



Vodacom Tanzania Public Limited Company

Preliminary consolidated results

for the year ended 31 March 2018

The 5.9% growth in service revenue and the underlying improvement in profitability marks a turnaround in the growth seen over the past three years. Despite a challenging trading environment, good execution of network investments, customer value management, promotional offers, and targeted M-Pesa and data propositions, all contributed to the year's solid performance and earnings per share of TZS83.81.

Managing Director

IAN FERRAO

As expected, the 42.1% reduction in the mobile termination rate and measures to improve customer registration compliance weighed on revenue growth in the final quarter. This was largely offset by an intensified focus on cost containment and the sale of our equity stake in Helios Towers Tanzania.

Our segmented marketing approach, coupled with digital social media partnerships and smartphone campaigns, accelerated demand for mobile data services, leading to a gain of over 882 thousand active data customers and data revenue growth of 34.7%.

Targeted propositions and ecosystem development increased customer spend across our M-Pesa base and escalated revenue growth to 16.7%. Our network of over 6 300 active merchants makes M-Pesa the most convenient payment choice, outgrowing the number of payment card terminals across the country. Of the US\$17.5 billion of payments made across the M-Pesa system as a whole, the equivalent of over US\$160 million was transacted through our new merchant platform which we established during the year.



We also launched high speed 4G services in five cities, near doubling the number of 4G sites deployed across our network, while consistently providing our customers with the fastest average download speeds available in Tanzania. Should we be successful in securing 700 MHz spectrum in this year's auction, we expect to provide a superior 4G data user experience to a greater number of regions across the country.

Vodacom Tanzania's robust balance sheet enables the Board to continue appraising various options for growth. These include the acquisition of much needed spectrum, market consolidation and other strategic investments, which are in the interests of our shareholders and would benefit the communities which we serve.

On a personal note, I am incredibly proud to have led our business through its commercial improvement during my tenure, and feel privileged to have seen the significant contribution that the company has made to Tanzania's people and its economy.

Highlights

Service revenue grew

5.9% (7.0% excluding changes to the MTR) to **TZS966.3 billion**, a significant improvement to the growth seen over the past three years.

EBITDA grew

5.5% to **TZS266.4 billion**, representing an EBITDA margin of 27.2%. Excluding non-recurring items, EBITDA grew 16.4%.

Earnings per share ('EPS') of

TZS83.81, up **196.0%** includes gain from the sale of an equity stake in Helios Towers Tanzania Limited ('HTT') in October 2017.

Mobile data revenue grew

34.7%, achieving **TZS141.6 billion**, supported by network densification, capacity upgrades and 4G expansion. Active data customers grew by 882 thousand to 7.3 million, stimulated by digital social media partnerships and smartphone campaigns.

M-Pesa revenue grew

16.7% to **TZS291.2 billion**, representing 30.1% of service revenue. Growth was fuelled by greater customer spend across a growing mobile money ecosystem.

Capital expenditure of

TZS159.7 billion, representing 16.3% of revenue, was reinvested to launch high speed 4G services in five new cities and improve data user experience countrywide.

Summary financial information

TZS m	Year ended 31 March		Year-on-year
	2018	2017	% change
Service revenue	966 275	912 715	5.9
Revenue	977 994	931 515	5.0
EBITDA	266 370	252 591	5.5
EBIT	95 509	95 238	0.3
Operating profit	88 901	92 088	(3.5)
Net profit after tax	170 240	47 554	>200
Operating free cash flow	89 811	116 843	(23.1)
Free cash flow	(42 245)	22 330	<(200)
Capital expenditure	159 705	150 537	6.1
Net debt/(cash) ²	(434 091)	60 581	<(200)
Earnings per share ¹ (shillings)	83.81	28.31	196.0
Contribution margin (%)	69.0	66.7	2.3 ppts
EBITDA margin (%)	27.2	27.1	0.1 ppts
EBIT margin (%)	9.8	10.2	(0.4) ppts
Operating profit margin (%)	9.1	9.9	(0.8) ppts
Effective tax rate (%)	21.3	33.3	(12.0) ppts
Net profit margin (%)	17.4	5.1	12.3 ppts
Net debt/(cash) to EBITDA (times)	(1.6)	0.2	n/a
Capital intensity ³ (%)	16.3	16.2	0.1 ppts

1. The number of shares in issue as at 31 March 2018 was 2 240 000 300 (2017: 1 680 000 200), which includes 560 000 100 shares issued as part of an initial public offering on 15 August 2017. The weighted average number of shares as at 31 March 2018 – 2 031 342 728 – has been applied to the EPS calculation as of 31 March 2018.

2. Debt includes interest bearing debt, bank overdrafts and finance leases. Cash excludes investment in government treasury bills (2018: TZS121.2 billion).

3. Capital expenditure as a percentage of revenue.

All growth rates quoted are year-on-year growth rates unless otherwise stated.

