# FinCon Report

## Supplier Financial Health Check

# Telkom SA SOC Ltd

## Final Rating: B

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**AUSTRALIA**

**A** 143 Coronation Drive, Milton, QLD 4064
**E** jim.cowan@calibagroup.com
*www.calibagroup.com*

**SOUTH AFRICA**

**A** Unit F10B, 1 Westlake Dr., Westlake, Cape Town 7945
**E** candrews@calibagroup.com
*www.calibagroup.com*

# Telkom SA SOC Ltd's Financial Condition Analysis for the period from 01.04.2015 to 31.03.2016

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# 1. Telkom SA SOC Ltd's Financial Position Analysis

The analysis given in this report on Telkom SA SOC Ltd's financial state and activity efficiency is made for the period from 01.04.2015 to 31.03.2016 based on the financial statements data prepared according to International Financial Reporting Standards (IFRS).

## 1.1. Structure of the Assets and Liabilities

| Indicator | Value | | | | Change for the period analysed | |
|---|---|---|---|---|---|---|
| | in *million ZAR* | | % of the balance total | | *million ZAR* (col.3-col.2) | ± % ((col.3-col.2) : col.2) |
| | 31.03.2015 | 31.03.2016 | at the beginning of the period analysed (31.03.2015) | at the end of the period analysed (31.03.2016) | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| **Assets** | | | | | | |
| 1. Non-current assets | 30,855 | 33,875 | 73.5 | 72.4 | +3,020 | +9.8 |
| 2. Current assets, total | 11,127 | 12,912 | 26.5 | 27.6 | +1,785 | +16 |
| Inventories | 638 | 971 | 1.5 | 2.1 | +333 | +52.2 |
| Trade and other current receivables | 5,388 | 7,375 | 12.8 | 15.8 | +1,987 | +36.9 |
| Cash and cash equivalents | 3,643 | 2,548 | 8.7 | 5.4 | -1,095 | -30.1 |
| **Equity and Liabilities** | | | | | | |
| 1. Equity | 25,227 | 26,607 | 60.1 | 56.9 | +1,380 | +5.5 |
| 2. Non-current liabilities | 5,272 | 7,104 | 12.6 | 15.2 | +1,832 | +34.7 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 3. Current liabilities | 11,483 | 13,076 | 27.4 | 27.9 | +1,593 | +13.9 |
| **Assets; Equity and Liabilities** | **41,982** | **46,787** | **100** | **100** | **+4,805** | **+11.4** |

According to the data given in the table, non-current assets were about two thirds of Telkom SA SOC Ltd's assets (72.4%) on the last day of the period analysed (31.03.2016), while current assets took one third. During the period analysed (2015/16), the assets appreciably grew to ZAR 46,787 million (by ZAR 4,805 million, or by 11.4%). The company's assets grew in parallel with equity (+5.5% for the last year). Growth of the equity value is a factor which positively describes the dynamics of Telkom SA SOC Ltd's financial state.

The total growth of Telkom SA SOC Ltd's assets value is primarily connected with the growth value of the following assets (amount of change and percentage of this change relative to the total assets growth are shown below):

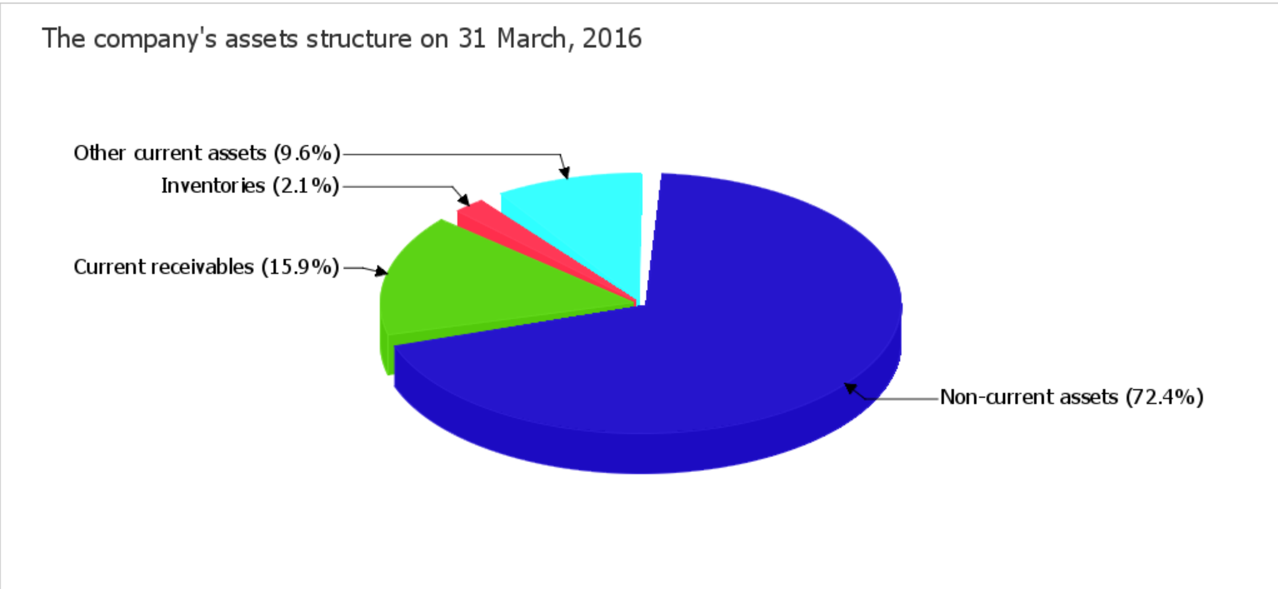
- Trade and other current receivables – ZAR 1,987 million (33.7%)
- Goodwill – ZAR 1,150 million (19.5%)
- Property, plant and equipment – ZAR 878 million (14.9%)
- Other current financial assets – ZAR 514 million (8.7%)

