

# Summary results for the year ended 31 December 2019

## PERFORMANCE

The Board is pleased to announce the financial results for the Group for the year ended 31 December 2019.

The 2019 group summary financial statements include consolidated results of Telekom Networks Malawi plc and wholly owned subsidiary, TNM Mpamba Limited which started operations in January 2019.

Service revenue grew by 3% from last year (2018: 15%) while EBITDA margin increased to 42% (2018: 40%). The application of IFRS 16 Leases had a beneficial effect on EBITDA margin and this was enhanced by disciplined expenditure management initiatives. Net financing costs increased to MK 4,127 million (2018: MK 2,914 million) due to lease liability financing costs of MK 838 million as a result of the application IFRS 16 Leases.

Net profit after taxation decreased by 10% to MK15,063 million (2018: MK16,666 million). Amongst the factors that contributed to the decrease in net profit in the challenging year include the one-off functional review costs and increase in depreciation expense resulting from investments made in 4G and U900 technology over the past three years to position the company for the future as a full communications and connectivity provider.

Over 2019, we invested MK 18.1 billion (2018: MK 19.3 billion), mostly in the network.

## OUTLOOK

The full scope of the potential social and economic fall-out from the COVID-19 pandemic remains unknown and this introduces a higher than usual degree of uncertainty into our business forecasts. We have put in place or planned appropriate responses to current and possible future developments and are of the opinion that the continuity and viability of the group's businesses can be maintained despite the likely challenges ahead.

We will continue to invest in systems and people to optimize our revenues and margins. We have taken a number of initiatives to reduce our major cost lines; which are transmission and distribution, and this will be visible over 2020.

## DIVIDENDS

Total dividends of MK 7,530 million equivalent to MK 0.75 per share (2018: MK 0.75 per share) are proposed for the period ended 31 December 2019:

<b>MK 2,510 million</b>	:	25t per share was declared in July 2019 and paid in September 2019
<b>MK 2,510 million</b>	:	25t per share was declared in December 2019 and paid in January 2020
<b>MK 2,510 million</b>	:	25t per share declared in April 2020 and to be paid in May 2020*

\*Due to uncertainty on the timing of the Annual General Meeting, the Directors have declared a third interim dividend of 25 (twenty-five) Tambala per share out of the profits of the group for the year ended 31 December 2019.

## 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 comprehensive income, financial position, cash flows and changes in equity 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 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 2 April 2020.

**George Partridge**  
Chairman of the Board

**Michiel Buitelaar**  
Chief Executive Officer

## REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

To the members of Telekom Networks Malawi plc

### Opinion

The summary consolidated and separate financial statements, which comprise the summary statements of financial position as at 31 December 2019, the summary statements of comprehensive income, summary statements of changes in equity and summary statements of cash flows for the year then ended and related notes, are derived from the audited consolidated and separate financial statements of Telekom Networks Malawi plc for the year ended 31 December 2019.

In our opinion, the accompanying summary consolidated and separate financial statements are consistent, in all material respects, with the consolidated and separate financial statements, and the basis described on the basis of preparation paragraph.

### Summary Consolidated and Separate Financial Statements

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

### The Audited Consolidated and Separate Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated and separate financial statements in our report dated 14 April 2020. 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 consolidated and separate financial statements of the current year.

### Directors' Responsibility for the Summary Consolidated and Separate Financial Statements

The directors are responsible for the preparation of the summary consolidated and separate financial statements in accordance with the basis described on the basis of preparation paragraph.

### Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary consolidated and separate financial statements are consistent, in all material respects, with the audited consolidated and separate 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

