

ANNEXURE 2

PROGRESS REPORT

INFORMATON OF THE COMPANY

- Name of the Company: **VIETTEL TANZANIA PLC (HALOTEL)**
- Managing Director: Mr. Nguyen Anh Son
- Address: 10th Floor, Tanzanite Park, Plot 38, South Ursino New Bagamoyo Road, P.O. Box 34716, Dar es salaam, Tanzania
- Certificate of Incorporation: 52674.

I. PLANNED ACTIVITIES FOR THE PERIOD

Viettel Tanzania PLC's telecom project has deployed from 2014 and up to date. From 2014, our planned activities and capital expenditures have been invested to implement the planned activities of in the project are implemented as follows:

1.1 NETWORK PLAN FROM 2014 UP TO DATE

1.1.1 Viettel Tanzania Plan for the year 2014 to 2016

In 2015 Viettel Tanzania had a **Phase 1** plan of building **1,500 BTS** sites to cover a total of **1,800 villages** which was provided by the Government of Tanzania through the Master Contract between the Military Telecommunication Company VTG and Ministry of Communication as a representative of government of Tanzania for the provision of communication services to selected 4000 villages around Tanzania and the results on the year 2015 for both Transmission optical cables and building BTS sites we managed to succeeded to build **1366 BTS** sites from the period of October 2014 to December 2015 where by total Optical fiber cables for covering of all these sites where a total of **15,000km** of optical cables all over the country with this achievement we decided to move for the next plan.

1.1.2 Viettel Tanzania Plan for the Year 2016 to 2017

For the year 2016 to 2017 we had a **Phase 2** for the covering of **500 BTS** sites to add more sites to complete commitment with government of Tanzania of covering more **1,200 villages** based on master Contract, whereby our plan for this year was to build 500 BTS for the same and extend our fiber optical cables from **15,000 km** to **18,000km** all over the country. Halotel have succeeded to deploy **3,000km** of fiber for the year 2016 to 2017 it was with great achievement that for this year we where the company with largest fiber cable all over the

country connecting one BTS to another to provide best data and voice mobile services that people of Tanzania have never experienced before.

1.1.3 Viettel Tanzania Plan for the Year 2017 to 2018

After successful completion of **Phase 1 and 2** for covering of 3,000 villages we have another plan for completion of covering 4,000 villages by having Plan of Phase 3 to build **354 BTS** sites to cover

Remaining 1,000 villages and deployment of more fiber to cover more villages we have deployed more than 2,000km of fiber for this year where we reach a total 20,000km of Optical fiber Cable (OFC) all over the country which we have successfully completed not only complete this plan itself but also on this year we have won to build and cover 47 lots from UCSAF-(Universal Communication Services Access Fund) where by follow our network design we have come to build 60 BTS sites to cover 47 lots awarded by UCSAF Phase 2 “Provision of Rural Telecommunication services for boarder and Special zone phase 2 for 47 designed lots” of tender no. IE/037/2016-17/HQ/NC/08 from UCSAF board to Viettel Tanzania, for the year end 2017 we have successfully completed the project of covering uncovered 47 lots with more than 200 villages which are all located in borders of regions in Tanzania.

1.1.4 Viettel Tanzania Plan for the Year 2018 to 2019

In 2018 to date we have been awarded second Contract with UCSAF “**Provision of Rural Telecommunication Services to Rural and Urban Underserved Area Phase 3 for Designed 82 Lots**” of tender no. IE/037/2017-18/HQ/NC/03 from UCSAF board it is contract of 1 year of implementation of the same to-date we have completed construction of all **87 BTS** sites based on planned design to cover these **82 Lots** we have assigned by UCSAF to cover.

On the same year we have managed to bid from tender announced by UCSAF on 14 July 2019 a total **150 lots** out of **521 lots** that where presented by UCSAF board to all operators for bidding from primary bid closing date on 3rd October 2019 we have won **115 lots** out of 150 lots which we have bid, which is high number of lots to be covered by Halotel signal more than any other operator who has participated on tendering process.

1.2 CAPITAL EXPENDITURE FOR DEPLOYMENT OF THE NETWORK

Up to now, total capital expenditure for deployment of the network mentioned in the section 1.1 above is USD 361,420,159.33. Detail is as follows:

A. CAPITAL EXPENDITURE FOR PURCHASING OF EQUIPMENT FOR DEPLOYING INFRASTRUCTURE (USD)								
	Item	Accumulated	2014	2015	2016	2017	2018	2019
1	Core	8,384,564.99	0.00	4,380,707.50	0.00	3,935,769.99	0.00	704,500.00
2	IT	3,081,991.96	0.00	1,117,294.77	146,985.96	972,372.37	845,338.87	1,385,173.02
3	Radio	42,495,949.40	33,396,448.24	3,787,591.00	1,336,400.00	2,454,364.40	1,521,145.76	2,690,500.00
4	Transmission	48,487,279.46	5,454,943.07	38,377,265.26	2,483,502.58	22,049.42	2,048,262.25	2,572,372.16
5	ME for BTS	99,960,446.80	14,847,451.89	63,634,492.53	6,664,237.14	9,253,831.88	5,526,723.32	1,557,077.00
6	Fixed Broad band	12,702,701.22	9,267,116.93	2,995,584.29	0.00	0.00	0.00	246,608.00
7	Infrastructure	20,379,624.34	11,575,064.48	5,803,025.39	113,278.69	1,460,975.96	1,427,279.83	2,753,408.75
B. OTHER RELATED COST FOR INVESTMENT (USD)								
	Total investment	Accumulated	2014	2015	2016	2017	2018	2019
8	<i>Cost for acquiring Epocha</i>	21,600,000.00	21,600,000.00					
9	Other cost for completion of purchasing license from Epocha	1,051,400.00	1,051,400.00					
10	<i>Costs for electricity installation and connection</i>	1,660,000.00	1,000,000.00			660,000.00		
11	<i>Installation and Construction</i>	151,868,987,634		23,660,741,062	76,097,207,185	29,035,368,809	16,547,689,274	6,527,981,303
12	<i>Local transportation</i>	13,017,815,943		10,247,712,500	1,320,264,750	347,922,127	880,717,787	221,198,770
TOTAL INVESTMENT		361,420,159.33	102,662,424.6	215,222,161.9	10,744,404.4	20,779,364.01	11,368,750.03	

