Vodacom Tanzania Public Limited Company

Interim consolidated financial results

for the six months ended 30 September 2020

The future is exciting.

Ready?

vodacom

Vodacom Tanzania PLC Managing Director

In the face of an unprecedented global pandemic, Vodacom Tanzania Plc committed to supporting society by prioritising the resilience of our networks, accelerating support to Government and facilitating cashless payments. Given significant changes in customer demands and behaviour patterns due to COVID-19 measures, Vodacom is proud to have enabled customers to work, be entertained, access essential services and connect to education platforms.

Hisham Hendi commented

Further, we donated TZS2.3 billion to support government's efforts to source crucial medical equipment and supplies in addition to zero-rating numerous essential service and education websites. As part of a broader Vodacom Group programme to create a social contract with its stakeholders that addresses pressing societal challenges, we remain committed to supporting government in whatever way we can.

From a financial performance perspective, the period under review was characterised by subdued economic activity due to COVID-19, intense competitive pricing pressure and the impact of barring services to 2.9 million SIM cards in the previous financial year. These factors contributed to a 10.3% decline in service revenue. Still, we maintained our leadership position in customer market share at 30.7%[1] and solidified our headline Net Promoter Score lead with a 14 point gap to the next best competitor, despite efforts by certain operators to drive short-term customer growth at the expense of longer-term sustainability.

Supportive of social distancing initiatives, M-Pesa helped empower customers to transact easily and effect contactless payments. Our overdraft product gained in popularity, evidenced by the extension of facilities worth over TZS127 billion to more than 2.4 million customers over the six-month period. More than 783 000 of these customers made use of our most recent enhancement to this product, which provides customers with access to multiple facilities. We also extended this product to our agents to facilitate seamless completion of transactions, with over TZS20 billion of loans provided to agents during the period. Our international money transfer business played an important role in facilitating financial inclusion with a 400% growth in receipts to over TZS225 billion and remittances reaching TZS33 billion, a 37% increase.

Despite the decline in net profit on the back of the service revenue pressure, we invested TZS60.9 billion in capital expenditure, which enabled us to expand our 4G network, enhance our IT infrastructure and maintain data availability at a time when customers worked from home. Evidenced by the 51.7% increase in data usage per customer reaching 1.3GB per month and significant 4G traffic growth, our sustained investment programme continues to yield results by delivering a better data experience for customers.

Looking ahead, while we continue to make good progress on SIM card registration, we remain cautious about the impact of COVID-19 and uncertainty about the pace of economic recovery that may weigh on disposable income as a result of reduced economic activities.

Through a sustainable cost management programme, while putting proactive measures in place to drive revenue growth, we are committed to improving the profitability of the company. At the same time we are focussed on delivering great value and an exceptional experience to our customers and committed to our sustainable investment programme that continues to yield value accretive results. We are encouraged by signs of improved commercial momentum, the ongoing success of our mobile money services and expect data growth to be supported by investments that enhance the customer experience across the country.

1 Tanzania Communication Regulatory Authority's quarterly communications statistics as at June 2020.

Highlights

M-Pesa customers up

3.5% to 7.4 million

despite service barring to 800 000 SIM cards in the last quarter of the previous financial year.

We now have

15.0 million

customers, up 1.4% despite service barring to 2.9 million SIM cards in the last quarter of the previous financial year.

Continued significant capital investment of

TZS60.9 billion

in expanding our 4G coverage and improve the quality of our network.

Summary financial information

	Six months ended 30 September		
TZS m	**2020**	2019	**% Change**
Service revenue	**474 311**	528 962	**(10.3)**
Revenue	**478 315**	532 289	**(10.1)**
EBITDA	**154 094**	207 153	**(25.6)**
Operating profit	**16 226**	75 545	**(78.5)**
Net (loss)/profit after tax	**(5 061)**	42 002	**(112.0)**
Operating free cash flow	**32 287**	55 473	**(41.8)**
Free cash flow	**3 408**	26 229	**(87.0)**
Capital expenditure	**(60 861)**	(78 679)	**22.6**
Earnings per share ('EPS') (TZS)	**(2.26)**	18.75	**(112.0)**
Contribution margin (%)	**69.6**	70.6	**(1.0)pp**
EBITDA margin (%)	**32.2**	38.9	**(6.7)pp**
Operating profit margin (%)	**3.4**	14.2	**(10.8)pp**
Effective tax rate (%)	**390.7**	30.6	**+360.1pp**
Net profit margin (%)	**(1.1)**	7.9	**(9.0)pp**
Capital intensity (%)	**12.7**	14.8	**(2.1)pp**

Operating and financial review

TZS m	2020	2019	% Change
	Six months ended 30 September		
Mobile voice revenue	**156 859**	194 685	**(19.4)**
M-Pesa revenue	**172 855**	182 022	**(5.0)**
Mobile data revenue	**87 374**	91 231	**(4.2)**
Mobile incoming revenue	**30 041**	27 960	**7.4**
Messaging revenue	**16 763**	21 128	**(20.7)**
Other service revenue	**10 419**	11 936	**(12.7)**
Service revenue	**474 311**	528 962	**(10.3)**
Non-service revenue	**4 004**	3 327	**20.3**
Revenue	**478 315**	532 289	**(10.1)**
Direct expenses	**(145 622)**	(156 637)	**7.0**
Staff expenses	**(28 356)**	(28 116)	**(0.9)**
Publicity expenses	**(18 394)**	(15 931)	**(15.5)**
Other operating expenses	**(131 847)**	(124 717)	**(5.7)**
Depreciation and amortisation	**(137 870)**	(131 343)	**(5.0)**
Operating profit	**16 226**	75 545	**(78.5)**
EBITDA	**154 094**	207 153	**(25.6)**
EBITDA Margin	**32.2%**	38.9%	**(6.7)pp**

Revenue

Service revenue declined 10.3% to TZS474.3 billion impacted by a combination of barring of service to 2.9 million SIM cards in the last quarter of the previous financial year, subdued economic activities due to the COVID-19 pandemic and intense competitive pricing pressure. Our strong commercial execution supported 203 000 customers additions during the period, with our customer base reaching 15.0 million, an increase of 1.4%. Customer base growth was constrained by the deletion of a number of SIM cards that remained inactive since service barring in line with our churn policy.

Voice revenue decreased by 19.4% to TZS156.9 billion primarily due to barring of service to 2.9 million SIM cards in the last quarter of the previous financial year, subdued economic activities due to the COVID-19 pandemic, as well as intense competitive pricing pressure. Our focus on segmented offers using our CVM platform moderated the voice revenue decline in the second quarter to 16.3%.

M-Pesa revenue declined 5.0% to TZS172.9 billion mainly impacted by the barring of 800 000 SIM cards in the last quarter of the previous financial year, the subdued economic activities due to the COVID-19 pandemic as well as the suspension of maintenance fee charging on dormant accounts in line with the financial consumer protection regulation. We added 252 000 M-Pesa customers during the period to reach 7.4 million customers[2], up 3.5%. We continue to lead the industry with customer market share of 39.0%[3].

M-Pesa continues to deliver on its promise of financial inclusion, empowering customers to transact easily and enable social distancing. Our overdraft product continued to perform well, with 2.4 million customers utilising this service. We extended this product to our agents to facilitate seamless completion of transactions, with over TZS20 billion provided to more than 20 000 agents during the period. The movement restrictions during the period, led to a 20% decline in M-Pesa transactions to 580 million, but transaction values increased by 16% to TZS33 trillion. Initiatives to expand our international money transfer business were successful. A total of TZS225 billion was received during the period, with more than 75% received via WorldRemit and Terrapay. Our remittances grew by 37% to TZS33 billion. We continued to widen our partner network, with the launch of "Mama Money" and "Remitly" during the period, which enabled customers to receive money from South Africa.

2 M-Pesa customers are based on the number of unique customers who generated billable transactions during the month. There were 11.9 million customers who generated billable transaction in the last three months.
3 Tanzania Communication Regulatory Authority's quarterly communications statistics as at June 2020.

