

RESULTS FOR THE YEAR ENDED 31st DECEMBER 2009

Statement of comprehensive income for the year ended 31 December 2009

In thousands of Malawi Kwacha

	<u>2009</u>	<u>2008</u>
Revenue	8,205,000	6,701,932
Direct operational costs	<u>(3,918,473)</u>	<u>(2,788,063)</u>
Gross profit	<u>4,286,527</u>	<u>3,913,869</u>
Other income	74,299	92,615
Selling and administration expenses	<u>(2,481,630)</u>	<u>(1,822,951)</u>
Results from operating activities	<u>1,879,196</u>	<u>2,183,533</u>
Finance income	59,082	42,200
Finance expenses	<u>(180,802)</u>	<u>(3,472)</u>
Net finance (expense) / income	<u>(121,720)</u>	<u>38,728</u>
Profit before income tax	1,757,476	2,222,261
Income tax expense	<u>(542,689)</u>	<u>(692,296)</u>
Profit for the year	<u>1,214,787</u>	<u>1,529,965</u>
Other comprehensive income	-	-
Total comprehensive income for the year	<u>1,214,787</u>	<u>1,529,965</u>
Movement in retained earnings		
Retained earnings brought forward	3,457,314	2,808,158
Profit for the period	1,214,787	1,529,965
Dividend declared	<u>(602,427)</u>	<u>(880,809)</u>
Retained earnings carried forward	<u>4,069,674</u>	<u>3,457,314</u>
MK:		
Basic earnings per share	<u><u>0.12</u></u>	<u><u>0.17</u></u>
Dividend per share	<u><u>0.06</u></u>	<u><u>0.10</u></u>
Number of ordinary shares in issue	<u><u>10,040,450</u></u>	<u><u>10,040,450</u></u>

Statement of financial position as at 31 December 2009

In thousands of Malawi Kwacha

	<u>2009</u>	<u>2008</u>
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	9,231,585	5,798,154
Intangible assets	<u>98,890</u>	<u>35,756</u>
Total non-current assets	<u>9,330,475</u>	<u>5,833,910</u>
CURRENT ASSETS		
Inventories	181,956	179,218
Trade and other receivables	1,565,062	1,073,998
Amounts due from related parties	8,216	7,112
Bank and cash balances	<u>642,042</u>	<u>1,534,366</u>
Total current assets	<u>2,397,276</u>	<u>2,794,694</u>
TOTAL ASSETS	<u>11,727,751</u>	<u>8,628,604</u>
CAPITAL AND LIABILITIES		
EQUITY		
Share capital	401,618	401,618
Share premium	2,346,921	2,346,921
Retained earnings	<u>4,069,674</u>	<u>3,457,314</u>
Total equity	<u>6,818,213</u>	<u>6,205,853</u>
NON-CURRENT LIABILITIES		
Deferred tax	434,456	284,892
Long term portion of interest bearing loans	427,523	-
Employee benefit liabilities	<u>106,892</u>	<u>70,118</u>
Total non- current liabilities	<u>968,871</u>	<u>355,010</u>
CURRENT LIABILITIES		
Trade and other payables	1,682,157	1,337,362
Deferred income	260,850	213,436
Dividend payable	200,809	200,809
Income tax liabilities	79,024	316,134
Current portion of interest bearing loans	14,742	-
Bank overdraft	<u>1,703,085</u>	<u>-</u>
Total current liabilities	<u>3,940,667</u>	<u>2,067,741</u>
Total liabilities	<u>4,909,538</u>	<u>2,422,751</u>
TOTAL EQUITY AND LIABILITIES	<u>11,727,751</u>	<u>8,628,604</u>

