



Telekom Networks Malawi plc

Summary results for the six months ended 30 June 2021

PERFORMANCE

The Board is pleased to announce the unaudited interim financial results for the group for the six months period ended 30 June 2021.

The group registered 8% increase in total revenue to MK45,538 million (June 2020: MK42,243 million) due to growth in data revenue by 14% to MK15,599 million (June 2020: MK13,662 million) and Mpamba revenue grew by 54% to MK5,016 million (June 2020: MK3,261 million). EBITDA margin increased to 38% (June 2020: 36%) due to cost containment initiatives that management continues to implement. Net profit after taxation increased by 19% to MK4,511 million (June 2020: MK3,780 million).

The group invested MK14,882 million in capital expenditure during the period (June 2020: MK11,661 million) in distribution systems, network and systems catering for expansion, improvement and future use as data needs grow.

The entity has made a provision in the current period of MK936 million and has restated half-year results for 2020 amounting to MK1,009 million in respect of value added tax treatment on Mpamba and Pasavute transactions. The issue has not yet been concluded as of the date of publishing this statement. The group has taken a cautious approach and an accumulated provision amounting to MK 6,499 million has been made as at 30 June 2021.

OUTLOOK

The macro economic environment is expected to remain challenging putting pressure on the group's profitability. The volatile exchange rates and foreign currency scarcity will continue to increase the cost of our operations. The group also expects the current Covid-19 related economic challenges to continue in the near future. We will continue with our business model to minimize these impacts and continue to create value for our stakeholders.

DIVIDENDS

The Directors have declared a first interim dividend for the financial year ending 31 December 2021 of MK 1,807 million, equivalent to 18 tambala per share, payable on 24th September 2021 to those shareholders appearing in the register of the Company as at the close of business on 17th September 2021. The register of members will be closed from 20th September 2021 to 22nd September 2021 both dates inclusive.

George Patridge
Chairman of the Board

Lekani Katandula
Chairman Board Audit Committee

KEY FINANCIAL HIGHLIGHTS

8%
growth in total revenue

MK 45,538
Million

54%
growth in Mobile money revenue

MK 5,016
Million

14%
growth in data revenue

MK 15,599
Million

13%
growth in EBITDA

MK 17,082
Million

19%
growth in profit after taxation

MK 4,511
Million

Infrastructure
investment of

MK 14,882
Million

Earnings Per Share

MK 0.45

26%
growth in subscriber base

4.5
Million

SUMMARY FINANCIAL STATEMENTS

SUMMARY STATEMENTS OF COMPREHENSIVE INCOME

In millions of kwacha

	Group 6 months ended 30-June-21	Group 6 months ended 30-June-20 Restated	Company 6 months ended 30-June-21	Company 6 months ended 30-June-20 Restated	Group Year ended 31-Dec-20	Company Year ended 31-Dec-20
Service revenue	43,521	40,606	39,290	38,335	87,304	78,998
Cost of sales	(10,331)	(9,042)	(8,527)	(8,132)	(20,453)	(17,648)
Gross profit	33,190	31,564	30,763	30,203	66,851	61,350
Other income	2,017	1,637	2,008	1,640	3,594	4,619
Network operating costs	(17,343)	(17,272)	(17,019)	(17,080)	(32,063)	(31,448)
Administrative expenses	(8,430)	(7,934)	(7,970)	(7,777)	(21,182)	(18,034)
Operating profits	9,434	7,995	7,782	6,986	17,200	16,487
Finance income	209	120	35	6	390	116
Finance expense	(2,982)	(2,116)	(2,982)	(2,117)	(4,654)	(4,654)
Net finance expenses	(2,773)	(1,996)	(2,947)	(2,111)	(4,264)	(4,538)
Profit before income tax	6,661	5,999	4,835	4,875	12,936	11,949
Income tax expense	(2,150)	(2,219)	(1,591)	(1,603)	(5,208)	(3,762)
Profit for the year	4,511	3,780	3,244	3,272	7,728	8,187
Total comprehensive income for the year	4,511	3,780	3,244	3,272	7,728	8,187
Earning per share(MK)	0.45	0.38	0.32	0.33	0.77	0.82
Number of ordinary shares in issue ('mil)	10,040	10,040	10,040	10,040	10,040	10,040

