

Results for the year ended 31 December 2018

PERFORMANCE

Ongoing initiatives to improve revenue streams and manage costs continued to positively impact performance during the year. The company improved its EBITDA margin to 40% in 2018 (2017: 37%). Net financing cost increased to MK 2,914 million (2017: MK 2,810 million). Net profit after taxation for 2018, increased by 27% to MK 16,666 million, from MK 13,108 million in 2017.

Investment in capital projects totaled MK 19,318 million in 2018 (2017: MK 19,037 million) which mainly consisted of 4G mobile technology (LTE) expansions, network quality improvement, new coverage sites across the country and the replacement of the mobile money platform. LTE technology positions the company as a leading ICT provider, employing leading edge technology to offer world class mobile and fixed broadband services.

Outlook

The company continues to pursue its strategy to become the preferred ICT provider in Malawi through focus on improved customer experience and product innovation. Management will continue to pursue cost efficiencies to protect margins and profitability.

Dividends

Total Dividends of **MK 7,530 million** equivalent to **MK 0.75 per share**: (2017 MK 0.60 per share) are proposed for the period ended **31 December 2018**:

MK 2,510 million	: 25t per share was declared in June 2018 and paid in September 2018.
MK 2,510 million	: 25t per share was declared in December 2018 and paid in January 2019.
MK 2,510 million	: 25t per share to be declared at the upcoming AGM*

*The Directors propose a final dividend of 25 (twenty five) Tambala per share out of the profits of the company for the year ended **31 December 2018**, to be declared at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD

George Partridge
Chairman

John M. O' Neill
Chairman Board Audit Committee

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS TO THE MEMBERS OF TELEKOM NETWORKS MALAWI PLC

Opinion

The summary financial statements, which comprise the summary statement of financial position as at 31 December 2018, the summary statement of comprehensive income, summary statement of changes in equity and summary statement of cash flows for the year then ended and related notes, are derived from the audited financial statements of Telekom Networks Malawi plc for the year ended 31 December 2018.

In our opinion, the accompanying summary financial statements are consistent in all material respects, with the audited financial statements, and the basis described in Note 1 to the summary financial statements.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. 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 9 April, 2019. That report also includes the communication of 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 year.

Directors' Responsibility for the Summary Financial Statements

The directors are responsible for the preparation of the summary financial statements in accordance with the basis described in Note 1 to the summary financial statements.

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 810 (Revised), *Engagements to Report on Summary Financial Statements*.

Deloitte
Chartered Accountants
Christopher Kapenda
Partner
24 April 2019

KEY FINANCIAL HIGHLIGHTS

15%
growth in Service Revenue to

MK 88,971
Million

22%
increase in EBITDA to

MK 36,123
Million

EBITDA
Margin

40%

**NEW CAPITAL
EXPENDITURE**

MK 19,318
Million

27% GROWTH
in Net Profit After Taxation

MK 16,666
Million

ARPU

MK 1,870

EARNINGS
per share

MK 1.66

KEY ACHIEVEMENTS IN 2018

INSTALLED
a new Mobile Money Platform



EXPANDED
4G LTE and U900 network



SUCCESSFULLY
registered customers in line with the MACRA
KYC regulations



SUMMARY STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 MK'mil	2017 MK'mil
Service revenue	88,971	77,456
Hardware and equipment revenue	2,207	2,134
Total revenue	91,178	79,590
Direct operational Costs	(41,010)	(37,220)
Gross profit	50,168	42,370
Other Income	2,406	2,511
Selling and administrative expenses	(16,451)	(15,379)
Earnings before interest, tax, depreciation and amortisation	36,123	29,502
Depreciation and amortisation	(9,186)	(7,727)
Results from operating activities	26,937	21,775
Finance income	26	41
Finance expenses	(2,940)	(2,851)
Net finance expense	(2,914)	(2,810)
Profit before income tax	24,023	18,965
Income tax expense	(7,357)	(5,857)
Profit for the year	16,666	13,108
Other comprehensive income	-	-
Total comprehensive income for the year	16,666	13,108
Earnings per share		
Basic and diluted earnings per share (MK)	1.66	1.31
Dividend per share (MK)	0.75	0.48

