payment for granting the use of terrestrial network to Google for 15 years. Aligned with the Group policy and IFRS 15 principles, management concluded that this has a significant financing element.

Management applied judgement to determine an approximate US dollar-denominated rate at which Openserve could be granted US dollar financing for a similar amount and period to determine the significant financing component. A US dollar-denominated rate was used, as revenue will be earned in US dollars and the equipment used to build the network was also paid for in US dollars.

The significant financing element is recognised as a finance cost and the transaction price (deferred revenue and revenue) is increased with the financing component over the 15-year period.

Customer relationship periods

The average customer relationship periods for wholesale, voice and non-voice services are utilised to expense the capitalised installation revenue and cost. Management applies judgement about the data used to determine the customer relationship period estimate. The estimate is based on the historical churn information (refer to note 3.2.3). The churn is determined by considering the service installation and disconnection dates, the weighted average age of the customer base and the service connection status of the customers. Changes in average customer relationship periods are accounted for as a change in accounting estimate.

Principal versus agent considerations

When deciding on the most appropriate basis for presenting revenue or related costs, both the legal form and the substance of the agreement between the Group and the counterparty are reviewed to determine each party's respective role in the transaction.

Consideration is given to which party controls the goods or services. If that is not clear, the Group evaluates the following control indicators, among others, when determining whether it is acting as a principal or an agent in transactions with customers and the recording of revenue on a gross, or net, basis:

- The Group is primarily responsible for fulfilling the promise to provide the specified good or service;
- The Group has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer; and
- The Group has discretion in establishing the price for the specified good or service.

Software, cloud services and related services

The Group has applied judgement to determine whether it acts as an agent or principal in these arrangements in accordance with the principles of IFRS 15. One of the judgements made is whether control passes to the Group prior to the passing thereof to the customer. Where the vendor has the primary obligation to fulfil the services to the customers, the Group concluded that control does not pass to the Group and, as a result, it acts as an agent in these arrangements.

Included in the Group service offerings are software and related licences that are sold with the ability to access the vendor's latest technology via product updates. The assessment of whether the Group acts as a principal or an agent is judgemental. The Group deems the defining characteristic of each arrangement to be whether its material performance obligation is to deliver software, cloud services and related services or to arrange access to such goods or services.

A key consideration in assessing whether the Group or the vendor is responsible for the software, cloud services and related services relates to the management of the updates to the software. Where the Group has concluded that the upgrades are critical to the functionality of the software and the effective functionality of the solution, and such updates can only be delivered by the vendor, the Group acts as an agent for such software sales as the vendor has the primary obligation to fulfil the services to the customers.

Unless the Group obtains the right to direct the use of a piece of software between customers, e.g. gain access to a pool of software licences, the Group has concluded that it does not carry inventory risk for software.

The Group generally has pricing discretion in a contract for the resale of software, vendor cloud services and other related services, but has concluded that this factor in isolation does not result in the Group concluding that it can act as a principal in these transactions.