

# Telkom's R6m loan to Schindehutte

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Telkom provided a R6m loan to its chief financial officer Jacques Schindehütte to buy shares in the company, it said on Monday, 18 November)



Siphso Maseko says Telkom is growing its data streams and mobile business rapidly. Image: Telkom

Telkom said the loan was granted at the end of September three weeks before Schindehütte was suspended on the basis of the findings of an investigation commissioned by the board into certain allegations levelled against him.

"There was no interest on the loan, which was repayable on termination of his employment contract," the company said. "If he left the company for any reason then interest on the loan would be charged at 2 percentage points above the prime rate," Telkom added.

Telkom's chief executive Siphso Maseko said the loan was given to Schindehutte as part of the share incentive scheme programme that was previously endorsed at the annual general meeting. He said Schindehutte's suspension and the loan agreement were not related.

In Telkom's six-monthly financial results statement, Maseko said Telkom's management recognised that the loan made to Schindehutte may not have been in compliance with the provisions of the Companies Act. "The company will, as a matter of urgency, seek guidance from its advisers for rectification and/or recovery of the amount, should that be necessary," said Maseko.

## Headline earnings sharply higher

Telkom reported headline earnings per share of 224.2c excluding the net curtailment gain in the six months to September considerably higher than the 101.1c a share in the same period last year. The group attributed this to higher fair value gains as a result of the weakening rand along with lower payments to mobile operators relating to the decrease in mobile termination rates.

Operating revenue increased 0.3% to R16.2bn as a result of higher mobile data and business information technology (IT) services revenue, which was partially offset by lower fixed-line voice revenue. Mobile data revenue increased 50% to R303m resulting from a rise in the number of data subscribers, data deals and promotions launched during the period.

"These results show that we are improving efficiencies and laying the foundation to stabilise Telkom's business performance," said Maseko.

"We are actively cutting costs. Moreover, the group continues to generate strong cash flows and we are investing in our access network infrastructure, which will improve our competitiveness and revenues in the years ahead," he said.

## Data revenue continues to stream in

Fixed-line data revenue increased 1.2% to R5.2bn while mobile revenue rose by 55.4% to R926m. Overall data revenue constituted 33.7% of group revenue and increased by 3.1% overall.



While cable theft remains a problem for Telkom, the company says it is modernising and improving its network. Image: Telkom

ADSL subscribers increased 6.7% to 898,203 users. Active mobile subscribers increased 6.9% to 1,598,173 with a combined average revenue per user of R58.81.

"Telkom is working hard to capture the data opportunity in South Africa. Lower prices on data due to competitive offerings continue to negate the volume growth experienced in this area. While we are encouraged by the improvement in mobile data revenue, we continue to explore all avenues to limit the risk of the mobile business."

He said the overall financial performance reflected the realities currently facing the group.

"Our fixed-voice business continues to be under pressure and the mobile business continues to face the challenge of gaining market share in a highly competitive market," he said.

Maseko said management aimed to stabilise the group's financial performance through prudent cost management.

"While we have made progress in curbing operating expenditure, it will take time to transform group revenue into strong positive growth," he said.

Capital expenditure increased 49.5% from R2.132bn to R3.173bn mainly because of investments in modernising the network to provide high-speed, quality and reliable broadband to all South Africans.

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