SUMMARY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

Notes	2018 MK'mil	2017 MK'mil
ASSETS		
NON-CURRENT ASSETS		
Contract assets	303	24
Property, plant and equipment	52,081	43,047
Intangible assets	7,622	6,612
Investment in National Switch Limited	81	-
Deferred tax	-	272
Total Non-current Assets	60,087	49,955
CURRENT ASSETS		
Contract assets	528	510
Inventories	3,213	4,030
Trade and other receivables	11,942	7,527
Amount due from related companies	1,603	775
Bank and cash balances	2,267	2,890
Total Current Assets	19,553	15,732
TOTAL ASSETS	79,640	65,687
CAPITAL AND LIABILITIES		
EQUITY		
Share capital	402	402
Share premium	2,347	2,347
Retained earnings	35,612	26,385
Total Equity	38,361	29,134

SUMMARY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 (Continued)

NON-CURRENT LIABILITIES			
Long-term portion of interest bearing loans	5	14,678	10,000
Long-term portion of deferred payment facility	6	179	2,451
Deferred Tax		683	-
Total Non-current Liabilities		15,540	12,451
CURRENT LIABILITIES			
Bank overdraft		499	1,173
Current portion of interest bearing loans	5	4,678	-
Current portion of deferred payment facility	6	573	3,422
Dividend payable		2,510	2,008
Deferred income		3,905	3,068
Trade and other payables		11,437	12,317
Income tax liabilities		2,137	2,114
Total Current Liabilities		25,739	24,102
Total Liabilities		41,279	36,553
TOTAL EQUITY AND LIABILITIES		79,640	65,687

SUMMARY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

2017	Share Capital MK'mil	Share Premium MK'mil	Retained earnings MK'mil	Total MK'mil
Balance at 1 January	402	2,347	18,096	20,845
Comprehensive income for the year	-	-	13,108	13,108
Dividend declared (K0.48 per share)	-	-	(4,819)	(4,819)
Balance at 31 December	402	2,347	26,385	29,134
2018				
Balance at 1 January	402	2,347	26,385	29,134
Effect of change in accounting policy (IFRS 9)	-	-	91	91
Balance at 1 January – as restated*	402	2,347	26,476	29,225
Comprehensive income for the year	-	-	16,666	16,666
Dividend declared (K0.75 per share)	-	-	(7,530)	(7,530)
Balance at 31 December	402	2,347	35,612	38,361



Results for the year ended 31 December 2018

SUMMARY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 MK'mil	2017 MK'mil
Cash flows from operating activities		
Cash receipts from customers	89,485	76,634
Cash payments to suppliers and employees	(58,139)	(46,960)
Net cash generated from operations	31,346	29,674
Interest paid	(2,821)	(2,839)
Income tax paid	(6,419)	(5,580)
Net cash generated from operating activities	22,106	21,255
Cash flows from investing activities		
Interest received	26	41
Acquisition of equity investment in National Switch Limited	(81)	-
Acquisition of property, plant and equipment	7 (16,610)	(17,707)
Purchase of intangible assets	7 (2,708)	(1,330)
Proceeds from sale of property, plant and equipment	112	41
Net cash used in investing activities	(19,261)	(18,955)
Cash flows from financing activities		
Dividend paid	(7,028)	(3,815)
Proceeds from loans	5 9,356	5,000
Repayment of deferred payment facility	6 (10,341)	(5,238)
Proceeds from deferred payment facility	6 5,220	5,613
Net cash (used in) - generated from financing activities	(2,793)	1,560
Net increase in cash and cash equivalents	52	3,860
Cash and cash equivalents at beginning of year	1,716	(2,144)
Cash and cash equivalents at end of year	1,768	1,716

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The Directors have prepared the summary financial statements to meet the listing requirements of the Malawi Stock Exchange. The Directors have considered the listing requirements of the Malawi Stock Exchange and believe that the summary statements of financial position, comprehensive income, changes in equity and cash flows are sufficient to meet the requirements of the users of the summary financial statements. The amounts in the summary financial statements are prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards. The summary financial statements have been derived from the Annual Financial Statements which were approved by the board of directors on 9 April 2019, and are available on the company's website www.tnm.co.mw.

2. CAPITAL COMMITMENTS

	2018 MK'mil	2017 MK'mil
Authorised and contracted for	2,845	4,371
Authorised but not contracted for	11,700	13,850

The capital expenditure will be financed from internally generated resources and existing facilities.