1.3 ACHIEVEMENT OF THE TELECOM PROJECT

1.3.1 Achievement in business activities

Halotel's achievement in business activities are as follows:

- ***In terms of subscribers:*** in 2019, Halotel has total 4,47 million subscribers increasing from 941,000 subscribers from launching service in 2015 makes Halotel the most rapid developing mobile network operator.
- ***In terms of revenue:***

Year	2015	2016	2017	2018
Revenue (USD)	5,115,255	66,425,100	98,884,848	100,475,024

- ***In terms of network coverage and quality:***

Up to 2019, total number station locations of Haotel is 2852 locations including 2G / 3G / 4G of which 1,152 sites hiring from HHT Towers and 1,700 sites are Halotel's sites.

Network coverage in terms of 2G / 3G / 4G are as follows:

- 2G: urban (99.33%), rural (68.6%), nationwide (74.56%).
- 3G: urban (91.36%), rural (19.71%), nationwide (33.6%).
- 4G: in progress for national wide coverage.
- In terms of transmission
 - VTZ transmission network is built on the basis of all IP technology combined with DWDM for routes longer than 80 km; including 2 General stations connected by 3 DWDM axes; 04 core zones, 226 AGG devices, 20 CTs, 1248 SRT, 1556 IP microwave routes, 18,780 km of trunk and branch cables.

1.3.2 Achievement in tax contribution to Tanzania Government

Year	Taxes paid (Tsh)
2014	1,244,908,041
2015	60,790,867,354
2016	34,060,038,596
2017	64,098,293,766
2018	64,124,103,056
2019	27,472,404,046
Total	251,790,614,859

1.3.3 Achievement in relation to exploring the project with former Ministry of Communication, Science and Technology (MCST) to provide services in rural areas of Tanzania

The Government of Tanzania through the former Ministry of Communication, Science and Technology (MCST) signed a Memorandum of Agreement (MOA) with VIETTEL on 16th July, 2014 to invest in the telecommunications infrastructure and services in the rural areas. The project aimed to complement the Government initiatives for establishment of Universal Communication Services Access Fund (UCSAF) which has a role of providing communication services to rural and underserved areas.

Though the project Viettel has managed to deploy network connectivity to almost all villages that were shared from UCSAF to be covered by Halotel Network where there were no

network at all to (people who lives in these undeserved area). It also supported local government authorities to easy access and use of communication services in rural and underserved areas. The project has also being a go forward to enhance capacity to harness the power of ICTs and availability of e-services among people in these area and their relatives who lives in capital cities and abroad.

Village connectivity is one among many that Halotel has opt to invest it's power to the Government of Tanzania through ministry of communication science and technology where by the Company has putted a lot of efforts to acquire lands for building antenna mast and installation of transmission equipment to bring network signal to poor villages and up to now we have managed to cover 4,000 villages.

Most of these villages that we have connected with Halotel Network are covered with 2G and 3G network, people are using smart phones to access internet information more over people are using mobile money to send and receive money from their relatives which were not possible at first but through this project all 4,000 villages has been covered with high speed network that allow people to use mobile network to increase productivity in their daily life. And as of now we are waking towards 4G network. All these activities have also enable work opportunity to people who live in these areas.

- ✓ To date we have succeeded to install/deploy more than 18,780 KM of fiber optic cable including underground and overhead cable through mainland and Zanzibar Island to ensure that the signal quality meet current world requirement and standards to the consumers.
- ✓ The number of base stations that we have calculated to cover 4,000 villages in rural underserved and ensure network is reliable and in good quality (-95dB) to the center of the villages and about (-100dB) to the border of the villages.

Six core segments for the Government: Moreover, Viettel has invested in deploying of VIETTEL's optic Fiber with 24 cores and Optic Fiber Infrastructure with the aim to cover national wide of the United Republic of Tanzania, where by the Government owns six cores in all the deployed Fiber Optic cable which are aimed at connecting Local Government Authorities to easy access and use communication services in rural, underserved areas and increase the national penetration to Government ICT services. The deployment is done pending the handover which is implemented segment by segment.

On the part of internet we have been able to provide internet to different Government authorities as listed below in the table as also indicating the requirement and what has been done.

