



Results for the year ended 31 December 2016

KEY ACHIEVEMENTS IN 2016

13% GROWTH
in subscriber base



LAUNCHED
4G LTE network



NOW CLOSER
to the customers with 25 outlets across the country, over 104 kiosks to serve customers countrywide.



WON (CFI.co)
best Mobile Operator Award - South Eastern Africa Region



ESTABLISHED
Enterprise Business Unit to support ICT growth and dedicated products for Enterprise Customers



KEY FINANCIAL HIGHLIGHTS

31%
growth in Service Revenue to

K 64,613
Million

31%
increase in EBITDA to

K 22,995
Million

EBITDA
Margin

35%

NEW
capital expenditure

K 9,176
Million

NET PROFIT
after Taxation

K 8,206
Million

ARPU

K 1,634

EARNINGS
per share

K 0.82

REVIEW OF THE YEAR

The company achieved good subscriber and service revenue growth during 2016 which resulted in sustained margins and profitability levels despite the challenging economic environment. These achievements were supported by the introduction of new consumer and business enterprise products, strong brand and well contained cost management strategies.

A high inflation environment, high interest rates and the impact of volatile exchange rates on our significant foreign currency denominated expenditure continued to drive increased costs for the operation. Although the current levels of profitability are encouraging, TNM requires a significant higher level of profitability to ensure the sustainability of future investment in infrastructure expansion projects and the upgrade of its technology, as well as further coverage expansion.

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 maintained at 35% in 2016 (2015: 35%). Net financing cost decreased to MK 4,250 million (2015: MK 4,454 million) which includes foreign exchange losses of MK 815 million (2015: MK 1,496 million). Net profit after taxation for 2016, increased by 52% to MK 8,206 million, from MK 5,414 million in 2015.

TNM invested in capital expenditure of MK 9,176 million in 2016 (2015: MK 12,028 million) which mainly consisted of 4G LTE technology, Lilongwe and Blantyre capacity and coverage expansion, fixed broadband and mobile broadband technology, and various other technology upgrade projects in the unified communications space.

OUTLOOK

The company continues to pursue its stated strategy to become the preferred ICT provider in Malawi through focus on improved customer experience and product innovation. 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 3,313 million at MK 0.33 per share: (2015 MK 0.30 per share) are proposed for the period ended 31 December 2016:

MK 1,004 million	:	10t per share was declared in June 2016 and paid in August 2016.
MK 1,004 million	:	10t per share was declared in December 2016 and paid in January 2017.
MK 1,305 million	:	13t per share to be declared at the upcoming AGM*

*The Directors propose a final dividend of 13 (Thirteen) Tambala per share out of the profits of the company for the year ended 31 December 2016, to be declared at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD

Mathews Chikaonda
Chairman

Douglas Stevenson
Chief Executive Officer

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS.

OPINION

The summary financial statements, which comprise the summary balance sheet as at December 31, 2016, the summary income statement, summary statement of changes in equity and summary cash flow statement for the year then ended, are derived from the audited financial statements of Telekom Networks Malawi Limited for the year ended December 31, 2016.

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

SUMMARY FINANCIAL STATEMENTS

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

THE AUDITED FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the audited financial statements in our report dated March 23, 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 financial statements of the current period.

MANAGEMENT'S RESPONSIBILITY FOR THE SUMMARY FINANCIAL STATEMENTS

Management is responsible for the preparation of the summary financial statements in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards and the Malawi Stock Exchange Listing requirements and for such internal control as the directors determine is necessary to enable the preparation of the summarised 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 financial statements are consistent, in all material respects, with the audited 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, Blantyre, Malawi

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 MK'mil	2015 MK'mil
Service Revenue	64,613	49,447
Hardware and Equipment Revenue	940	650
Total Revenue	65,553	50,097
Direct Operational Costs	(31,476)	(22,865)
Gross profit	34,077	27,232
Other Income	1,846	1,241
Selling and administrative expenses	(12,928)	(10,867)
Earnings before interest, tax, depreciation and amortisation	22,995	17,606
Depreciation and Amortisation	(6,687)	(5,297)
Results from operating activities	16,308	12,309
Finance Income	42	43
Finance expenses	(4,292)	(4,497)
Net finance expense	(4,250)	(4,454)
Profit before income tax	12,058	7,855
Income tax expense	(3,852)	(2,441)
Profit for the year	8,206	5,414
Other comprehensive income	-	-
Total comprehensive income for the year	8,206	5,414
EBITDA margin	35%	35%
EBITDA per share (MK)	2.29	1.75
Dividend paid per share (MK)	0.30	0.30
Earnings per share		
Basic earnings per share (MK)	0.82	0.54
Number of ordinary shares in issue (millions)	10,040	10,040

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	2016 MK'mil	2015 MK'mil
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	32,004	29,446
Intangible Assets	6,476	6,690
Deferred Tax	105	62
Total Non-current Assets	38,585	36,198
CURRENT ASSETS		
Inventories	2,352	1,184
Trade and other receivables	6,473	8,002
Amount due from related companies	275	196
Bank and cash balances	1,886	746
Total Current Assets	10,986	10,128
TOTAL ASSETS	49,571	46,326
CAPITAL AND LIABILITIES		
EQUITY		
Share capital	402	402
Share premium	2,347	2,347

Retained earnings	18,096	12,902
Total Equity	20,845	15,651
NON-CURRENT LIABILITIES		
Long-term portion of interest bearing loans	5,000	5,000
Long-term portion of deferred payment facility	1,449	2,508
Total Non-current Liabilities	6,449	7,508
CURRENT LIABILITIES		
Bank overdraft	4,029	5,329
Current portion of interest bearing loans	-	278
Current portion of deferred payment facility	3,862	4,509
Dividend payable	1,004	1,004
Deferred income	1,402	1,983
Trade and other payables	10,292	9,186
Amounts due to related parties	18	113
Income tax liabilities	1,670	765
Total Current Liabilities	22,277	23,167
Total Liabilities	28,726	30,675
TOTAL EQUITY AND LIABILITIES	49,571	46,326

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 MK'mil	2015 MK'mil
Cash flows from operating activities		
Cash receipts from customers	68,186	48,002
Cash payments to suppliers and employees	(45,261)	(36,061)
Net cash generated from operations	22,925	11,941
Interest paid	(3,477)	(3,000)
Income tax paid	(2,988)	(2,691)
Net cash generated by operating activities	16,460	6,250
Cash flows to investing activities		
Interest received	42	43
Acquisition of property, plant and equipment	(8,213)	(10,622)
Purchase of intangible assets	(963)	(1,406)
Proceeds from sale of property, plant and equipment	109	21
Net cash used in investing activities	(9,025)	(11,964)
Cash flows to financing activities		
Dividend paid	(3,012)	(2,711)
Repayments of loans	(278)	(1,664)
Proceeds from loans	-	5,000
Proceeds from deferred payment facility	3,235	3,989
Repayment of deferred payment facility	(4,941)	(2,595)
Net cash used in financing activities	(4,996)	2,019
Net increase/(decrease) in cash and cash equivalents	2,439	(3,695)
Cash and cash equivalents at beginning of year	(4,583)	(888)
Cash and cash equivalents at end of year	(2,144)	(4,583)
Additional statutory requirement		
Increase in net working capital	1,748	808