The most significant growth of sources of finance ("Equity and Liabilities") is seen on the following rates (the percentage from total equity and liabilities change is shown in brackets):

- Trade and other current payables – ZAR 1,499 million (26.6%)
- Other long-term financial liabilities – ZAR 1,322 million (23.5%)
- Retained earnings – ZAR 1,155 million (20.5%)
- Non-current provisions for employee benefits – ZAR 401 million (7.1%)

The most significantly changed items on the balance sheet for the period analysed (2015/16) are "Cash and cash equivalents" in assets and "Other current financial liabilities" in sources of finance (ZAR -1,095 million and ZAR -634 million, respectively).

The company's assets structure broken down by basic groups is demonstrated in the chart.




The inventories equaled ZAR 971 million at the end of the period analysed. The inventories climbed by ZAR

333 million during the last year.

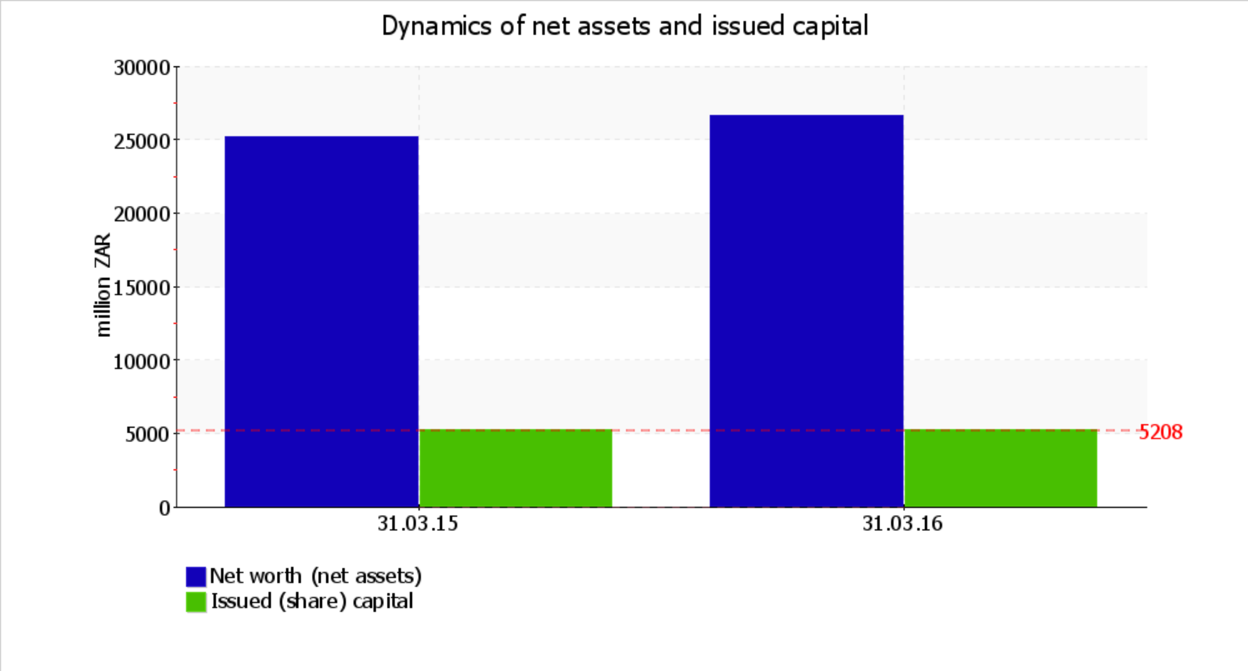
The current receivables significantly climbed (by ZAR 1,987 million) for the last year.