Mobile data revenue declined 4.2% to TZS87.4 billion impacted by barring of service to 600 000 data SIM cards in the last quarter previously, subdued economic activities due to the COVID-19 pandemic, as well as intense competitive pricing pressure. Our continuous investment to enhance the data experience as well as sales of low-cost smartphones yielded results. Data traffic increased by 43.8% driven by the strong demand for data, including the need for "work from home".

Mobile incoming revenue increased 7.4% to TZS30.0 billion driven by the significant increase in incoming traffic as operators continued to offer more value in their bundles. This was partially offset by the 50% reduction in mobile termination rate from January 2020, in line with the regulated glide path.

Messaging revenue declined 20.7% to TZS16.8 billion impacted by barring of service to 2.9 million SIM cards in the last quarter previously, subdued economic activities due to the COVID-19 pandemic, as well as intense competitive pricing pressure. The number of messages transmitted declined 3.2% to 15.8 billion and price per SMS was down 18.0%.

Total expenses[4]

Total expenses decreased 0.4% to TZS324.2 billion. Despite realising savings in direct expenses in line with lower revenue, competitive pressures impacted commissions and interconnect costs. Our cost containment through our 'Fit for growth' programme was offset by the increase in publicity expenses resulting from the higher municipal fees rate on external signage as per Local Government Finances Act as well as increase in network cost resulting from higher number of network elements and inflationary adjustment applied under service contracts.

EBITDA

EBITDA decreased 25.6% to TZS154.1 billion impacted mainly by the decline in revenue, as well as increased commissions and interconnect cost driven by the market competitive pressure and increase in publicity cost resulting from higher municipal fees. These cost pressures were partially offset by realised savings from 'Fit for growth' programme.

Operating profit

Operating profit declined 78.5% to TZS16.2 billion mainly impacted by the decline in EBITDA as well as the increase in depreciation charge from increased investment in the network in the prior year.

Capital expenditure

We invested TZS60.9 billion in capital expenditure, which enabled us to expand our 4G network in order to maintain the data availability during the period. We added 465 new 4G sites with fibre and high capacity microwave backhaul further enhancing customer data experience and solidified our lead as the fastest network across the country[5]. Capital intensity has reduced 2.1% to 12.7% due to the challenging business environment. We expect the intensity to increase in the coming year as we continue to focus on supporting data growth.

4 Excluding depreciation, amortisation and impairment losses.
5 Ookla speed test report as at September 2020.

Net finance charges

TZS m	2020	2019	% Change
	Six months ended 30 September		
Interest income from M-Pesa cash balances	**9 985**	10 061	**(0.8)**
Interest income from cash and government Treasury bill investments	**13 885**	15 702	**(11.6)**
Finance Income	**23 870**	25 763	**(7.3)**
Finance cost of M-Pesa cash balances	**(9 970)**	(10 161)	**1.9**
Finance cost – lease liability	**(31 945)**	(30 816)	**(3.7)**
Other finance cost	**–**	(2)	**100.0**
Finance cost	**(41 915)**	(40 979)	**(2.3)**
Net gain on foreign currency translation	**3 560**	155	**>200**
Net finance cost	**(14 485)**	(15 061)	**3.8**

Net finance cost decreased 3.8% to TZS14.5 billion primarily driven by a combination of decreased interest rates on cash and government treasury bills investment as well as the decreased investment in government treasury bills. This was partially offset by net gain on foreign currency translation resulting from cash held in foreign currency.

Taxation

The tax expense of TZS6.8 billion was 63.2% lower than the prior year (2019: TZS18.5 billion) primarily due to the decrease in profit before tax partially offset by the TZS6.0 billion additional tax payable for the 2006 – 2009 years of assessment after the court of appeal ruled on the dispute in respect of the capital allowances for these years.

The effective tax rate of 390.7% (2019: 30.6%) was mainly impacted by the additional tax payable for the 2006 – 2009 years of assessment. Excluding which, the effective tax rate would be 48.8% driven by the increase in unrecognized tax losses for Shared Networks Tanzania Limited.

Earnings

Earnings per share declined 112.0% mainly driven by the decline in operating profit partially offset by the lower tax expense.

Statement of financial position

Property and equipment and intangible assets decreased 5.7% to TZS1 128.4 billion. The investments made during the year were offset by the depreciation of network infrastructure assets from previous years' investments.

Net cash/(debt)

TZS m	2020	2019	% Change
	Six months ended 30 September		
Bank and cash balances	**630 661**	464 466	**35.8**
Lease liability	**(523 740)**	(500 199)	**(4.7)**
Net cash/(debt)	**106 921**	(35 733)	**>200**
Net cash/(debt) to EBITDA (times)	**0.7**	(0.2)	

Net cash increased significantly to TZS114.6 billion due to matured government treasury bills that rolled back from short-term investment to cash, but partially offset by the increase in lease liability driven by the additional lease contracts.

Cash flow

TZS m	2020	2019	% Change
	Six months ended 30 September		
EBITDA	**154 094**	207 153	**(25.6)**
Working capital	**(4 353)**	(18 559)	**76.5**
Capital expenditure	**(60 853)**	(78 679)	**22.7**
Lease payments	**(56 604)**	(54 799)	**(3.3)**
Other Cash Flow	**2**	357	**(99.4)**
Operating free cash flow	**32 286**	55 473	**(41.8)**
Net finance cash inflow/(outflow)	**11 603**	(3 412)	**>200**
Tax paid	**(40 483)**	(25 833)	**(56.7)**
Free cash flow	**3 406**	26 229	**(87.0)**

Operating free cash flow decreased 41.8% to TZS32.3 billion primarily driven by the decline in EBITDA partially offset by the improvement in working capital as well as lower capital expenditure.

Free cash flow decreased 87.0% driven by the decline in operating free cash flow as well as increase in tax paid resulting from the additional tax collected by the Tanzania Revenue Authority for the tax disputes that are still in the court resolution process, while partially offset by the increase in cash flow from financing activities.

Regulatory matters

SIM Card Registration

On 1 May 2019, the Tanzania Communication Regulatory Authority ('TCRA') issued new customer registration guidelines, directing the biometric registration of Sim cards using the National Identification Number ('NIN') issued by the National Identification Authority ('NIDA'), as the only accepted identification. From January until March 2020, a total of 2.9 million SIM cards were barred from service, with 793 000 reconnected.

On 7 February 2020, the new Electronic & Postal Communications (SIM Card Registration) Regulations 2020 were published. The Regulations provide for a biometric registration of SIM cards using the National ID, as the sole means of registering SIM cards in the United Republic of Tanzania.

On 1 July 2020, the TCRA issued a public release that required customers who biometrically registered more than one SIM card per service provider to verify their SIM cards ownership through their mobile phones. Furthermore, TCRA and mobile network operators have implemented an approval process that allows customers to request for additional SIM cards by visiting service providers' retail outlets or an automated process through Unstructured Supplementary Service Data (USSD). Customers are allowed up to 5 SIM cards if they follow the correct approval process.

Compliance order and fine

On 5 May 2020, the TCRA issued a compliance order against Vodacom Tanzania Plc and other operators. Following Vodacom's defense on 12 June 2020, on 18 June 2020 TCRA issued a fine of TZS400 million against Vodacom Tanzania Plc on the basis that the company failed to 1) provide sufficiently clear terms and conditions; and 2) implement rollover options for unused bundle units before expiry. Vodacom Tanzania Plc paid the fine and complied as directed by TCRA.

Operating and financial review
continued

Other matters

Tanzania Revenue Authority Agency Notices

In July and August 2020, Tanzania Revenue Authority (TRA) issued two agency notices for TZS2.9 billion and TZS17.5 billion against Vodacom Tanzania Plc bank accounts at NBC and NMB respectively, which required the banks to pay the amounts with immediate effect. The collection was enforced in full despite Vodacom Tanzania Plc prompt response to the TRA disputing the amounts in the agency notice as well as demonstrating the fact that there are pending court cases relating to the matter.

