



# Summary results for the year ended 31 December 2020

## PERFORMANCE

The Board is pleased to announce the financial results for the Group for the year ended 31 December 2020.

The Group registered a satisfactory performance despite the unique challenges brought by COVID-19 pandemic. Mobile data revenue grew by 17% to MK19,833 million (2019: MK16,896 million) while mobile money revenue grew by 28% to MK9,346 million (2019: MK7,325 million). There was a noticeable growth in subscriber base which compensated for the low subscriber usage resulting in a 6% decrease in revenue to MK90,898 million.

The Group focused on preserving the margins and profitability of the business. Operating expenses were within prior year at MK73.7 billion with costs reductions in distribution costs and administrative expenses.

Group EBITDA decreased by 16% to MK31,246 million with margin of 34% as compared to margin of 38% in 2019. Decline in EBITDA was impacted by the low revenue growth in the year. Furthermore, EBITDA has been impacted by a provision on value added tax claim of MK2,306 million (2019: MK1,889 million) due to different interpretation of tax law between TNM plc and Malawi Revenue Authority. The provision on value added tax has also resulted in the restatement of the financial statements for the year ended 31 December 2019. The issue has not yet been concluded as of the date of publishing this statement. The Group has taken a cautious approach and the provision has been made without prejudice to our rights and claims before the Special Arbitration.

The Group recorded an increase in depreciation expense of 8% due to increase in capital expenditure. TNM invested MK31,461 million (including MK10,428 million in 10-year indefeasible right of use agreements for network transmission) in capital expenditure during the year (2019: MK18,501 million) in network transmission (local and international network transport), systems catering for capacity expansion, improvement and future use as customer base and data usage grow.

The provision on tax claim, decline in revenue and increase in depreciation resulted in drop in net profit by 41% to MK7,728 million from MK13,174 million in 2019.

## OUTLOOK

The macro economic environment is expected to remain challenging putting pressure on service revenue and our margins. The volatile exchange rates and foreign currency scarcity will continue to increase the cost of our operations. We will continue with our business model to minimize these impacts and continue to create value for our stakeholders. TNM has embarked on a recovery plan that will grow the revenues for future profitability.

## DIVIDENDS

Total Dividends of MK4,016 million equivalent to MK0.40 per share (2019: MK0.75 per share) are proposed for the period ended 31 December 2020:

MK1,807 million	: 18t per share was declared in August 2020 and paid in September 2020
MK1,205 million	: 12t per share was declared in December 2020 and paid in January 2021
MK1,004 million	: 10t per share to be declared at the upcoming AGM*

\* \*\* The Directors propose a final dividend of 10 (ten) Tambala per share out of the profit of the company for the year ended 31 December 2020, to be declared at the forthcoming Annual General Meeting

## 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, 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 23 April 2021, and are available on the company's website [www.tnm.co.mw](http://www.tnm.co.mw)

George Partridge  
Chairman

Lekani Katandula  
Chairman Board Audit Committee

## KEY FINANCIAL HIGHLIGHTS

Total revenue of

MK 90,898  
Million

28%

growth in Mobile money revenue to

MK 9,346  
Million

17%

growth in data revenue to

MK 19,833  
Million

EBITDA of

MK 31,246  
Million

Profit after  
taxation of

MK 7,728  
Million

Infrastructure  
investment of

MK 31,461  
Million

Earnings Per  
Share of

MK 0.77

## 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 consolidated and separate statements of financial position as at 31 December 2020, and the summary consolidated and separate statements of comprehensive income, summary consolidated and separate statements of changes in equity and summary consolidated and separate 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 2020.

In our opinion, the accompanying summary consolidated and separate financial statements are consistent, in all material respects, with the audited 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 29 April 2021. 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