## 1.2. Net Assets (Net Worth)

| Indicator | Value | | | | Change | |
|---|---|---|---|---|---|---|
| | in *million ZAR* | | % of the balance total | | *million ZAR* (col.3-col.2), | %, ((col.3 -col.2) : col.2) |
| | at the beginning of the period analysed (31.03.2015) | at the end of the period analysed (31.03.2016) | 31.03.2015 | 31.03.2016 | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1. Net tangible assets | 22,245 | 22,023 | 53 | 47.1 | -222 | -1 |
| 2. Net assets (Net worth) | 25,227 | 26,607 | 60.1 | 56.9 | +1,380 | +5.5 |
| 3. Issued (share) capital | 5,208 | 5,208 | 12.4 | 11.1 | – | – |
| 4. Difference between net assets and Issued (share) capital (line 2 - line 3) | 20,019 | 21,399 | 47.7 | 45.7 | +1,380 | +6.9 |

At the end of the period analysed, the net tangible assets equaled ZAR 22,023 million. The net tangible assets reduced only by ZAR 222 million, or by 1% during the entire period reviewed. The intangible assets amounted to ZAR 4,584 million at the end of the period. This value shows the difference between the value of net tangible assets and all net worth.

On 31.03.2016, the net worth of Telkom SA SOC Ltd was much higher (by 5.1 times) than the share capital. Such a ratio positively describes the company's financial position. Net worth is used as a measure of the company's book value (as opposed to a shareholder's value, the value based on expected earnings and other methods used to estimate the company's value). In financial analysis, amount of net worth (own equity) is one of the key indicators of property status of the company.




## 1.3. Financial Sustainability Analysis

### 1.3.1. Key ratios of the company's financial sustainability

| Ratio | Value | | Change (col.3-col.2) | Description of the ratio and its recommended value |
|---|---|---|---|---|
| | 31.03.2015 | 31.03.2016 | | |
| 1 | 2 | 3 | 4 | 5 |
| Debt-to-equity ratio (financial leverage) | 0.66 | 0.76 | +0.1 | A debt-to-equity ratio is calculated by taking the total liabilities and dividing it by shareholders' equity. It is a key financial ratio and is used as a standard for judging a company's financial standing.<br>Acceptable value: 1.5 or less (optimum 0.43-1). |
| Debt ratio (debt to assets ratio) | 0.4 | 0.43 | +0.03 | A debt ratio is calculated by dividing total liabilities (i.e. long-term and short-term liabilities) by total assets. It shows how much the company relies on debt to finance assets (similar to debt-to-equity ratio).<br>Acceptable value: 0.6 or less (optimum 0.3-0.5). |
| Long-term debt to Equity | 0.21 | 0.27 | +0.06 | This ratio is calculated by dividing long-term (non-current) liabilities by equity. |
| Non-current assets to Net worth | 1.22 | 1.27 | +0.05 | This ratio is calculated by dividing long-term (non-current) assets by net worth (equity) and measures the extent of a company's investment in low-liquidity non-current assets. This ratio is important for comparison analysis because it's less dependent on industry (structure of company's assets) than debt ratio and debt-to-equity ratio.<br>Normal value: no more than 1.25. |
| Capitalization ratio | 0.17 | 0.21 | +0.04 | Calculated by dividing non-current liabilities by the sum of equity and non-current liabilities. |

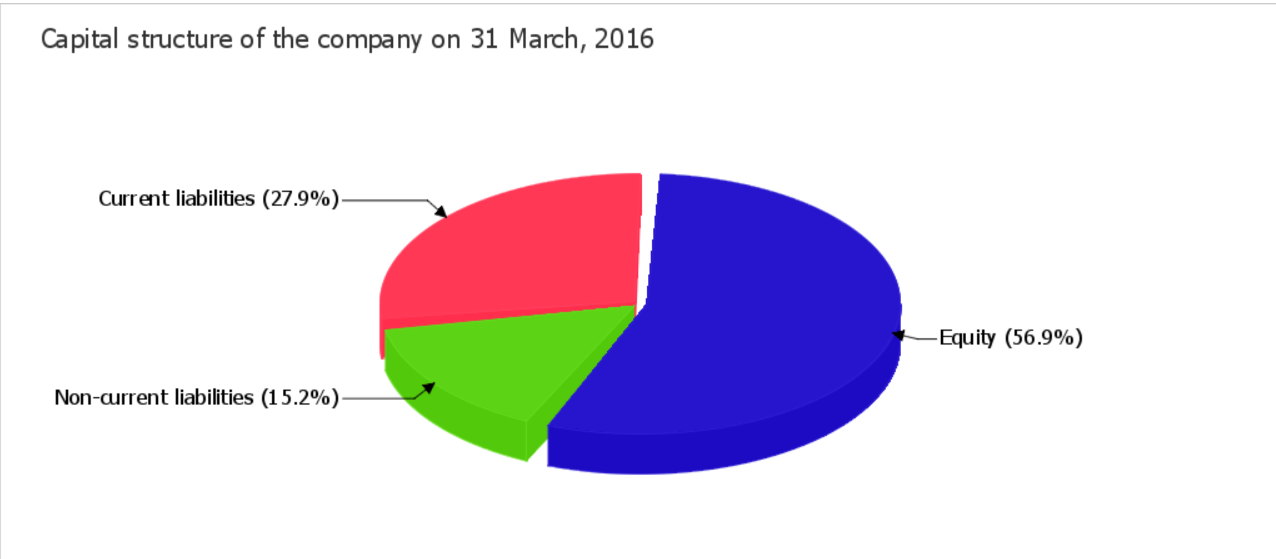
| | | | | |
|---|---|---|---|---|
| Fixed assets to Net worth | 0.97 | 0.95 | -0.02 | This ratio indicates the extent to which the owners' cash is frozen in the form of fixed assets, such as property, plant, and equipment, investment property and non-current biological assets.<br>Acceptable value: 0.75 or less. |
| Current liability ratio | 0.69 | 0.65 | -0.04 | Current liability ratio is calculated by dividing current liabilities by total (i.e. current and non-current) liabilities. |