Vodacom Tanzania Plc is taking relevant legal process as well as engaging with TRA and other government authorities to address the matter.

COVID-19 impact on the business

The COVID-19 pandemic and government reactions to stem the spread had varying impacts on the business. These effects were wide ranging, from short-term impacts as a result of restricted travel and trade among various nations – as well as the medium-to-long term impacts that will be suffered globally. While the country did not introduce a lock-down, the imperative of social distancing, the closure of schools and the general slowdown in day-to-day activities as people were encouraged to work from home, had both positive and negative business impacts.

During the period, there was an increase in data traffic of up to 43% driven by growth in paid traffic for businesses as employees worked from home and people entertain through streaming and other data services as well as increased free traffic for education, government and health portals for COVID-19 information. While the travel restrictions led to the decline in roaming revenue, the general economic slow-down as well as the decline in betting business contributed to a decline in overall volume of transactions processed through our M-Pesa system. Despite these headwinds, the trajectory for M-Pesa volume of transactions has been encouraging.

The constraints of COVID-19 delayed the pace of rolling out sites, however our emphasis on the capacity and resilience of connectivity has ensured that our networks continue to remain stable and perform well.

Outlook

We are encouraged by the progress made during the period to ensure we comply with customer registration guidelines.

Demand for data and M-Pesa services remains strong, underpinning our strategy for financial and digital inclusion. We continue to invest and expand in the eco systems of these platforms and expect this will remain a strong driver for growth in the future. We have also taken significant steps to ensure that we build a diverse revenue stream through our revamped digital services aiming at providing customers with more services through digital platforms.

Our 'Fit for growth' initiatives are well embedded in our business and to a large extent structural and focused on the digital transformation of our business which leaves us with the opportunity to still employ short-term cost control measures to improve the resilience of our business where required.

Notwithstanding improvement relative to the first quarter, our performance in the second quarter remained well below pre-COVID 19 levels, and heightened macro risks will likely persist and continue to pressure our business at least through the remainder of 2020. We believe that the strength of our balance sheet and our resilient business model will allow us to continue to minimise these impacts and continue to create value for stakeholders.

We see scope for a return to service revenue growth in the last quarter of the financial year 2021, and further acceleration into the upcoming financial year, with the capital intensity between 13% – 15%. This assumes a stable currency, regulatory and macroeconomic environment.

Declaration of dividend – payable from income reserves

At the Annual General Meeting held on Friday 30 October 2020, the shareholders of Vodacom Tanzania Public Limited Company ('the Company') approved a gross final dividend of TZS27.5 billion (TZS12.26 per share) in line with the policy as well as a special dividend of TZS400 billion (TZS178.57 per share) in respect of the financial year ended 31 March 2020. These dividends are payable from income reserves.

The final dividend which represents 60% of net profit after tax as well the special dividend will be paid on Friday 13 November 2020 to the shareholders recorded in the register at the close of trading on Wednesday 19 August 2020 and Friday 16 October 2020 for special dividend.

The last day which shares traded cum dividend was Friday 14 August 2020 and Monday 12 October 2020 for special dividend. Shares commenced trading ex-dividend on Monday 17 August 2020 and Tuesdaly 13 October 2020 for special dividend. The number of ordinary shares in issue at the date of the Board's recommendation was 2 240 000 300. The dividend was subject to a local withholding tax rate to those shareholders not exempt from paying dividend withholding tax.

For and on behalf of the Board

Margaret Ikongo
Interim Chairperson

Hisham Hendi
Managing Director

Dar es Salaam

13 November 2020

Vodacom Tanzania Public Limited Company

Reviewed interim condensed consolidated financial statements

for the six months ended 30 September 2020

The future is exciting.

Ready?

vodacom

Statement of directors' responsibilities

The directors are responsible for the preparation, integrity and fair presentation of the interim condensed consolidated financial statements for the six months period ended 30 September 2020 of Vodacom Tanzania Public Limited Company (the "Company") and its subsidiaries (the "Group") in accordance with, and containing the information required by the International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"), the requirements of the Tanzanian Companies Act No. 12 of 2002, and the requirements of the Dar es Salaam Stock Exchange PLC Rules, 2016 (Amended). The directors are also responsible for safeguarding the assets of the Group and taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

The interim condensed consolidated financial statements have been reviewed by the independent auditor, Ernst & Young (EY), who was given unrestricted access to the relevant financial records and related data, including minutes of meetings of shareholders, the Board of Directors (the "Board") and committees of the Board. The directors believe that all representations made to the independent auditor during their review were valid and appropriate. The auditor's review report is presented on page 10.

The directors are of the opinion that the interim condensed consolidated financial statements have been prepared, in all material respects, in accordance with the basis of preparation described in Note 2 to the interim condensed consolidated financial statements. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the interim condensed consolidated financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation of interim condensed consolidated financial statements that are free from material misstatement whether due to fraud or error. The going concern basis has been adopted in preparing the interim condensed consolidated financial statements.

The interim condensed consolidated financial statements were approved by the Board of Directors on 29 October 2020 and signed on its behalf by:

Hisham Hendi
Managing Director

Jacques Marais
Finance Director

Ernst & Young
P.O. Box 2475
Tanhouse Tower (4th Floor)
34/1 Ursino South,
New Bagamoyo Road
Dar es Salaam,Tanzania

Tel: +255 22 2927868/71
Fax: +255 22 2927872
E-mail: info.tanzania@tz.ey.com
www.ey.com

Independent auditor's report on review of the interim condensed consolidated financial statements

To the directors of Vodacom Tanzania Public Limited Company

We have reviewed the accompanying interim condensed consolidated financial statements of Vodacom Tanzania Public Limited Company (the "Company") and its subsidiaries (together the "Group") which comprise the consolidated statement of financial position as at 30 September 2020, and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months period then ended, and selected explanatory notes as set out on pages 11 to 29.

Directors' responsibility for the interim condensed consolidated financial statements

The directors are responsible for the preparation of the interim condensed consolidated financial statements in accordance with, and containing the information required by the International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"), the requirements of the Tanzanian Companies Act No. 12 of 2002, and the requirements of the Dar es Salaam Stock Exchange PLC Rules, 2016 (Amended).

Auditor's responsibility and scope of review

Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with International Standard on Review Engagements 2410, '*Review of financial information performed by the independent auditor of the entity*'. A review of 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 condensed consolidated financial statements as at 30 September 2020 and for the six months period then ended, have not been prepared, in all material respects, in accordance with in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*.

Julius Rwajekare
TACPA 2760

For and on behalf of Ernst & Young
Certified Public Accountants
Dar es Salaam, Tanzania

12 November 2020

Consolidated statement of profit or loss and other comprehensive income

for the six months ended 30 September 2020

TZS m	Notes	Six months ended 30 September 2020 Reviewed	Six months ended 30 September 2019 Reviewed	Year ended 31 March 2020 Audited
Revenue	4	**478 315**	532 289	1 032 667
Direct expenses		**(145 622)**	(156 637)	(321 693)
Staff expenses		**(28 356)**	(28 116)	(57 671)
Publicity expenses		**(18 394)**	(15 931)	(30 571)
Other operating expenses		**(131 847)**	(124 717)	(247 885)
Depreciation and amortisation	5	**(137 870)**	(131 343)	(268 762)
Impairment charges		**–**	–	(10 086)
Operating profit		**16 226**	75 545	95 999
Finance income		**23 870**	25 763	50 465
Finance costs	6	**(41 915)**	(40 979)	(86 470)
Net gain on foreign currency translation		**3 560**	155	356
Profit before tax		**1 741**	60 484	60 350
Income tax expense	7	**(6 802)**	(18 482)	(14 588)
Net (loss)/profit		**(5 061)**	42 002	45 762
Other comprehensive income		**–**	–	–
Total comprehensive (loss)/income for the period/year, net of tax		**(5 061)**	42 002	45 762
		TZS	TZS	TZS
Basic and diluted (loss)/earnings per share	8	**(2.26)**	18.75	20.43