Operating and financial review

TZS m	Year ended 31 March		Year-on-year % change
	2018	2017	17/18
Mobile voice revenue	392 294	416 349	(5.8)
M-Pesa revenue	291 193	249 600	16.7
Mobile data revenue	141 610	105 118	34.7
Mobile incoming revenue	82 368	95 981	(14.2)
Messaging revenue	31 571	23 383	35.0
Other service revenue	27 239	22 284	22.2
Service revenue	966 275	912 715	5.9
Non-service revenue	11 719	18 800	(37.7)
Revenue	977 994	931 515	5.0
Direct expenses	(302 712)	(310 114)	2.4
Staff expenses ¹	(55 328)	(58 668)	5.7
Publicity expenses	(30 649)	(40 057)	23.5
Other operating expenses ¹	(329 202)	(280 406)	(17.4)
Depreciation and amortisation	(164 594)	(150 182)	(9.6)
Share-based payment charge ²	(6 608)	–	n/a
Operating profit³	88 901	92 088	(3.5)
EBITDA	266 370	252 591	5.5
EBITDA margin (%)	27.2	27.1	0.1 ppts
EBIT	95 509	95 238	0.3
EBIT margin (%)	9.8	10.2	(0.4) ppts

Revenue

Service revenue grew 5.9% (7.0%*) to TZS966.3 billion, marking an upward shift from the subdued annual growth trend seen over the past three years, and attesting to our success in delivering a superior data user experience and mobile money ecosystem to our customers. Strong fundamental growth was seen throughout the year, however a 42.1% mobile termination rate ('MTR') reduction, made in the final quarter, dampened service revenue growth acceleration.

Revenue grew 5.0% to TZS978.0 billion and includes lower equipment revenue as a result of elevated sales made in the previous year from replacing unregistered devices on our network. During the year we sold more than 220 thousand devices, of which over 115 thousand were smartphones or tablets.

Active customers⁴ increased 1.9% to 12.9 million. Lower customer base growth resulted from actions taken towards improving compliance with customer registration requirements which, when coupled with our enhanced registration processes, significantly reduced the risk of receiving additional compliance orders. Moreover, through strong commercial execution, we were able to increase our leading **customer market share** by 1.2ppts to 32.1% from December 2016 to December 2017⁵.

1. As described in Note 11 of our preliminary condensed consolidated financial statements on page 17, certain amounts in relation to the financial year ended 31 March 2017 were re-classified for consistency with the presentation of the financial year ended 31 March 2018.

2. This cost relates to an underwriting arrangement between the Public Investment Corporation (SOC) Ltd in South Africa, Vodacom Tanzania and Vodacom Group Limited, as part of the initial public offering of 25% of Vodacom Tanzania's ordinary shares.

3. Excludes gain from the sale of a 24.06% equity stake in an associate, Helios Towers Tanzania Limited ('HTT') (2018: TZS120.3 billion).

4. Active customers are based on the total number of mobile customers using any service during the last three months. These customers grew 1.9% during the period whereas our 30 day active customer base, excluding customers which solely received incoming calls, grew by 7.5%. This is indicative of an improvement in revenue generating activity across our customer base.

5. Quarterly Communications Statistics Reports, Tanzania Communications Regulatory Authority (TCRA).

* Adjusted for reductions made to the mobile termination rate ('MTR') in January 2017 and January 2018.

Mobile voice revenue decreased 5.8% to TZS392.3 billion as we continue to see competitive pressure on pricing. **Minutes of use** (MoU) per month increased by 3.8%, aided by personalised voice offers made through our "Just for you" platform.

M-Pesa revenue grew 16.7% to TZS291.2 billion, led by our focus on targeted propositions – such as "Pesa ni M-Pesa" – and ecosystem development.

"Pesa ni M-Pesa" – a targeted "Lipa kwa M-Pesa" proposition which offered data, minutes and cash-back awards to customers who made purchases at selected merchants – stimulated a significant increase in customer spend and merchant adoption. Total spend through our merchant payment solution exceeded TZS370 billion during the year as we grew our network to over 6 300 active merchants.

We also continued to develop our mobile money ecosystem through establishing a number of new "Paybill" partners during the year which enhanced customer spend across a greater number of revenue generating transactions.

In addition, we gained 171 thousand **30 day active M-Pesa customers**¹ during the year, up 2.8% to 6.4 million.

Mobile data revenue growth accelerated to 34.7%, achieving revenue of TZS141.6 billion for the year. Our focus on youth and high value customer segments, coupled with partnership-led smartphone campaigns, resulted in demand for mobile data services to accelerate and smartphone penetration to exceed 29%. During the period we gained over 882 thousand **active data customers** to reach 7.3 million, up 13.6%.

Our digital partnerships have allowed us to tailor targeted data propositions to better monetise a growing trend of social media adoption in Tanzania.

Mobile incoming revenue declined by 14.2% to TZS82.4 billion. The final quarter of the year was impacted by a 42.1% mobile termination rate (MTR) reduction.

Messaging revenue increased by 35.0% to TZS31.6 billion. Growth continues to be fuelled by the continued success of SMS-only bundles and greater activity seen from our wholesale SMS partners. The number of short message service (SMS) messages sent increased by 81.1% to 38.6 billion.

Total expenses²

Total expenses increased 4.2% to TZS717.9 billion. In January 2018, a settlement was agreed upon the conclusion of a joint equipment verification project³ with Helios Towers Tanzania (HTT), a local provider of passive infrastructure services. In addition, network operating costs in the prior year were partially offset by credit notes⁴ issued by our trading partners. Excluding these items, total expenses increased by 0.6%. This is primarily as a result of savings realised as part of our "Fit for growth" cost containment programme, which included initiatives to digitalise our marketing platforms and optimise staff expenses. These savings, coupled with lower interconnect costs, were offset by greater network operating expenditure, primarily due to 4G expansion and inflationary increases applied to service contracts.

