



# PRESS CORPORATION PLC

## SUMMARY OF UN-AUDITED RESULTS FOR THE PERIOD ENDED 30 JUNE 2017

In millions of Malawi Kwacha

### Statements of Comprehensive Income

	CONSOLIDATED			SEPARATE		
	Unaudited 30-Jun-17	Unaudited 30-Jun-16	Audited 31-Dec-16 Restated	Unaudited 30-Jun-17	Unaudited 30-Jun-16	Audited 31-Dec-16
<b>Continuing operations</b>						
Revenue	91,556	86,253	188,857	4,384	3,460	7,271
Net interest paid	17,014	15,774	33,869	1,753	2,075	3,775
Exchange (losses)/gain	(4,678)	(2,894)	(7,571)	(1,154)	(1,020)	(1,902)
Net finance cost	(4,730)	(4,438)	(9,670)	(1,154)	(1,020)	(1,899)
Share of profit of equity-accounted investments	1,950	2,549	5,543	-	-	3
Profit before income tax	14,234	13,885	29,742	599	1,055	1,876
Income tax expense	(7,171)	(5,786)	(14,418)	(416)	(326)	(688)
Profit for the year from continuing operations	7,063	8,099	15,324	183	729	1,188
<b>Discontinued operations</b>						
(Loss)/Profit from discontinued operations	(2)	4	5	-	-	-
Profit for the period	7,061	8,103	15,329	183	729	1,188
Total other comprehensive income net of tax	403	2,136	7,977	14,623	-	60,809
<b>Total comprehensive income for the period</b>	<b>7,464</b>	<b>10,239</b>	<b>23,306</b>	<b>14,806</b>	<b>729</b>	<b>61,997</b>
<b>Profit attributable to:</b>						
Equity holders of the company	821	3,373	4,919	183	729	1,188
Non-controlling interest	6,240	4,730	10,410	-	-	-
	7,061	8,103	15,329	183	729	1,188
<b>Total comprehensive income attributable to:</b>						
Equity holders of the company	1,220	5,348	10,645	14,806	729	61,997
Non-controlling interest	6,244	4,891	12,661	-	-	-
	7,464	10,239	23,306	14,806	729	61,997
<b>Earnings per share</b>						
Basic and diluted earnings per share (MK)	6.83	28.06	40.92	-	-	-
Basic and diluted earnings per share (MK) (continuing operations)	6.85	28.03	40.88	-	-	-

### Statements of Financial Position

	CONSOLIDATED			SEPARATE		
	Unaudited 30-Jun-17	Unaudited 30-Jun-16	Audited 31-Dec-16 Restated	Unaudited 30-Jun-17	Unaudited 30-Jun-16	Audited 31-Dec-16
<b>ASSETS</b>						
<b>Non-current assets</b>						
Property, plant and equipment	121,723	111,057	112,255	1,046	989	1,075
Investment properties	5,360	5,000	5,360	-	-	-
Other investments	42,362	37,588	40,756	246,793	151,978	232,170
Loans and advances	55,275	45,714	40,658	-	-	-
Deferred tax assets	7,867	4,589	7,979	-	-	-
	232,587	203,948	207,008	247,839	152,967	233,245
<b>Current assets</b>						
Inventories	10,711	9,703	10,061	18	15	20
Loans and advances	73,551	79,205	90,761	-	-	-
Other investments	103,901	75,671	88,067	-	-	-
Trade and other receivables	22,444	24,631	25,812	4,510	2,116	1,995
Cash and cash equivalents	57,036	59,940	58,219	42	151	104
	267,643	249,150	272,920	4,570	2,282	2,119
<b>Total assets</b>	<b>500,230</b>	<b>453,098</b>	<b>479,928</b>	<b>252,409</b>	<b>155,249</b>	<b>235,364</b>
<b>EQUITY AND LIABILITIES</b>						
<b>Equity</b>						
Issued capital	1	1	1	1	1	1
Share premium	2,097	2,097	2,097	2,097	2,097	2,097
Reserves and retained earnings	100,444	92,630	99,223	193,031	118,060	178,225
Total equity & earnings attributable to equity holders of the parent	102,542	94,728	101,321	195,129	120,158	180,323
Minority interest	48,906	43,578	46,214	-	-	-
<b>Total equity</b>	<b>151,448</b>	<b>138,306</b>	<b>147,535</b>	<b>195,129</b>	<b>120,158</b>	<b>180,323</b>
<b>Non-current liabilities</b>						
Bank overdraft	8,984	7,376	7,848	4,365	225	2,078
Interest bearing loans and borrowings	17,271	24,116	16,650	924	1,865	957
Customer deposits	241,421	225,135	229,433	-	-	-
Provisions	3,106	2,534	5,039	-	71	524
Trade and other payables	51,360	44,231	50,186	5,504	3,997	4,568
	322,142	303,392	309,156	10,793	6,158	8,127
<b>Total liabilities</b>	<b>348,782</b>	<b>314,792</b>	<b>332,393</b>	<b>57,280</b>	<b>35,091</b>	<b>55,041</b>
<b>Total equity and liabilities</b>	<b>500,230</b>	<b>453,098</b>	<b>479,928</b>	<b>252,409</b>	<b>155,249</b>	<b>235,364</b>