Consolidated statement of financial position

as at 30 September 2020

TZS m	Notes	30 September 2020 Reviewed	30 September 2019 Reviewed	31 March 2020 Audited
ASSETS				
Non-current assets		**1 254 159**	1 278 762	1 298 663
Property and equipment	9	**1 054 075**	1 120 091	1 123 945
Intangible assets	10	**74 358**	76 878	78 510
Capacity prepayments		**52 314**	52 683	54 888
Goodwill		**1 639**	1 639	1 639
Income tax receivables		**44 772**	19 724	23 755
Trade and other receivables		**18 770**	7 747	15 926
Deferred tax assets		**8 231**	–	–
Current assets		**1 221 332**	1 193 182	1 097 226
Capacity prepayments		**15 531**	11 994	13 657
Inventories		**1 852**	2 626	2 004
Trade and other receivables		**149 599**	151 181	100 815
Income tax receivables		**–**	–	4 723
Financial assets[6]		**406 450**	371 779	337 556
Short term investment		**17 239**	191 136	164 643
Cash and cash equivalents		**630 661**	464 466	473 828
TOTAL ASSETS		**2 475 491**	2 471 944	2 395 889
EQUITY AND LIABILITIES				
Capital and reserves		**1 250 091**	1 251 392	1 255 152
Share capital	11	**112 000**	112 000	112 000
Share premium	11	**442 435**	442 435	442 435
Capital contribution		**27 698**	27 698	27 698
Retained earnings		**667 958**	669 259	673 019
Non-current liabilities		**453 052**	482 631	513 575
Lease liabilities		**448 649**	447 816	494 354
Government grants		**614**	3 249	1 616
Deferred tax liability		**–**	31 088	13 800
Trade and other payables		**170**	478	186
Provisions	13	**3 619**	–	3 619
Current liabilities		**772 348**	737 921	627 162
Lease liabilities		**75 091**	52 382	50 869
Trade and other payables[7]		**660 282**	652 695	552 167
Interest due to customers		**12 841**	12 565	11 992
Income tax payable		**4 644**	9 176	–
Government grant		**2 403**	672	2 310
Provisions	13	**17 087**	10 431	9 824
Total liabilities		**1 225 400**	1 220 552	1 140 737
TOTAL EQUITY AND LIABILITIES		**2 475 491**	2 471 944	2 395 889

The interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 29 October 2020 and were signed on its behalf by:

Hisham Hendi
Managing Director

Jacques Marais
Finance Director

6 Financial assets comprise of restricted cash balances relating to M-Pesa customer deposits.
7 Trade and other payables include amounts due to M-Pesa customers of TZS 397 125 million (30 September 2019: TZS 362 730 million; 31 March 2020: TZS 329 068 million).

Consolidated statement of changes in equity

for the six months ended 30 September 2020

TZS m	Share capital	Share premium	Capital contribution	Retained earnings	Total
Six months period ended 30 September 2020 (Reviewed)					
1 April 2020	**112 000**	**442 435**	**27 698**	**673 019**	**1 255 152**
Loss and total comprehensive loss for the period	**–**	**–**	**–**	**(5 061)**	**(5 061)**
At 30 September 2020	**112 000**	**442 435**	**27 698**	**667 958**	**1 250 091**
Six months period ended 30 September 2019 (Reviewed)					
At 1 April 2019	112 000	442 435	27 698	681 711	1 263 844
Profit and total comprehensive income for the period	–	–	–	42 002	42 002
Transactions with owners:					
Dividend declared (Note 8)	–	–	–	(54 454)	(54 454)
At 30 September 2019	112 000	442 435	27 698	669 259	1 251 392
Year ended 31 March 2020 (Audited)					
At 1 April 2019	112 000	442 435	27 698	681 711	1 263 844
Profit and total comprehensive income for the period	–	–	–	45 762	45 762
Transactions with owners:					
Dividends declared (Note 8)	–	–	–	(54 454)	(54 454)
At 31 March 2020	112 000	442 435	27 698	673 019	1 255 152

Consolidated statement of cash flows

for the six months ended 30 September 2020

TZS m	Notes	Six months ended 30 September 2020 Reviewed	Six months ended 30 September 2019 Reviewed	Year ended 31 March 2020 Audited
Cash flows from operating activities				
Cash generated from operations	16	**194 283**	184 428	344 244
Income taxes paid		**(40 483)**	(25 833)	(53 181)
Net cash flows from operating activities		**153 800**	158 595	291 063
Cash flows from/(used in) investing activities				
Additions to property and equipment and intangible assets		**(37 740)**	(66 563)	(159 350)
Proceeds from disposal of property and equipment		**2**	654	719
Government grants received		**400**	–	2 838
Short term investments retired		**150 550**	28 440	54 933
Finance income received		**10 739**	15 702	31 118
(Increase)/decrease in cash held in restricted deposits		**(68 894)**	6 240	40 463
Interest received from M-Pesa deposits		**9 985**	10 061	19 347
Net cash flows from/(used in) investing activities		**65 042**	(5 466)	(9 932)
Cash flows used in financing activities				
Dividends paid		**(27)**	(37)	(54 459)
Interest paid to M-Pesa customers		**(9 120)**	(29 173)	(39 013)
Interest paid on lease liabilities		**(31 945)**	(30 816)	(67 034)
Payment of lease liabilities – principal		**(24 659)**	(23 983)	(43 455)
Net cash flows used in financing activities		**(65 751)**	(84 009)	(203 961)
Net increase in cash and cash equivalents		**153 091**	69 120	77 170
Cash and cash equivalents at the beginning of the period/year		**473 828**	396 622	396 622
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies		**3 742**	(1 276)	36
Cash and cash equivalents at the end of the period/year		**630 661**	464 466	473 828

Notes to the interim condensed consolidated financial statements

for the six months ended 30 September 2020

1. General information

Vodacom Tanzania Public Limited Company (the "Company") and its subsidiaries (together, the "Group") are incorporated and domiciled in Tanzania. The Company is a limited liability company and its shares are listed and traded on the Dar es Salaam Stock Exchange. The principal activities of the Group are disclosed in the Directors' Report issued with the latest audited consolidated and separate financial statements. The address of the Company's registered office is disclosed under the Corporate Information issued with the latest audited consolidated and separate financial statements.

2. Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with, and containing the information required by the International Accounting Standard 34 as issued by the International Accounting Standards Board ('IASB'), and to the extent applicable, the requirements of the Tanzanian Companies Act No. 12 of 2002, and the requirements of the Dar es Salaam Stock Exchange PLC Rules, 2016 (Amended).

The interim condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value or at amortised cost, and are presented in Tanzania Shillings (TZS), which is the Group's functional and presentation currency.

The interim condensed consolidated financial statements do not include all the information and disclosures required in audited annual financial statements and should be read in conjunction with the latest audited annual consolidated financial statements of the Group. The explanatory notes in these interim condensed consolidated financial statements disclose the events and transactions that update the relevant information presented in the latest audited annual consolidated financial statements.

The significant accounting policies and methods of computation are consistent in all material respects with those disclosed in the latest audited consolidated financial statements as applied in the previous year and interim period, except where otherwise indicated as disclosed in Note 3.

3. Changes in accounting policies

The new, revised or amended accounting pronouncements adopted by the Group from 1 April 2020 had no material impact on the consolidated results, financial position or cash flows of the Group.

New and amended standards and interpretations that have been issued, but that are not yet effective

The Group has not early adopted any standard, interpretation or amendment that has been issued, but that are not yet effective and the Group is not expecting that these standards, interpretations or amendments will have a material impact on the consolidated results, financial position or cash flows of the Group.

