

Vodacom Tanzania Public Limited Company

Preliminary condensed consolidated financial results

For the year ended 31 March 2024



Together we can

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Managing Director's review

Philip Besiimire



I am pleased to report a strong set of results for the financial year. The encouraging trend highlighted in the first half of the financial year continued into the second half – demonstrating a strong operating performance, underpinned by the good business environment and a well-executed strategy.

In the year, we refined our purpose pillars to empowering people and protecting the planet. Our efforts to drive a digital society and inclusion for all remain relevant and are captured within the updated pillar of empowering people. We leverage our 'tech-for-good' platforms to empower people and support digitalisation and inclusion across critical sectors in particular healthcare, agriculture, government services and businesses.

In healthcare, we extended the **M-Mama service** to cover all regions across Tanzania, well beyond our initial plan. I am grateful for the collaboration and support from the government of Tanzania, USAID and the Vodafone Foundation, which enabled us to deliver this significant milestone. In recognition of the programme's impact, Her Excellency Samia Suluhu Hassan, the President of United Republic of Tanzania presided over the official launch of M-Mama initiative in Zanzibar isles in August 2023.

In support of the agricultural sector, our **M-Kulima initiative** continued to change lives in the farming communities through the digitalisation of payments for the produce sold via the agricultural marketing cooperative societies. This initiative is facilitated through

our M-Pesa platform with proceeds of TZS16.5 billion paid in the year, mitigating security and safety risks associated with traditional cash payments. We continue to work on new use cases for the M-Kulima platform to further support financial inclusion and progress digitalisation in the agricultural sector in Tanzania.

Our mobile money service, M-Pesa, with over 10 million active customers is critical to progressing **financial inclusion**. During the year we saw an increase of over 65% in value of micro-loans issued to M-Pesa agents, merchants and customers. Of these loans, more than a trillion shillings was issued to businesses – providing Small and Medium-sized enterprises (SMEs) with easy access to short term financing. M-Koba, our savings product designed to address security and transparency concerns for funds pooled by community groups, continued to scale quickly. In the year, value of the transactions processed in M-Koba more than doubled. It was especially pleasing that over 60% of this value was transacted by women, showcasing further our contribution to financial inclusion and **women empowerment**.

Our transformative M-Pesa products continued to provide a critical platform for **digital payments** to the government and businesses. In the year, we processed over 55 million transactions for **payments to the government**, an increase of 15.1%. The value of these transactions grew 22.8%, indicating the importance of M-Pesa as a collection mechanism for government finances. **For business**, our 'Lipa kwa Simu' payment service processed payments worth TZS9.3 trillion, representing growth of over 50%.

In support of digital inclusivity, we are executing to expand **network coverage** to 190 rural and special purpose suburbs in collaboration with the government through the Universal Communications Services Access Fund. Our participation in such progressive projects contribute to increasing access to connectivity services in rural Tanzania, narrowing the digital divide for the underserved communities, and empowering people.

Managing director's review continued

Aligned to our focus of providing **access to our services for people requiring special care**, particularly those with hearing and physical mobility challenges, we continued to expand our inclusive care initiative launched a year and a half ago. We have more than 30 front-line staff upskilled in sign language who are deployed across our retail shops and call centres, to support physical and video call-based customer touchpoints. In the year, we served over 7 700 customers through this initiative, and we remain committed to continue expanding the service options for this community to continue connecting for a better future.

We spent TZS170.1 billion on **capital expenditure**¹ in network and IT infrastructure **to drive business growth**. This investment was directed at coverage expansion and capacity enhancement, including the roll out of 451 new 4G sites, 132 new 5G sites and 250 kilometres of fibre. This investment, coupled with initiatives to drive smartphone penetration, supported smartphone user growth of 24.3% to 6.6 million. We also saw an impressive 66% increase in 4G data traffic reflecting a growing adoption of digital services, as we continue supporting creation of a digital society through provision of **access to quality data services**.

Our multiproduct offering – the 'System of Advantage' – powered by Customer Value Management (CVM) and big data was critical to the success of our **commercial strategy**. Our customer base grew 16.9% to 19.6 million, with strong growth of 15.1% in mobile data customers to 10.1 million and 24.1% growth in M-Pesa customers to 10.2 million. Fixed service customers grew by over 35%, an excellent result. We also maintained our market leadership with 30.5%² customer market share and importantly, sustained our double-digit points lead-gap in customer satisfaction measured through the Net Promoter Score.

Our strategy execution led to a strong **financial performance** for the year. We generated operating profit of TZS134.3 billion, representing growth of 64.8% and a net profit after tax of TZS53.4 billion, an increase of c20%. The improvement in profitability was attributable to the 19.4% service revenue growth and effective cost containment initiatives which delivered **cost savings** of more than TZS70 billion.

Service revenue growth was underpinned by M-Pesa and data, both delivering double-digit growth rates. Revenue generated through our new services in M-Pesa, digital and VAS, and fixed services continued to grow, contributing 25.1% of our service revenue. This was 5.6pp higher year-on-year and was critical in supporting customer attachment to our network, business diversification and our contribution to digital and financial inclusion.

Looking forward, we will continue to focus on executing our strategy underpinned by our three strategic pillars of Customer, Simplicity and Growth, which has proven to be resilient in delivering financial returns while also transforming lives and businesses across Tanzania.