**DISTRIBUTION OF INTERNET SERVICES TO GOVERNMENT
AUTHORITIES**

S/N	Planned Activity	Status
I	RESULT OF INFRASTRUCTURE DEPLOYMENT	
	PROGRESS OF IMPLEMENTING VIETTEL COMMITMENTS (The target number is based on the list the Ministry provided Halotel up to now)	
1	Provide Internet service completed 455/450 schools	101%
2	Optical fiber termination for District Council Office: 150/150 offices by optical cable.	100%
3	Optical fiber termination for District Hospital: 150/150 hospitals by optical cable.	100%
4	Optical fiber termination for District Police: 121/150 Police by optical cable. Optical fiber termination for Law court Office to combine District Police: 26 sites. ⇒ Total: Optical fiber termination for District Police (Low court) : 147/150 VTZ will deploy more 3 sites which Ministry send to finish 100%	98%
5	Optical fiber termination for Department Post Office: 66/65 Offices by optical cable.	101%

II. PROJECT FINANCIAL EXPENDITURE TO DATE

ASSETS AND EXPENSES	Amount (Tsh)
Machinery and equipment	630,093,906,402
Transportation & transmit instrument	12,273,985,709
Computers, data handling equipment and peripheral devices	6,083,106,969
Office furniture, fixtures, equipment and another assets	2,189,716,197
Other tangible fixed assets	821,981,346
Software	19,594,516,391
License & concession license	2,313,184,710
Pre-operational Expenses	72,855,569,987
Working sub-total capital	29,307,791,159

III. PROJECT FINANCING

A. Equity

- At the end of 2014, Viettel Global acquired Epoque's shares from its former shareholders to be the major shareholder of 99,99% total shares. However, the amount to acquire Epoque shares of USD 21,600,000.00 should not be counted as equity invested because the capital was paid to Epoque's former shareholders but was not in use to invest in project. Moreover, total shareholders' equity of Epoque at the end of 2014 was approximately TZS 12,80 Milion due to loss incurred from previous financial years.
- In December 2018, Viettel Global Investment JSC, the shareholder of Viettel Tanzania has injected equity of USD 16 Million which is equivalent to Tanzanian shillings 35.60 Billion.

B. Shareholder's Loan

The major shareholder Viettel Global Investment JSC has provided Halotel with two facility loans of USD 150 Million and USD ~24,80 Million. Until now Viettel Global has already drawn down USD 148 Million from USD 150 Million facilities and USD ~24,8 Million from the USD ~24,8 Million facility making the total shareholder loans drawn down is USD 172.80 Millions.

C. Bank Loans

Halotel's loans come from 03 oversea banks and 01 local bank. From the 2016 until now, total value of bank loans lending to Halotel are:

- Vietin Bank – USD 25 Million
- TienPhong Bank – USD 30 Million
- SCB - USD: 54,5 Million
- NMB – TZS ~13,6 Billion (local bank)

IV. PROBLEMS AND SOLUTIONS

4.1 Challenges on implementation of village coverage

Tanzania is a big countries with low density of population and deployment of network in rural is costly where the purchasing ability of customers is very low. At first came to Tanzania, Viettel Tanzania's commitment to Tanzania Government is to bring network and services to almost all rural areas. Therefore, in many sites in rural areas, Halotel's revenue from services is not enough to cover the basic cost to maintain the sites. However, Halotel is using flexible distribution channels in effort to increase the number of subscribers in order to improve the total revenue in each site to cover the basic cost to operate the site.

4.2 Incensement of rental fees

We have been subjected to plenty incremental of lease agreements of our BTS Sites. The nature of the incremental are all contrary to the terms and conditions of the Lease Agreement entered with the Landlords. Which in most cases if we do not take heed of their requests they further request to dismantle our BTS Sites. To dismantle a BTS Site is very costly approximately USD 20,000 and even after replacing the BTS Site in a new location the coverage is reduced resulting to a very low coverage compared to the previous location.

-> **Solution:** Halotel need supports from different authorities to force the landlord to follow the signed lease contracts.

4.3 Complicated custom clearance procedure

According to the nature of our business, we need to make importation of consignments for operational use, as up to now we have more than 1,000 consignments coming from many suppliers and ports to Tanzania. We wish to address some difficulties we are facing on similar issue as follows;

Issue 1: various requirements of importation from different Authorities.

The Pre-Shipment Verification of Conformity (PVoC) which is done by importers in Tanzania, is not the only thing that has to be completed for the importer to proceed with the use of the imported goods. After getting the PVoC for custom purpose, there still a need to apply for several other certificates from different Authorities. For example, for Handset, after getting the PVoC from the authorized agent of TBS, Importers still need to apply for Types

of Approval from TCRA and the Permits to use, to sell it in Tanzania. The time for applying and getting such permits and approvals is very long and costly.

→ Therefore, it would be advantage and supportive for investor if some permits could be removed.

Issued 2: Long procedure for the consignment get beith and is hard for the importer to choose the ICD Port by themself

Previously, Importers were freely to negotiate directly with any IDC port based on its capacity, support and advantage to the Importers. However, currently, there are two problems with the IDC port (i) the port is too small to load the consignment; (ii) Tanzania Port Authority is the one to decide which IDC port for the importer to land and load their goods. The time for Tanzania Port Authority to choose an IDC port is long and such delays cause by long procedures leads to delay in project process.

→ To resolve such issues TPA should have the good policy for the strategy investors to directly choose the IDC ports by themselves to remove all of the unnecessary delay.