EBIT

EBIT increased by 0.3% to TZS95.5 billion and includes the aforementioned settlement³ and impact of credit notes⁴ received in the prior year. Excluding these items, EBIT grew by 32.8% with the EBIT margin expanding by 2.1 ppts to 10.2%, fuelled by strong revenue growth and our focus on cost containment. The depreciation and amortisation charge of TZS164.6 billion represents an increase of 9.6%, primarily a result of capital additions and a review of the useful lives of equipment held within Shared Networks Tanzania Limited (SNT), a subsidiary which we acquired in July 2016.

1. The number of unique customers who have generated revenue related to M-Pesa in the past 30 days. In the past 90 days, 8.2 million unique customers, representing 63.8% of our active customer base, generated revenue related to M-Pesa.

2. Excluding depreciation, amortisation, impairment losses and share-based payment charges.

3. During the year, Vodacom Tanzania and HTT deployed a joint project team to verify records of equipment located on each of HTT's sites. On the project's completion, the project team determined the actual space utilised by Vodacom on each of HTT's sites in order for an accurate charge to be determined in accordance with the service agreement made between HTT and Vodacom. In January 2018, Vodacom and HTT agreed a final retrospective fee adjustment and incremental charges (2018: TZS11.8 billion, of which approximately TZS8.4 billion are recurring incremental charges).

4. Credit notes related to both compensation and a retrospective reduction in fees from network service providers (2017: TZS12.7 billion).

Operating and financial review *continued***Operating profit**

Operating profit declined by 3.5% to TZS88.9 billion. It includes a TZS6.6 billion share-based payment charge relating to an underwriting arrangement between the Public Investment Corporation (SOC) Ltd in South Africa, Vodacom Tanzania and Vodacom Group Limited, as part of the initial public offering of 25% of Vodacom Tanzania's ordinary shares.

Capital expenditure

Capital expenditure of TZS159.7 billion, representing 16.3% of revenue. Following the 42.9% increase in the number of 3G sites in 2017, we continued to focus on enhancing data user experience, deploying 261 new 4G sites, up 93.9% in 2018.

We launched 4G in five cities¹ during the year while enhancing 4G data user experiences in Dar es Salaam. Fibre and high capacity microwave backhaul investments were integral to the deployment of 4G services.

We also increased the number of 2G and 3G sites to 2 951 and 2 232 respectively (an additional 72 2G and 194 3G sites during the year) as well as conducted capacity upgrades to over 40% of our 3G sites.

Sale of stake in Helios Towers Tanzania Limited ('HTT')

In October 2017, Vodacom Tanzania sold both its 24.06% equity stake and debt holding in HTT, a passive infrastructure service provider, to HTT's parent, HTA Holdings, LTD ('HTA') for US\$58.5 million and US\$2.7 million respectively.

As a result of losses recognised against Vodacom Tanzania's investment in HTT over previous years, the transfer of shares resulted in a pre-tax accounting gain of TZS120.3 billion (tax charges amounted to TZS14.7 billion).

Net finance charges

TZS m	Year ended 31 March		Year-on-year
	2018	2017	% change
Interest income from M-Pesa cash balances	26 196	31 470	(16.8)
Interest income from cash and government treasury bill investments	18 089	6 062	198.4
Other finance income	483	12 513	(96.1)
Finance income	44 768	50 045	(10.5)
Finance cost of M-Pesa cash balances	(26 099)	(31 366)	16.8
Finance costs from borrowings and finance leases	(8 386)	(20 867)	59.8
Finance costs	(34 485)	(52 233)	34.0
Net loss on re-measurement and disposal of financial instruments	(3 099)	(18 560)	83.3
Net finance income/(charges)	7 184	(20 748)	134.6

Net finance income increased by TZS27.9 billion to TZS7.2 billion, primarily as a result of loans – provided by Vodacom Group Limited – being fully repaid from internally generated cash-flows during the year. This reduced both finance costs and the net loss from the re-measurement of these loans, which were denominated in South African rand and United States dollar.

Finance income decreased by TZS5.3 billion following the cessation of a loan extended to HTT. This is in spite of greater interest income from cash and government treasury bill investments which were impeded by reductions to the Bank of Tanzania's discount rate.

1. During the year we launched 4G services in Arusha, Dodoma, Morogoro, Moshi and Tanga.

Taxation

The tax expense of TZS46.1 billion is 93.8% higher than the prior year (2017: TZS23.8 billion) primarily due to the increase in taxable profits of Vodacom Tanzania Public Limited Company, which includes a TZS14.7 billion capital gains tax charge relating to the sale of its equity stake in HTT.

The effective tax rate decreased to 21.3% (2017: 33.3%) and is lower than the statutory rate of 30.0% primarily as a result of a difference between the accounting and taxable gain from the sale of the HTT equity stake, tax deductible capitalised expenditure relating to the listing of our shares on the Dar es Salaam stock exchange, partially offset by a greater unrecognised tax loss from a subsidiary¹.

Earnings

EPS² increased by 196.0% to TZS83.81 per share (2017: TZS28.31). Excluding a post-tax gain from the sale of HTT and share-based payment charges incurred during the year, EPS increased by 21.5% during the period, augmented by greater net finance income.

Statement of financial position

Property, plant and equipment and intangible assets increased 0.5% to TZS662.2 billion, excluding the acquisition of Shared Networks Tanzania Limited ('SNT') in the previous year.

