

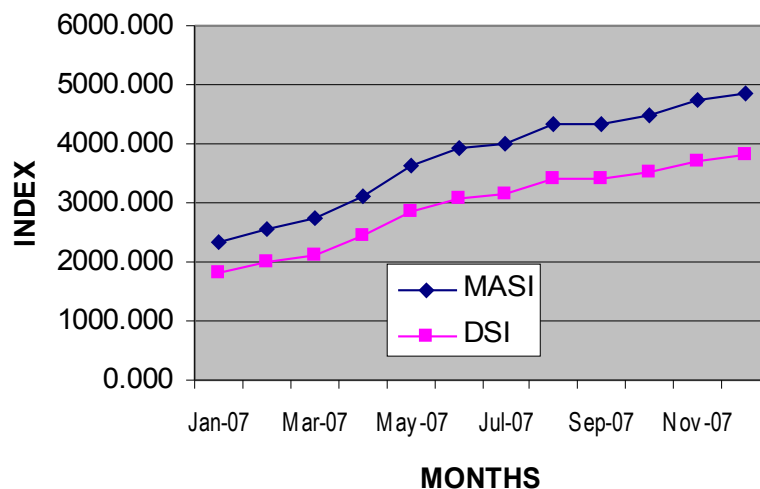


MALAWI STOCK EXCHANGE

ANNUAL MARKET PERFORMANCE REVIEW

2007

**MALAWI ALL SHARE INDEX & DOMESTIC SHARE
INDEX - 2007**



MALAWI STOCK EXCHANGE

**OLD RESERVE BANK BUILDING, VICTORIA AVENUE
PRIVATE BAG 270
BLANTYRE**

TEL. (265) 01 824 233

FAX. (265) 01 823 636

E-mail. mse@mse-mw.com

WEBSITE. www.mse.co.mw

MALAWI STOCK EXCHANGE LIMITED

ANNUAL MARKET PERFORMANCE REVIEW FOR 1st JAN. TO 31st DEC. 2007

1.0 INTRODUCTION

1.1 This report reviews and analyses the performance of the stock market during the period from 1st January to 31st December 2007. The report also discusses the country's economic position during the review period and how this has impacted on the general performance of the stock market.

1.2 Key data of the market is as follows:

YEAR –TO-DATE INDEX LEVEL AND RETURN				
	INDEX LEVEL	YEAR –TO-DATE INDEX RETURN		
		LOCAL CURRENCY		US DOLLAR
MA SI*	4849.79	109.89 %		107.70 %
DSI**	3823.49	112.35 %		110.96 %
TOP FOUR CAPITAL GAINERS IN 2007				
COUNTER	NITL	MPICO	STANDARD BNK	NICO
CAPITAL GAIN %	172.73	166.67	133.96	119.18
TOP THREE TRADED COUNTERS BY VOLUME IN 2007				
COUNTER	MPICO	FMB		NBS
% TRADED	28.70	19.08		12.47
TOP THREE TRADED COUNTERS BY VALUE IN 2007				
COUNTER	ILLOVO	PCL		NBM
% TRADED	21.96	17.27		13.44

* Malawi All Share Index ** Domestic Share Index

2.0 MARKET PERFORMANCE

2.1 Trade Performance Statistics

2007 was another year of strong growth for the counters at the Malawi Stock Exchange. The period 1st January to 31st December, 2007 registered a total of 359,521,093 shares transacted for a total turnover of MK5,178.34 million (US\$36.996 million) in 2,610 deals. In 2006, the market transacted a total of 160,567,440 shares at a total turnover of MK1,962.33 million (US\$14.302 million) in 712 deals. This reflects an increase by volume of 123.91 percent and by 163.85 percent in terms of share value. In comparison to 2005, the market trading position increased by 483.97 percent in terms of share volume from a total of 61,564,967 shares, and by

464.21 percent in terms of share value from turnover of MK917.81m (US\$7.59 m).

The highest sales in terms of share volume were transacted in the month of November 2007 with 100,985,958 shares while in terms of value the highest sales were recorded in the month of December with a total consideration of MK855.713 million (US\$6.109 m). The least share sales were registered in April 2007 with 10,297,251 shares at a total turnover of MK169.031million (US\$1.207m).

