

Media Statement for Half Year Results to June 2020

PERFORMANCE

The Board is pleased to announce the unaudited interim financial results for the Group for the six months period ended 30 June 2020.

The Group registered 7% reduction in service revenue to MK41,183 million (2019: MK44,064 million) due to under performance in voice revenues. However, the Group registered growth in revenue from data (+27%) and Mpamba (+27%) over 2019. EBITDA margin decreased to 38% (June 2019: 40%) due to higher network transmission costs as data demand increased, requiring more capacity.

Profit after taxation decreased by 29% to MK4,790 million (June 2019: MK6,712 million). The decrease in net profit was due to decrease in revenue, increase in transmission and depreciation expenses resulting from investments made in the data network over the past three years to position the Group for the future as a complete communications service provider.

TNM invested MK11,409 million in capital expenditure during the period (June 2019: MK7,372 million) in network and systems catering for expansion, improvement and future use as data needs grow.

OUTLOOK

The group expects the current economic challenges as a result of COVID-19 to continue in the foreseeable future. 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.

DIVIDENDS

The Directors have declared a first interim dividend for the financial year ending 31 December 2020 of MK 1,807 million, equivalent to 18 tambala per share, payable on 11th September 2020 to those shareholders appearing in the register of the Company as at the close of business on 28th August 2020. The register of members will be closed from 31st August 2020 to 2nd September 2020 both dates inclusive.

George Partridge
Chairman of the Board

Lekani Katandula
Chairman Board Audit Committee

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The Board of Directors
Telekom Networks Malawi Plc
5th Floor Livingstone Towers
P.O Box 3039
BLANTYRE

INTRODUCTION

We have reviewed the accompanying financial information, which comprise the condensed consolidated and separate statements of financial position of Telekom Networks Malawi Plc (the "Group") as of 30 June 2020 and the condensed consolidated and separate statements of comprehensive income, condensed consolidated and separate statements of changes in equity and condensed consolidated and separate statements of cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard on Interim Financial Reporting (IAS 34). Our responsibility is to express a conclusion on this interim financial information based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the Group as at 30 June 2020, and of its financial performance and cash flows for the six-month period ended in accordance with International Accounting Standard on Interim Financial Reporting (IAS 34).

Deloitte.

Chartered Accountants

Christopher Kapenda
Partner

10 August 2020

KEY FINANCIAL HIGHLIGHTS

Total revenue of

MK 41,922
Million

27%

growth in Mobile money revenue to

MK 4,034
Million

27%

growth in data revenue to

MK 12,991
Million

EBITDA of

MK 16,156
Million

Profit after
taxation of

MK 4,790
Million

Infrastructure
investment of

MK 11,661
Million

Earnings Per
Share of

MK 0.48

STATEMENTS OF COMPREHENSIVE INCOME

In millions of kwacha

	Group Unaudited Six months to 30 June 2020	Company Unaudited Six months to 30 June 2020	Group Unaudited Six months to 30 June 2019	Company Unaudited Six months to 30 June 2019	Group Audited year ended 31 Dec 2019	Company Audited year ended 31 Dec 2019
Service revenue	41 183	37 596	44 064	41 432	91 427	85 298
Hardware and equipment revenue	739	739	916	916	1 847	1 847
Total revenue	41 922	38 335	44 980	42 348	93 274	87 145
Direct operational costs	(19 911)	(18 500)	(20 192)	(19 073)	(41 616)	(39 018)
Gross profit	22 011	19 835	24 788	23 275	51 658	48 127
Other income	1 639	1 640	1 601	1 601	3 617	3 617
Selling and administrative expenses	(7 494)	(7 430)	(8 533)	(8 350)	(16 375)	(16 042)
Earnings before interest, tax, depreciation and amortisation	16 156	14 045	17 856	16 526	38 900	35 702
Depreciation	(7 149)	(6 822)	(6 075)	(5 875)	(12 969)	(12 563)
Results from operating activities	9 007	7 223	11 781	10 651	25 931	23 139
Finance income	120	6	21	21	82	21
Finance expense	(2 118)	(2 118)	(2 201)	(2 201)	(4 209)	(4 209)
Net finance expenses	(1 998)	(2 112)	(2 180)	(2 180)	(4 127)	(4 188)
Profit before income tax	7 009	5 111	9 601	8 471	21 804	18 951
Income tax expense	(2 219)	(1 602)	(2 889)	(2 575)	(6 741)	(5 884)
Profit for the year	4 790	3 509	6 712	5 896	15 063	13 067
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	4 790	3 509	6 712	5 896	15 063	13 067
Earnings per share (mk)	0.48	0.35	0.67	0.59	1.50	1.30
Number of ordinary shares in issue ('mil)	10 040	10 040	10 040	10 040	10 040	10 040

