PRESS CORPORATION LIMITED

SUMMARY OF AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

In millions of Malawi Kwacha

Statements of Comprehensive Income

	CONSOLIDATED		SEPARATE	
	Audited 31-Dec-16	Audited 31-Dec-15	Audited 31-Dec-16	Audited 31-Dec-15
Continuing operations				
Revenue	**188,857**	161,136	**7,271**	6,970
Operating profit	**35,754**	29,711	**3,775**	4,329
Net interest paid	**(7,571)**	(4,544)	**(1,902)**	(1,661)
Exchange (losses)/gain	**(2,099)**	(5,684)	**3**	11
Net finance cost	**(9,670)**	(10,228)	**(1,899)**	(1,650)
Share of profit of equity-accounted investments	**5,543**	4,284	**-**	-
Profit before income tax	**31,627**	23,767	**1,876**	2,679
Income tax expense	**(14,418)**	(11,528)	**(688)**	(668)
Profit for the year from continuing operations	**17,209**	12,239	**1,188**	2,011
Discontinued operations				
Profit from discontinued operations	**5**	5	**-**	-
Profit for the year	**17,214**	12,244	**1,188**	2,011
Total other comprehensive income net of tax	**7,977**	16,955	**60,809**	10,100
Total comprehensive income for the year	**25,191**	29,199	**61,997**	12,111
Profit attributable to:				
Equity holders of the compnay	**6,804**	4,197	**1,188**	2,011
Non-controlling interest	**10,410**	8,047	**-**	-
	17,214	12,244	**1,188**	2,011
Total comprehensive income attributable to:				
Equity holders of the compnay	**12,530**	18,530	**61,997**	12,111
Non-controlling interest	**12,661**	10,669	**-**	-
	25,191	29,199	**61,997**	12,111
Earnings per share				
Basic and diluted earnings per share (MK)	**56.61**	34.92		
Basic and diluted earnings per share (MK) (continuing operations)	**56.56**	34.88		

Statements of Financial Position

	CONSOLIDATED		SEPARATE	
	Audited 31-Dec-16	Audited 31-Dec-15	Audited 31-Dec-16	Audited 31-Dec-15
ASSETS				
Non-current assets				
Property, plant and equipment	**112,255**	108,266	**1,075**	1,038
Investment properties	**5,360**	4,783	**-**	-
Other investments	**40,756**	34,368	**232,170**	151,978
Loans and advances	**40,658**	40,502	**-**	-
Deferred tax assets	**7,979**	4,098	**-**	-
	207,008	192,017	**233,245**	153,016
Current assets				
Inventories	**10,249**	10,303	**20**	17
Loans and advances	**90,761**	71,247	**-**	-
Other investments	**88,067**	74,525	**-**	-
Trade and other receivables	**25,812**	20,929	**1,995**	1,482
Cash and cash equivalents	**58,836**	59,624	**104**	72
	273,725	236,628	**2,119**	1,571
Total assets	**480,733**	428,645	**235,364**	154,587
EQUITY AND LIABILITIES				
Equity				
Issued capital	**1**	1	**1**	1
Share premium	**2,097**	2,097	**2,097**	2,097
Reserves and retained earnings	**101,108**	89,600	**178,225**	117,250
Total equity & earnings attributable to equity holders of the parent	**103,206**	91,698	**180,323**	119,348
Minority interest	**46,214**	38,710	**-**	-
Total equity	**149,420**	130,408	**180,323**	119,348
Non-current liabilities	**23,237**	11,883	**46,914**	29,363
Current liabilities				
Bank overdraft	**7,848**	8,662	**2,078**	680
Interest bearing loans and borrowings	**16,650**	26,291	**957**	1,878
Customer deposits	**229,433**	211,852	**-**	-
Provisions	**5,039**	3,521	**524**	71
Trade and other payables	**49,106**	36,028	**4,568**	3,247
	308,076	286,354	**8,127**	5,876
Total liabilities	**331,313**	298,237	**55,041**	35,239
Total equity and liabilities	**480,733**	428,645	**235,364**	154,587