V. FUTURE PLAN.

5.1 Expansion and upgrading of current Telecom network

Investment Plan for maintenance and upgrade of the current mobile network for next 12 months:

No.	CATEGORY	AMOUNT (USD)
1	RADIO	4,128,650.00
2	CORE	1,688,500.00
3	TRANSMISSION	3,062,576.48
	Metro	2,428,816.48
	IP Core	633,760.00
4	MECHANIC AND ELECTRIC	5,111,180.00
5	FIXED BROADBAND	211,789.80
6	IT	3,295,276.00
	Upgrade system	
	Software	
7	INFRASTRURE	2,309,947.00
	Strengthening	
	Maintenance	
	TOTAL	19,807,919.28

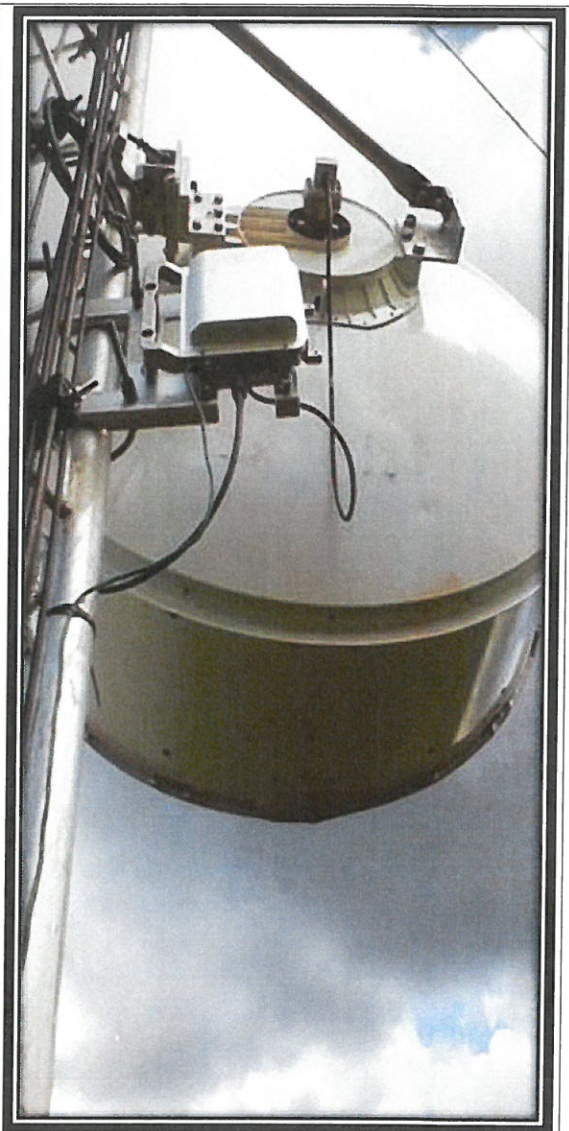
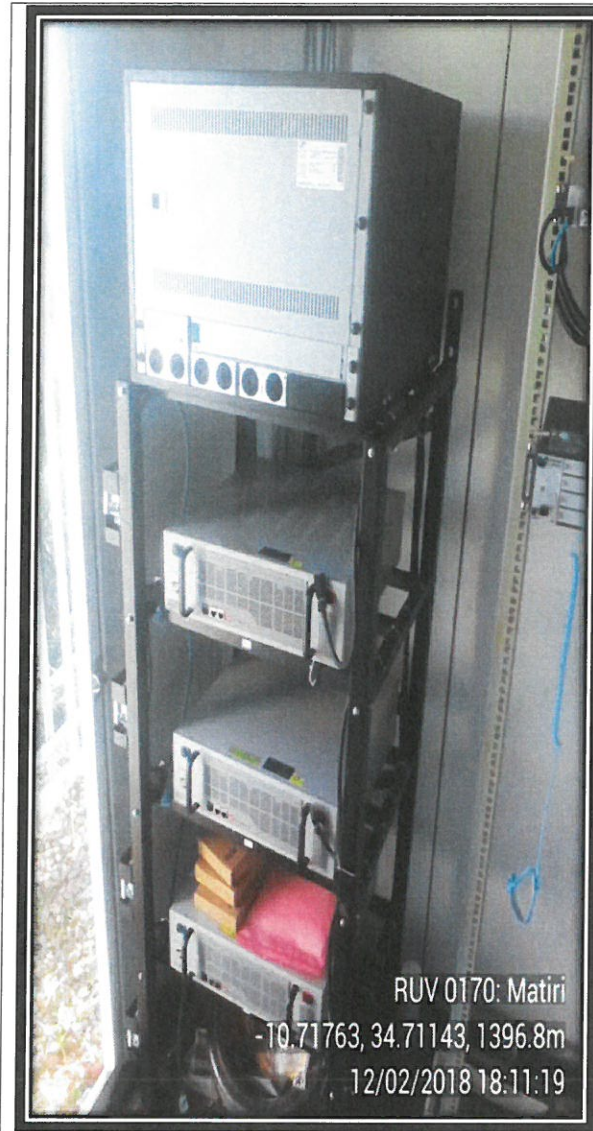
5.2 USCAF PROJECT