STATEMENTS OF FINANCIAL POSITION

In millions of kwacha

	Group Unaudited as at 30 June 2020	Company Unaudited as at 30 June 2020	Group Unaudited Six months to 30 June 2019	Company Unaudited Six months to 30 June 2019	Group Audited year ended 31 Dec 2019	Company Audited year ended 31 Dec 2019
ASSETS						
NON-CURRENT ASSETS						
Contract assets	580	580	471	471	559	559
Property, plant and equipment	56 458	56 244	55 833	53 421	59 413	58 966
Intangible assets	11 903	11 005	6 912	6 912	7 658	6 955
Equity investments	81	81	81	81	81	81
Investment in Subsidiary	-	1 256	-	1 256	-	1 256
Right of use assets	8 256	8 256	5 594	5 594	5 008	5 008
Deferred tax assets	-	-	-	-	5	-
Total non-current assets	77 278	77 422	68 891	67 735	72 724	72 825
CURRENT ASSETS						
Contract assets	627	627	528	528	568	568
Inventories	1 682	1 682	2 932	2 932	2 432	2 432
Trade and other receivables	14 644	13 815	14 355	12 554	14 071	13 761
Amounts due from related parties	494	2 756	660	660	279	2 333
Bank and cash balances	16 081	4 841	4 356	4 356	13 084	3 524
Total current assets	33 528	23 721	22 831	21 030	30 434	22 618
TOTAL ASSETS	110 806	101 143	91 722	88 765	103 158	95 443
EQUITY AND LIABILITIES						
SHAREHOLDERS EQUITY						
Share capital	402	402	402	402	402	402
Share premium	2 347	2 347	2 347	2 347	2 347	2 347
Retained earnings	47 935	44 657	42 323	41 507	43 145	41 148
Total equity	50 684	47 406	45 072	44 256	45 894	43 897

STATEMENTS OF FINANCIAL POSITION (continued)

In millions of kwacha

	Group Unaudited as at 30 June 2020	Company Unaudited as at 30 June 2020	Group Unaudited Six months to 30 June 2019	Company Unaudited Six months to 30 June 2019	Group Audited year ended 31 Dec 2019	Company Audited year ended 31 Dec 2019
NON-CURRENT LIABILITIES						
Deferred tax liabilities	1 070	1 050	678	605	937	937
Long-term portion of loans and borrowings	3	15 992	15 992	7 588	7 588	6 369
Long-term portion of lease liabilities	4	1 723	1 723	3 589	3 589	2 141
Total non-current liabilities	18 785	18 765	11 855	11 782	9 447	9 447
CURRENT LIABILITIES						
Trade and other payables	16 595	16 132	12 389	10 661	12 388	12 366
Current portion of loans and borrowings	3	5 176	5 176	11 329	11 329	11 618
Current portion of lease liabilities	4	2 740	2 740	2 005	2 005	3 196
Deferred income	4 005	4 005	3 658	3 658	4 886	4 886
Dividend payable	-	-	-	-	2 510	2 510
Current tax payable	1 329	910	1 575	1 334	2 012	1 674
Customer and other deposits	5 827	-	-	-	6 432	-
Bank overdraft	5 381	5 381	3 280	3 280	4 751	4 751
Amounts due to related parties	284	628	559	460	24	1 098
Total current liabilities	41 337	34 972	34 795	32 727	47 817	42 099
TOTAL LIABILITIES	60 122	53 737	46 650	44 509	57 264	51 546
TOTAL EQUITY AND LIABILITIES	110 806	101 143	91 722	88 765	103 158	95 443