Statements of Cash Flows

	CONSOLIDATED		SEPARATE	
	Audited 31-Dec-16	Audited 31-Dec-15	Audited 31-Dec-16	Audited 31-Dec-15
Cash generated by / (used in) operations	**43,143**	32,308	**(1,826)**	(1,444)
Interest and tax paid	**(20,698)**	(23,333)	**(2,583)**	(2,310)
Net cash from / (used in) operating activities	**22,445**	8,975	**(4,409)**	(3,754)
Investing activities				
Proceeds from sale of property, plant and investments	**1,585**	1,172	**54**	172
Interest received	**2,117**	2,387	**166**	70
Dividend received	**1,955**	1,716	**6,882**	6,664
Purchase of property, plant and equipment	**(19,420)**	(17,248)	**(32)**	(86)
Net cash outflow on acquisition of a subsidiary	**(26)**	(575)	**-**	-
Investment in a subsidiary	**-**	-	**(2,000)**	-
Net cash (used in) / from	**(13,789)**	(12,548)	**5,070**	6,820
Financing activities				
Net proceeds and repayment of long term borrowings	**(2,529)**	(455)	**(1,005)**	(1,878)
Dividends paid to shareholders of the Company	**(1,022)**	(1,563)	**(1,022)**	(1,563)
Dividend paid to non-controlling interest shareholders	**(5,079)**	(5,040)	**-**	-
Net cash used in financing activities	**(8,630)**	(7,058)	**(2,027)**	(3,441)
Net increase/(decrease) in cash and cash equivalents	**26**	(10,631)	**(1,366)**	(375)
Cash and cash equivalents at start of the year	**50,962**	61,593	**(608)**	(233)
Cash and cash equivalents at end of the year	**50,988**	50,962	**(1,974)**	(608)

Statements of Changes in Equity

	CONSOLIDATED			SEPARATE
	Owner's Equity	interest	Total	Total
As at 31 December 2016				
Balance as at 1 January	**91,698**	**38,710**	**130,408**	**119,348**
Comprehensive income for the year				
Profit for the year	6,804	10,410	**17,214**	**1,188**
Other comprehensive income	5,726	2,251	**7,977**	**60,809**
Total comprehensive income for the year	**12,530**	**12,661**	**25,191**	**61,997**
Transactions reported directly in equity	-	(78)	**(78)**	**-**
Dividend to equity holders	(1,022)	(5,079)	**(6,101)**	**(1,022)**
Balance as at period end	**103,206**	**46,214**	**149,420**	**180,323**
As at 31 December 2015				
Balance as at 1 January	**74,731**	**32,138**	**106,869**	**108,800**
Comprehensive income for the year				
Profit for the year	4,197	8,047	**12,244**	2,011
Other comprehensive income	14,333	2,622	**16,955**	10,100
Total comprehensive income for the year	**18,530**	**10,669**	**29,199**	12,111
Transactions reported directly in equity	-	943	**943**	-
Dividend to equity holders	(1,563)	(5,040)	**(6,603)**	(1,563)
Balance as at period end	**91,698**	**38,710**	**130,408**	**119,348**

Segmental Performance

	Financial Services	Telecommu-nications	Energy	Consumer Goods	All other segments	Total
December 2016						
Revenue	63,578	80,245	15,196	34,069	7,924	**201,012**
Operating profit/(loss)	25,177	22,811	3,038	(1,101)	3,846	**53,771**
Net finace charges	-	(9,109)	1,908	(1,229)	(2,440)	**(10,870)**
Income tax	(8,642)	(3,238)	(1,727)	-	(811)	**(14,418)**
Profit from equity accounted and discontinued companies	-	-	-	-	5,543	**5,543**
Profit/(loss) for the year	**16,535**	**10,464**	**3,219**	**(2,330)**	**6,138**	**34,026**
Capital additions	6,168	30,269	1,953	810	453	**39,653**
Total assets	329,501	100,055	19,864	8,240	245,030	**702,690**
Total Liabilities	260,552	70,479	4,123	10,882	60,060	**406,096**
December 2015						
Revenue	46,748	61,522	14,729	39,218	7,751	**169,968**
Operating profit	19,615	12,231	2,935	(1,716)	4,256	**37,321**
Finance charges	-	(10,271)	1,457	(525)	(2,014)	**(11,353)**
Income tax	(6,230)	(2,914)	(1,321)	(382)	(681)	**(11,528)**
Profit from equity accounted companies	-	-	-	-	4,284	**4,284**
Profit/(loss) for the year	**13,385**	**(954)**	**3,071**	**(2,623)**	**5,845**	**18,724**
Capital additions	3,291	11,705	745	583	924	**17,248**
Total assets	288,290	78,614	16,933	8,301	163,905	**556,043**
Total Liabilities	233,484	56,826	3,698	10,613	39,320	**343,941**