TABLE 1: TRADING SUMMARY FOR 1st JAN. – 31st DECEMBER 2007

MARKET STATISTICS: THE YEAR 2007				
WEEK	TRADES	VOLUME of	TURNOVER	TURNOVER
Ended		Shares	MKm	US\$m
Jan-07	92	12,282,391	170.1833	1.220
Feb-07	165	16,549,644	211.4258	1.517
Mar-07	196	39,839,846	779.2214	5.583
Apr-07	179	10,297,251	169.0312	1.207
May-07	197	16,326,223	220.8492	1.573
Jun-07	242	34,727,638	408.7478	2.909
Jul-07	254	31,792,106	348.4020	2.477
Aug-07	299	22,219,424	251.0755	1.787
Sep-07	210	21,038,006	436.9099	3.125
Oct-07	219	23,513,152	571.9920	4.092
Nov-07	303	100,985,958	754.7850	5.398
Dec-07	254	29,949,454	855.7130	6.109
2007	2610	359,521,093	5,178.336	36.996
2006	712	160,567,440	1,962.60	14.302
2005	480	61,564,967	917.81	7.59
% Δ 06-07	266.57	123.91	113.84	158.68
% Δ 05-07	443.75	483.97	193.32	387.18

2.2 Market Capitalisation and Index

At the beginning of 2007, total market capitalization was MK84,623.26 million (US\$607.14m). This increased to MK181,399.98 million (US\$1,292.94m) as at 31st December 2007 reflecting a growth by 115.20 percent in Malawi Kwacha and 89.86 percent in US Dollar terms. The increase in the market capitalization was due to an increase in the share prices of most of the traded stocks coupled with the listing of NBS Bank and Malawi Property Investment Company Limited (MPIC) during the year.

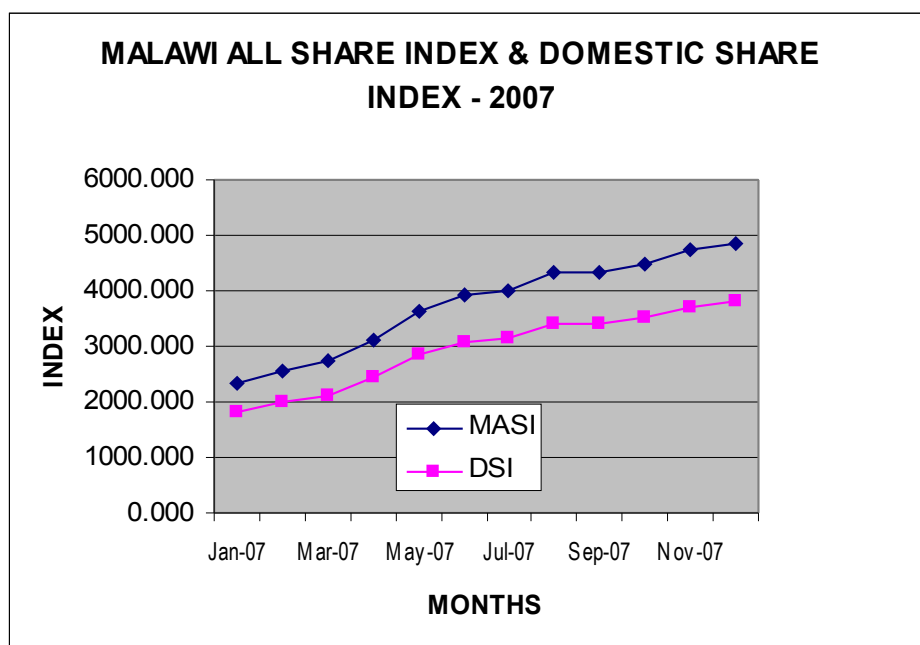
The listing of the two counters and the continued reduction in interest rates in the money market generated a shift of funds to the stock market as most counters exhibited competitive yields over money markets yields.

Table 2: Market Capitalization and Index

MARKET CAPITALISATION AND INDEX : THE YEAR 2007					
WEEK	MKT. CAP	MKT. CAP	MKT. CAP	MKT. CAP	MSE
Ended	MKm	MKm*	US\$m	US\$m*	Index
Jan-07	1,590,304.68	84,6 23.26	11,409.8 239	607.1 393	2319.660
Feb-07	1,681,655.61	93,8 26.93	12,072.4 554	673.5 751	2571.940
Mar-07	1,687,144.69	99,3 16.01	12,079.3 942	711.0 695	2722.410
Apr-07	1,701,577.02	101,5 31.12	12,110.2 996	722.6 075	3118.020
May-07	1,720,646.13	132,8 17.44	12,264.0 319	946.6 661	3640.730
Jun-07	1,731,770.66	143,9 41.97	12,313.1 412	1,023.4 483	3908.860
Jul-07	1,735,359.10	147,5 30.42	12,305.3 732	1,046.1 332	4006.300
Aug-07	1,746,910.33	159,0 81.65	12,493.7 623	1,137.7 392	4319.990
Sep-07	1,747,377.83	159,5 49.15	12,499.3 407	1,141.2 867	4332.680
Oct-07	1,748,885.64	161,0 56.96	12,510.2 874	1,152.0 873	4464.340
Nov-07	1,764,462.77	176,6 34.09	12,609.3 219	1,262.2 744	4722.370
Dec-07	1,769,228.67	181,3 99.98	12,610.2 986	1,292.9 408	4849.790
2007	1,769,228.67	181,399.98	12,610.2986	1,292.9408	48449.79
2006	1,672,124.20	84,295.52	13,508.7744	681.0075	2310.670
2005	1,120,358.45	29,921.88	9,051.1635	241.7332	906.85
% Δ 06-07	5.81	115.20	-6.65	89.86	109.89
% Δ 05-07	57.92	506.25	39.32	434.86	434.80