### Statements of Cash Flows

	Unaudited 30-Jun-17	Unaudited 30-Jun-16	Audited 31-Dec-16 Restated	Unaudited 30-Jun-17	Unaudited 30-Jun-16	Audited 31-Dec-16
Cash generated by / (used in) operations	24,788	23,588	42,526	(4,673)	(963)	(1,826)
Interest and tax paid	(12,089)	(10,431)	(20,698)	(1,335)	(1,278)	(2,583)
Net cash from / (used in) operating activities	12,699	13,157	21,828	(6,008)	(2,241)	(4,409)
Investing activities						
Proceeds from sale of property, plant and investments	636	3,557	1,585	-	3	54
Interest received	413	1,301	2,117	43	85	166
Dividend received	610	1,049	1,955	4,158	3,264	6,882
Purchase of property, plant and equipment	(16,306)	(9,957)	(19,420)	(12)	(12)	(32)
Net cash outflow on acquisition of a subsidiary	-	-	(26)	-	-	-
Investment in a subsidiary	-	-	-	-	-	(2,000)
<b>Net cash (used in) / from investing activities</b>	<b>(14,647)</b>	<b>(4,050)</b>	<b>(13,789)</b>	<b>4,189</b>	<b>3,340</b>	<b>5,070</b>
Financing activities						
Net proceeds and repayment of long term borrowings	3,180	(5,249)	(2,529)	(530)	(565)	(1,005)
Dividends paid to shareholders of the Company	-	-	(1,022)	-	-	(1,022)
Dividend paid to non-controlling interest shareholders	(3,551)	(2,256)	(5,079)	-	-	-
<b>Net cash used in financing activities</b>	<b>(371)</b>	<b>(7,505)</b>	<b>(8,630)</b>	<b>(530)</b>	<b>(565)</b>	<b>(2,027)</b>
Net increase/(decrease) in cash and cash equivalents	(2,319)	1,602	(591)	(2,349)	534	(1,366)
Cash and cash equivalents at start of the period	50,371	50,962	50,962	(1,974)	(608)	(608)
Cash and cash equivalents at end of the period	48,052	52,564	50,371	(4,323)	(74)	(1,974)

### Statements of Changes in Equity

**As at 30 June 2017**  
Balance at 1 January 2017 as previously stated  
Prior year adjustment  
Balance at 1 January 2017 as restated

**Comprehensive income for the period**  
Profit for the period  
Other comprehensive income  
Total comprehensive income for the period

Dividend to equity holders  
Balance as at period end

**As at 31 December 2016**  
Balance as at 1 January

**Comprehensive income for the year**  
Profit for the year  
Other comprehensive income  
Total comprehensive income for the year

Transactions reported directly in equity  
Dividend to equity holders  
Balance as at period end

### Segmental Performance

	Financial Services	Telecommu- nications	Energy	Consumer Goods	All other segments	Total
<b>June 2017</b>						
<b>Revenue</b>						
External revenues	33,659	38,580	1,340	16,925	1,053	91,557
Inter-segment revenue	411	4,117	-	21	3,807	8,356
<b>Segment revenue</b>	<b>34,070</b>	<b>42,697</b>	<b>1,340</b>	<b>16,946</b>	<b>4,860</b>	<b>99,913</b>
Segment operating profit/(loss)	14,403	8,385	(1,561)	(1,444)	1,229	21,012
Segment interest income	-	50	808	1	44	903
Segment interest expense	-	(4,051)	(1)	(576)	(1,561)	(6,189)
Segment income tax expense	(4,876)	(1,787)	(92)	-	(416)	(7,171)
<b>Segment Profit/(loss)</b>	<b>9,527</b>	<b>2,597</b>	<b>(846)</b>	<b>(2,019)</b>	<b>(704)</b>	<b>8,555</b>
Share of profit of equity accounted investees	-	-	-	-	1,950	1,950
Depreciation and amortization	1,402	4,835	215	248	191	6,891
Segment assets	343,167	110,530	17,943	6,718	262,130	740,488
Segment liabilities	270,096	79,662	3,424	13,265	63,241	429,688
Capital additions	2,604	12,435	595	384	288	16,306
<b>December 2016</b>						
<b>Revenue</b>						
External revenues	62,603	74,548	15,196	34,017	2,493	188,857
Inter-segment revenue	975	5,697	-	52	5,431	12,155
<b>Segment revenue</b>	<b>63,578</b>	<b>80,245</b>	<b>15,196</b>	<b>34,069</b>	<b>7,924</b>	<b>201,012</b>
Segment operating profit/(loss)	25,177	22,811	3,038	(1,101)	3,846	53,771
Segment interest income	-	1,180	1,908	9	169	3,266
Segment interest expense	-	(10,289)	-	(1,238)	(2,609)	(14,136)
Segment income tax expense	(8,642)	(3,238)	(1,727)	-	(811)	(14,418)
<b>Segment Profit/(loss)</b>	<b>16,535</b>	<b>10,464</b>	<b>3,219</b>	<b>(2,330)</b>	<b>595</b>	<b>28,483</b>
Share of profit of equity accounted investees	-	-	-	-	5,543	5,543
Depreciation and amortization	2,782	10,523	438	383	423	14,549
Segment assets	329,501	100,055	19,864	8,240	245,030	702,690
Segment liabilities	260,552	70,479	4,123	10,882	60,060	406,096
Capital additions	6,168	30,269	1,953	810	453	39,653