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

Opinion

The summary consolidated and separate financial statements, which comprise the summary consolidated and separate statements of financial position as at December 31, 2016, the summary consolidated and separate statements of comprehensive income, summary consolidated and separate statements of changes in equity and summary consolidated and separate cash flow statements for the year then ended, and related notes, are derived from the audited consolidated and separate financial statements of Press Corporation Limited for the year ended December 31, 2016.

In our opinion, the accompanying summary consolidated and separate financial statements are consistent in all material respects, with the audited consolidated and separate financial statements, in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards.

Summary Consolidated and Separate Financial Statements

The summary consolidated and separate financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the Malawi Companies Act. Reading the summary consolidated and separate financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated and separate financial statements and the auditor's report thereon. The summary consolidated and separate financial statements and the audited consolidated and separate financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated and separate financial statements.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated and separate financial statements in our report dated 7th April, 2017. That report also includes the communication of other key audit matters. Key audit matters are those matters that in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period.

Directors' Responsibility for the Summary Consolidated and Separate Financial Statements

Directors are responsible for the preparation of the summary consolidated and separate financial statements in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting and for such internal control as the directors determine is necessary to enable the preparation of the summary consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary consolidated and separate financial statements are consistent, in all material respects, with the audited consolidated and separate financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing ISA 810 (Revised), *Engagements to Report on Summary Financial Statements.*

Deloitte.
Chartered Accountants
Nkondola Uka
Partner

PERFORMANCE OVERVIEW

The Operating Environment

The PCL Group continued to operate in a very challenging economic environment. GDP growth from an already very low base at 2.5% is considered very weak to make meaningful impact on the current state of the economy. The effects of drought resulted in significant reduction in agricultural output, mainly food crops, and therefore disposable incomes, affecting demand for the Group products and services. Tobacco proceeds, the mainstay of the country's export sector, were 18% lower compared to the previous cropping season.

Drought conditions also resulted in low water levels in Lake Malawi and the Shire River, significantly impacting on an already fragile hydro power generation infrastructure. The productive capacity of the Group companies was consequently affected as alternative sources of power using diesel generators increased operating costs than would the case be otherwise.

The Reserve Bank maintained a tight monetary regime through a high interest rate policy framework, with a slight easing of the Policy Rate in the last month of 2016 by 3 percentage points from 27% to 24%. This was commensurately followed up by a reduction of commercial bank rates. Concomitantly, the exchange rate was relatively stable and the average inflation rate went down to 20% from 24.9% in 2015.

Group Results

Overall, Group results were satisfactory notwithstanding the unfavourable macroeconomic and operating environment. Group profit after tax at MK17.21 billion (2015: MK12.24) was 41% higher than 2015. Net profit attributable to ordinary shareholders was MK6,804 billion (2015: MK4.197 billion), representing a 62% growth. Likewise, Earnings per Share increased to MK56.61 from MK34.92 in 2015 representing a 62% growth. The performance was driven by increase in revenues aided by significant improvement in gross margins. Similarly, the reduction in finance charges further improved the Group's results.

SEGMENTAL PERFORMANCE

The Financial Services Segment (National Bank of Malawi).
The Bank delivered good results with a 36% growth in turnover and 28% growth in profit before tax. During the year the bank seamlessly completed the integration of Indebank which it acquired in 2015. The performance was after taking into account pre- integration losses and staff rationalization costs in excess of MK2.1 billion. The Bank is poised to leverage on its increased market share to grow revenues.