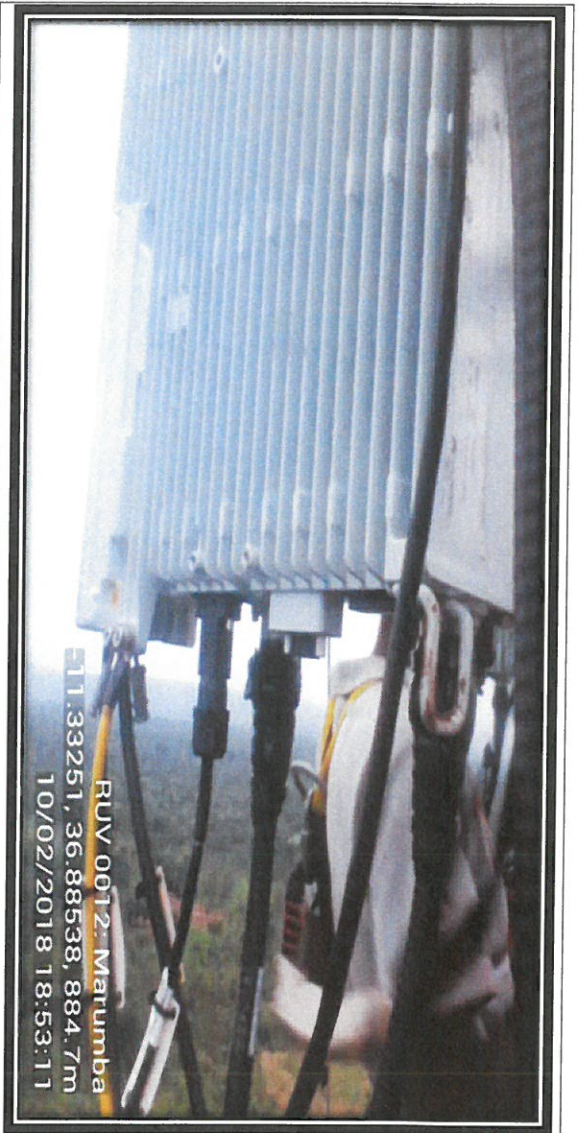
As mentioned in the Section 1.1.4, Halotel has won 115 lots out of 521 lots of the USCAF phase 4 tender to provide services in rural area of Tanzania. The USCAF phase 4 shall be implemented and completed in 9 months and estimated investments shall be **Tsh 14,142,000,000** to cover the following capital expenditure equipment.

No	Items	Quantity	Unit
1	Minishelter	149	Cabinet
2	Solar charger 3000W	149	Pcs
3	Lithium Battery 48V-100Ah	745	Pcs
4	Solar system 2700W	150	Sys
5	Rectifier	49	Pcs
6	IPS	149	Bê
7	Antena mast	150	Tower
8	Fences	150	Set
9	Repeater	150	Set
10	Cable Tray	150	set

PICTURES OF HALOTEL SITES FOR SOME OF OUR BTS SITES

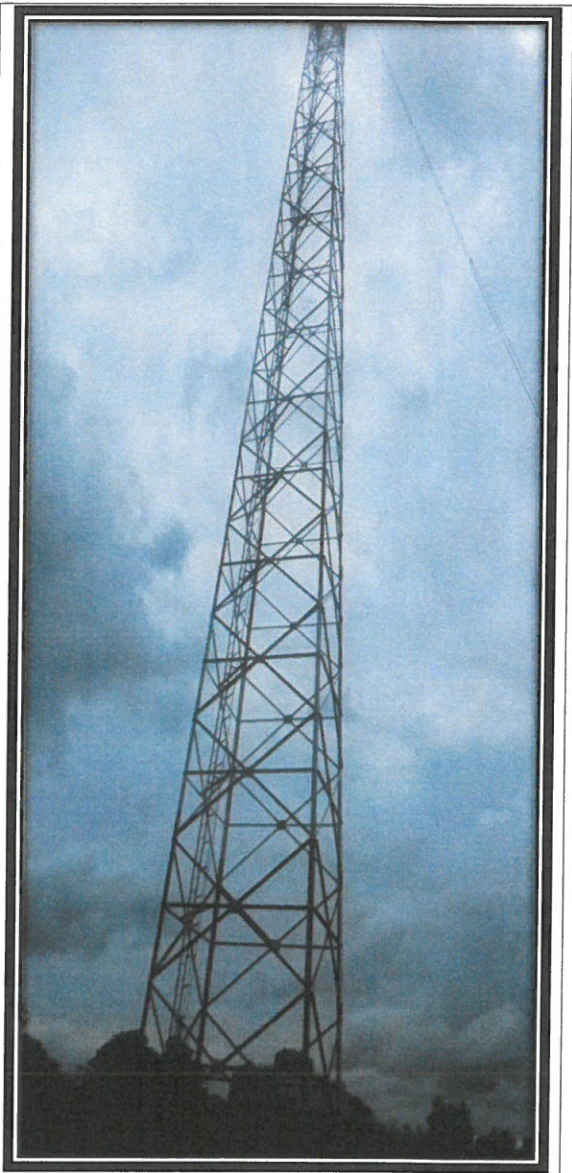
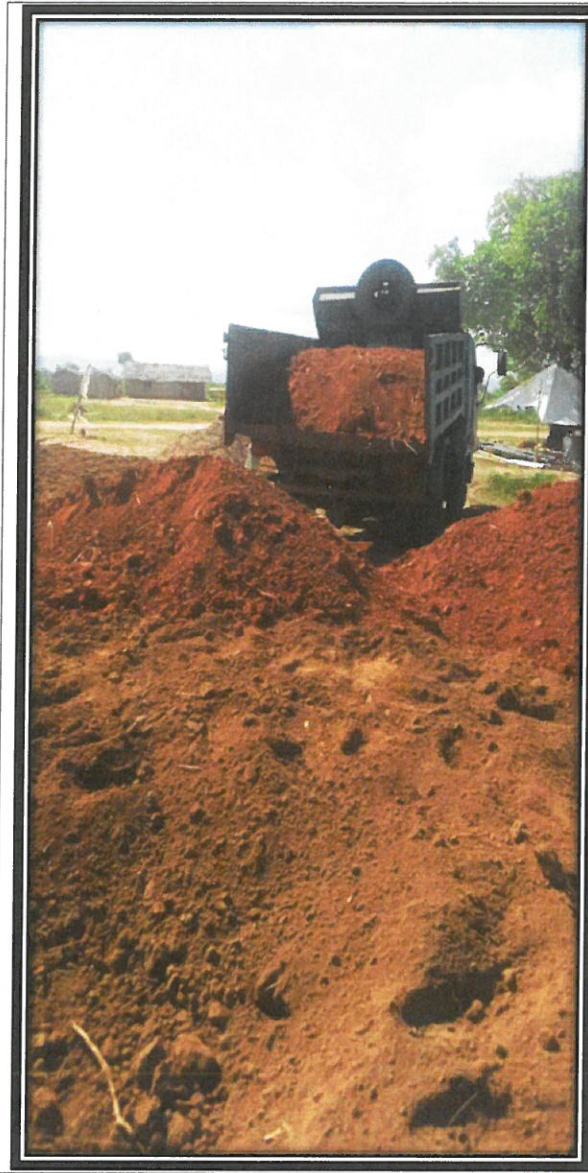