29 April 2021

## SUMMARY FINANCIAL STATEMENTS

### SUMMARY STATEMENTS OF COMPREHENSIVE INCOME

In millions of kwacha

	Group Year ended 30-Dec-20	Group Year ended 31-Dec-19 Restated	Company Year ended 31-Dec-20	Company Year ended 31-Dec-19 Restated
Service revenue	87,304	93,274	78,998	87,145
Cost of sales	(20,453)	(23,422)	(17,648)	(21,316)
<b>Gross profit</b>	<b>66,851</b>	<b>69,852</b>	<b>61,350</b>	<b>65,829</b>
Other income	3,594	3,617	4,619	3,618
Network operating costs	(32,063)	(29,257)	(31,448)	(28,583)
Administrative expenses	(21,182)	(20,170)	(18,034)	(18,227)
<b>Operating profits</b>	<b>17,200</b>	<b>24,042</b>	<b>16,487</b>	<b>22,637</b>
Finance income	390	82	116	21
Finance expense	(4,654)	(4,210)	(4,654)	(4,210)
<b>Net finance expenses</b>	<b>(4,264)</b>	<b>(4,128)</b>	<b>(4,538)</b>	<b>(4,189)</b>
<b>Profit before income tax</b>	<b>12,936</b>	<b>19,914</b>	<b>11,949</b>	<b>18,448</b>
Income tax expense	(5,208)	(6,740)	(3,762)	(5,884)
<b>Profit for the year</b>	<b>7,728</b>	<b>13,174</b>	<b>8,187</b>	<b>12,564</b>
<b>Total comprehensive income for the year</b>	<b>7,728</b>	<b>13,174</b>	<b>8,187</b>	<b>12,564</b>
Earning per share(MK)	0.77	1.31	0.82	1.25
<b>Number of ordinary shares in issue ('mil)</b>	<b>10,040</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-20	Group as at 31-Dec-19 Restated	Company as at 31-Dec-20	Company as at 31-Dec-19 Restated	Company as at 1-Jan-19 Restated
<b>ASSETS</b>					
<b>NON CURRENTS ASSETS</b>					
Contract issues	601	559	601	559	303
Property, plant and equipment	67,355	59,413	66,840	58,966	52,081
Intangible assets	8,601	7,658	8,136	6,955	7,622
Equity investments	81	81	1,337	1,337	81
Right of use assets	11,661	5,008	11,661	5,008	-
Deferred tax assets	6	5	-	-	-
<b>Total non current assets</b>	<b>88,305</b>	<b>72,724</b>	<b>88,575</b>	<b>72,825</b>	<b>60,087</b>
<b>CURRENTS ASSETS</b>					
Contract assets	637	568	637	568	528
Inventories	2,442	2,432	2,442	2,432	3,213
Trade and other receivables	14,046	14,070	11,219	13,761	11,941
Amounts due from related parties	421	280	3,105	2,333	1,603
Bank and cash balances	14,677	13,085	2,272	3,524	2,267
<b>Total current assets</b>	<b>32,223</b>	<b>30,435</b>	<b>19,675</b>	<b>22,618</b>	<b>19,552</b>
<b>TOTAL ASSETS</b>	<b>120,528</b>	<b>103,159</b>	<b>108,250</b>	<b>95,443</b>	<b>79,639</b>
<b>EQUITY AND LIABILITIES</b>					
Shareholder's equity					
Share capital	402	402	402	402	402
Share premium	2,347	2,347	2,347	2,347	2,347
Retained earning	41,157	38,950	41,005	38,340	33,306
<b>Total equity</b>	<b>43,906</b>	<b>41,699</b>	<b>43,754</b>	<b>41,089</b>	<b>36,055</b>
<b>NON-CURRENT LIABILITIES</b>					
Deferred tax liabilities	1,097	937	1,097	937	683
Long term portion of loans and borrowings	3	21,906	6,368	6,368	14,678
Long-term portion of deferred payment facility	-	-	-	-	179
Long term portion of lease liabilities	4	937	937	2,141	-
<b>Total non-current liabilities</b>	<b>23,940</b>	<b>9,446</b>	<b>23,940</b>	<b>9,446</b>	<b>15,540</b>

### SUMMARY STATEMENTS OF FINANCIAL POSITION (continued)

In millions of kwacha

	Group Year ended 31-Dec-20	Group Year ended 31-Dec-19 Restated	Company Year ended 31-Dec-20	Company Year ended 31-Dec-19 Restated	Company as at 1-Jan-19 Restated
<b>Notes</b>					
<b>CURRENT LIABILITIES</b>					
Amounts due to related parties	-	24	1,189	1,098	-
Bank overdraft	4,601	4,752	4,601	4,752	499
Trade and other payables	27,407	16,582	22,890	15,173	13,742
Current portion of loans and borrowings	3	4,355	4,355	11,619	4,678
Current-term portion of deferred payment facility	-	-	-	-	573
Deferred income	4,562	4,886	4,562	4,886	3,905
Dividend payable	1,205	2,510	1,205	2,510	2,510
Amounts payable to owners of e-money	8,261	6,433	-	-	-
Current portion of lease liabilities	4	778	3,196	3,196	-
Current tax payable	1,513	2,012	976	1,674	2,137
<b>Total current liabilities</b>	<b>52,682</b>	<b>52,014</b>	<b>40,556</b>	<b>44,908</b>	<b>28,044</b>
<b>Total liabilities</b>	<b>76,622</b>	<b>61,460</b>	<b>64,496</b>	<b>54,354</b>	<b>43,584</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>120,528</b>	<b>103,159</b>	<b>108,250</b>	<b>95,443</b>	<b>79,639</b>