Non-current assets held for sale, which included our investments in HTT, reduced by TZS16.5 billion to TZS2.3 billion as a result of the sale of both our equity stake and debt holding in HTT.

Net debt/(cash)

TZS m	Year ended 31 March		Movement
	2018	2017	17/18
Bank and cash balances	(439 889)	(140 913)	(298 976)
Bank overdrafts	–	–	–
Other borrowings and finance leases	5 798	201 494	(195 696)
Net debt/(cash)³	(434 091)	60 581	(494 672)
Net debt/(cash)³ to EBITDA (times)	(1.6)	0.2	n/a

A net cash position of TZS434.1 billion was achieved, following the repayment of loans provided by Vodacom Group Limited, receipt of net proceeds from the IPO, sale of our investments in HTT and payment of a dividend. The net cash position is invested across six local relationship banks.

In addition to the net cash position, we had TZS121.2 billion invested in government treasury bills as at 31 March 2018.

1. Shared Networks Tanzania Limited ('SNT'), a wholly-owned subsidiary of Vodacom Tanzania, acquired in July 2016. The loss generated by the subsidiary does not result in the recognition of a deferred tax asset.
2. The number of shares in issue as at 31 March 2018 was 2 240 000 300 (2017: 1 680 000 200), which includes 560 000 100 shares issued as part of an initial public offering on 15 August 2017. The weighted average number of shares during the year ended 31 March 2018 – 2 031 342 728 – has been applied to the EPS calculation as of 31 March 2018.
3. Debt includes interest bearing debt, bank overdrafts and finance leases. Cash excludes investment in government treasury bills (2018: TZS121.2 billion).

Operating and financial review *continued*

Cash flow

Free cash flow

TZS m	Year ended 31 March		Year-on-year % change
	2018	2017	17/18
EBITDA	266 370	252 591	5.5
Working capital	(17 927)	12 144	<(200)
Capital expenditure ¹	(159 705)	(150 537)	(6.1)
Disposal of property, plant and equipment	1 073	1 252	(14.3)
Other cash flows	–	1 393	n/a
Operating free cash flow	89 811	116 843	(23.1)
Tax paid	(50 865)	(44 377)	(14.6)
Net finance costs paid ²	(81 191)	(50 136)	(61.9)
Free cash flow²	(42 245)	22 330	<(200)

Operating free cash flow decreased 23.1% to TZS89.8 billion, primarily as a result of greater outflows from working capital, which included a pre-payment for indefeasible rights to use submarine cable, and the re-phased settlement of trading balances with some of our trading partners.

An outflow of TZS42.2 billion from free cash flow is primarily a result of finance costs paid, which included the repayment of interest outstanding on loans from Vodacom Group Limited made from internally generated cash flows. The 14.6% increase in tax paid primarily relates to greater provisional tax payments and capital gains tax instalments paid following the sale of shares in HTT, partially offset by a non-recurring TZS11.4 billion top-up payment, made in the prior year, as part of our 2016 tax return.

Regulatory matters

Customer registration

During the year, we continued to invest in enhanced registration processes and took actions to improve our compliance with the Tanzania Communications Regulatory Authority (TCRA)'s customer registration requirements.

In July 2017, the TCRA issued fines, associated with a compliance order received following a SIM card registration audit conducted in December 2016, from which Vodacom Tanzania was fined and paid a total of TZS1.9 billion.

In December 2017, the TCRA issued a compliance order against Vodacom Tanzania with 57 offences found during an audit conducted in September 2017. Vodacom Tanzania filed its defence for all 57 offences and no ruling has been made by the TCRA on this compliance order to date.

Mobile termination rates

The TCRA published new mobile termination rates ('MTRs') on 29 December 2017. MTRs declined from TZS26.96 to TZS15.60 from January 2018, which had an impact on interconnect revenue and cost in the final quarter of the year. The TCRA's "glide path" reduces the MTR annually until it becomes TZS2.00 in January 2022. We have filed an appeal against the TCRA's new mobile termination rates with the Fair Competition Commission primarily on the grounds that the "glide path" sets MTRs below the costs incurred by operators.

Government electronic payment gateway

On 01 April 2018, the Ministry of Finance and Planning introduced a government electronic payment gateway ('GePG') where all mobile money payments to state-owned companies are to be routed for an incremental service fee borne by the customer.

Furthermore, commercial arrangements governing payments between Vodacom M-Pesa and Tanzania Electric Supply Company Limited (TANESCO), where Vodacom received a payment facilitation fee, were terminated.

- Capital additions include the purchase of property, plant and equipment and intangible assets, other than licences and spectrum, during the period.
- Net finance cost includes net interest paid to M-Pesa customers (2018: cash outflow of TZS1.0 billion; 2017: cash outflow of TZS17.5 billion).

Outlook

These results reflect the strength of our strategy, which focuses investments across our key strategic drivers – data, M-Pesa, and enterprise. We now see an opportunity to prioritise investments over the short-term to further our leadership in data and M-Pesa user experience while stimulating enterprise customer activity across strategically significant regions.

We believe that our M-Pesa customer base will continue to expand as we focus on building greater activity through our “Lipa kwa M-Pesa” merchant platform and establishing new partnerships which enhance the mobile money ecosystem.

We expect further increases in smartphone penetration, stimulated by the continuation of partnership-led, low-cost smartphone campaigns. We will continue to target improved data monetisation through digital partnerships with content and platform providers, invoking smartphone users to fully realise the potential of their devices on our network.