14 April 2020

## KEY FINANCIAL HIGHLIGHTS

**3%**  
growth in service revenue to

**MK 91,427**  
Million

**8%**  
increase in EBITDA to

**MK 38,900**  
Million

**10%**  
decrease in profit after taxation to

**MK 15,063**  
Million

**Infrastructure investment of**

**MK 18,140**  
Million

**10%**  
decrease in Earnings Per Share to

**MK 1.50**

## SUMMARY FINANCIAL STATEMENTS

### SUMMARY STATEMENTS OF COMPREHENSIVE INCOME

In millions of kwacha

	Group year ended 31 Dec 2019	Company year ended 31 Dec 2019	Company year ended 31 Dec 2018
Service revenue	91 427	85 298	88 971
Hardware and equipment revenue	1 847	1 847	2 207
<b>Total revenue</b>	<b>93 274</b>	<b>87 145</b>	<b>91 178</b>
Direct operational costs	(41 616)	(39 018)	(41 010)
<b>Gross profit</b>	<b>51 658</b>	<b>48 127</b>	<b>50 168</b>
Other income	3 617	3 617	2 406
Selling and administration expenses	(16 375)	(16 042)	(16 451)
<b>Earnings before interest, tax, depreciation &amp; amortisation</b>	<b>38 900</b>	<b>35 702</b>	<b>36 123</b>
Depreciation and amortisation	(12 969)	(12 563)	(9 186)
<b>Results from operating activities</b>	<b>25 931</b>	<b>23 139</b>	<b>26 937</b>
Finance income	82	21	26
Finance expenses	(4 209)	(4 209)	(2 940)
<b>Net finance expenses</b>	<b>(4 127)</b>	<b>(4 188)</b>	<b>(2 914)</b>
<b>Profit before income tax</b>	<b>21 804</b>	<b>18 951</b>	<b>24 023</b>
Taxation	(6 741)	(5 884)	(7 357)
<b>Profit for the period</b>	<b>15 063</b>	<b>13 067</b>	<b>16 666</b>
Other comprehensive income	-	-	-
<b>Total comprehensive income</b>	<b>15 063</b>	<b>13 067</b>	<b>16 666</b>
<b>Basic earnings per share – MK</b>	<b>1.50</b>	<b>1.30</b>	<b>1.66</b>
<b>Number of ordinary shares in issue ('mil)</b>	<b>10 040</b>	<b>10 040</b>	<b>10 040</b>

### SUMMARY STATEMENTS OF FINANCIAL POSITION

In millions of kwacha

	Group as at 31 Dec 2019	Company as at 31 Dec 2019	Company as at 31 Dec 2018
<b>ASSETS</b>			
NON-CURRENT ASSETS			
Contract assets	559	559	303
Property, plant and equipment	59 413	58 966	52 081
Intangible assets	7 658	6 955	7 622
Equity investments	81	81	81
Investments in subsidiary	-	1 256	-
Right of use assets	5 008	5 008	-
Deferred tax assets	5	-	-
Total non-current assets	72 724	72 825	60 087
CURRENT ASSETS			
Contract assets	568	568	528
Inventories	2 432	2 432	3 213
Trade and other receivables	14 071	13 761	11 941
Amounts due from related parties	279	2 334	1 603
Bank and cash balances	13 084	3 524	2 267
Total current assets	30 434	22 619	19 552
<b>TOTAL ASSETS</b>	<b>103 158</b>	<b>95 444</b>	<b>79 639</b>
EQUITY AND LIABILITIES			
SHAREHOLDERS EQUITY			
Share capital	402	402	402
Share premium	2 347	2 347	2 347
Retained earnings	43 145	41 149	35 612
Total equity	45 894	43 898	38 361

### SUMMARY STATEMENTS OF FINANCIAL POSITION

In millions of kwacha (Continued)

	Group as at 31 Dec 2019	Company as at 31 Dec 2019	Company as at 31 Dec 2018
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	937	937	683
Long-term portion of loans and borrowings	3	6 369	14 678
Long-term portion of deferred payment facility	4	-	179
Long-term portion of lease liabilities	5	2 141	-
Total non-current liabilities	9 447	9 447	15 540
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12 388	12 366	11 436
Current portion of loans and borrowings	3	11 618	4 678
Current portion of deferred payment facility	4	-	573
Current portion of lease liabilities	5	3 196	-
Deferred income	4 886	4 886	3 905
Dividend payable	2 510	2 510	2 510
Current tax payable	2 012	1 674	2 137
Customer and other deposits	6 432	-	-
Bank overdraft	4 751	4 751	499
Amounts due to related parties	24	1 098	-
Total current liabilities	47 817	42 099	25 738
<b>TOTAL LIABILITIES</b>	<b>57 264</b>	<b>51 546</b>	<b>41 278</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>103 158</b>	<b>95 444</b>	<b>79 639</b>

