



# Botswana Telecommunications Corporation Limited

## ABRIDGED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

The Board of Directors of Botswana Telecommunications Corporation ("BTC") has the pleasure in announcing the abridged unaudited financial results for the six months ended 30 September 2019.

### HIGHLIGHTS:

Half Year	Revenue	EBITDA	Profit for the Period	Dividend	Total Assets	Total Costs
<b>2019</b>	<b>P719m</b> ↑ 4%	<b>P199m</b> ↑ 21%	<b>P83m</b> ↓ 3%	<b>3.57 thebe per share</b>	<b>P2.6b</b> ↑ 8%	<b>P618m</b> ↑ 4%
<b>2018</b>	<b>P694m</b>	<b>P165m</b>	<b>P86m</b>		<b>P2.4b</b>	<b>P597m</b>

### COMMENTARY

#### Our Business

Botswana Telecommunications Corporation Limited (BTC) is a Botswana Stock Exchange listed telecommunication solutions provider offering both fixed and mobile services (voice & broadband) to consumers, enterprises and other internet service providers.

#### Review of Results

The interim financial statements of the Company for the six months' period ended 30 September 2019 were authorised for issue by the Board of Directors on 17 December 2019.

#### Economic Environment

During the period under review the local economy remained resilient in the first few months rising by 4.3% year on year in the first quarter of 2019. Despite the promising start to the year, real GDP growth slowed down to 3.9% this year from 4.5% in 2018 as both the mining and non-mining sectors experienced a more challenging environment. Key risks to growth included a weaker global environment and continued US-China trade tensions. Household expenditure makes almost half of the country's GDP and was expected to increase slightly above GDP growth levels in the forecast horizon.

#### Performance Overview

The Company recorded a 4% increase in total revenues translating to P719m in comparison to P694m in the prior half year. The positive trend in revenue was due to an increase in data revenues from both Fixed and Mobile Businesses. Fixed voice revenue continues to hold strong whilst the mobile voice revenue stream continues to be under pressure due to a shift in consumption patterns as customers shift spend to low-margin over the top (OTT) voice products. The mobile broadband revenue line shows a positive trend due to increased demand for BTC mobile broadband services. The new Mobile Financial Service offering (SMEGA) was re-launched during the period and is showing significant growth.

Total costs increased by 4% to P641m from P619m in September 2018 due to an increase in depreciation expenses as a result of overall transformation efforts to position the Company for sustainable growth through investments in network technology, modernization of the IT Enterprise systems, roll-out of relevant and impactful products as well as instilling a high performance culture which started in the previous year and continued into the year under review.

Earnings Before Interest Tax, Depreciation and Amortisation (EBITDA) increased by 21% from P165m to P199m. Profit for the period after tax was P83m, declining by 3% from the P86m earned in the prior year.

Non-current assets increased by 20% due to adoption of IFRS 16 and continued rollout of capital projects.

As a result of the expansion of our 4G (LTE) network, BTC has the widest coverage with more than 400 sites covering economically viable parts of Botswana delivering mobile data speeds of up to 100Mbps. The Company saw an increase in smart phone penetration on the network as customers continue to switch from feature and basic phones to our affordable 4G enabled devices in line with our mobile device strategy. The overall mobile subscriber base increased to circa 80k.

As part of the digitalisation program, BTC commercially launched the Data Centre and will continue to launch more cloud-based services for our Enterprise customers. We also saw an increased uptake of our VSAT and FTTX - based services. BTC now offers 4, 20, 50 and 100 Mbps internet based on our FTTX investment. The VSAT service offers improved geographical reach and is capable of delivering high speed and affordable internet connectivity of up to 50 Mbps anywhere in Botswana. These services have improved service quality and customer experience and BTC has seen an increase in customer retention. BTC will continue to intensify its efforts in the overall improvement of customer experience.

BTC has also introduced new digital services as a way to drive customer experience, through its online platform, enabling customers to directly apply for our broadband services seamlessly online. BTC has also introduced a mobile app that enables customers to check their balances, buy new services and pay their bills, as well as through SMEGA.