SUMMARY STATEMENTS OF FINANCIAL POSITION

In millions of kwacha

	Group as at 30-June-21	Group as at 30-June-20 Restated	Company as at 30-June-21	Company as at 30-June-20 Restated	Group as at 31-Dec-20	Company as at 31-Dec-20
ASSETS						
NON CURRENT ASSETS						
Contract assets	651	580	651	580	601	601
Property, plant and equipment	73,975	56,458	64,188	56,244	67,355	66,840
Intangible assets	10,269	11,903	18,928	11,005	8,601	8,136
Equity investments	81	81	1,337	1,337	81	1,337
Right of use assets	10,611	8,256	10,611	8,256	11,661	11,661
Deferred tax assets	-	-	-	-	6	-
Total non current assets	95,587	77,278	95,715	77,422	88,305	88,575
CURRENT ASSETS						
Contract assets	679	627	679	627	637	637
Inventories	2,146	1,682	2,146	1,682	2,442	2,442
Trade and other receivables	20,949	14,644	17,369	13,815	14,046	11,219
Amounts due from related parties	385	494	1,617	2,756	421	3,105
Bank and cash balances	13,539	16,081	1,622	4,841	14,677	2,272
Current Tax	40	-	281	-	-	-
Total current assets	37,738	33,528	23,714	23,721	32,223	19,675
TOTAL ASSETS	133,325	110,806	119,429	101,143	120,528	108,250
EQUITY AND LIABILITIES						
Shareholder's 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	45,668	40,221	44,249	39,102	41,157	41,005
Total equity	48,417	42,970	46,998	41,851	43,906	43,754
NON-CURRENT LIABILITIES						
Deferred tax liabilities	1,307	1,070	1,319	1,050	1,097	1,097
Long term portion of loans and borrowings	3	27,379	15,992	27,379	15,992	21,906
Long term portion of lease liabilities	4	-	1,723	-	1,723	937
Total non-current liabilities	28,686	18,785	28,698	18,765	23,940	23,940
CURRENT LIABILITIES						
Amounts due to related parties	-	284	370	628	-	1,189
Bank overdraft	7,438	5,381	7,438	5,381	4,601	4,601
Trade and other payables	26,612	24,309	23,758	21,687	27,407	22,890
Current portion of loans and borrowings	3	6,687	5,176	6,687	4,355	4,355
Contract liabilities	4,214	4,005	4,214	4,005	4,562	4,562
Dividend payable	-	-	-	-	1,205	1,205
Amounts payable to owners of e-money	10,005	5,827	-	-	8,261	-
Current portion of lease liabilities	4	1,266	2,740	2,740	778	778
Current tax payable	-	1,329	910	910	1,513	976
Total current liabilities	56,222	49,051	43,733	40,527	52,682	40,556
Total liabilities	84,908	67,836	72,431	59,292	76,622	64,496
TOTAL EQUITY AND LIABILITIES	133,325	110,806	119,429	101,143	120,528	108,250

SUMMARY STATEMENTS OF CHANGES IN EQUITY

In millions of kwacha

Group	Share Capital	Share Premium	Retained earnings	Total
Balance as at 1 January 2021	402	2,347	41,157	43,906
Comprehensive income for the period	-	-	4,511	4,511
Balance at 30 June 2021	402	2,347	45,668	48,417
Group				
Balance at 1 January 2020 as restated	402	2,347	38,951	41,700
Comprehensive income for the period	-	-	3,780	3,780
Dividend declared (MK0.25 per share)	-	-	(2,510)	(2,510)
Balance at 30 June 2020	402	2,347	40,221	42,970
Group				
Balance at 1 January 2020 as restated	402	2,347	38,951	41,700
Comprehensive income for the period	-	-	7,728	7,728
Dividend declared (MK0.55 per share)	-	-	(5,522)	(5,522)
Balance at 31 December 2020	402	2,347	41,157	43,906
Company				
Balance as at 1 January 2021	402	2,347	41,005	43,754
Comprehensive income for the period	-	-	3,244	3,244
Balance at 30 June 2021	402	2,347	44,249	46,998
Company				
Balance at 1 January 2020 as restated	402	2,347	38,340	41,089
Comprehensive income for the period	-	-	3,272	3,272
Dividend declared (MK0.25 per share)	-	-	(2,510)	(2,510)
Balance at 30 June 2020	402	2,347	39,102	41,851
Company				
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)
Balance at 31 December 2020	402	2,347	41,005	43,754

SUMMARY STATEMENTS OF CASH FLOWS

In millions of kwacha

	Group 6 months ended 30-June-21	Group 6 months ended 30-June-20	Company 6 months ended 30-June-21	Company 6 months ended 30-June-20	Group Year ended 31-Dec-20	Company Year ended 31-Dec-20
Operating activities						
Cash receipts from customers	38,579	42,774	36,544	39,498	90,782	85,388
Cash paid to suppliers and employees	(26,138)	(20,705)	(24,713)	(19,794)	(46,081)	(44,694)
Cash generated from operations	12,441	22,069	11,831	19,704	44,701	40,694
Interest paid	(1,440)	(2,086)	(1,440)	(2,086)	(4,186)	(4,186)
Income tax paid	(3,493)	(3,129)	(2,519)	(2,344)	(5,548)	(4,298)
Cash flows generated from operating activities	7,508	16,854	7,872	15,274	34,967	32,210
Investing activities						
Interest received	-	209	-	120	35	390
Purchase of property, plant and equipment	5	(11,793)	(7,081)	(11,495)	(7,081)	(20,100)
Purchase of intangible assets	5	(3,089)	(4,580)	(3,089)	(4,566)	(746)
Proceeds from sale of property, plant and equipment	-	22	-	22	22	22
Net cash used in investment activities	(4,673)	(11,519)	(4,549)	(11,619)	(20,621)	(20,708)
Financing activities						
Proceeds from loans	3	11,116	6,851	11,116	6,851	15,261
Repayment of loans	3	(6,272)	(3,669)	(6,272)	(3,669)	(6,986)
Lease liability payments	-	(449)	(449)	(449)	(1,130)	(14,050)
Payment of dividends	-	(1,205)	(1,205)	(1,205)	(6,828)	(6,828)
Net cash from/(used in) financing activities	3,190	(2,968)	3,190	(2,968)	(12,603)	(12,603)
Net (decrease)/increase in cash and cash equivalents	(3,975)	2,367	(3,487)	687	1,743	(1,101)
Cash and cash equivalents at the beginning of the period	10,076	8,333	(2,329)	(1,227)	8,333	(1,228)
Cash and cash equivalents at the end of the year	6,101	10,700	(5,816)	(540)	10,076	(2,329)