Expanding our network’s capacity through spectrum acquisition is a core component of our long term strategy. We will therefore seek to obtain the optimal amount of spectrum available from the upcoming 700 MHz auction at a reasonable cost.

Our actions taken as part of our continued commitment to improving compliance with customer registration requirements will result in subdued base growth over the short term. However, encouraging trends seen from the adoption of personalised offers is expected to offset churn through building customer loyalty within our registered customer base. In addition, our investments in “big data” platforms which facilitate machine learning, coupled with a greater proportion of our base engaged in personalised offers, are expected to provide us with a significant advantage over our competitors.

Furthermore, we believe our continued focus on cost containment will facilitate earnings growth in spite of the downward shift and steepening of the MTR “glide path”.

With the above in mind, we target mid single digit service revenue growth, with broadly stable capital intensity in the financial year ahead.

This guidance assumes a stable regulatory and macroeconomic environment, with broad stability of the Tanzanian shilling against major trading currencies, and excludes any merger and acquisition activity. Risks of increases to regulatory levies and mandatory capital expenditure as part of government projects continue to threaten margin expansion and improved capital intensity respectively.



Operating and financial review *continued*

Dividend

In November 2017, a gross final dividend of TZS28.5 billion, equivalent to TZS12.74 per share or 60% of net profit after tax, was paid to the shareholders of Vodacom Tanzania Public Limited Company ('the Company') in respect of the financial year ended 31 March 2017.

The Board will recommend a final dividend, in relation to the financial year ended 31 March 2018, for approval by the shareholders at the annual general meeting. The Board's recommendation will be in accordance with the dividend policy to pay out at least 50% of earnings after tax, subject to the factors stated below.

The Company intends to pay as much of its after tax profits as will be available after retaining such sums and repaying such borrowings owing to third parties as shall be necessary to meet the requirements reflected in the budget and business plan, taking into account monies required for investment opportunities. There is no fixed date on which entitlement to dividends arises and the date of payment will be recommended by the Board and approved by the shareholders at the time of declaration, subject to the DSE listing requirements.

For and on behalf of the Board

Ali A Mufuruki
Chairman

Dar es Salaam

03 May 2018

Ian Ferrao
Managing Director

Jacques Marais
Finance Director

Review report of the independent auditor

To the shareholders of Vodacom Tanzania Public Limited Company

Report on review of the preliminary condensed consolidated financial statements

We have reviewed the accompanying preliminary condensed consolidated financial statements of Vodacom Tanzania Public Limited Company ('the Company') and its subsidiaries (together 'the Group') which comprise the condensed consolidated statement of financial position as at 31 March 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the year then ended, and selected explanatory notes.

Directors' responsibility for the preliminary condensed consolidated financial statements

The directors are responsible for the preparation of the preliminary condensed consolidated financial statements in accordance with, and containing the information required by, the International Accounting Standard 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).

Auditor's responsibility and scope of review

Our responsibility is to express a conclusion on the preliminary 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 preliminary condensed consolidated financial statements as at 31 March 2018 and for the year then ended, have not been prepared, in all material respects, in accordance with the basis of preparation described in Notes 1 and 2 of the preliminary condensed consolidated financial statements.



Patrick Kiambi, TACPA – PP

For and on behalf of PricewaterhouseCoopers

Certified Public Accountants

Dar es Salaam

09 May 2018

Preliminary condensed consolidated statement of profit or loss and other comprehensive income

for the year ended 31 March

TZS m	Notes	2018 Reviewed	2017 Restated*
Revenue		977 994	931 515
Direct expenses		(302 712)	(310 114)
Staff expenses		(55 328)	(58 668)
Publicity expenses		(30 649)	(40 057)
Other operating expenses		(329 202)	(280 406)
Depreciation and amortisation	7,8	(164 594)	(150 182)
Share-based payment charges	3	(6 608)	–
Operating profit		88 901	92 088
Gain on sale of investment in associate	4	120 251	–
Finance income		44 768	50 045
Finance costs		(34 485)	(52 233)
Net loss on re-measurement of financial instruments		(3 099)	(18 560)
Profit before tax		216 336	71 340
Income tax expense	5	(46 096)	(23 786)
Net profit and total comprehensive income for the year		170 240	47 554
Basic and diluted earnings per share (TZS)	6	83.81	28.31

* Refer to Note 11.

Preliminary condensed consolidated statement of financial position

as at 31 March

TZS m	Notes	2018 Reviewed	2017 Restated*
Assets			
Non-current assets		807 724	814 368
Goodwill		1 988	1 988
Property, plant and equipment	7	644 772	656 241
Intangible assets	8	47 175	40 152
Operating lease prepayments		46 764	40 855
Income tax receivable		11 156	10 996
Trade and other receivables		252	328
Deferred loss		55 617	63 808
Current assets		1 070 980	614 779
Inventory		1 985	13 653
Operating lease prepayments		9 782	7 557
Trade and other receivables		134 590	124 681
Income tax receivable		10 666	13 621
Financial assets ¹		352 876	314 354
Short term investment		121 192	–
Cash and cash equivalents		439 889	140 913
Non-current assets held for sale		2 257	18 768
Total assets		1 880 961	1 447 915
Equity and liabilities			
Capital and reserves		1 210 454	593 593
Share capital	9	112 000	84 000
Share premium	9	442 435	–
Capital contribution		27 698	22 974
Retained earnings		628 321	486 619
Non-current liabilities		100 076	86 387
Finance lease liability	10	5 513	–
Government grant		4 695	–
Deferred tax		49 649	57 214
Trade and other payables		40 219	29 173
Current liabilities		570 431	767 935
Borrowings	10	285	201 494
Trade and other payables ²		541 697	529 488
Interest due to customers		22 952	24 075
Government grant		1 772	9 469
Provisions		3 725	3 409
Total liabilities		670 507	854 322
Total equity and liabilities		1 880 961	1 447 915

1. Financial assets represent restricted cash balances from M-Pesa deposits.

2. Trade and other payables include amounts owed to M-Pesa customers. As at 31 March 2018 this amount was TZS333 220 million (2017: TZS293 551 million).