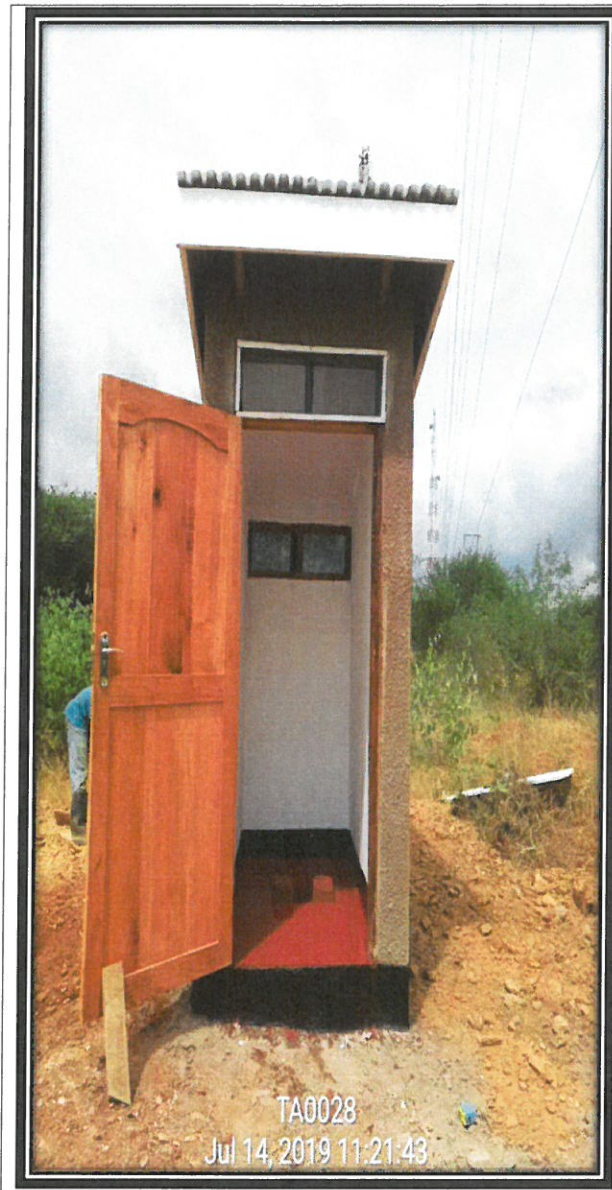




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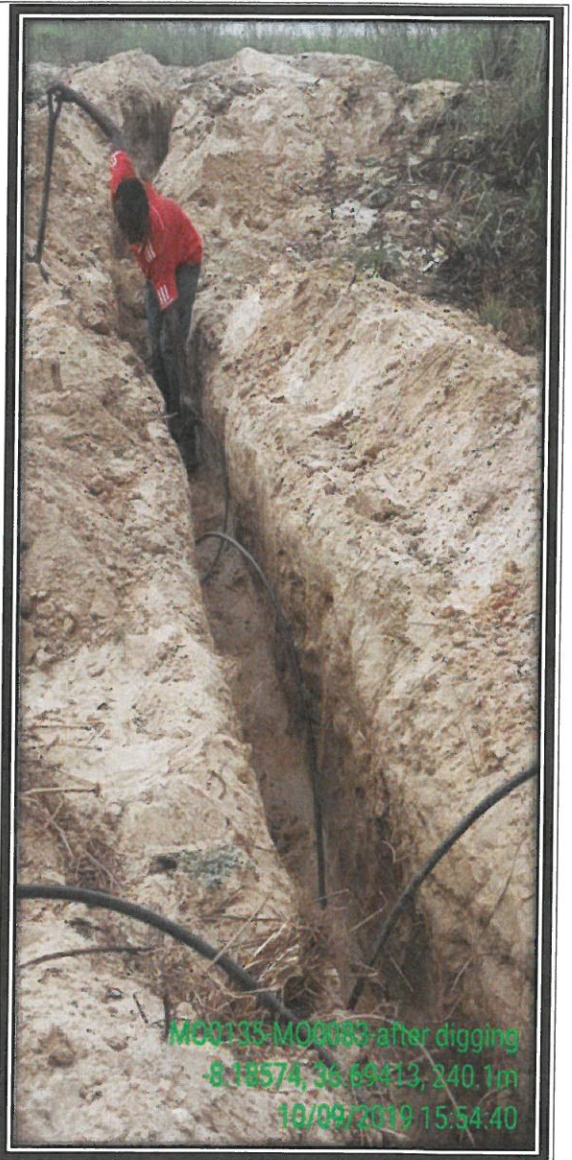