* Excludes non-Malawi register Old Mutual plc shares

During the year under review, the market exhibited outstanding performance in terms of returns on index in Kwacha as well as in US Dollar terms. The Malawi All Share Index (MASI), the barometer that measures the average price movement of all counters at the Exchange increased from 2319.66 points registered in the month of January to 4849.79 points registered as at 31st December, 2007 giving a return on Index of 109.89 percent. (107.70% in US\$ terms).



The Domestic Share Index (DSI) that measures the average price movement of only domestic counters yielded a return on Index of 112.35 percent (110.96% in US\$ terms) from 1800.57 points to 3823.49 points during the same corresponding review period of 1st January to 31st December 2007. This stock market return on Index gives a comparatively competitive edge over the prevailing interest rates in the money market, which moved downward during the review period by closing the year at an average yield of 9.0% per annum.

2.3 Market Liquidity

The turnover velocity, an indicator of the liquidity of assets traded on the market as measured by the ratio of Total Value of Trades to Market Capitalization (**TVT/MCAP***), was recorded at 2.85 percent in the year under review compared to 2.32 percent recorded in 2006.

The ratio of Market Capitalisation to Gross Domestic Product (**MCAP*/GDP**) recorded liquidity level of 48.65 percent in the review period while in the previous year 2006, the liquidity was at 35.47 percent. The increase in liquidity levels was as a result of share price increases of the traded counters in the review period compared to last year's prices. The ratio of Shares Traded to Shares in Issue, the market recorded a liquidity ratio of 5.15% compared to 3.0% recorded in 2006. This was due to large share trading volumes in the year under review compared to 2006.

Table 3: Market Liquidity

MARKET LIQUIDITY : THE YEAR 2007					
WEEK	Mkt. Cap/GDP	Mkt. Cap/GDP*	TVT/Mkt. Cap	TVT/Mkt. Cap*	Shares Traded/ Shares
Ended	%	%	%	%	In Issue* %
Jan-07	426.47	22.693	0.01070	0.2011	0.229782
Feb-07	450.97	25.161	0.01257	0.2253	0.309614
Mar-07	452.44	26.633	0.04619	0.7846	0.745332
Apr-07	456.31	27.227	0.00993	0.1665	0.192643
May-07	461.42	35.617	0.01284	0.1663	0.305434
Jun-07	464.41	38.601	0.02360	0.2840	0.594796
Jul-07	465.37	39.563	0.02008	0.2362	0.544518
Aug-07	468.47	42.661	0.01437	0.1578	0.380562
Sep-07	468.59	42.786	0.02500	0.2738	0.360328
Oct-07	469.00	43.190	0.03271	0.3551	0.402720
Nov-07	473.17	47.368	0.04278	0.4273	1.445216
Dec-07	474.45	48.646	0.04837	0.4717	0.428608
2007	474.45	48.646	0.29269	2.8547	5.145128
2006	703.65	35.473	0.11737	2.3282	3.0039
2005	551.01	14.716	0.0819	3.0673	2.1302

2.4 Company Trading Performance

The market recorded trading activity on all counters during the year 2007. MPICO registered the biggest trading volume of 103,194,734 shares representing 28.70 percent of the total volume of shares traded. In terms of share value, ILLOVO registered the highest trade value of MK1,136,971,619.00, representing 30.0 percent.

The highest capital gainer through a share price rise of 172.73 percent during the period under review was NITL from an opening price of MK8.80 to close at MK24.00 per share. Second was MPICO by 166.67 percent from an opening price of MK2.25 to a closing price of MK6.00 per share. Other price gainers were Standard Bank (133.96 %), NICO (119.18%), SUNBIRD (114.29%), ILLOVO (110.00 %), PCL (107.07 %), NBM (100.0 %), FMB (82.22%), NBS (80.00%), PIM (17.65%) and BHL (13.33%). OML was steady during the review period.

