

Results for the year ended 31 December 2015

REVIEW OF THE YEAR

The company achieved good subscriber and service revenue growth during 2015 which resulted in the continued margins and profitability levels. These achievements were supported by the successful expansion of the data network, increase in voice network coverage and cost management strategies.

A high inflation environment, high interest rates and the impact of volatile exchange rates on our significant foreign currency denominated expenditure continue to drive increased costs for the operation. While current levels of profitability are acceptable, they need to be maintained to sustain future investment in infrastructure expansion projects and upgrade of technology.

Despite the economic environment, the company has been successful with initiatives taken to improve its revenue streams and cost management projects, which resulted in an EBITDA margin of 35% in 2015 (36% in 2014). The net financing cost increased to MK 4,454 million (2014: MK 2,886 million) which includes foreign exchange losses of MK 1,496 million (2014: MK 420 million). The net profit after taxation for 2015, increased by 3% to MK 5,414 million from MK 5,243 million in 2014.

TNM invested in capex additions of MK 12,027 million in 2015 (2014: MK 11,968 million) which mainly consisted of the core network upgrades, 3G data network coverage expansion, Lake Shore network coverage expansion, and various other technology upgrade projects.

OUTLOOK

The company continues to pursue its strategy to become the preferred ICT company in Malawi and focus on customer experience. The macro economic environment is expected to remain challenging putting pressure on margins and service revenue and management will continue to pursue cost efficiencies to protect margins.

Dividends

Total Dividends of MK 3,012 million at MK 0.30 per share: (2014: MK 0.19 per share) are proposed for the period ended 31 December 2015:

MK 1,004 million	:	10t per share was declared in July 2015 and paid in August 2015.
MK 1,004 million	:	10t per share was declared in December 2015 and paid in January 2016.
MK 1,004 million	:	10t per share to be declared at the upcoming AGM*

*The Directors propose a final dividend of 10 (ten) Tambala per share out of the profits of the company for the year ended 31 December 2015, to be declared at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD

Mathews Chikaonda
Chairman

Douglas Stevenson
Chief Executive Officer

AUDIT OPINION

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

The accompanying summary financial statements, which comprise the summary statement of financial position as at December 31, 2015, the summary statement of comprehensive income and summary statement of cash flows for the year then ended, are derived from the audited financial statements of Telekom Networks Malawi Limited for the year ended December 31, 2015. We expressed an unmodified audit opinion on those financial statements in our report dated 24 March 2016. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the Malawi Companies Act, 1984. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Telekom Networks Malawi Limited.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary of the audited financial statements in accordance with the International Financial Reporting Standards and Malawi Stock Exchange Listing requirements.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

OPINION

In our opinion, the summary financial statements derived from the audited financial statements of Telekom Networks Malawi Limited for the year ended December 31, 2015 are consistent, in all material respects, with those financial statements, in accordance with the International Financial Reporting Standards and the Malawi Companies Act, 1984.

Deloitte
Public Accountants
Blantyre, Malawi

Its Great to be here

KEY ACHIEVEMENTS IN 2015

17% GROWTH
in subscriber base



CONTINUED
network quality improvement



LAKESHORE
Network Expansion Project of 27 additional sites.



NOW CLOSER
to the customers with 24 outlets countrywide.



VOTED BEST
call centre sector by the Chartered Institute of Customer Management.



INTERGRATION
of Burco into TNM Business Services.



KEY FINANCIAL HIGHLIGHTS

24%
growth in Service Revenue to
K 49,447
Million

21%
increase in EBITDA to
K 17,607
Million

EBITDA
Margin
35%

CAPEX
Investment Additions
K 12,027
Million

NET PROFIT
after Taxation
K 5,414
Million

ARPU
K 1,456

EARNINGS
per share
K 0.54

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 MK'mil	2014 MK'mil
Service revenue	49,447	40,018
Hardware and equipment revenue	650	499
Total revenue	50,097	40,517
Direct operational costs	(22,864)	(17,659)
Gross profit	27,233	22,858
Other income	1,241	780
Selling and administrative expenses	(10,867)	(9,070)
Earnings before interest, tax, depreciation and amortisation	17,607	14,568
Depreciation and Amortisation	(5,298)	(4,046)
Results from operating activities	12,309	10,522
Finance income	43	91
Finance expenses	(4,497)	(2,977)
Net finance expense	(4,454)	(2,886)
Profit before income tax	7,855	7,636
Income tax expense	(2,441)	(2,393)
Profit for the year	5,414	5,243
Other comprehensive income	-	-
Total comprehensive income for the year	5,414	5,243
EBITDA margin	35%	36%
EBITDA per share (MK)	1.75	1.45
Dividend paid per share (MK)	0.30	0.19
Earnings per share		
Basic & diluted earnings per share (MK)	0.54	0.52
Number of ordinary shares in issue (millions)	10,040	10,040

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	2015 MK'mil	2014 MK'mil
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	29,446	23,927
Intangible Assets	6,690	5,887
Deferred tax	62	-
Total Non-current Assets	36,198	29,814
CURRENT ASSETS		
Inventories	1,184	1,116
Trade and other receivables	8,002	4,962
Amount due from related companies	196	60
Bank and cash balances	746	3,655
Total Current Assets	10,128	9,793
TOTAL ASSETS	46,326	39,607
CAPITAL AND LIABILITIES		
EQUITY		
Share capital	402	402
Share premium	2,347	2,347
Retained earnings	12,902	10,500
Total Equity	15,651	13,249

NON-CURRENT LIABILITIES

Deferred tax	-	32
Long-term portion of interest bearing loans	5,000	278
Long-term portion of deferred payment facility	2,508	2,407

Total Non-current Liabilities 7,508 2,717

CURRENT LIABILITIES

Bank overdraft	5,329	4,543
Current portion of interest bearing loans	278	1,664
Current portion of deferred payment facility	4,509	2,229
Dividend payable	1,004	703
Deferred income	1,983	1,609
Trade and other payables	9,186	11,680
Amounts due to related parties	113	291
Income tax liabilities	765	922

Total Current Liabilities 23,167 23,641

Total Liabilities 30,675 26,358

TOTAL EQUITY AND LIABILITIES 46,326 39,607

STATEMENT OF CASHFLOWS

For the year ended 31 December 2015

	2015 MK'mil	2014 MK'mil
Cash flows from operating activities		
Cash receipts from customers	48,002	39,049
Cash payments to suppliers and employees	(36,061)	(17,779)
Net cash generated from operations	11,941	21,270
Interest paid	(3,000)	(2,557)
Income tax paid	(2,691)	(2,414)
Net cash generated from operating activities	6,250	16,299
Cash flows to investing activities		
Interest received	43	91
Acquisition of property, plant and equipment	(10,622)	(9,465)
Purchase of intangible assets	(1,405)	(4,739)
Proceeds from sale of property, plant and equipment	20	16
Net cash used in investing activities	(11,964)	(14,097)
Cash flows to financing activities		
Dividend paid	(2,711)	(1,506)
Repayments of loans	(1,664)	(1,439)
Proceeds from loans	5,000	180
Increase in deferred payment facility	1,394	4,250
Net cash used in financing activities	2,019	1,485
Net decrease in cash and cash equivalents	(3,695)	3,687
Cash and cash equivalents at beginning of year	(888)	(4,575)
Cash and cash equivalents at end of year	(4,583)	(888)
Additional statutory requirement		
(Decrease)/increase in net working capital	(808)	9,559