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

In millions of kwacha

	Group as at 30-Jun-21	Group as at 30-Jun-20	Company as at 30-Jun-21	Company as at 30-Jun-20	Group as at 31-Dec-20	Company as at 31-Dec-20
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1. Capital Commitments

Authorised and contracted for	16,765	18,871	16,765	18,871	7,109	7,109
Authorised and not contracted for	38,000	14,023	38,000	14,023	37,605	37,605

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

2. Contingent liabilities

Legal claims	1,145	383	445	383	1,008	1,008
Malawi Revenue Authority claim	610	-	610	-	3,758	3,758
	1,755	383	1,055	383	4,766	4,766

3. Loans and borrowings

Group	Old Mutual Investment Group Limited Commercial Paper	NICO Asset Managers Commercial Paper	Standard Bank Loan	Total
Opening balance - 1 January 2021	15,000	5,000	7,986	27,986
Additions	-	-	11,116	11,116
Interest charge	1,148	344	684	2,176
Capital repayments	-	-	(6,272)	(6,272)
Interest paid	(356)	(131)	(453)	(940)
Balance as at 30 June 2021	15,792	5,213	13,061	34,066
Long term portion of loans	15,000	5,000	7,379	27,379
Current portion of loans	792	213	5,682	6,687
	15,792	5,213	13,061	34,066

Company	Old Mutual Investment Group Limited Commercial Paper	NICO Asset Managers Commercial Paper	Standard Bank Loan	Total
Opening balance - 1 January 2021	15,000	5,000	7,986	27,986
Additions	-	-	11,116	11,116
Interest charge	1,148	344	684	2,176
Capital repayments	-	-	(6,272)	(6,272)
Interest paid	(356)	(131)	(453)	(940)
Balance as at 30 June 2021	15,792	5,213	13,061	34,066
Long term portion of loans	15,000	5,000	7,379	27,379
Current portion of loans	792	213	5,682	6,687
	15,792	5,213	13,061	34,066

Group	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

Company	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

Group	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	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)
Balance as at 31 December 2020	15,000	5,000	6,261	26,261
Long term portion of loans	15,000	5,000	1,906	21,906
Current portion of loans	-	-	4,355	4,355
	15,000	5,000	6,261	26,261

NOTES TO THE SUMMARY FINANCIAL STATEMENTS (continued)

In millions of kwacha

3. Loans and borrowings (continued)

Company	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	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)
Balance as at 31 December 2020	15,000	5,000	6,261	26,261
Long term portion of loans	15,000	5,000	1,906	21,906
Current portion of loans	-	-	4,355	4,355
	15,000	5,000	6,261	26,261

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 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 (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 Standard Bank plc reference rate plus 1.9%. 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-Jun-21	Group as at 30-Jun-20	Company as at 30-Jun-21	Company as at 30-Jun-20	Group as at 31-Dec-20	Company as at 31-Dec-20
Long term portion of lease liability	-	1,723	-	1,723	937	937
Current portion of lease liability	1,266	2,740	1,266	2,740	778	778
	1,266	4,463	1,266	4,463	1,715	1,715

5. Capital expenditure

	Group as at 30-Jun-21	Group as at 30-Jun-20	Company as at 30-Jun-21	Company as at 30-Jun-20	Group as at 31-Dec-20	Company as at 31-Dec-20
Acquisition of property, plant and equipment	11,793	7,081	11,495	7,081	20,287	20,100
Acquisition of intangible assets	3,089	4,580	3,089	4,566	746	746
	14,882	11,661	14,584	11,647	21,033	20,846

6. Depreciation and amortisation

	Group 6 months ended 30-June-21	Group 6 months ended 30-June-20	Company 6 months ended 30-June-21	Company 6 months ended 30-June-20	Group Year ended 31-Dec-20	Company Year ended 31-Dec-20
Depreciation and amortisation	7,648	7,149	7,471	6,882	14,047	13,704