Owner's Equity	CONSOLIDATED		SEPARATE	
	Non Controlling interest	Total	Total	Total
103,206	46,214	149,420	180,323	-
(1,885)	-	(1,885)	-	-
101,321	46,214	147,535	180,323	-
821	6,240	7,061	183	-
399	4	403	14,623	-
1,220	6,244	7,464	14,806	-
-	(3,551)	(3,551)	-	-
102,541	48,907	151,448	195,129	-
91,698	38,710	130,408	119,348	-
4,919	10,410	15,329	1,188	-
5,726	2,251	7,977	60,809	-
10,645	12,661	23,306	61,997	-
-	(78)	(78)	-	-
(1,022)	(5,079)	(6,101)	(1,022)	-
101,321	46,214	147,535	180,323	-

### PERFORMANCE OVERVIEW

#### The Operating Environment

The first half of 2017 saw some positive trends in the operating environment. Inflation gradually declined followed by the reduction of interest rates. Exchange rates have been stable throughout the period. These positive trends are on account of improved production in the agricultural sector. Despite these positive developments, demand for goods and services remained subdued due to lagging effects.

#### Group Results

Group profit before tax at MK14.23 billion (2016: MK13.89 billion) was 3% higher than the previous similar period of 2016. This performance was against a background of Corporate Office re-organisation costs and subdued demand following years of a less than satisfactory operating environment.

#### SEGMENTAL PERFORMANCE

##### The Financial Services Segment (National Bank of Malawi)

The Bank continued with its strong performance and delivered good results with a 22% increase in profit before tax. This performance was achieved notwithstanding the high risk of bad debts and lackluster demand for lending and related products due to the prevailing high interest rate regime. The Bank is positioned for growth and improved service delivery following the successful introduction of new products and upgrade of its core banking system during the period.

##### The Telecommunications Segment (mobile phone company - TNM, fixed telephony - MTL, and the telecommunications infrastructure company - OCL)

The mobile phone company continued with its outstanding performance and delivered excellent results. The company registered a 72% growth in its profit driven by a 23% growth in service revenue and a 26% increase in EBITDA. The company is currently investing in 4G technology to position itself as a leading ICT company.

The fixed telephony business, on the other hand, made a loss, albeit lower than that for the same period last year. The company is reviewing its business model to streamline its operations as a provider of fixed broad band and fixed voice to enterprises and high-end consumers.

The telecommunications fibre backbone infrastructure company successfully started its operations as a separate entity. Discussions with potential strategic partners are at an advanced stage.

##### The Energy Segment (ethanol manufacturing - PressCane and ETHCO)

Results from both companies were affected by a late start in production due to a prolonged rain season as the first half recorded only one month of production (2016: two and a half months). Compared to same period last year, results were further negatively affected by the fact that there were no carryover stocks from the previous year. Implementation of a feedstock production project to supplement current supply is still under consideration.

##### The Consumer Goods Segment (retail chain store - Peoples)

The company made a loss mainly due to working capital challenges and increased finance costs. A review of the business model and a recapitalization programme is underway to reposition the company as an upmarket brand. In this regard, the company will continue investing in its franchises with Spar and Food Lovers Market. The search for a strategic partner is continuing.

##### All Other Segment: (fish farming - Maldeco and real estate - Press Properties)

The fish farming and real estate businesses made a loss during the period under review following the borrowing that was used to invest in capacity expansion projects. A review of the business model for the real estate business is underway whilst discussions with a strategic partner for the fish farming business are continuing.

##### Equity accounted businesses: (two Joint ventures - PUMA, a fuel distribution company and MacSteel, a steel processing and trading company; two associate companies - Limbe Leaf, a tobacco processing company and Carlsberg, a bottling and brewing company)

During the period, PCL's share of profit from equity accounted investments declined by 23% mainly due to a loss incurred in the brewing and beverage company as a result of lower sales volumes and increased production costs following two fire incidents at the plant. The shareholders are still working towards completing the transaction of re-structuring of their respective shareholdings in Carlsberg so as to ensure that maximum value is obtained from their mutual investments. The restructuring of shareholding is expected to