4. Revenue

TZS m	Six months ended 30 September 2020 Reviewed	Six months ended 30 September 2019 Reviewed	Year ended 31 March 2020 Audited
Major products/service lines			
Customer service revenue[8]	**432 105**	484 187	951 314
Mobile interconnect	**30 041**	27 961	53 204
Fixed service revenue	**7 206**	6 281	13 202
Other service revenue	**4 959**	7 186	7 196
Equipment revenue	**3 392**	2 755	6 412
Other non-service revenue	**361**	3 660	816
Revenue from contracts with customers	**478 064**	532 031	1 032 144
Interest income recognised as revenue	**251**	259	523
Revenue	**478 315**	532 289	1 032 667
Revenue is further disaggregated per revenue stream as follows:			
Mobile voice revenue	**156 859**	194 685	373 005
M-Pesa revenue	**172 855**	182 022	358 243
Mobile data revenue	**87 374**	91 231	180 840
Mobile incoming revenue	**30 041**	27 960	53 204
Messaging revenue	**16 763**	21 128	42 413
Fixed, customer and other service revenue	**10 419**	11 936	17 211
Service revenue	**474 311**	528 962	1 024 916
Non-service revenue	**4 004**	3 327	7 751
Revenue	**478 315**	532 289	1 032 667

Equipment revenue and other non-service revenue are recognised at a point in time while the service revenue are recognised over time.

8 Comprises of mobile contract revenue and mobile prepaid revenue.

5. Depreciation and amortisation

TZS m	Notes	30 September 2020 Reviewed	30 September 2019 Reviewed	31 March 2020 Audited
Depreciation charge	9	**(129 491)**	(124 591)	(253 715)
Amortisation charge	10	**(8 379)**	(6 752)	(15 047)
		(137 870)	(131 343)	(268 762)

6. Finance costs

Finance costs include interest on the lease liabilities recognised following the adoption of IFRS 16. The recognised finance costs, which are all recognised using the effective interest method, are detailed below:

	Six months ended		Year ended
TZS m	30 September 2020 Reviewed	30 September 2019 Reviewed	31 March 2020 Audited
Interest on bank overdrafts	**–**	(2)	(1)
Finance charge on lease liabilities	**(31 945)**	(30 816)	(67,041)
	(31 945)	(30 818)	(67 042)
Interest payable: M-Pesa customers	**(9 970)**	(10 161)	(19 428)
	(41 915)	(40 979)	(86 470)

7. Income tax expense

	30 September 2020 Reviewed	30 September 2019 Reviewed	31 March 2020 Audited
Expected income tax expense at the Tanzania statutory tax rate of 30%	**522**	18 137	18 105
Adjusted for:			
– Non-deductible expenditure	**1 391**	1 847	4 186
– Non-taxable gaming income	**(960)**	(1 358)	(2 526)
– Deferred tax credit on items not included in profit or loss	**(681)**	–	(7 220)
– Deferred tax credit not recognised – subsidiary	**615**	492	1 468
– Prior period tax penalties[9]	**5 896**	–	–
– Other adjustments[10]	**19**	(636)	575
Income tax expense	**6 802**	18 482	14 588
Effective tax rate	**390.7%**	30.6%	24.2%

9 This relates to the tax penalties for the 2006 – 2009 years of income tax following the Court of Appeal ruling on the dispute relating to treatment of capital allowances for these years.

10 Includes prior year tax adjustments and alternative minimum tax charged in a subsidiary.

Notes to the interim condensed consolidated financial statements

continued

8. Earnings and dividends per share

Earnings per share calculations are based on the earnings which are attributable to the shareholders and the weighted average number of ordinary shares outstanding during the period/year, as shown below:

	Six months ended		Year ended
TZS m	**30 September 2020 Reviewed**	30 September 2019 Reviewed	31 March 2020 Audited
Basic and diluted (loss)/earnings per share (TZS)	**(2.26)**	18.75	20.43
(Loss)/earnings attributable to the shareholders (TZS m)	**(5 061)**	42 002	45 762
Weighted average number of ordinary shares outstanding	**2 240 000 300**	2 240 000 300	2 240 000 300
Dividend declared during the period/year (TZS m)	**–**	54 454	54 454
Dividend per share (TZS) – declared during the period/year	**–**	24.31	24.31
Final dividend for the year ended 31 March 2020 proposed during the period/year (TZS m)	**27 462**	–	–
Dividends per share (TZS)	**12.26**	–	–
Special dividends proposed during the period/year (TZS m)	**400 000**	–	–
Dividends per share (TZS)	**178.57**	–	–

9. Property and equipment

TZS m	30 September 2020 Reviewed	30 September 2019 Reviewed	31 March 2020 Audited
Net carrying value as at 1 April	**1 123 945**	1 149 307	1 179 408
Additions	**59 640**	94 225	193 486
Disposals – cost	**(158)**	(5)	(142 512)
Disposals – accumulated depreciations	**158**	–	142 505
Depreciation	**(129 491)**	(124 591)	(253 715)
Transfer from non-current assets held for sale	**–**	1 307	1 307
Write off	**–**	(152)	(153)
Transfer to intangible assets (Note 10)	**(19)**	–	–
Increase in provision for site restoration obligation (Note 13)	**–**	–	3 619
Net carrying value as at period/year end	**1 054 075**	1 120 091	1 123 945

Property and equipment include the following right of use assets:

	Network infrastructure & equipment TZS m	Leasehold land & buildings TZS m	Other assets TZS m	Total TZS m
At 1 April 2019	514 098	16 865	5 751	536 714
Additions for the year	53 283	540	–	53 823
Depreciation charge for the year	(81 894)	(3 027)	–	(84 921)
At 31 March 2020 (Audited)	485 487	14 378	5 751	505 616
At 1 April 2020	**485 487**	**14 378**	**5 751**	**505 616**
Additions for the period	**2 600**	**75**	**318**	**2 993**
Depreciation charge for the period	**(39 792)**	**(2 364)**	**(1 046)**	**(43 202)**
At 30 September 2020 (Reviewed)	**448 295**	**12 089**	**5 023**	**465 407**

Notes to the interim condensed consolidated financial statements
continued

10. Intangible assets

TZS m	30 September 2020 Reviewed	30 September 2019 Reviewed	31 March 2020 Audited
Net book value as at 1 April	**78 510**	74 740	74 740
Additions	**4 208**	9 803	19 730
Amortisation charge	**(8 379)**	(6 752)	(15 047)
Disposals – cost	**–**	(913)	(1 041)
Disposals – accumulated amortisation	**–**	–	128
Transfer from property and equipment (Note 9)	**19**	–	–
Net book value as at period/year end	**74 358**	76 878	78 510

Intangible assets comprise of licences and computer software.

11. Share capital and share premium

The Group is controlled by its parent, Vodacom Group Limited, which owns 75% of the shares directly with the remaining 25% of the shares held by the public.

TZS m	30 September 2020 Reviewed	30 September 2019 Reviewed	31 March 2020 Audited
Authorised ordinary shares	**4 000 000 000**	4 000 000 000	4 000 000 000
Par value (TZS)	**50**	50	50
Authorised share capital (TZS m)	**200 000**	200 000	200 000
Issued shares	**2 240 000 300**	2 240 000 300	2 240 000 300
Share capital (TZS m)	**112 000**	112 000	112 000
Share premium			
25% of the shares issued through IPO	**560 000 075**	560 000 075	560 000 075
Share premium per share (TZS)	**800**	800	800
Share premium proceeds (TZS m)	**448 000**	448 000	448 000
IPO costs (TZS m)[11]	**(5 565)**	(5 565)	(5 565)
Share premium (TZS m)	**442 435**	442 435	442 435

11 Costs which were deductible from the equity raised through the IPO and included: authorised collecting agency fees, lead receiving bank fees, lead advisor's and sponsoring broker's fees, central securities depository fees, printing, and various other fees.