### SUMMARY STATEMENTS OF CHANGES IN EQUITY

In millions of kwacha

Group	Share Capital	Share Premium	Retained earnings	Total
Balance at 1 January 2020 as restated	402	2,347	38,951	41,700
Comprehensive income for the year	-	-	7,728	7,728
Dividend declared (MK0.55 per share)	-	-	(5,522)	(5,522)
<b>Balance at 31 December 2020</b>	<b>402</b>	<b>2,347</b>	<b>41,157</b>	<b>43,906</b>
<b>Group</b>				
Balance at 1 January 2019 as previously reported	402	2,347	35,612	38,361
Prior year adjustment	-	-	(2,306)	(2,306)
Balance at 1 January 2019 as restated	402	2,347	33,306	36,055
Comprehensive income for the year	-	-	13,174	13,174
Dividend declared at (MK0.75 per share)	-	-	(7,530)	(7,530)
<b>Balance at 31 December 2019</b>	<b>402</b>	<b>2,347</b>	<b>38,950</b>	<b>41,699</b>
<b>Company</b>				
Balance at 1 January 2020 as restated	402	2,347	38,340	41,089
Comprehensive income for the year	-	-	8,187	8,187
Dividend declared (MK0.55 per share)	-	-	(5,522)	(5,522)
<b>Balance at 31 December 2020</b>	<b>402</b>	<b>2,347</b>	<b>41,005</b>	<b>43,754</b>
<b>Company</b>				
Balance at 1 January 2019 as previously reported	402	2,347	35,612	38,361
Prior your adjustment	-	-	(2,306)	(2,306)
Balance at 1 January 2019 as restated	402	2,347	33,306	36,055
Comprehensive income for the year	-	-	12,564	12,564
Dividend declared (MK0.75 per share)	-	-	(7,530)	(7,530)
<b>Balance as at 31 December 2019</b>	<b>402</b>	<b>2,347</b>	<b>38,340</b>	<b>41,089</b>

# Summary results for the year ended 31 December 2020

## SUMMARY STATEMENTS OF CASH FLOWS

In millions of kwacha

		Group Year ended 30-Dec-20	Group Year ended 31-Dec-19	Company Year ended 31-Dec-20	Company Year ended 31-Dec-19
	Notes				
<b>Operating activities</b>					
Cash receipts from customers		90,782	96,084	85,388	89,721
Cash paid to suppliers and employees		(46,081)	(49,199)	(44,695)	(53,171)
<b>Cash generated from operations</b>		<b>44,701</b>	<b>46,885</b>	<b>40,693</b>	<b>36,550</b>
Interest paid		(4,186)	(4,141)	(4,186)	(4,141)
Income tax paid		(5,548)	(6,616)	(4,298)	(6,092)
<b>Cash flows generated from operating activities</b>		<b>34,967</b>	<b>36,128</b>	<b>32,209</b>	<b>26,317</b>
<b>Investing activities</b>					
Interest received		390	82	116	21
Purchase of property, plant and equipment		(20,287)	(16,414)	(20,100)	(16,103)
Purchase of intangible assets		(746)	(1,726)	(746)	(1,726)
Proceeds from sale of property, plant and equipment		22	63	22	63
<b>Net cash used in investments activities</b>		<b>(20,621)</b>	<b>(17,995)</b>	<b>(20,708)</b>	<b>(17,745)</b>
<b>Financing activities</b>					
Proceeds from loans	3	15,261	3,600	15,261	3,600
Repayment of loans	3	(6,986)	(4,969)	(6,986)	(4,969)
Repayment of deferred payment facility		-	(752)	-	(752)
Lease liability payments	4	(14,050)	(1,917)	(14,050)	(1,917)
Payment of dividends		(6,828)	(7,530)	(6,828)	(7,530)
<b>Net cash used in financing activities</b>		<b>(12,603)</b>	<b>(11,568)</b>	<b>(12,603)</b>	<b>(11,568)</b>
Net increase/(decrease) in cash and cash equivalents		1,743	6,565	(1,101)	(2,996)
Cash and cash equivalents at the beginning of the period		8,333	1,768	(1,228)	1,768
<b>Cash and cash equivalents at the end of the year</b>		<b>10,076</b>	<b>8,333</b>	<b>(2,329)</b>	<b>(1,228)</b>