* Refer to Note 11.

Preliminary condensed consolidated statement of changes in equity

for the year ended 31 March

TZS m	Note	Share capital	Share premium	Capital contribution	Retained earnings	Total
1 April 2017		84 000	–	22 974	486 619	593 593
Shares issued		28 000	442 435	–	–	470 435
Profit and total comprehensive income		–	–	–	170 240	170 240
Share-based payment charge ³	3	–	–	4 724	–	4 724
Dividends paid		–	–	–	(28 538)	(28 538)
31 March 2018 (Reviewed)		112 000	442 435	27 698	628 321	1 210 454
1 April 2016		84 000	–	22 974	455 579	562 553
Profit and total comprehensive income		–	–	–	47 554	47 554
Dividends paid		–	–	–	(16 514)	(16 514)
31 March 2017 (Audited)		84 000	–	22 974	486 619	593 593

3. The equity-settled share-based payment charge was incurred as a result of Vodacom Group Limited writing an option on the Company's shares as part of an underwriting arrangement with the Public Investment Corporation (SOC) Ltd. Under IFRS 2 this was treated as a capital contribution from the Group's parent, Vodacom Group Limited (refer to Note 3).

Preliminary condensed consolidated statement of cash flows

for the year ended 31 March

TZS m	2018 Reviewed	2017 Restated*
Cash flows from operating activities		
Cash generated from operations	278 266	322 147
Income taxes paid	(50 865)	(44 377)
Net cash generated from operating activities	227 401	277 770
Cash flows from investing activities		
Additions to property, plant and equipment and intangible assets	(149 859)	(169 384)
Proceeds from sale of equity stake in associate	130 582	–
Acquisition of subsidiary	(3 637)	(20 609)
Proceeds from disposal of property, plant and equipment	1 073	1 252
Government grants received	–	1 393
Short term investment made	(121 192)	–
Finance income received ⁴	24 874	23 867
Cash held in restricted deposits	(38 570)	(59 368)
Repayment of loan receivable	–	50 053
Interest received from M-Pesa deposits	26 196	31 470
Net cash used in investing activities	(130 533)	(141 326)
Cash flows from financing activities		
Dividends paid	(28 463)	(16 514)
Proceeds from an initial public offering of shares	476 000	–
Payment of an initial public offering cost	(7 449)	–
Interest paid on other borrowings	(465)	(1 565)
Interest paid to M-Pesa customers	(27 223)	(49 008)
Repayment of bank borrowings	–	(3 869)
Principal repayment of a shareholder loan	(107 071)	–
Interest payments made on a shareholder loan	(104 574)	(54 901)
Cash generated from/(utilised in) financing activities	200 755	(125 857)
Net increase in cash and cash equivalents	297 623	10 587
Cash and cash equivalents at the beginning of the year	140 913	129 215
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies	1 353	1 111
Cash and cash equivalents at the end of the year	439 889	140 913

4. Includes interest received under a loan made to Helios Towers Tanzania Limited ('HTT'). In October 2017, the Group sold the loan to HTT's parent company, HTA Holdings, LTD. During the year ended 31 March 2018, TZS6 785 million of interest was received (2017: TZS18 888 million).

* Refer to Note 11.

Notes to the preliminary condensed consolidated financial statements

for the year ended 31 March 2018

1. Basis of preparation

These preliminary condensed consolidated financial statements have been prepared in accordance with, and contain information required by, the International Accounting Standard 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). They 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 Tanzanian Shilling (TZS), which is the Group's functional and presentation currency.

The significant accounting policies and methods of computation are consistent in all material respects with those applied in the previous and current years, except as disclosed in Note 2.

2. Changes in accounting policies

The Group adopts International Financial Reporting Standards ('IFRS') in the preparation of its consolidated annual financial statements. The Group adopted the new, or revised accounting pronouncements as issued by the IASB, which were effective and applicable to the Group from 1 April 2017, none of which had any material impact on the Group's financial performance for the year and financial position at the year end.

Full details on changes in accounting policies will be disclosed in the Group's consolidated annual financial statements for the year ended 31 March 2018.

3. Share-based payment charge

The costs shown below are incurred as part of an underwriting arrangement between the Group, Vodacom Group Limited and Public Investment Corporation (SOC) Ltd (the 'underwriter') to ensure our compliance to the Electronic and Postal Communications Act, 2010 (as amended), following our initial public offering of 25% of the Group's ordinary shares.

TZS m	2018 Reviewed
Underwriter's fees (cash-settled share-based payment)	1 884
Value of underwriter's put option (equity-settled share-based payment)	4 724
	6 608

4. Sale of investment in associate

The Group sold its 24.06% equity stake in Helios Towers Tanzania Limited ('HTT') to HTA Holdings, LTD ('HTA') in October 2017 for US\$58.5 million. This investment was included in non-current assets held for sale as at 31 March 2017. The sale of the equity stake generated a gain of TZS120 251 million before tax (tax charges amounted to TZS14 705 million). The remaining balance of loans receivable from HTT of TZS6 785 million were also sold to HTA.