12. Lease liabilities

The Group has the following lease arrangements:

- Leases of office furniture and fittings with Paloma Park Limited. This lease arrangement bears interest at a fixed rate of 2.62% per annum over the lease term of 8 years. The lease payments are made monthly and started from August 2020.
- 3 350 (31 March 2020: 3 262) lease contracts for telecommunication towers with various vendors. These leases generally have terms of 5 to 12 years.
- 35 (31 March 2020: 35) lease contracts for properties with lease terms of 2 to 8 years.
- 87 (31 March 2020: 85) lease contracts for motor vehicles with lease terms of 2 to 8 years.

13. Provisions

The Group is currently involved in various legal proceedings and has, in consultation with its legal counsel, assessed the outcome of these proceedings to have the total probable exposure indicated below. Other provisions are disclosed below:

TZS m	**30 September 2020 Reviewed**	30 September 2019 Reviewed	31 March 2020 Audited
Opening balance	**13 443**	7 911	7 911
Increase/(decrease) in provisions – legal and tax assessments	**4 035**	(441)	1 087
Increase in provision – marketing fees	**3 230**	2 961	826
Increase in provision – site restoration obligation (Note 9)	**–**	–	3 619
Closing balance	**20 708**	10 431	13 443
Comprising of:			
Non-current			
Site restoration obligation	**3 619**	–	3 619
Current			
Legal and tax assessments provision	**7 834**	2 271	3 799
Marketing fees	**9 255**	8 160	6 025
	17 089	10 431	9 824

Notes to the interim condensed consolidated financial statements
continued

14. Commitments

TZS m	**30 September 2020 Reviewed**	30 September 2019 Reviewed	31 March 2020 Audited
Capital expenditure contracted for but not yet incurred (Property and Equipment and Intangible assets)	**46 110**	59 114	11 945
Other (including sports and marketing commitments)	**164 537**	72 781	67 627
	210 647	131 895	79 572

15. Related parties

The Group's related parties are its ultimate parent, immediate parent, subsidiaries, other related companies including sister companies, and key management personnel including directors.

TZS m	**30 September 2020 Reviewed**	30 September 2019 Reviewed	31 March 2020 Audited
Balances with related parties			
Trade and other receivables			
Vodafone Group Plc (Ultimate parent)	**2 295**	5 763	1 391
Vodacom Group Limited (Immediate parent)	**13 446**	2 368	2 160
	15 741	8 131	3 551
Trade payables			
Vodafone Group Plc (Ultimate parent)	**(21 059)**	(8 614)	(16 455)
Vodacom Group Limited (Immediate parent)	**(2 225)**	(27 460)	(2 791)
	(23 284)	(36 074)	(19 246)

The amounts due from/to related parties are interest free. All the balances due from/to related parties are due on demand and are unsecured.

15. Related parties continued

Transactions with related parties

TZS m	30 September 2020 Reviewed	30 September 2019 Reviewed	31 March 2020 Audited
	Six months ended		Year ended
Vodafone Group Plc and its subsidiaries			
Revenue	**962**	2 580	1 783
Direct costs	**(340)**	(1 445)	(2 481)
Other operating expenses	**(10 308)**	(10 224)	(21 227)
Donation to Vodacom Tanzania Foundation	**–**	(315)	(315)
	(9 686)	(9 404)	(22 240)
Vodacom Group Limited subsidiaries – Mozambique, DRC, Mauritius and Lesotho			
Revenue	**559**	299	597
Direct costs	**(6)**	(15)	(24)
Other operating expenses	**(1 423)**	(2 278)	(3 654)
	(870)	(1 994)	(3 081)
Vodacom Group Limited – South Africa			
Revenue	**2 333**	4 345	8 213
Direct costs	**(759)**	(1 254)	(2 682)
Other operating expenses	**(5 523)**	(6 134)	(12 224)
	(3 949)	(3 043)	(6 693)
Compensation for key management personnel			
Short-term employee benefits	**(5 292)**	(4 969)	(7 324)
Long-term employee benefits	**(420)**	(393)	(786)
	(5 712)	(5 362)	(8 110)
Non-executive directors			
Non-executive directors' fees	**(609)**	(549)	(1 097)
Executive directors			
Short-term employee benefits	**(1 910)**	(1 732)	(3 166)
Long-term employee benefits	**(154)**	(190)	(379)
	(2 064)	(1 922)	(3 545)

Notes to the interim condensed consolidated financial statements
continued

16. Cash generated from operations

TZS m	Six months ended 30 September 2020 Reviewed	Six months ended 30 September 2019 Reviewed	Year ended 31 March 2020 Audited
Profit before tax	**1 741**	60 484	60 350
Adjusted for:			
Financing income	**(23 870)**	(25 763)	(50 465)
Financing costs	**41 915**	40 979	86 470
Net gain on foreign currency translation	**(3 560)**	(155)	(356)
Impairment charges	**–**	–	10 086
Operating profit before impairment charges	**16 226**	75 545	106 085
Adjusted for:			
Depreciation and amortisation	**137 870**	131 343	268 762
Amortisation of capacity prepayments	**8 060**	8 439	13 447
(Gain)/loss on disposal of property, equipment and intangible assets	**(2)**	265	202
(Decrease)/increase in provision for inventory	**(195)**	(873)	1 463
Amortisation of government grant	**(1 002)**	(1 773)	(2 229)
Government grants applied against funded assets	**(309)**	(1 882)	(1 984)
Increase in legal and marketing provisions	**7 265**	2 520	1 913
Cash flow from operations before working capital changes	**167 913**	213,584	387 659
Payment of capacity contracts	**(7 361)**	(3 204)	(12 080)
Decrease/(increase) in inventory – gross	**347**	392	(1 322)
(Increase)/decrease in trade and other receivables	**(52 027)**	(30 743)	2 068
Increase/(decrease) in trade and other payables	**85 411**	4 399	(32 081)
Cash generated from operations	**194 283**	184 428	344 244

17. Contingent liabilities

Tax matters

The Group's future tax charge, effective tax rate and profit before tax could be affected by several factors including tax reforms conducted in Tanzania and the resolution of open tax disputes with the Tanzania Revenue Authority ("TRA" or the "tax authority") and/or tax courts.

The Group is committed to acting with integrity and transparency in all tax matters including a policy of full transparency to the tax authority and the payment of all taxes properly due under the relevant tax laws in Tanzania.

The Group is regularly subject to audits and examination by the tax authority of its direct and indirect tax filings. The consequence of such reviews is that in some instances, disputes can arise with the tax authority over the interpretation or application of certain tax rules where these tax laws are ambiguous and subject to a broad range of interpretations.

To address and manage this tax uncertainty, good governance is fundamental to the Group's business sustainability. The major tax positions taken are thus subject to review by executive management and reported to the Board. The Group has support from external advisors supporting the positions taken in respect of the significant tax matters which support the application and interpretation of the tax legislation.

The Group has considered all matters in dispute with the tax authority and has accounted for any exposure identified, if required. The Group has not disclosed all the details in relation to the open tax disputes because the matters are still under the dispute resolution process.

The following open tax disputes are material contingent liabilities not recognised in the statement of financial position and may have a significant impact on the profit or loss of the Group if these disputes are not resolved favourably.

- **Capital allowances of telecommunication equipment**
  Open tax disputes in relation to the classification of telecommunication equipment are currently in the court. The TRA disagrees with the Company's classification of the equipment as there is no clearly defined category for telecommunication equipment in the Income Tax Act. The matter is however a timing difference as the capital allowance deductions claimed in future years of assessment will be more if the Company does not resolve the dispute favourably, which will also result in additional penalties levied by the TRA in this regard.

- **Withholding tax on satellite, international roaming and undersea cable services**
  The assessments received by the Company in respect of withholding tax on satellite services, international roaming and undersea cable services provided by foreign suppliers are also currently in the court process. The Company did not withhold the foreign services withholding tax on these telecommunication services as Tanzania is a member of the International Telecommunication Union ("ITU") and is a signatory to the ITU conventions that established the elimination of double taxation of international telecommunication services. The Company has provided evidence (attestation) from the ITU that these agreements were ratified in Tanzania by the Court.