SUMMARY STATEMENTS OF CHANGES IN EQUITY

In millions of kwacha

Group	Share Capital	Share Premium	Retained Earnings	Total
Balance at 1 January 2020	402	2 347	43 145	45 894
Comprehensive income for the year	-	-	4 790	4 790
Dividend declared	-	-	-	-
Balance at 30 June 2020	402	2 347	47 935	50 684
Company				
Balance at 1 January 2020	402	2 347	41 148	43 897
Comprehensive income for the year	-	-	3 509	3 509
Dividend declared	-	-	-	-
Balance at 30 June 2020	402	2 347	44 657	47 406
Group				
Balance at 1 January 2019	402	2 347	35 611	38 360
Comprehensive income for the year	-	-	6 712	6 712
Dividend declared	-	-	-	-
Balance at 30 June 2019	402	2 347	42 323	45 072
Company				
Balance at 1 January 2019	402	2 347	35 611	38 360
Comprehensive income for the year	-	-	5 896	5 896
Dividend declared	-	-	-	-
Balance at 30 June 2019	402	2 347	41 507	44 256
Group				
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				
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	41 148	43 897

TNM Media Statement for Half Year Results to June 2020

STATEMENTS OF CASH FLOWS

In millions of kwacha

	Group Unaudited Six months to 30 June 2020	Company Unaudited Six months to 30 June 2020	Group Unaudited Six months to 30 June 2019	Company Unaudited Six months to 30 June 2019	Group Audited year ended 31 Dec 2019	Company Audited year ended 31 Dec 2019
Operating activities						
Cash receipts from customers Note	42 774	39 498	43 093	42 196	96 084	89 721
Cash paid to suppliers and employees	(23 216)	(22 305)	(26 295)	(25 398)	(49 199)	(53 170)
Cash generated from operations	19 558	17 193	16 798	16 798	46 885	36 551
Interest paid	(2 086)	(2 086)	(2 201)	(2 201)	(4 141)	(4 141)
Income tax paid	(3 129)	(2 344)	(3 493)	(3 493)	(6 616)	(6 092)
Cash flows generated from operating activities	14 343	12 763	11 104	11 104	36 128	26 318
Investing activities						
Interest received	120	6	21	21	82	21
Investment in mobile money company	-	-	-	(1 256)	-	-
Purchase of property, plant and equipment	5 (7 081)	(7 081)	(7 012)	(7 012)	(16 414)	(16 103)
Purchase of intangible assets	5 (4 580)	(4 566)	(360)	(360)	(1 726)	(1 726)
Proceeds from sale of property, plant and equipment	23	23	44	1 300	63	63
Net cash used in investment activities	(15 518)	(11 618)	(7 307)	(7 307)	(17 995)	(17 745)
Financing activities						
Proceeds from loans	3 6 851	6 851	1 432	1 432	3 600	3 600
Repayment of loans	3 (3 669)	(3 669)	(1 871)	(1 871)	(4 969)	(4 969)
Repayment of deferred payment facility	-	-	(752)	(752)	(752)	(752)
Lease liability payments	4 (1 130)	(1 130)	(788)	(788)	(1 917)	(1 917)
Payment of dividends	(2 510)	(2 510)	(2 510)	(2 510)	(7 530)	(7 530)
Net cash used in financing activities	(458)	(458)	(4 489)	(4 489)	(11 568)	(11 568)
Net (decrease)/increase in cash and cash equivalents	2 367	687	(692)	(692)	6 565	(2 995)
Cash and cash equivalents at the beginning of the period	8 333	(1 227)	1 768	1 768	1 768	1 768
Cash and cash equivalents at the end of the period	10 700	(540)	1 076	1 076	8 333	(1 227)

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

In millions of kwacha

	Group as at 30 June 2020	Company as at 30 June 2020	Group as at 30 June 2019	Company as at 30 June 2019	Group as at 31 Dec 2019	Company as at 31 Dec 2019
1. Capital commitments						
Authorised and contracted for	18 871	18 871	10 603	10 603	4 361	4 361
Authorised and contracted for	14 023	14 023	4 515	4 515	21 682	21 682
The capital expenditure will be financed from internally generated resources and existing facilities.						
2. Contingent liabilities						
Legal claims	383	383	100	100	346	346
3. Loans and borrowings						
Group unaudited						
		Old Mutual Investment Group Limited Commercial Paper	NICO Asset Managers Commercial Paper	Standard Bank Loan		Total
Opening balance - 1 January 2020		5 000	5 000	7 986		17 986
Additions		5 000	-	1 851		6 851
Interest charge		527	313	593		1 433
Capital repayments		-	-	(3 669)		(3 669)
Interest paid		(527)	(313)	(593)		(1 433)
Balance as at 30 June 2020		10 000	5 000	6 168		21 168
Long term portion of loans		10 000	5 000	992		15 992
Current portion of loans		-	-	5 176		5 176
		10 000	5 000	6 168		21 168