Notes to the preliminary condensed consolidated financial statements *continued*

5. Income tax expense

TZS m	2018 Reviewed	2017 Audited
Expected income tax expense at the Tanzania statutory tax rate of 30%	64 901	21 402
Adjusted for:		
– Non-deductible expenditure	2 159	735
– Non-taxable gaming income	(2 739)	(895)
– Non-taxable gain on disposal of assets	(21 392)	–
– Subsidiary tax losses not recognised	2 962	1 957
– Other adjustments to profit before tax and/or tax charge	205	587
Income tax expense	46 096	23 786
Effective tax rate	21.3%	33.3%

6. Earnings and dividends per share

Earnings per share calculations use the earnings which are attributable to shareholders and the weighted average number of ordinary shares outstanding during the year, as shown below.

TZS m	2018 Reviewed	2017 Audited
Basic and diluted earnings per share (TZS)	83.81	28.31
Earnings attributable to shareholders (TZS million)	170 240	47 554
Weighted average number of ordinary shares outstanding ⁵	2 031 342 728	1 680 000 200
Dividends per share (TZS)	12.74	9.83

7. Property, plant and equipment

TZS m	2018 Reviewed	2017 Audited
Net book value as at 1 April	656 241	646 214
Additions	145 140	136 683
Business combinations	–	17 238
Disposals	(851)	(1 060)
Depreciation	(157 166)	(145 044)
Other adjustment	1 408	2 210
Net book value as at end of year	644 772	656 241

5. A weighted average which incorporates the number of shares outstanding as at 01 April 2017, 1 680 000 200, plus additional shares that were issued as part of the Company's initial public offering and subsequent listing on the Dar es Salaam stock exchange on 15 August 2017, 560 000 100. No shares were bought back during the year ended 31 March 2018.

Notes to the preliminary condensed consolidated financial statements *continued*

8. Intangible assets

TZS m	2018 Reviewed	2017 Audited
Net book value as at 1 April	40 152	9 980
Additions	14 564	13 490
Business combinations	–	24 101
Amortisation charge	(7 428)	(5 138)
Other adjustments	(113)	(2 281)
Net book value as at end of year	47 175	40 152

9. Share capital and share premium

In compliance with the Electronic and Postal Communications Act, 2010 (as amended by the Finance Act 2016), the Group launched an initial public offering ('IPO') of 560 000 100 of its ordinary shares (25% of total shares) at a price of TZS850 per share (TZS50 par value and TZS800 share premium). The IPO was conducted from 9 March 2017 to 28 July 2017 and the Group shares were listed on the Dar es Salaam Stock Exchange ('DSE') on 15 August 2017 under the ticker "VODA".

Following the IPO, the Group continues to be controlled by its parent Vodacom Group Limited, which, as at 31 March 2018, owns 48.75% of the Group's shares directly and 12.86% indirectly, through Mirambo Limited which owns 26.25%, with the remaining 25% held by the public.

TZS m	2018 Reviewed	2017 Audited
Authorised ordinary shares	4 000 000 000	4 000 000 000
Par value (TZS)	50	50
Authorised capital (TZS m)	200 000	200 000
Issued shares	2 240 000 300	1 680 000 200
Share capital (TZS m)	112 000	84 000
Share premium (25% share capital issued through IPO)		
Share premium per share (TZS)	800	–
Share premium proceeds (TZS m)	448 000	–
IPO costs (TZS m) ⁶	(5 565)	–
Share premium (TZS m)	442 435	–

6. Costs which are deductible from the equity raised through the IPO, which included fees charged by: authorised collecting agents; the lead receiving bank; advisors; brokers; the central securities depository; printers and various other companies which provided services in relation to the transaction.

Notes to the preliminary condensed consolidated financial statements *continued***10. Borrowings**

During the year ended 31 March 2018, the Group repaid loans to its parent, Vodacom Group Limited. The Group's related parties are its ultimate parent, its parent, its non-controlling shareholders, key management personnel (including directors) and other related companies. Details of balances and transactions with related parties will be disclosed in the Group's consolidated annual financial statements for the year ended 31 March 2018.

TZS m	2018 Reviewed	2017 Audited
Non-current		
Finance lease liability	5 513	–
	5 513	–
Current		
Vodacom Group Limited (parent)	–	200 956
Mirambo Limited (shareholder)	285	538
	285	201 494

11. Re-classification of comparative figures

Certain amounts in relation to the financial year ended 31 March 2017 were re-classified for consistency with the presentation of the financial year ended 31 March 2018. Re-classifications did not impact net profit and/or total comprehensive income. The items which were re-classified are shown below:

TZS m	Before Re-classification	Movement	After Re-classification
Statement of profit or loss and other comprehensive income			
Staff expenses	66 205	(7 537)	58 668
Other operating expenses	272 869	7 537	280 406
Statement of cash flows			
Interest paid on other borrowings	54	1 511	1 565
Finance costs paid	1 511	(1 511)	–
Statement of financial position			
Income tax receivable	–	10 996	10 996
Trade and other receivables	11 324	(10 996)	328

Notes to the preliminary condensed consolidated financial statements *continued***12. Commitments**

TZS m	2018 Reviewed	2017 Audited
Operating leases	641 137	624 679
Capital expenditure contracted but not yet incurred	33 602	24 877
Other (including sports and marketing commitments)	100 478	130 088
	775 217	779 644

13. Contingent liabilities

Tax matters

The Group is regularly subject to an evaluation by tax authorities of its direct and indirect tax filings. The consequence of such reviews is that disputes can arise with tax authorities over the interpretation or application of certain tax rules applicable to the Group's businesses. These disputes may not necessarily be resolved in a manner that is favourable to the Group. Additionally, the resolution of the disputes could result in an obligation to the Group.