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019	Unaudited Sep 2019 P '000	Unaudited Sep 2018 P '000	Audited Mar 2019 P '000
Revenue from contracts with customers	719,033	693,697	1,448,224
Cost of services and goods sold	(300,451)	(266,578)	(576,353)
<b>Gross Profit</b>	<b>418,582</b>	<b>427,119</b>	<b>871,871</b>
Interest income	5,427	10,694	17,606
Interest expense	(4,855)	-	-
Other income	17,193	19,914	29,903
Selling and distribution costs	(11,520)	(15,480)	(37,332)
Administrative expenses	(207,805)	(209,218)	(422,893)
Other expenses	(115,915)	(125,982)	(262,443)
<b>Profit before tax</b>	<b>101,107</b>	<b>107,047</b>	<b>196,712</b>
Income tax expense	(17,741)	(21,455)	(34,652)
<b>Profit for the period</b>	<b>83,366</b>	<b>85,592</b>	<b>162,060</b>
Basic and diluted earnings per share (thebe)	7.94	8.15	15.43

### STATEMENT OF FINANCIAL POSITION

As at 30 September 2019	Unaudited Sep 2019 P '000	Unaudited Sep 2018 P '000	Audited Mar 2019 P '000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	1,505,729	1,459,595	1,590,979
Intangible assets	201,400	58,838	153,715
Right of use assets	140,526	-	-
Deferred tax assets	18,494	41,927	27,502
	<b>1,866,149</b>	<b>1,560,360</b>	<b>1,772,196</b>
<b>Current assets</b>			
Inventories	51,916	66,087	54,594
Trade and other receivables	468,783	364,839	409,280
Contract assets	24,413	-	21,940
Income tax receivable	5,663	9,419	12,013
Cash and cash equivalents	172,491	371,758	305,456
	<b>723,266</b>	<b>812,103</b>	<b>803,283</b>
<b>TOTAL ASSETS</b>	<b>2,589,415</b>	<b>2,372,463</b>	<b>2,575,479</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Stated Capital	478,892	478,892	478,892
Revaluation reserve	330,997	352,843	340,683
Accumulated profits	1,294,280	1,211,247	1,261,392
	<b>2,104,169</b>	<b>2,042,982</b>	<b>2,080,967</b>
<b>Non - Current Liabilities</b>			
Development grants	58,163	72,673	58,368
Lease liabilities	130,052	-	-
Employee related provisions	25,510	35,448	36,951
	<b>213,725</b>	<b>108,121</b>	<b>95,319</b>
<b>Current Liabilities</b>			
Trade and other payables	191,726	171,880	322,053
Contract liabilities	25,662	-	20,030
Current portion of development grants	14,931	19,635	29,657
Current portion of lease liabilities	13,420	-	-
Current portion of employee related provisions	25,781	29,845	27,453
	<b>271,520</b>	<b>221,360</b>	<b>399,193</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,589,415</b>	<b>2,372,463</b>	<b>2,575,479</b>

### Performance Overview (Continued)

As part of our cultural transformation programme, BTC continued to make strides in building a strong and capable leadership supported by a robust Talent Management and Succession Plan. The Company continues to roll out behavioral change programmes to improve work culture and productivity levels.

### Corporate Social Responsibility

The Company remains committed to its social responsibility to the community, which it performs through the BTC Foundation. The Foundation has independent Trustees who ensure that a wide spectrum of sustainable social, ethical, environmental, cultural and economic activities are prudently assessed and funded. The Foundation provides the opportunity for greater involvement and cooperation with the community within which the Company operates.

### Outlook

Looking ahead BTC will continue to focus on commercialising the significant investment that was made on networks (both mobile and fixed) and IT infrastructure to position the Company to deliver unparalleled customer experience and position the Company for sustainable growth. To improve profitability margins, the Company will focus more on improving efficiencies in the areas of transmission, billing systems convergence, the consolidation of support contracts and the introduction of digital channels to enable customers to do self-service. The Company will also continue to focus on its customer service strategy to improve the turnaround times for installations and repairs thus improving customer service.

### STATEMENT OF CASHFLOWS

For the six months ended 30 September 2019	Unaudited Sep 2019 P '000	Unaudited Sep 2018 P '000	Audited Mar 2019 P '000
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	2,961	148,441	426,111
Ordinary dividend paid to shareholders	(59,166)	(93,768)	(138,303)
Net income tax paid	(1,543)	(23,347)	(23,348)
Net cash from operating activities	<b>(57,748)</b>	<b>31,326</b>	<b>264,460</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	(2,061)	(118,200)	(321,846)
Purchase of intangible assets	(63,462)	(421)	(106,478)
Proceeds from disposal of property, plant and equipment	2,582	460	335
Interest income received	6,284	10,694	18,133
Net cash used in investing activities	<b>(56,657)</b>	<b>(107,467)</b>	<b>(409,856)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Grants received	-	2,865	2,865
Repayment of lease liabilities	(16,329)	-	-
Net cash from financing activities	<b>(16,329)</b>	<b>2,865</b>	<b>2,865</b>
Decrease in cash and cash equivalents	(130,734)	(73,276)	(142,531)
Net foreign exchange difference on cash and cash equivalents	(2,231)	(5,040)	(2,087)
Cash and cash equivalents at beginning of the year	305,456	450,074	450,074
<b>Cash and Cash equivalent at the end of the period</b>	<b>172,491</b>	<b>371,758</b>	<b>305,456</b>

### STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019	Stated Share Capital P '000	Revaluation Reserve P '000	Accumulated Profits P '000	Total P '000
<b>Balance at 31 March 2018</b>	<b>478,892</b>	<b>360,056</b>	<b>1,223,715</b>	<b>2,062,663</b>
IFRS 15 adoption adjustment	-	-	(1,279)	(1,279)
IFRS 9 adoption adjustment	-	-	(3,562)	(3,562)
<b>Balance at 31 March 2018 (restated)</b>	<b>478,892</b>	<b>360,056</b>	<b>1,218,874</b>	<b>2,057,822</b>
Profit for the year	-	-	162,060	162,060
<b>Total /Other Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>162,060</b>	<b>162,060</b>
Ordinary dividend declared	-	-	(138,915)	(138,915)
Depreciation transfer for land and buildings	-	(19,373)	19,373	-
<b>Balance at 31 March 2019</b>	<b>478,892</b>	<b>340,683</b>	<b>1,261,392</b>	<b>2,080,967</b>
Profit for the period	-	-	83,366	83,366
<b>Total /Other Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>83,366</b>	<b>83,366</b>
Ordinary dividend declared	-	-	(60,165)	(60,165)
Depreciation transfer for land and buildings	-	(9,687)	9,687	-
<b>Balance at 30 September 2019</b>	<b>478,892</b>	<b>330,997</b>	<b>1,294,281</b>	<b>2,104,169</b>

### Presentation of Interim Financial Statements

The interim financial statements are presented in Botswana Pula (BWP) which is the Company's functional currency.

### Basis of Preparation and Accounting Policies

The interim financial statements have been prepared on a historical cost basis, except as modified by the measurement of certain financial instruments at fair value and the revaluation of certain assets, and on the going concern basis.

The accounting policies adopted for the period comply in all material respects with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), interpretations issued by the International Financial Reporting Standard Interpretations Committee and in the manner required by the Companies Act of Botswana (CAP 42:01). These policies are consistent with those applied for the year ended 31 March 2019 except for the new accounting policies adopted by the Company on leases as necessitated by the changes emanating from IFRS 16.

### Capital Management and Solvency

The Company remains well positioned in terms of capital management and solvency. This was taken into consideration by the Board when resolving the interim dividend. The Board has confidence in the Company's ability to maintain liquidity levels and capital position which remain solid and aligned with the Company's future capital requirements.

### Dividend Declaration

The BTC Board has approved an interim dividend of 3.57 thebe per share. The dividend is payable to all shareholders registered in the books of the Company at the close of business on 11 February 2020. The ex-dividend date will be 7 February 2020. The dividend will be paid net of applicable withholding taxes under the Botswana Income Tax Act on or before 14 February 2020.

### Unclaimed Dividends

The Directors wish to bring notice to shareholders that there are certain amounts of unclaimed dividends in the Company records. Shareholders are reminded to contact the Transfer Secretaries to claim their outstanding dividends.

### By Order of The Board

#### Lorato Boakgomo-Ntakhwana

Chairperson

#### Anthony Masunga

Managing Director

### Board of Directors

Lorato Boakgomo-Ntakhwana (Chairperson), Anthony Masunga (Managing Director), Serty Leburu, Maclean Letshwiti, Andrew Johnson\*, Ranjith Priyalal De Silva\*\*, Choice Pitso, Thari Pheko and Bafana Molomo.

\*South African \*\*Sri Lankan

### Company Secretary

Sidney Mganga

### Company Registration Number

C02012/12936

### Transfer Secretaries

Central Securities Depository Company of Botswana

Plot 70667, Fairscape Precinct

4th Floor, Fairgrounds, Gaborone

Private Bag 00417, Gaborone

Contact Details:

3674400/ 09/11/12

Contact Person: Nonofa Phalatsor or Amrosia Khupe

### Auditor

Ernst & Young

Plot 22, Khama Crescent

P.O. Box 41015

Gaborone, Botswana

### Registered Office

Megaleng House

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