NOTES TO THE SUMMARY FINANCIAL STATEMENTS (continued)

In millions of kwacha

3. Loans and borrowings (Continued)

Group unaudited	Old Mutual Investment Group Limited Commercial Paper	NICO Asset Managers Commercial Paper	Standard Bank Loan	Total
Opening balance - 1 January 2019	5 000	5 000	9 356	19 356
Additions	-	-	1 432	1 432
Interest charge	386	362	947	1 695
Capital repayments	-	-	(1 871)	(1 871)
Interest paid	(386)	(362)	(947)	(1 695)
Balance as at 30 June 2019	5 000	5 000	8 917	18 917
Long term portion of loans	-	5 000	2 588	7 588
Current portion of loans	5 000	-	6 329	11 329
	5 000	5 000	8 917	18 917

Group unaudited	Old Mutual Investment Group Limited Commercial Paper	NICO Asset Managers Commercial Paper	Standard Bank Loan	Total
Opening balance - 1 January 2019	5 000	5 000	9 356	19 356
Additions	-	-	3 599	3 599
Interest charge	697	649	1 463	2 809
Capital repayments	-	-	(4 969)	(4 969)
Interest paid	(697)	(649)	(1 463)	(2 809)
Balance as at 31 December 2019	5 000	5 000	7 986	17 986
Long term portion of loans	-	5 000	1,368	6,368
Current portion of loans	5 000	-	6 618	11 618
	5 000	5 000	7 986	17 986

Old Mutual Investment Group Limited (OMIGL)

On 26 February 2015, the company secured commercial debt paper of MK5.0 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 MK1.0 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 Plc overdraft facility and First Capital Bank Plc overdraft facility debentures and ranking pari passu with the NICO Asset Managers Limited commercial paper debenture. On 25 February 2020 the loan was rolled over for another 5 year period on the same terms.

On 4 March 2020, the company secured commercial debt paper of MK5.0 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 MK1.0 billion after the third year. The coupon rate is 364 Treasury bill rate plus 175 basis points. The loan is secured with a debenture ranking behind National Bank of Malawi Plc overdraft facility and First Capital Bank Plc overdraft facility debentures and ranking pari passu with Old Mutual Investment Group commercial paper and NICO Asset Managers Limited commercial paper debentures.

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 180 basis points. The loan is secured with a floating debenture over TNM assets ranking behind National Bank of Malawi Plc overdraft facility and First Capital Bank Plc overdraft facility debentures but ranking pari passu with the Old Mutual Investments 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 base lending rate plus 3.1% effectively 17% 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.

4. Lease liabilities

	Group as at 30 June 2020	Company as at 30 June 2020	Group as at 30 June 2019	Company as at 30 June 2019	Group as at 31 Dec 2019	Company as at 31 Dec 2019
Opening balance	5 337	5 337	-	-	-	-
Additions	256	256	6 086	6 086	7 254	7 254
Capital repayments	(1 130)	(1 130)	(788)	(788)	(1 917)	(1 917)
Interest charged	367	367	457	457	838	838
Interest payment	(367)	(367)	(457)	(457)	(838)	(838)
Balance at end of the year	4 463	4 463	5 298	5 298	5 337	5 337
Long-term portion of lease liability	1 723	1 723	2 119	2 119	2 141	2 141
Short-term portion of lease liability	2 740	2 740	3 179	3 179	3 196	3 196
	4 463	4 463	5 298	5 298	5 337	5 337

5. Capital expenditure

	Group as at 30 June 2020	Company as at 30 June 2020	Group as at 30 June 2019	Company as at 30 June 2019	Group as at 31 Dec 2019	Company as at 31 Dec 2019
Acquisition of property, plant and equipment	7 081	7 081	7 012	7 012	16 414	16 103
Acquisition of intangible assets	4 580	4 566	360	360	1 726	1 726
	11 661	11 647	7 372	7 372	18 140	17 829