- **Transfer pricing**
  The Group, as part of a multinational enterprise, makes extensive use of services provided by associated entities in a value adding manner and applies the arm's length principle, in the taxation context, in such undertakings. These intercompany transactions are documented in the Group's transfer pricing documentation which is done in accordance with the requirements of local Transfer Pricing Regulations and OECD guidelines. The TRA conducted a transfer pricing audit for the 2015 to 2017 tax years which resulted in certain disputed items in terms of the methodology and other Transfer Pricing aspects used to support the taxation arm's length principle.

17. Contingent liabilities continued

Litigation and other claims contingencies

The Group is currently involved in various legal proceedings and has, in consultation with its legal counsel, assessed the outcome of these proceedings. Following this assessment, the Group's management has determined that adequate provision has been made in respect of these legal proceedings as at year-end.

The Group is subject to claims under contracts signed with other parties. Disputes can arise with other parties over the interpretation or application of contractual provisions. These disputes may not necessarily be resolved in a manner that is favourable to the Group, and the resolution of the disputes could result in an obligation to the Group. Management has assessed that no provision for claims is warranted as at period end.

18. Other matters

Tanzania Revenue Authority Agency Notices

In July 2020 and August 2020, TRA issued two agency notices against the Company's bank accounts for TZS 2.9 billion and TZS 17.5 billion. The agency notices required the banks to pay the amounts with immediate effect. The agency notices were enforced in full despite the Company's response to TRA demonstrating the incorrectness of the amounts in the agency notices as well as the fact that there are pending court cases relating to the matters.

The Company is following relevant legal processes as well as engaging TRA and other government authorities to resolve the matters.

Biometrics customer re-registration

On 1 May 2019, Tanzania Communications Regulatory Authority (TCRA) issued new customer registration guidelines, directing that biometric registration of customers using the National Identification Number (NIN) issued by the National Identification Authority (NIDA), is the only accepted identification. The Group, in alignment with the industry, continuously engaged with TCRA to ensure compliance. The industry in association with TCRA and NIDA launched country-wide awareness campaigns to drive biometric registration.

The biometric registration process commenced in May 2019, with base migration required to be completed by December 2019. The deadline was later extended to 20 January 2020. The low penetration of NINs across the country largely impacted the biometric registration process. As disclosed in the Group's consolidated and separate financial statements for the year ended 31 March 2020, the Group had not yet biometrically re-registered all SIM cards by 20 January 2020. Subsequent to the extension that ended on 20 January 2020, the TCRA directed that SIM cards not registered using biometrics and NINs should be barred from service in phases, which led to the Group barring 2.9 million of the unregistered SIM cards by 31 March 2020. It is estimated that about 793 000 of these SIM cards have since been biometrically registered and reconnected for service provisioning.

The barring of SIM cards negatively impacted the Group's revenue during and subsequent to the period. This together with the incremental costs incurred on the biometrics registration process negatively impacted the Group's financial results. The Group continues with the biometric registration process to register the SIM cards not yet registered while following the TCRA guidelines and engaging with the TCRA and industry peers to ensure that all SIM cards are re-registered.

18. Other matters continued

SIM card registration regulations

On 7 February 2020, the new Electronic & Postal Communications (SIM Card Registration) Regulations 2020 were published. The regulations provide for biometric registration of SIM cards using the National ID, as the sole means of registering SIM cards in the United Republic of Tanzania. The regulations also introduced limitation on ownership of the number of SIM cards for individuals and companies or institutions effective from 1 July 2020. An individual is not allowed more than one SIM card for use on voice, SMS and data services and not more than four SIM cards for use on machine to machine communication from each mobile network operator, unless approved by the regulator. A company or institution is allowed not more than 30 SIM cards for use on voice, SMS and data services and not more than 50 SIM cards for use on machine to machine communication from each mobile network operator, unless approved by the regulator.

On 1 July 2020, the TCRA issued a public release that required customers who biometrically registered more than one SIM card per service provider to verify their SIM cards ownership by 31 July 2020 through their mobile phones. Furthermore, TCRA and mobile network operators have implemented an approval process that allows customers to request for additional SIM cards by visiting service providers' retail outlets or an automated process through Unstructured Supplementary Service Data (USSD). Customers continue to use both processes to apply for approval of additional SIM cards.

Compliance order and fine

On 5 May 2020, TCRA issued a compliance order against the Company and other operators. Following the Company's defence on 12 June 2020, TCRA issued a fine of TZS 400 million against the Company on the basis that the Company failed to provide sufficiently clear terms and conditions and implement rollover options for unused bundle units before expiry. The Company paid the fine and will ensure compliance as directed by TCRA.

In August 2020, TCRA issued a non-compliance letter to the Company stating that during May 2020 and June 2020, the Company charged international voice termination rates below the minimum regulatory rate of US$ 0.25 contrary to Electronic and Postal Communications (Tele - Traffic) Regulations of 2018. The Company submitted clarifications to TCRA outlining its compliance with the regulations.

Interest in other entities

Vodacom Trust Limited (previously known as M-Pesa Limited)

This entity is limited by guarantee with share capital. The principal activity of the entity was to act as bona fide trustee and/or any other like officers in order to protect and safeguard all and any monies gained from and/or relating to M-Pesa cellular phone money transfer service for the benefit of the users of the said service.

On 23 October 2018, the entity's name was changed from M-Pesa Limited to Vodacom Trust Limited following approval and issuance of the certificate of change of name by the BRELA'. The change of name was necessary to enable compliance with the National Payment System Act, 2015. During the period, the deposits held in trust by Vodacom Trust Limited were transferred to The Registered Trustees of M-Pesa in accordance with the National Payment Systems regulations. The entity's directors resolved to wind up the entity and the liquidator was appointed by the directors on 19 May 2020.

18. Other matters continued

Interest in other entities continued

M-Pesa Limited

The entity started operating independent of the Company on 1 April 2020 with its own organisation structure, staff and accounting records. The entity is consolidated in the Company's consolidated financial statements. M-Pesa Limited represents a new entity that was incorporated on 26 October 2018 as a company limited by shares and is controlled by the Company. In accordance with the National Payment Systems regulations which became effective in July 2016, this entity applied for the Electronic Money Issuance (EMI) licence which was issued by Bank of Tanzania on 13 March 2019. Following the receipt of the EMI licence, the entity's principal activities is operating mobile financial services under the Electronic Money Issuance regulations issued by the Bank of Tanzania.

The Registered Trustees of M-Pesa Trust Funds (the "Trust")

The entity started operating independent of the Company on 1 April 2020 with its own governance and organisation structure, staff and accounting records. The entity is consolidated in the Company's consolidated financial statements. The Trust was incorporated under the provisions of The Trustees Incorporation Act, Cap 318 of Tanzania on 25 September 2019 with registration number 5656. The deposits held in trust by Vodacom Trust Limited were transferred to the Trust during the period.

COVID-19 pandemic

The COVID-19 pandemic and government reactions to control the spread had varying impacts on the business. These effects were wide ranging, from short-term impacts as a result of restricted travel and trade among various nations, to medium-to-long term impacts that will be suffered globally. While the country did not introduce lock-down measures, the imperative of social distancing, the closure of schools and the general slowdown in day-to-day activities as people were encouraged to work from home, had both positive and negative business impacts.

During the first period, there was an increase in data traffic of up to 43% driven by growth in paid traffic for businesses as employees work from home and entertainment is done through streaming and other data services as well as increased free traffic for education, government and health portals for COVID-19 information. There was a decline in the overall volume of transactions processed through the M-Pesa system due to general economic slow-down as well as the decline in betting business. Despite these headwinds, the trajectory for M-Pesa volume and value of transactions has been encouraging from the second quarter. Overall, the impact on revenue was not significant.

The constraints of COVID-19 delayed the pace of rolling out sites. However, emphasis on the capacity and resilience of connectivity has ensured that the Group's networks continue to remain stable and perform well.

The Group incurred some expenses relating to the management of the pandemic including the safety of the Group's people.