The debt-to-equity ratio and debt ratio are the main coefficients describing financial stability. The ratios are similar in their meaning and indicate a relationship between two main sources of capital: equity and borrowed capital. The difference between the ratios is that the first one is calculated as a relationship of the borrowed capital (liabilities) to the equity, while the second ratio is calculated as a relationship of the liabilities to the overall capital (i.e. the sum of equity and liabilities).

On 31 March, 2016, the debt-to-equity amounted to 0.76. On 31.03.2016, the debt ratio amounted to 0.43, which is 0.03 higher than the level on the first day of the period analysed (31 March, 2015).

The debt-to-equity ratio and debt ratio for Telkom SA SOC Ltd demonstrate optimal values on 31.03.2016. It is as a result that percentage of the liabilities is 43.1%, while the percentage of equity is 56.9%. It is recommended to keep the percentage of liabilities at a level which will not exceed 60%.

In the chart below, the correlation of the company's equity and liabilities is demonstrated:




According to common rules, non-current investments should be made, in the first place, with the help of the most stable source of financing, i.e. with the help of own capital (equity). The non-current assets to Net worth ratio shows if this rule is followed. The ratio equaled 1.27 on 31.03.2016. During the last year, the ratio was observed to grow moderately. The ratio has an unsatisfactory value at the end of the period reviewed.

The structure of liabilities of Telkom SA SOC Ltd by maturity dates appears in the following way: non-current liabilities make about one third, while current liabilities make two thirds respectively of total liabilities of the company. It is demonstrated with the current liability ratio, which is equal to 0.65 at the end of the period.

## 1.3.2. Working capital analysis

| Indicator | Value | | Change for the period analysed | |
|---|---|---|---|---|
| | 31.03.2015 | 31.03.2016 | (col.3-col.2) | % ((col.3-col.2) : col.2) |
| 1 | 2 | 3 | 4 | 5 |
| 1. Working capital (net working capital), million ZAR | -356 | -164 | +192 | ↑ |
| 2. Inventories, million ZAR | **+638** | **+971** | +333 | +52.2 |
| 3. Working capital sufficiency (1-2), million ZAR | -994 | -1,135 | -141 | ↓ |
| 4. Inventory to working capital ratio (2:1) Acceptable value: 1 or less. | -1.79 | -5.92 | -4.13 | x |

Telkom SA SOC Ltd's working capital has a negative value (ZAR -164 million) on the last day of the period analysed (31.03.2016). This means that current liabilities exceed current assets. In such a situation it makes no sense to compare working capital with inventories of the company. Under normal conditions, the inventory to working capital ratio should not be less than 1.

## 1.4. Liquidity Analysis

One of the most widespread indicators of a company's solvency are liquidity related ratios. There are three liquidity related ratios: current ratio, quick ratio and cash ratio. Current ratio is one of the most widespread and shows to what degree the current assets of the company are meeting the current liabilities. The solvency of the company in the near future is described with the quick ratio which reflects if there are enough fund's for normal execution of current transactions with creditors. The table below demonstrates all three liquidity ratios for Telkom SA SOC Ltd.

| Liquidity ratio | Value | | Change (col.3 - col.2) | Description of the ratio and its recommended value |
|---|---|---|---|---|
| | 31.03.2015 | 31.03.2016 | | |
| 1 | 2 | 3 | 4 | 5 |
| 1. Current ratio (working capital ratio) | 0.97 | 0.99 | +0.02 | The current ratio is calculated by dividing current assets by current liabilities. It indicates a company's ability to meet short-term debt obligations. Normal value: no less than 2. |
| 2. Quick ratio (acid-test ratio) | 0.91 | 0.91 | – | The quick ratio is calculated by dividing liquid assets (cash and cash equivalents, trade and other current receivables, other current financial assets) by current liabilities. It is a measure of a company's ability to meet its short-term obligations using its most liquid assets (near cash or quick assets). Acceptable value: 1 or more. |
| 3. Cash ratio | 0.32 | 0.19 | -0.13 | Cash ratio is calculated by dividing absolute liquid assets (cash and cash equivalents) by current liabilities. Normal value: no less than 0.2. |

For the entire period reviewed, the current ratio almost did not change and was 0.99 (+0.02). At the end of the period analysed, the value of the ratio is unacceptable and is in the area of critical values.