### SUMMARY STATEMENTS OF CASH FLOWS

In millions of kwacha

	Group year ended 31 Dec 2019	Company year ended 31 Dec 2019	Company year ended 31 Dec 2018
<b>Operating activities</b>			
Cash receipts from customers	96 084	89 721	89 485
Cash paid to suppliers and employees	(49 199)	(53 170)	(58 139)
Cash generated from operations	46 885	36 551	31 346
Interest paid	(4 141)	(4 141)	(2 821)
Income tax paid	(6 616)	(6 092)	(6 419)
<b>Cash flows generated from operating activities</b>	<b>36 128</b>	<b>26 318</b>	<b>22 106</b>
<b>Investing activities</b>			
Interest received	82	21	26
Acquisition of equity investments	-	-	(81)
Purchase of property, plant and equipment	6	(16 414)	(16 610)
Purchase of intangible assets	6	(1 726)	(2 708)
Proceeds from sale of property, plant and equipment	63	63	112
<b>Net cash used in investing activities</b>	<b>(17 995)</b>	<b>(17 745)</b>	<b>(19 261)</b>
<b>Financing activities</b>			
Proceeds from loans	3	3 600	9 356
Repayment of loans	3	(4 969)	-
Repayment of deferred payment facility	4	(752)	(10 341)
Proceeds from deferred payment facility	4	-	5 220
Lease liability payments	(1 917)	(1 917)	-
Payment of dividends	(7 530)	(7 530)	(7 028)
<b>Net cash used in financing activities</b>	<b>(11 568)</b>	<b>(11 568)</b>	<b>(2 793)</b>
Net increase/(decrease) in cash and cash equivalents	6 565	(2 995)	52
Cash and cash equivalents at the beginning of the period	1 768	1 768	1 716
<b>Cash and cash equivalents at the end of the period</b>	<b>8 333</b>	<b>(1 227)</b>	<b>1 768</b>

# Summary results for the year ended 31 December 2019

## SUMMARY FINANCIAL STATEMENTS (Continued)

### SUMMARY STATEMENTS OF CHANGES IN EQUITY

In millions of kwacha

Group	Share Capital	Share Premium	Retained Earnings	Total
Balance at 1 January 2019	402	2 347	35 612	38 361
Comprehensive income for the year	-	-	15 063	15 063
Dividend declared	-	-	(7 530)	(7 530)
Balance at 31 December 2019	402	2 347	43 145	45 894

Company	Share Capital	Share Premium	Retained Earnings	Total
Balance at 1 January 2019	402	2 347	35 612	38 361
Comprehensive income for the year	-	-	13 067	13 067
Dividend declared	-	-	(7 530)	(7 530)
Balance at 31 December 2019	402	2 347	41 149	43 898

Company	Share Capital	Share Premium	Retained Earnings	Total
Balance at 1 January 2018	402	2 347	26 385	29 134
IFRS 9 adjustment	-	-	91	91
Balance at 1 January 2018 - as restated	402	2 347	26 476	29 225
Comprehensive income for the year	-	-	16 666	16 666
Dividend declared	-	-	(7 530)	(7 530)
Balance at 31 December 2018	402	2 347	35 612	38 361

### NOTES TO THE SUMMARY FINANCIAL STATEMENTS

	Group as at 31 Dec 2019	Company as at 31 Dec 2019	Company as at 31 Dec 2018
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#### 1. Capital commitments

Authorised and contracted for	4 361	4 361	2 845
<b>Authorised but not contracted for</b>	<b>21 682</b>	<b>20 875</b>	<b>11 700</b>

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

#### 2. Contingent liabilities

Legal claims	346	346	188
Business licenses for towers	419	419	-
<b>Total contingent liabilities</b>	<b>765</b>	<b>765</b>	<b>188</b>