## NOTES TO THE SUMMARY FINANCIAL STATEMENTS

In millions of kwacha

	Group as at 31-Dec-20	Group as at 31-Dec-19	Company as at 31-Dec-20	Company as at 31-Dec-19
<b>1. Capital commitments</b>				
Authorised and contracted for	7,109	4,361	7,109	4,361
Authorised and contracted for	37,605	21,682	35,405	20,875
The capital expenditure will be financed from internally generated and existing facilities				
<b>2. Contingent liabilities</b>				
Legal claims	1,008	346	1,008	346
Business licences for towers	-	417	-	417
Malawi Revenue Authority claim	3,758	-	3,758	-
	4,766	763	4,766	763
<b>3. Loans and borrowings</b>				

Group	Old Mutual Investment Group Limited Commercial Paper	NICO Asset Managers Commercial Paper	Standard Bank Loan	Total
<b>Opening balance - 1 January 2020</b>	5,000	5,000	7,986	17,986
Additions	10,000	-	5,261	15,261
Interest charge	1,323	650	1,105	3,078
Capital repayments	-	-	(6,986)	(6,986)
Interest paid	(1,323)	(650)	(1,105)	(3,078)
<b>Balance as at 31 December 2020</b>	<b>15,000</b>	<b>5,000</b>	<b>6,261</b>	<b>26,261</b>
Long term portion of loans	15,000	5,000	1,906	21,906
Current portion of loans	-	-	4,355	4,355
	<b>15,000</b>	<b>5,000</b>	<b>6,261</b>	<b>26,261</b>

Company	Old Mutual Investment Group Limited Commercial Paper	NICO Asset Managers Commercial Paper	Standard Bank Loan	Total
<b>Opening balance - 1 January 2020</b>	5,000	5,000	7,986	17,986
Additions	10,000	-	5,261	15,261
Interest charge	1,323	650	1,105	3,078
Capital repayments	-	-	(6,986)	(6,986)
Interest paid	(1,323)	(650)	(1,105)	(3,078)
<b>Balance as at 31 December 2020</b>	<b>15,000</b>	<b>5,000</b>	<b>6,261</b>	<b>26,261</b>
Long term portion of loans	15,000	5,000	1,906	21,906
Current portion of loans	-	-	4,355	4,355
	<b>15,000</b>	<b>5,000</b>	<b>6,261</b>	<b>26,261</b>

## NOTES TO THE SUMMARY FINANCIAL STATEMENT (continued)

In millions of kwacha

### 3. Loans and borrowings(continued)

Group	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	-	-	3,600	3,600
Interest charge	697	649	1,463	2,809
Capital repayments	-	-	(4,969)	(4,969)
Interest paid	(697)	(649)	(1,463)	(2,809)
<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	1,368	6,368
Current portion of loans	5,000	-	6,619	11,619
	<b>5,000</b>	<b>5,000</b>	<b>7,987</b>	<b>17,987</b>

Company	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	-	-	3,600	3,600
Interest charge	697	649	1,463	2,809
Capital repayments	-	-	(4,969)	(4,969)
Interest paid	(697)	(649)	(1,463)	(2,809)
<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	1,368	6,368
Current portion of loans	5,000	-	6,619	11,619
	<b>5,000</b>	<b>5,000</b>	<b>7,987</b>	<b>17,987</b>

### Old Mutual Investment Group Limited (OMIGL)

On 26 February 2015, the company secured commercial debt paper of MK5.0 billion. The arranger and administrator was Old Mutual Investment Group Limited (OMIGL). The commercial paper was 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 was 364 Treasury bill rate plus 200 basis points. The loan was 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.

In 2020, the company secured commercial debt paper of MK10.0 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 the 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 182 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 (DCRCF) 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 7.9% (2019: 8.3%) for the dollar exposure, Standard Bank Malawi 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 Malawi 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-Dec-20	Group as at 31-Dec-19	Company as at 31-Dec-20	Company as at 31-Dec-19
<b>Lease liabilities</b>	<b>1,715</b>	<b>5,337</b>	<b>1,715</b>	<b>5,337</b>
Long-term portion of lease liability	937	2,141	937	2,141
Short-term portion of lease liability	778	3,196	778	3,196
	<b>1,715</b>	<b>5,337</b>	<b>1,715</b>	<b>5,337</b>

### 5. Capital expenditure

	Group as at 30-Dec-20	Company as at 31-Dec-20	Group as at 31-Dec-19	Company as at 31-Dec-19
Acquisition of property, plant and equipment	20,287	16,414	20,100	16,103
Acquisition of intangible assets	746	1,727	746	1,727
	<b>21,033</b>	<b>18,141</b>	<b>20,846</b>	<b>17,830</b>