The quick ratio decreased more or less to 0.91 for the last year. The value of the quick ratio is not a satisfactory one on 31.03.2016. It means that Telkom SA SOC Ltd does not have enough liquid assets (cash and other assets which can be rapidly sold) to meet all their current liabilities.

Similar to the two previous ratios, the cash ratio has an unsatisfactory value (0.19) on 31 March, 2016 that describes the lack of the most liquid assets in the company (cash and cash equivalents) to meet all current liabilities.

# 2. Financial Performance

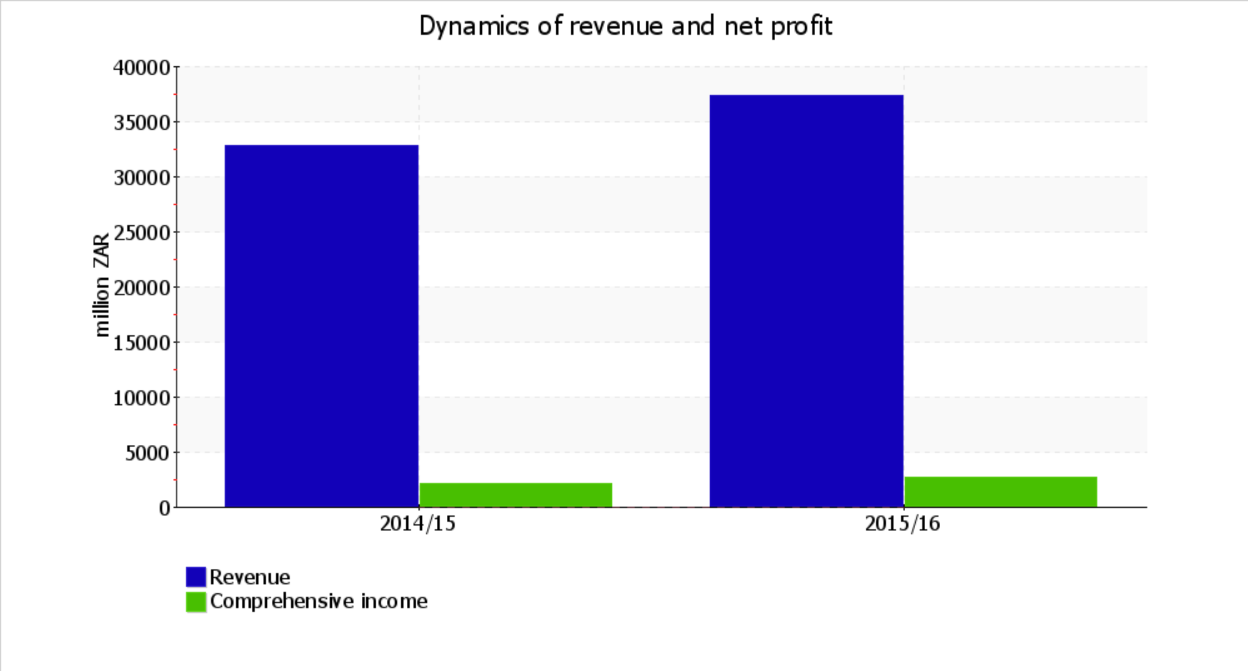
## 2.1. Overview of the Financial Results

The table given below demonstrates the main financial results of Telkom SA SOC Ltd's activities during the period analysed and also for the same period as last year.

| Indicator | Value, *million ZAR* | | Change | | Average annual value, *million ZAR* |
|---|---|---|---|---|---|
| | 2014/15 | 2015/16 | *million ZAR* (col.3 - col.2) | ± % (3-2) : 2 | |
| 1 | 2 | 3 | 4 | 5 | 6 |
| 1. Revenue | 32,760 | 37,325 | +4,565 | +13.9 | 35,043 |
| 2. Cost of sales | 3,249 | 6,969 | +3,720 | +114.5 | 5,109 |
| 3.*Gross profit* (1-2) | 29,511 | 30,356 | +845 | +2.9 | 29,934 |
| 4. Other income and expenses, except Finance costs | -25,793 | -26,935 | -1,142 | ↓ | -26,364 |
| 5. *EBIT* (3+4) | 3,718 | 3,421 | -297 | -8 | 3,570 |
| 5a. EBITDA | 9,003 | 8,693 | -310 | -3.4 | 8,848 |
| 6. Finance costs | 562 | 521 | -41 | -7.3 | 542 |
| 7. Income tax expense (from continuing operations) | -28 | 524 | +552 | ↑ | 248 |
| 8. *Profit (loss) from continuing operations* (5-6-7) | 3,184 | 2,376 | -808 | -25.4 | 2,780 |
| 9. Profit (loss) from discontinued operations | – | – | – | – | – |
| **10. Profit (loss)** (8+9) | **3,184** | **2,376** | **-808** | **-25.4** | **2,780** |
| 11. Other comprehensive income | -1,097 | 268 | +1,365 | ↑ | -415 |
| 12. Comprehensive income (10+11) | 2,087 | 2,644 | +557 | +26.7 | 2,366 |