#### 3. Loans and borrowings

Group	Old Mutual Investment Group Limited Commercial Paper	NICO Assets Managers Commercial Paper	Standard Bank Loan	Total
Opening balance - 1 January 2019	5 000	5 000	9 356	19 356
Additions	-	-	3 600	3 600
Interest charge	697	648	1 463	2 808
Capital repayments	-	-	(4 969)	(4 969)
Interest paid	(697)	(648)	(1 463)	(2 808)
<b>Balance as at 31 December 2019</b>	<b>5 000</b>	<b>5 000</b>	<b>7 987</b>	<b>17 987</b>

Long term portion of loans	-	5 000	1 369	6 369
Current portion of loans	5 000	-	6 618	11 618
	5 000	5 000	7 987	17 987

Company	Old Mutual Investment Group Limited Commercial Paper	NICO Assets Managers Commercial Paper	Standard Bank Loan	Total
Opening balance - 1 January 2019	5 000	5 000	9 356	19 356
Additions	-	-	3 600	3 600
Interest charge	697	648	1 463	2 808
Capital repayments	-	-	(4 969)	(4 969)
Interest paid	(697)	(648)	(1 463)	(2 808)
<b>Balance as at 31 December 2019</b>	<b>5 000</b>	<b>5 000</b>	<b>7 987</b>	<b>17 987</b>

Long term portion of loans	-	5 000	1 369	6 369
Current portion of loans	5 000	-	6 618	11 618
	5 000	5 000	7 987	17 987

### NOTES TO THE SUMMARY FINANCIAL STATEMENTS (Continued)

#### 3. Loans and borrowings (Continued)

Company	Old Mutual Investment Group Limited Commercial Paper	NICO Assets Managers Commercial Paper	Standard Bank Loan	Total
Opening balance - 1 January 2018	5 000	5 000	-	10 000
Additions	-	-	9 356	9 356
Interest charge	854	823	246	1 923
Interest paid	(854)	(823)	(246)	(1 923)
<b>Balance as at 31 December 2018</b>	<b>5 000</b>	<b>5 000</b>	<b>9 356</b>	<b>19 356</b>
Long term portion of loans	5 000	5 000	4 678	14 678
Current portion of loan	-	-	4 678	4 678
	5 000	5 000	9 356	19 356

#### Old Mutual Investment Group Limited

On 26 February 2015, the company secured commercial debt paper of MK5.0 billion. The arranger and administrator is Old Mutual Investment Group Limited. The commercial paper is for a period of 5 years with an option of early repayment in tranches of MK1.0 billion after the third year. The coupon rate is 364 day treasury bill rate plus 200 basis points. The loan is secured by a debenture ranking behind the debenture to secure overdraft facilities of National Bank of Malawi plc and First Capital Bank Limited and ranks pari-passu with NICO Asset Managers Limited commercial paper debenture.

#### NICO Asset Managers Limited

On 10 July 2017, the company secured commercial debt paper of MK5.0 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 MK1.0 billion after the third year. The coupon rate is 180 treasury bill rate plus 182 basis points. The loan is secured with floating debenture over TNM assets ranking behind the debenture to secure overdraft facilities of National Bank of Malawi plc and First Capital Bank Limited and ranks 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 with Standard Bank plc 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 8.3% (2018: 8.8%) for the dollar exposure, and Standard Bank plc reference rate plus 2.1% effectively 14.5% 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.

	Group as at 31 Dec 2019	Company as at 31 Dec 2019	Company as at 31 Dec 2018
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#### 4. Deferred Payment Facility

Opening balance	752	752	5 873
Additions	-	-	5 220
Capital repayments	(752)	(752)	(10 341)
Interest charged	7	7	215
Interest payment	(7)	(7)	(215)
<b>Balance at end of the year</b>	<b>-</b>	<b>-</b>	<b>752</b>

Long-term portion of deferred payment facility	-	-	179
Short-term portion of deferred payment facility	-	-	573
	-	-	752

#### 5. Lease liabilities

Lease liabilities	5 337	5 337	-
Long-term portion of lease liability	2 141	2 141	-
Short-term portion of lease liability	3 196	3 196	-
	5 337	5 337	-

#### 6. Capital expenditure

Acquisition of property, plant and equipment	16 414	16 103	16 610
Purchase of intangible assets	1 726	1 726	2 708
<b>Total</b>	<b>18 140</b>	<b>17 829</b>	<b>19 318</b>