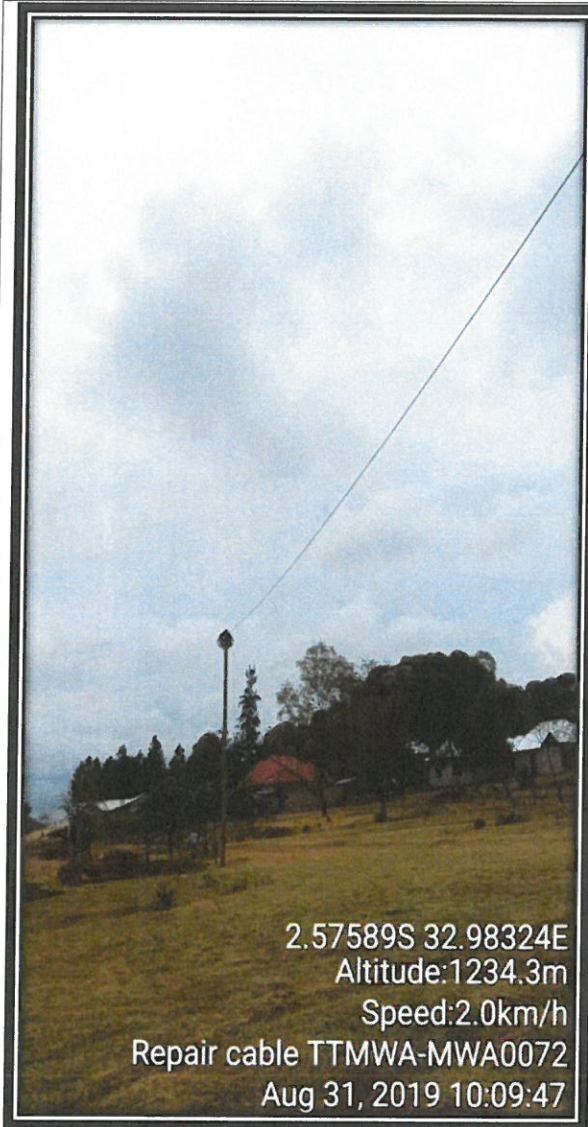




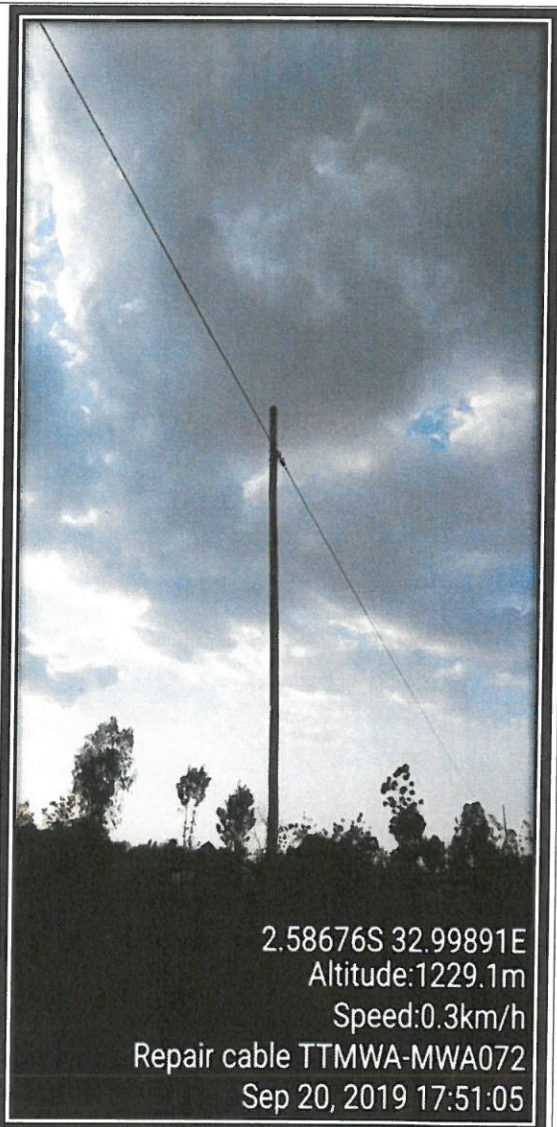
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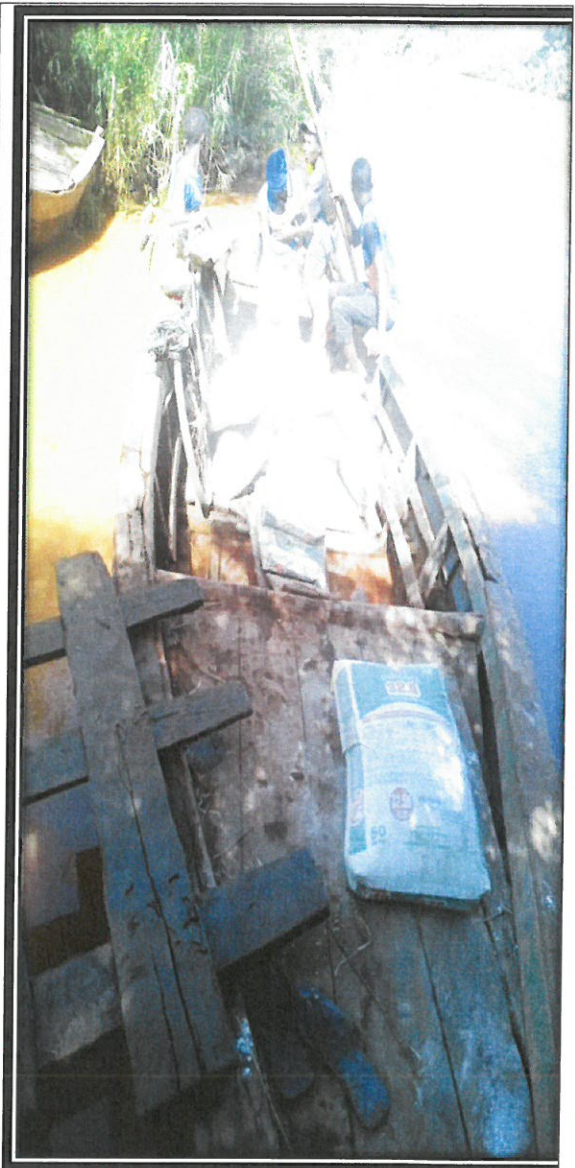
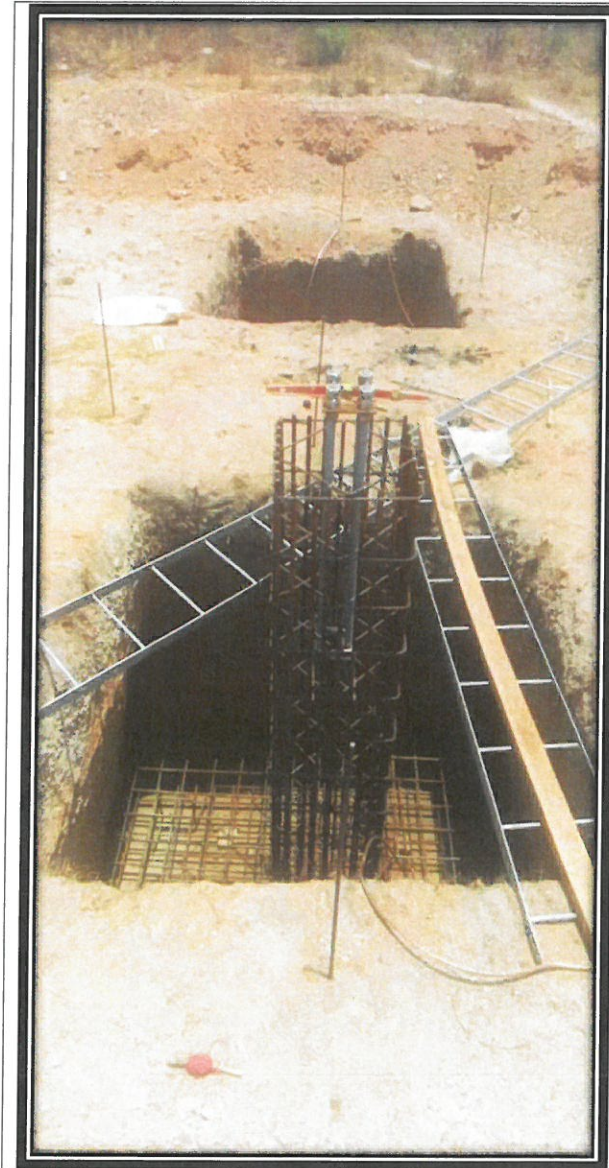
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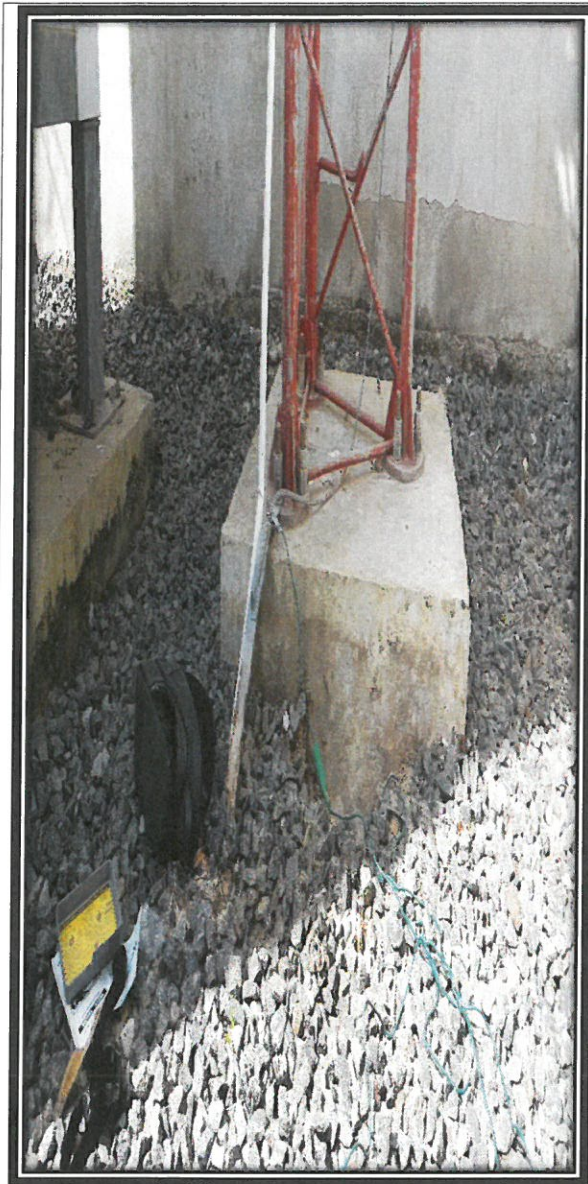


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Aug 31, 2019 10:09:47



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Repair cable TTMWA-MWA072
Sep 20, 2019 17:51:05





This is Ruvuma Namtumbo District site which is among most difficult site with which we have to cross the river before arrive to the site all materials should be transported by boat to the site which is so expensive and the investment cost is too high.