The revenue was equal to ZAR 37,325 million during the entire period analysed, however for the same period of the previous year the revenue was lower – ZAR 32,760 million (i.e. the growth equaled ZAR 4,565 million). The change in revenue is demonstrated on the chart. During the last year, the gross profit was ZAR 30,356 million. The gross profit grew moderately (by ZAR 845 million, or by 2.9%) in comparison with the previous financial year.

For the last year, the company posted a gross profit and earnings before interest and taxes (EBIT), which was ZAR 3,421 million. The final comprehensive income for Telkom SA SOC Ltd was ZAR 2,644 million for the period from 01.04.2015 to 31.03.2016.

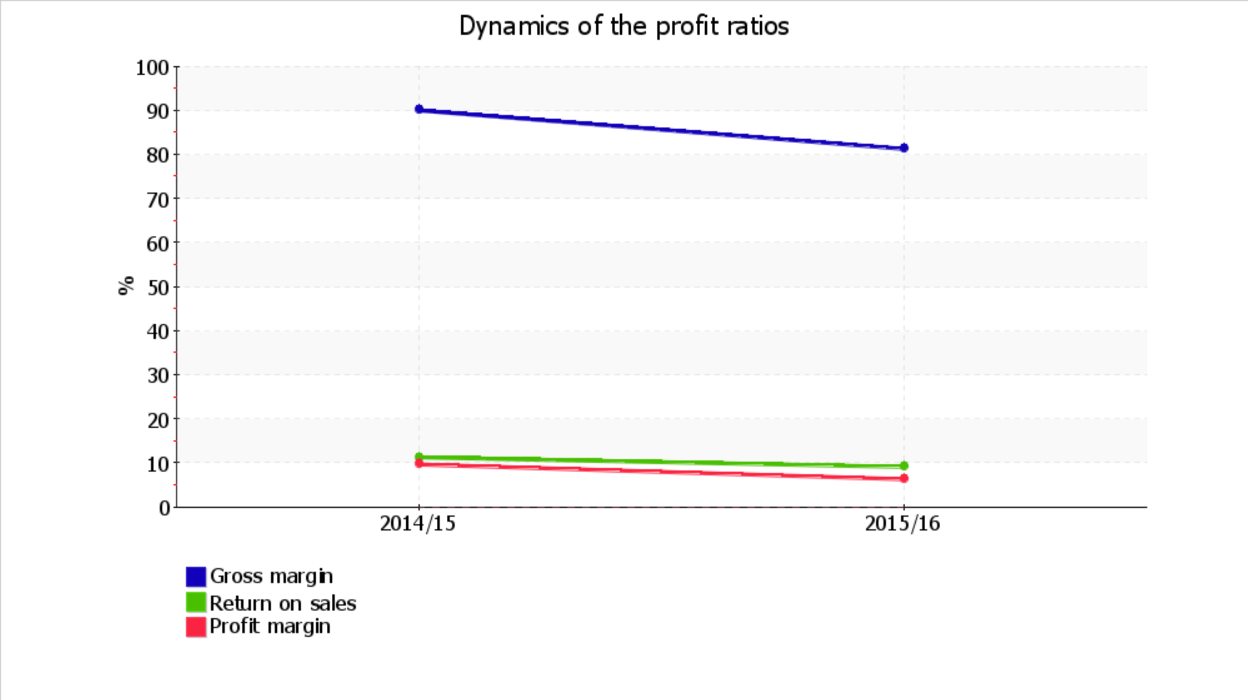



## 2.2. Profitability Ratios

| Profitability ratios | Value in % | | Change (col.3 - col.2) |
|---|---|---|---|
| | 2014/15 | 2015/16 | |
| 1 | 2 | 3 | 4 |
| 1. Gross margin. | 90.1 | 81.3 | -8.8 |
| 2. Return on sales (operating margin). | 11.3 | 9.2 | -2.1 |
| 3. Profit margin. | 9.7 | 6.4 | -3.3 |
| *Reference*: Interest coverage ratio (ICR). Normal value: 1.5 or more. | 6.6 | 6.6 | -0.1 |

The profitability ratios given in the table have positive values as a result of the profitability of Telkom SA SOC Ltd's activities during the period 01.04.2015–31.03.2016. The gross margin was equal to 81.3% for the year. In comparison with the previous financial year, the gross margin fell appreciably (by 8.8%).