The Group is currently involved in the resolution of significant tax demands arising from assessments by the Tanzania Revenue Authority ('TRA'), a substantial amount of which the Group disagrees with the TRA's interpretation of the tax laws and regulations, and consequently for which no provisions have been recorded.

Having considered internal and external expert advice, the Directors believe that the Group has made sufficient provision for any losses arising from tax exposures that are more likely to occur than not. There has been no material increase in exposure during the year ended 31 March 2018.

Legal 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 31 March 2018.

14. Other matters

Customer registration

During the year, the Group continued to invest in enhanced registration processes and took actions to improve its compliance with the Tanzania Communications Regulatory Authority (TCRA)'s customer registration requirements.

In July 2017, the TCRA issued fines, associated with a compliance order received following a SIM card registration audit conducted in December 2016, from which the Group was fined and paid a total of TZS1.9 billion.

In December 2017, the TCRA issued a compliance order against the Group with 57 offences found during an audit conducted in September 2017. The Group filed its defence for all 57 offences and no ruling has been made by the TCRA on this compliance order to date.

Mobile termination rates

The TCRA published new mobile termination rates (MTRs) on 29 December 2017. MTRs declined from TZS26.96 to TZS15.60 from January 2018, which had an impact on interconnect revenue and expenses in the final quarter of the year. The TCRA's "glide path" reduces the MTR annually until it becomes TZS2.00 in January 2022. The Group filed an appeal against the TCRA's new mobile termination rates with the Fair Competition Commission primarily on the grounds that the "glide path" sets MTRs below the costs incurred by operators.

Government electronic payment gateway

On 01 April 2018, the Ministry of Finance and Planning introduced a government electronic payment gateway (GePG) where all mobile money payments to state-owned companies are to be routed for an incremental service fee borne by the customer. Furthermore, commercial arrangements governing payments between Vodacom M-Pesa and Tanzania Electric Supply Company Limited (TANESCO), where the Group received a payment facilitation fee, were terminated.

Tower equipment verification

During the year, the Group and HTT deployed a joint project team to verify records of equipment located on each of HTT's sites. On the project's completion, the project team determined the actual space utilised by the Group on each of HTT's sites in order for an accurate charge to be determined in accordance with the service agreement made between HTT and Vodacom Tanzania Public Limited Company. In January 2018, the Group and HTT agreed a final retrospective fee adjustment and incremental charges of TZS11 813 million, of which approximately TZS8 400 million are recurring incremental charges.

15. Events after reporting date

The Board is not aware of any 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

Key indicators

	Year ended 31 March		Year-on-year % change
	2018	2017	17/18
Active customers¹ (thousand)	12 899	12 653	1.9
ARPU² (shillings per month)	6 086	6 003	1.4
Active data customers³ (thousand)	7 345	6 463	13.6
30 day active M-Pesa customers⁴ (thousand)	6 369	6 198	2.8
Traffic⁵ (millions of minutes)	25 031	23 219	7.8
Outgoing	22 312	20 224	10.3
Incoming	2 719	2 995	(9.2)
MoU per month⁶	163	157	3.8
Messaging (million)	38 596	21 311	81.1
Number of employees	537	525	2.3
Number of sites	2 987	2 914	2.5
4G	539	278	93.9
3G	2 232	2 038	9.5
2G	2 951	2 879	2.5

Notes:

- Active 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.
- ARPU is calculated by dividing the average monthly service revenue by the average monthly active customers during the period.
- Active 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.
- 30 day active M-Pesa customers are the number of unique customers who have generated billable transactions during the month.
- 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.
- 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 consolidated preliminary results of Vodacom Tanzania Public Limited Company ('the Company') and its subsidiaries (together 'the Group') for the year ended 31 March 2018. 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 has 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, EBIT 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 year ended 31 March 2018, contains 'forward-looking statements', which, save as is otherwise stated in the Prospectus issued by the Company on 12 February 2017 (a copy of which is available on the Company's website), 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

AA Mufuruki¹ (Chairman), I Ferrao² (Managing Director), JJ Marais (Finance Director)³, D Gutierrez⁴, T Streichert⁵, K Gomado⁶, M Mbungela³, ADJ Delpont³, M Ikongo¹, W Ouko⁷, T Semane³, HJC Surtees²

1. Tanzanian 2. British 3. South African 4. Bolivian
5. German 6. Ghanaian 7. Kenyan

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
Dar es Salaam Stock Exchange
14th Floor, Golden Jubilee Towers, Ohio Street,
PO Box 70081, Dar es Salaam, Tanzania.

Sponsoring licenced dealing member

Orbit Securities Company Limited

External communications

Rosalynn Mworira

Investor Relations

Robert Wall-Pring
investorrelations@vodacom.co.tz
www.vodacom.co.tz/investor-relations