19. Operating segments

In order to identify operating segments, management identifies components that engage in business activities from which it may earn revenue and incur expenses; whose operating results are regularly reviewed by the Group Executive Committee; and for which discrete financial information is available.

Based on management's analysis, there are no separate business segments for which discrete financial information, as required, is available. In addition, the Group operates within the same geographical area, the United Republic of Tanzania. Therefore, no separate geographical segments exist. Entity wide segment information is the same as that presented in the interim condensed consolidated financial statements. There is no revenue from transactions with a single external customer that amount to 10% or more of the Group's revenue.

20. Fair value

The Group did not have financial instruments measured at fair value. The Carrying amounts of the Group's financial instruments reasonably approximate their fair values due to the short-term nature of the instruments.

21. Events after the reporting period

COVID-19 pandemic

The COVID-19 pandemic continued to affect countries and businesses at the time of issuing these interim condensed consolidated financial statements. The continuing impact of the pandemic is expected to be as disclosed in Note 18.

Dividend declaration

In the Annual General Meeting held on 30 October 2020, the shareholders approved the final and special dividends proposed during the period which are disclosed in Note 8.

Biometric registration of customers

The Group continues to biometrically re-register customers not re-registered by the end of the period as disclosed in Note 18.

The Board is not aware of any additional matter or circumstance arising since the end of the reporting period, not otherwise dealt with herein, which significantly affects the financial position of the Group or the results of its operations or cash flows for the period.

Supplementary information

	For the six months ended 30 September		
	2020	2019	**% Change**
Active customers[12] (thousand)	**14 958**	14 755	**1.4**
ARPU[13] (shillings per month)	**5 208**	5 976	**(12.9)**
Data customers[14] (thousand)	**7 742**	8 166	**(5.2)**
M-Pesa customers[15] (thousand)	**7 449**	7 197	**(3.5)**
Traffic[16] (millions of minutes)	**19 676**	15 106	**30.3**
Outgoing	**15 038**	13 226	**13.7**
Incoming	**4 638**	1 880	**146.7**
MoU per month[17]	**222**	175	**26.9**
Messaging (million)	**15 817**	16 348	**(3.2)**
Number of employees	**567**	561	**1.1**
Number of sites			
4G	**1 603**	1 138	**40.9**
3G	**2 709**	2 558	**5.9**
2G	**3 240**	3 127	**3.6**

12 Customers are based on the total number of mobile customers using any service during the last three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service and those customers who are active whilst roaming
13 ARPU is calculated by dividing the average monthly service revenue by the average monthly active customers during the period.
14 Data customers are based on the number of unique users generating billable data traffic during the month. Also included are users on integrated tariff plans, or who have access to corporate APNs, and users who have been allocated a revenue generating data bundle during the month. A user is defined as being active if they are paying a contractual monthly fee for this service or have used the service during the reported month
15 M-Pesa customers are the number of unique customers who have generated billable transactions during the month. In the past 3 months, 11.9 million unique customers generated revenue related to M-Pesa.
16 Traffic comprises total traffic registered on Vodacom's mobile network, including bundled minutes, promotional minutes and outgoing international roaming calls, but excluding national roaming calls, incoming international roaming calls and calls to free services.
17 Minutes of use ('MoU') per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly active customers during the period.

Non-IFRS information

The auditor's report does not necessarily cover all of the information contained in this announcement, which sets out the preliminary consolidated financial results of Vodacom Tanzania Public Limited Company ('the Company') and its subsidiaries (together 'the Group') for the six months ended 30 September 2020. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's work they should obtain a copy of that report together with the accompanying financial information from the registered office of the Company. This announcement contains certain non-IFRS financial measures which have not been reviewed or reported on by the Group's auditors. The Group's management believes these measures provide valuable additional information in understanding the performance of the Group or the Group's businesses because they provide measures used by the Group to assess performance. However, this additional information presented is not uniformly defined by all companies, including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, although these measures are important in the management of the business, they should not be viewed in isolation or as replacements for or alternatives to, but rather as complementary to, the comparable IFRS measures. Refer to the 'Operating and financial review' section of this announcement for details relating to service revenue, EBITDA and earnings per share.

Trademarks

Vodafone, the Vodafone logo, M-Pesa, Vodacom, Connected Farmer and Vodafone Supernet are trademarks of Vodafone Group PLC (or have applications pending). M-Fundi, M-Shamba, M-Pawa and Vodacom Faraja are trademarks of Vodacom Tanzania Public Limited Company (or have applications pending). Other product and company names mentioned herein may be the trademarks of their respective owners.

Forward-looking statements

This announcement, which sets out the consolidated preliminary results of the Group for the six months ended 30 September 2020, contains 'forward-looking statements', which have not been reviewed or reported on by the Group's auditors, with respect to the Group's financial condition, results of operations and businesses and certain information relating to the Group's plans and objectives. In particular, such forward-looking statements include statements relating to: the Group's future performance; future capital expenditures, acquisitions, divestitures, expenses, revenues, financial conditions, dividend policy, and future prospects; business and management strategies relating to the expansion and growth of the Group; the effects of regulation of the Group's business by the government in the country in which it operates; the Group's expectations as to the launch and roll out dates for products, services or technologies; expectations regarding the operating environment and market conditions; growth in customers and usage; and the rate of dividend growth by the Group.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "will", "anticipates", "aims", "could", "may", "should", "expects", "believes", "intends", "plans" or "targets" (including in their negative form). By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, the following: changes in economic or political conditions in markets served by operations of the Group; greater than anticipated competitive activity; higher than expected costs or capital expenditures; slower than expected customer growth and reduced customer retention; changes in the spending patterns of new and existing customers; the Group's ability to expand its spectrum position or renew or obtain necessary licences; the Group's ability to achieve cost savings; the Group's ability to execute its strategy in fibre deployment, network expansion, new product and service roll-outs, mobile data, Enterprise and 4G network expansion; changes in foreign exchange rates, as well as changes in interest rates; the Group's ability to realise benefits from entering into partnerships or joint ventures and entering into service franchising and brand licensing; unfavourable consequences to the Group of making and integrating acquisitions or disposals; changes to the regulatory framework in which the Group operates; the impact of legal or other proceedings; loss of suppliers or disruption of supply chains; developments in the Group's financial condition, earnings and distributable funds and other factors that the Board takes into account when determining levels of dividends; the Group's ability to satisfy working capital and other requirements; changes in statutory tax rates or profit mix; and/or changes in tax legislation or final resolution of open tax issues. All subsequent written or oral forward-looking statements attributable to the Company, to any member of the Group or to any persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. No assurances can be given that the forward-looking statements in this document will be realised. Subject to compliance with applicable law and regulations, the Company does not intend to update these forward-looking statements and does not undertake any obligation to do so.

Corporate information

Vodacom Tanzania Public Limited Company

(Incorporated in the United Republic of Tanzania)
Registration number: 38501
(ISIN: TZ1996102715 Share Code: VODA)

Directors

M Ikongo[1] (Interim Chairman), H Hendi (Managing Director)[7], JJ Marais (Finance Director)[3], D Gutierrez[4], S Mdlalose[5], K Gomado[6], M Mbungela[3], N Nyoka[3], W Ouko[2], T Semane[3], D Kastelic[8]

1. Tanzanian 2. Kenyan 3. South African 4. Bolivian 5. British 6. Ghanaian
7. Egyptian 8. Slovenian

Company secretary

Caroline Mduma

Registered office

15th Floor, Vodacom Tower,
Ursino Estate, Plot 23, Bagamoyo Road,
P.O. Box 2369, Dar es Salaam, Tanzania.

Transfer secretary

CSD & Registry Company Limited ('CSDR')
Kambarage House,
2nd Floor, 6 Ufukoni Street
P.O. Box 70081, Dar es Salaam, Tanzania.

Sponsoring licenced dealing member

Orbit Securities Company Limited

External communications

Rosalynn Mworia

Investor Relations

Hilda Bujiku
investorrelations@vodacom.co.tz
www.vodacom.co.tz/investor-relations