Profitability calculated using EBIT (return on sales) deserves more attention. The return on sales was 0.09 or 9.2% per annum during the entire period reviewed, while the profit margin was 6.4% per annum.




To assess the liabilities that the company should repay for the use of borrowed capital, an interest coverage ratio was calculated. The acceptable value is deemed to be not less than 1.5. In this case, the interest coverage ratio was 6.6 for the year 2015/16, which is evidence of Telkom SA SOC Ltd's capability to pay interest on borrowed assets. It should take into account that not all interest payments are necessarily included on the income statement. In certain cases interest is included in investments in non-current assets and as a result it is not used to calculate the indicated ratio.

| Profitability ratios | Value, % 2015/16 | Description of the ratio and its reference value |
|---|---|---|
| 1 | 2 | 3 |
| Return on equity (ROE) | 9.1 | ROE is calculated by taking a year's worth of earnings (net profit) and dividing them by the average shareholder equity for that period, and is expressed as a percentage. It is one of the most important financial ratios and profitability metrics. Acceptable value: no less than 12%. |
| ROE, calculated using comprehensive income | *10.2* | This ratio is similar to the previous one, but is calculated using comprehensive income instead of net profit. It shows the companies ability to generate profits before leverage, rather than by using leverage. Acceptable value: 12% or more. |
| Return on assets (ROA) | 5.3 | ROA is calculated by dividing net income by total assets, and displayed as a percentage. Acceptable value: no less than 6%. |
| ROA, calculated using comprehensive income | *5.9* | This ratio is similar to the previous one, but is calculated using comprehensive income instead of net profit. Normal value: no less than 6%. |
| Return on capital employed (ROCE) | 10.6 | ROCE is calculated by dividing EBIT by capital employed (equity plus non-current liabilities). It indicates the efficiency and profitability of a company's capital investments. |

During the year, the value of the return on assets equal to 5.3% can be characterised as an unsatisfactory one.

A key indicator of business profitability is the return of equity (ROE), i.e. return from money invested by the owners. The return on equity for Telkom SA SOC Ltd during the last year was 9.1% per annum. It is quite a low rate. However, one should take into account that a more reliable assessment is possible only if internal macroeconomic conditions, under which the company works, are taken into account (inflation rate, interest rates, etc).

## 2.3. Analysis of the Business Activity (Turnover Ratios)

To assess Telkom SA SOC Ltd's business activity, the table below provides the main rates of turnover: receivables, inventory, current and total assets turnovers; accounts payable and capital turnovers of the company. Turnover ratios have strong industry specifics and depend on activity. This is why an absolute value of the ratios does not permit making a qualitative assessment.

| Turnover ratio | Value, days 2015/16 | Ratio 2015/16 |
|---|---|---|
| 1 | 2 | 3 |
| Receivables turnover (days sales outstanding)<br>(average trade and other current receivables divided by average daily revenue*) | 63 | 5.8 |
| Accounts payable turnover (days payable outstanding)<br>(average current payables divided by average daily purchases) | 423 | 0.9 |
| Inventory turnover (days inventory outstanding)<br>(average inventory divided by average daily cost of sales) | 42 | 8.6 |
| Asset turnover<br>(average total assets divided by average daily revenue) | 435 | 0.8 |
| Current asset turnover<br>(average current assets divided by average daily revenue) | 118 | 3.1 |
| Capital turnover<br>(average equity divided by average daily revenue) | 254 | 1.4 |
| *Reference:*<br>Cash conversion cycle<br>(days sales outstanding + days inventory outstanding - days payable outstanding) | *-318* | x |

* Calculation in days. Ratio value is equal to 365 divided by days outstanding.

For the year, the average collection period (Days Sales Outstanding) was 63 days and the average days payable outstanding was 423 days as shown in the table. The data on asset turnover, on average, for the period reviewed (31.03.2015–31.03.2016), shows that Telkom SA SOC Ltd gains revenue equal to the sum of all the assets every 435 days.

# 3. Conclusion

## 3.1. Key Ratios Summary

The most important indicators of Telkom SA SOC Ltd's financial state and activity results are summarized below by using a qualitative assessment during the last year.

The following indicators describe the Telkom SA SOC Ltd's financial state from *only a good* point of view:

- the debt ratio has an optimal value of 0.43;
- net worth (net assets) of the company is much higher (by 5.1 times) than the share capital on the last day of the period analysed;
- the income from financial and operational activities (comprehensive income) was ZAR 2,644 million during the last year.

The following indicator *positively describes* the financial state – earnings before interest and taxes (EBIT) were ZAR 3,421 million for the year, but it compares negatively with the previous value (ZAR -297 million).

The following indicator is the financial characteristic with the value *which borders on the edge of standard* – the equity growth for the last year did not exceed the total rate of assets value growth.