The Telecommunications Segment (mobile phone company - TNM, fixed telephony - MTL, and the newly formed telecommunication fibre optic backbone infrastructure company, OCL)
The mobile phone Company delivered outstanding results following its aggressive investment in new technologies and capacity expansion projects which resulted in a 13% growth in its subscriber base, mainly upmarket. The Company registered a 31% increase in revenue and a 52% growth in its profit. The increasing demand for data services and its investments in the same presents a big growth potential for the company.

The fixed telephony business was successfully unbundled to form two separate businesses. The Fiber Optic Network and the related debts were hived off to create an open access carrier of carriers business. Discussions with potential strategic partners in this business are at an advanced stage. The business that has remained at MTL will focus on provision of fixed broad band and fixed voice to enterprises and high end consumers.

The Energy Segment (ethanol manufacturing - PressCane and ETHCO)
Registered a 3% and 5% growth in revenues and profit after tax respectively. Both plants are currently operating at 50% of their installed capacity due to feedstock constraints and power challenges. Implementation of the feedstock production project, to supplement current supply, is underway.

The Consumer Goods Segment (retail chain store - Peoples)
Significant losses were incurred due to reduced working capital following stock losses discovered in 2015. The results were aggravated by the increase in borrowing costs. The Consolidation and Growth Strategy put in place in 2015 is beginning to bear fruits. During the year stock shrinkage was under control and the Company's gross margins increased to 14% from 7% in 2015. Shareholders are committed to support the turnaround of the Company and during the year made an equity injection of MK2 billion for working capital.

The search for a strategic partner is continuing while some stores are currently leveraging on the international franchises of Spar and Food Lovers Market.

All other Segment: (fish farming - Maldeco and real estate - Press Properties)
The real estate business registered a 62% growth in its earnings. The fish farming business made a loss due to erosion in working capital and increase in borrowing costs. The business however saw a complete turnaround in fish growth following the acquisition of technical expertise. The business expects to harvest 822 tons in 2017 compared with 143.5 tons in 2016 and has potential to increase to 2000 tons in 2018.

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)

Good results were delivered with PCL's share of profit increasing by 29% compared to a 10% decline in 2015. The fuel distribution Company registered a 42% growth in its earnings due to growth in sales volumes and good wholesale margins. Similarly, the steel processing business more than doubled its earnings while the bottling and brewing business and the tobacco processing business registered a 25% and 16% growth in their earnings respectively.

NEW DEVELOPMENTS

During the year, the Group Chief Executive, Dr Matthews Chikaonda, retired after fifteen years of service. Dr George Partridge, former Chief Executive of National Bank of Malawi was appointed Group Chief Executive.

Carlsberg Group A/S sold their entire 59% shareholding in Carlsberg Malawi Limited to B.I.H. Brasseries Internationales Holding Limited, a member of the Castel Group, the largest wine producer in Europe and the second in beers and soft drinks in Africa. Castel plans to invest over $20 million in capacity expansion projects in 2017.

OUTLOOK

Prospects for 2017 look better than in 2016 as the economy is expected to rebound due to favourable weather conditions in the 2016/2017 cropping season, although power challenges will persist. Inflation is expected to continue reducing and demand for goods and services is expected to improve due to the anticipated increase in agricultural production following the good rains. The Group is well positioned for growth and will leverage its strength of being reasonably well diversified to push for more growth in a fragile trading environment. The focus will be to stop the hemorrhage in loss making entities while continuing to search for profitable opportunities with technical partners.

DIVIDEND

Directors have proposed a final dividend for the year 2016 of MK1.5025 billion (2015: MK1.0217 billion) representing MK12.50 per share (2015: MK8.50 per share). No Interim dividend was paid for the year 2016 (2015:MK480.8 million representing MK4.00 per share). Total dividend for 2015 was MK1.5025 billion representing MK12.50 per share. A resolution to approve the final dividend will be tabled at the forthcoming Annual General Meeting.

Elizabeth Mafeni
Group Chief Finance Officer

George B Partridge
Group Chief Executive

Damien Kafoteka
Director

Patrick Khembo
Chairman

31st March 2017