Statement of cash flows for the year ended 31 December 2009

In thousands of Malawi Kwacha

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Cash receipts from customers	7,786,733	6,541,323
Cash paid to suppliers and employees	<u>(4,998,190)</u>	<u>(3,684,702)</u>
Net cash generated from operations	<u>2,788,543</u>	<u>2,856,621</u>
Interest paid	(115,678)	(884)
Income tax paid	<u>(630,235)</u>	<u>(618,383)</u>
Net cash generated by operating activities	<u>2,042,630</u>	<u>2,237,354</u>
Cash flows to investing activities		
Interest received	59,082	42,201
Acquisition of property, plant and equipment	(4,459,951)	(3,300,033)
Purchase of software	(77,990)	(5,396)
Proceeds from disposal of property, plant and equipment	<u>982</u>	<u>9,563</u>
Net cash used in investment activities	<u>(4,477,877)</u>	<u>(3,253,665)</u>
Cash flows (to)/ from financing activities		
Proceeds from loans	442,265	-
Proceeds from issue of share capital	-	2,398,539
Dividends paid	<u>(602,427)</u>	<u>(680,000)</u>
Net cash (used in)/generated from financing activities	<u>(160,162)</u>	<u>1,718,539</u>
Net (decrease)/increase in cash and cash equivalents	(2,595,409)	702,228
Cash and cash equivalents at the beginning of the year	<u>1,534,366</u>	<u>832,138</u>
Cash and cash equivalents at the end of the year	<u>(1,061,043)</u>	<u>1,534,366</u>

Performance

The programme of network expansion, initiated in 2007, continued through 2009 with expenditure of MK4.4billion(2008:MK3.3billion) on new network elements. This included acquisition of a new switch to provide enhanced capacity and redundancy, commissioning of a further 77 BTS sites, roll out of GPRS/Edge, first to launch 3.5G services in the major cities of Blantyre and Lilongwe, electronic voucher distribution and several new value added offerings.

Investment in the network and related marketing initiatives has seen a 60% growth in subscriber base from 517,000, representing a 29% market share, to 828,000, representing a 33% market share. This translated into a 22%increase in revenues as, not unexpectedly, ARPU declined from US\$8.2 to US\$6.9 which remains healthy in comparison with peer markets.

EBITDA margin was also negatively impacted by the cost of mitigating persistent outages of power supply and a 50% increase in the cost of subsidizing low cost handsets to increase market penetration. Nevertheless, in absolute monetary terms, 2009 EBITDA was 6% higher than that achieved in 2008. However, an increase of MK440million in depreciation charge on the company's greatly enhanced fixed asset base and finance charges of MK115million on local borrowings has seen net profit decline from MK1.5billion in 2008 to MK1.2billion in 2009.

Outlook

The company will continue to invest in network quality, capacity and coverage thereby positioning itself to further grow its subscriber base. In line with our mission statement, we remain committed to connect the country and will roll out network to more areas. The 3.5G layer will be made available in more centres providing subscribers with higher speed data transfer and internet access.

We remain focused on increasing the subscriber base and retention and revenue maximization coupled with strategic cost control. Despite many challenges, principal among which is limited access to foreign exchange, the company is confident of delivering real growth in line with expected overall economic growth and an increase in national telephone penetration levels.

Dividends

Total dividends of MK 602.4 million (MK0.06 per share) will have been declared and paid for the period ending 31 December 2009 as follows:-

MK 200.8 million	2t per share was declared and paid in October 2009
MK 200.8 million	2t per share was declared in December 2009 and was paid in January 2010.
MK 200.8 million	2t to be declared at the upcoming AGM*

*The directors propose a final dividend of 2 tambala per share out of the profits of the company for the year ended 31 December 2009 for declaration at the forthcoming annual general meeting.

BY ORDER OF THE BOARD

Dr Matthews Chikaonda

Hitesh Anadkat

Chairman

Vice Chairman

Audit Opinion



Independent auditor's report to the members of Telekom Networks Malawi Limited.

We have audited the financial statements of Telekom Networks Malawi Limited (TNM) for the year ended 31 December 2009 from which the summarised financial statements were derived, in accordance with International Standards on Auditing. In our report dated 17 March 2009, we expressed an unqualified opinion on the financial statements from which the summarised financial statements were derived.

In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the financial statements from which they were derived.

For a better understanding of TNM's financial position and the results of its operations for the year and of the scope of our audit, the summarised financial statements should be read in conjunction with the financial statements from which these summarised financial statements were derived and our full audit report thereon.

Deloitte

Public Accountants
Blantyre, Malawi