The counter-by-counter capital gains analysis during the year under review shows that stock market investment gave better long-term returns compared to money market investment where rates dramatically declined to below 9.0%.

Table 4: COMPANY TRADING STATISTICS

COMPANY TRADING STATISTICS :THE YEAR 2007						
Company	Opening Price	Closing Price	Change in Price	% Price Change	Share Vol. Trade	% Traded
BHL	3.00	3.40	0.40	13.33	100,100	0.03
FMB	4.50	8.20	3.70	82.22	68,593,899	19.08
ILLOVO	50.00	105.00	55.00	110.00	16,424,859	4.57
MPICO	2.25	6.00	3.75	166.67	103,194,734	28.70
NBM	30.00	60.00	30.00	100.00	14,156,706	3.94
NBS	2.60	4.50	1.90	73.08	44,826,382	12.47
NICO	3.65	8.00	4.35	119.18	43,149,930	12.00
NITL	8.80	24.00	15.20	172.73	31,939,062	8.88
PCL	99.00	205.00	106.00	107.07	4,948,635	1.38
PIM	4.25	5.00	0.75	17.65	1,131,454	0.31
STANDARD BANK	26.50	62.00	35.50	133.96	6,857,325	1.91
SUNBIRD	3.50	7.50	4.00	114.29	24,062,557	6.69
OML	415	415.00	0.00	0.00	135,450	0.04
					359,521,093	100.000

3.0 MARKET DEVELOPMENT

- 3.1 On 25th June 2007, the Malawi Stock Exchange listed the twelfth counter; NBS Bank Limited (NBS). The Bank offered 141,333,000 shares to public at an offer price of K2.60 per share. The offer was oversubscribed 9 times with 11,304 applications. The share price increased from an opening of K2.60 to K5.20 per share at the close of the first week of trading.
- 3.2 Malawi Property Investment Company Limited, the 13th counter on the bourse was admitted on the MSE main board on 12th November 2007. The offer was over subscribed 5.3 times. The share price increased from an opening of K2.25 to close at K5.75 per share at end of the first week of trading.
- 3.3 In the last quarter of 2007, the Malawi Stock Exchange launched the second tier market to accommodate medium and venture capital companies.

4.0 ECONOMIC POSITION

4.1 Inflation Rates

The year on year headline inflation for the year ending November 2007 was at 7.4% down from 9.6% registered in the month of January 2007. The decrease was largely associated with a decrease in the food index attributable to a good harvest during the review period. Coupled with fiscal discipline, government expenditure has been contained within meaningful levels and this has contributed to containing inflation during 2007. The year-on-year annual rate of inflation is estimated to end the year at slightly below 10.0 %.

4.2 Exchange Rates

The Kwacha firmed against the US Dollar as it marginally depreciated by 1.38 percent against the Dollar during the review period of January to December 2007 from its trading position of MK138.3803/US\$ to MK140.3161/US\$. Against the British Pound Sterling the Kwacha depreciated by 3.71 percent to close the year at MK285.8299/GBP from an opening position of MK275.2393. Against the South African Rand the Kwacha depreciated by 4.94 percent from MK20.1778/ZAR to MK21.2264/ZAR. The Kwacha though experienced some downward slides during the year it was generally stable on the back of donor inflows and debt cancellation by the World Bank. This brought some level of investor confidence from both local and international investors.

The Malawi Kwacha during the year under review from 1st January, 2007 to 31st December 2007, moved in value as follows: -

TABLE 5: EXCHANGE RATES: 1st JAN – 31st DEC 2007

CURRENCY	1 st January'07	31 st December'07	% CHANGE
MK/US Dollar	138.3803	140.3161	-1.3796
MK/GBP	275.2393	285.8299	-3.7052
MK/ZAR	20.1778	21.2264	-4.9401
MK/EUR	183.5230	208.3597	-11.9201

4.3 Interest Rates

End of period (January to December 2007) RBM Bill Rates, TB Rates and commercial bank's prime rates were as follows:-

Table 6: RBM, TB Commercial Banks' Prime Rates and Inflation Rates

RBM BILLS				
TENOR	January'06	December'06	January'07	December'07
63 Days	24.22	15.79	15.77	8.00
91 Days	24.21	15.71	15.71	8.48
TREASURY BILLS				
91 Days	24.45	17.14	17.08	10.16
182 Days	24.37	17.01	17.10	9.43
273 Days	24.26	17.35	17.30	9.81
RBM and COMMERCIAL BANKS LENDING RATES				
RBM Discount Rates	25.0	20.0	20.0	15.0
Prime Rates	27.0	22.5	22.5	21.0
Inflation Rate	16.7	10.1	16.7	7.4 (Nov.)