The following are the *unacceptable* financial indicators:

- the value of the non-current assets to net worth ratio equal to 1.27 is not a normal one at the end of the period analysed;
- a quick ratio was 0.91 (while the acceptable value is 1);
- the cash ratio is equal to 0.19 on the last day of the period analysed (31.03.2016) (a low cash at hand required for current payments);
- return on equity (ROE) was only 9.1% per annum during the year;
- low return on total assets during the last year (which was 5.3% per annum).

Financial characteristics with *critical* values:

- the current ratio (0.99) is significantly lower than the standard value (2);
- no working capital (current liabilities exceed current assets).

## 3.2. Rating of the Financial Position and Financial Performance of Telkom SA SOC Ltd

| **Financial performance** for the period analysed (01.04.2015–31.03.2016) | **Financial position** on 31.03.2016 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | AAA | AA | A | BBB | BB | B | CCC | CC | C | D |
| Excellent (AAA) | | | | | | · | | | | |
| Very good (AA) | | | | | | · | | | | |
| Good (A) | | | | | | · | | | | |
| Positive (BBB) | | | | | | · | | | | |
| Normal (BB) | | | | | | · | | | | |
| Satisfactory (B) | | | | | | · | | | | |
| Unsatisfactory (CCC) | · | · | · | · | · | **V** | · | · | · | · |
| Adverse (CC) | | | | | | · | | | | |
| Bad (C) | | | | | | · | | | | |
| Critical (D) | | | | | | · | | | | |

Final **rating of the financial condition** of Telkom SA SOC Ltd (period analysed: from 01.04.2015 to 31.03.2016 according to the data of the one reporting period):

**B**

(satisfactory)

According to the results of the conducted analysis, the financial position for Telkom SA SOC Ltd was assessed at a score scale in -0.08, which corresponds to the B rating (satisfactory position). The financial results of the company's activities were scored at -0.6 for the year, which corresponds to the CCC rating (unsatisfactory results). One should mention that final scores are calculated considering both rates at the end of the period analysed and rates dynamics, including their expected values for the next year. The final score of the financial condition, which includes analysis of the company's financial position and financial performance, makes -0.29, which equals the rating scale to a **satisfactory** (**B**) condition.

Rating "B" describes a satisfactory financial condition of a company when the majority of the ratios are normal or close to the normal figures. Companies with this rating should be considered as business partners who will need to be treated carefully when managing risks. These companies can lay a claim to obtain credit but a decision will mainly depend on the analysis of additional factors (neutral creditworthiness).

It should be mentioned that this rating is calculated by analysing financial data for the year. However it is necessary to make an analysis of a company's activity for at least the last 2-3 years to obtain enough reliable results.

# 4. Appendix

## 4.1. Calculation of the Final Rating of the Financial Condition

| Ratio | Weighting factor | Score | | | Average score (col.3 x 0.25 + col.4 x 0.6 + col.5 x 0.15) | Weighted average score (col.2 x col.6) |
|---|---|---|---|---|---|---|
| | | past | present | future | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| **I. Rating of the company's financial position** | | | | | | |
| Debt ratio | 0.3 | +2 | +2 | +2 | +2 | +0.6 |
| Non-current assets to net worth | 0.15 | +1 | -1 | -1 | -0.5 | -0.075 |
| Current ratio | 0.2 | -2 | -2 | -1 | -1.85 | -0.37 |
| Quick ratio | 0.2 | -1 | -1 | -1 | -1 | -0.2 |
| Cash ratio | 0.15 | +2 | -1 | -1 | -0.25 | -0.038 |
| Total | 1 | **Final score** (in total col.7 : col. 2): | | | | **-0.083** |
| **II. Rating of the company's financial performance** | | | | | | |
| Return on equity (ROE) | 0.5 | -1 | -1 | -1 | -1 | -0.5 |
| Return on assets (ROA) | 0.3 | -1 | -1 | -1 | -1 | -0.3 |
| Sales growth | 0.2 | +1 | +1 | +1 | +1 | +0.2 |
| Total | 1 | **Final score** (in total col.7 : col. 2): | | | | **-0.6** |

Final rating score for Telkom SA SOC Ltd's financial condition: (**-0.083** x 0,6) + (**-0.6** x 0,4) = **-0.29** (B - satisfactory)

**Reference:** Financial condition scale

| Total score | | Sign | The qualitative assessment of a financial condition |
|---|---|---|---|
| **from** | **to** (inclusive) | | |
| 2 | 1.6 | AAA | Excellent |
| 1.6 | 1.2 | AA | Very good |
| 1.2 | 0.8 | A | Good |
| 0.8 | 0.4 | BBB | Positive |
| 0.4 | 0 | BB | Normal |
| 0 | -0.4 | B | Satisfactory |
| -0.4 | -0.8 | CCC | Unsatisfactory |
| -0.8 | -1.2 | CC | Adverse |
| -1.2 | -1.6 | C | Bad |

| | | | |
|---|---|---|---|
| -1.6 | -2 | D | Critical |

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