3. CONTINGENT LIABILITIES

Legal claims	187	100
--------------	-----	-----

4. INTEREST CAPITALISED

Deferred payment facility	215	18
---------------------------	-----	----

The interest capitalised relates to interest costs on borrowings to finance assets under construction during the period the interest was incurred.

5. INTEREST BEARING LOANS

	2017		
	Old Mutual Commercial Paper MK'mil	NICO Asset Managers Com- mercial Paper MK'mil	Total MK'mil
Opening balance	5,000	-	5,000
Additions	-	5,000	5,000
Interest charge	1,286	428	1,714
Interest paid	(1,286)	(428)	(1,714)
At end of the year	5,000	5,000	10,000
Long term portion	5,000	5,000	10,000

NOTES TO THE SUMMARY FINANCIAL STATEMENTS (Continued)

5. INTEREST BEARING LOANS (Continued)

	2018			Total MK'mil
	Old Mutual Commercial Paper MK'mil	NICO Asset Managers Com- mercial Paper MK'mil	Standard Bank Dual Currency Revolving Facility MK'mil	
Opening balance	5,000	5,000	-	10,000
Additions	-	-	9,356	9,356
Interest charge	854	824	246	1,924
Interest paid	(854)	(824)	(246)	(1,924)
At end of the year	5,000	5,000	9,356	19,356
Long term portion of loans	5,000	5,000	4,678	14,678
Short term portion of loans	-	-	4,678	4,678

Old Mutual Investment Group Limited (OMIGL)

On 26 February 2015, the company secured commercial debt paper of K5.0 billion. The arranger and administrator is Old Mutual Investment Group Limited (OMIGL). The commercial paper is for a period of 5 years with an option of early repayment in tranches of K1.0 billion after the third year. The coupon rate is 364 Treasury bill rate plus 200 basis points. The loan is secured with a debenture ranking behind National Bank of Malawi overdraft and First Merchant Bank overdraft debentures and ranking pari passu with the NICO Asset Managers Ltd commercial paper debenture.

Nico Asset Managers Limited

On 10 July 2017, the company secured a commercial debt paper of K5.0 billion. The arranger and administrator is Nico Asset Managers Limited. The commercial paper is for a period of 5 years with an option of early repayment in tranches of K1.0 billion after the third year. The coupon rate is 180 Treasury bill rate plus 180 basis points. The loan is secured with floating debenture over TNM assets ranking behind the National Bank of Malawi and First Merchant Bank overdraft debentures but ranking pari passu with the Old Mutual Investment Group Limited commercial paper debenture.

Standard Bank Dual Currency Facility

TNM entered into a Dual Currency Revolving Credit Facility (DCRCF) with Standard Bank of up to USD 20 million or the Malawi Kwacha equivalent thereof. The purpose of the facility is to finance or refinance capital expenditure. The facility has a tenor of 24 months and attracts interest at a rate of 3 months LIBOR + 6% effectively 8.8% for the dollar exposure, and base lending rate minus 5% effectively 18% for the Malawi Kwacha exposure. TNM has covenanted to maintain a USD denominated account with Standard Bank Plc for the lifetime of the facility and to channel all its USD receivables to the said account.

6. DEFERRED PAYMENT FACILITY

	2018 MK'mil	2017 MK'mil
Opening balance	5,873	5,311
Additions	5,220	5,613
Capital repayments	(10,341)	(5,238)
Exchange differences	-	187
Interest charged	215	412
Interest paid	(215)	(412)
At end of the year	752	5,873
Long term portion of deferred payment facility	179	2,451
Short-term term portion of deferred payment facility	573	3,422
	752	5,873

Huawei Deferred Payment Facility

In 2014, the company entered into a US\$ 20 million deferred payment facility with Huawei Technologies Limited for equipment purchased under projects which started in 2014. The invoices making up the facility are payable in instalments over a period of two years. The rate of interest on the facility is US\$ LIBOR plus 6.5% effectively 9.4% per annum (2017: 8.5%) payable within six months after receipt of the invoice. The facility is unsecured.

7. CAPITAL EXPENDITURE

	2018 MK'mil	2017 MK'mil
Acquisition of property, plant and equipment	16,610	17,707
Purchase of intangible assets	2,708	1,330
	19,318	19,037