At the heart of our strategy is a satisfied customer. During the year we launched a company-wide customer experience program with focus on simplifying customer interactions from when they join, buy, or use any of our services. This program aims to galvanise the organization and keep the customer at the centre of everything we do, with the aim of making our products and services easy and enjoyable to use.

We intend to continue improving customer experience through product design, wider choice, best customer care and network experience. Leveraging on our 'System of Advantage' – a product-rich ecosystem – we will focus on providing customers with personalised, simple and user-friendly services reflecting their usage behaviour enabled by our big data and CVM capabilities. We will also invest in our network and IT systems' resilience, with an emphasis on network quality and security. This will provide our customers with the comfort of safe and reliable communication, financial and digital services platform.

We will continue driving our purpose of connecting people for a better future, using our technological capabilities to create and provide digital platforms that transforms lives and connect people to the opportunities brought by digitalisation and inclusivity. To this end, we will continue investing in increasing rural coverage connectivity, supporting the availability and affordability of smartphones and fixed wireless devices while expanding our products' options to suit each customer needs.

I am pleased with our progressive relations with the regulators and the government at large, which has resulted in a more predictable regulatory environment. We will continue to actively nurture our relationship through engagement and collaboration on all relevant matters, including projects supporting attainment of government's national development goals.

Last but not least, I would like to personally thank the Board for its guidance and governance, my colleagues in the executive committee, all employees and our business partners, who have made this a successful year. Let's put our hands together to make the coming year even better.

Thank You



Philip Besimire

1 Excluding spend on mergers and acquisition.

2 Tanzania Communication Regulatory Authority's quarterly communications statistics as at end of March 2024.

Highlights

Service revenue up

19.4%

to TZS1.3 trillion

Excellent customer growth
of 16.9% to

19.6 million

Net profit after tax
of TZS53.4 billion,
higher by

19.9%

Strong cash
generation with
free cash flow up

74.4%

Summary financial information

TZSm	Twelve months ended 31 March		
	2024	2023	% Change
Service revenue	1 258 335	1 053 762	19.4
Revenue	1 278 217	1 073 018	19.1
EBITDA	394 179	329 398	19.7
Operating profit	134 276	81 477	64.8
Net profit after tax	53 427	44 556	19.9
Operating free cash flow	123 819	63 345	95.5
Free cash flow	95 740	54 887	74.4
Capital expenditure ¹	170 134	155 981	9.1
Earnings per share ('EPS') (shillings)	23.83	19.89	19.9
Contribution margin (%)	67.2	67.2	+0.0pp
EBITDA margin (%)	30.8	30.7	+0.1pp
Operating profit margin (%)	10.5	7.6	+2.9pp
Net profit margin (%)	4.2	4.2	+0.0pp
Capital intensity (%)	13.3	14.5	(1.2)pp

1 Excluding spend on mergers and acquisition.

Operating and financial review

TZSm	Twelve months ended 31 March		
	2024	2023	% Change
Mobile voice revenue ¹	285 769	278 246	2.7
M-Pesa revenue	456 285	357 136	27.8
Mobile data revenue	347 303	273 702	26.9
Digital & VAS revenue	38 723	35 797	8.2
Mobile incoming revenue	48 380	46 340	4.4
Messaging revenue	31 078	29 038	7.0
Fixed revenue	30 745	19 509	57.6
Other service revenue	20 052	13 994	43.3
Service revenue	1 258 335	1 053 762	19.4
Non-service revenue	19 882	19 256	3.3
Revenue	1 278 217	1 073 018	19.1
Total expenses	(882 564)	(740 261)	(19.2)
Direct expenses	(418 035)	(349 470)	(19.6)
Operating expenses	(464 529)	(390 791)	(18.9)
Staff expenses	(74 666)	(65 230)	(14.5)
Publicity expenses	(30 358)	(27 255)	(11.4)
Tower lease and maintenance expenses ²	(141 017)	(121 532)	(16.0)
Other operating expenses ²	(218 488)	(176 774)	(23.6)
Depreciation and amortisation	(260 317)	(248 306)	(4.8)
Net credit losses on financial assets	(1 060)	(2 974)	64.4
Operating profit	134 276	81 477	64.8
EBITDA	394 179	329 398	19.7
EBITDA margin	30.8%	30.7%	+0.1pp

1 Previously, mobile voice revenue included a component of loyalty based revenue. Loyalty revenue is based on loyalty points issued, held and redeemed by the customers. Considering the evolution and growth of our loyalty programme over recent years, it has become more appropriate to reflect the loyalty revenue within the other service revenue category, rather than mobile voice revenue. Consequently, TZS5.9 billion and TZS5.3 billion for the financial years 2024 and 2023, respectively, were reallocated to other service revenue. There was no impact on overall service revenue as a result of this reclassification.

2 Previously included under 'Other operating expenses'.

Revenue

Service revenue was up 19.4% to TZS1 258.3 billion, supported by our commercial momentum which delivered good growth in customers and average revenue per user (ARPU). Our commercial initiatives focused on customer acquisition and retention, as well as increasing products uptake, resulted into 16.9% customer growth and 3.7% ARPU uplift. **In the fourth quarter**, service revenue grew 21.2%, broadly consistent with the full year trend, supported by customers and ARPU growth.

Mobile voice revenue grew 2.7% to TZS285.8 billion primarily supported by commercial initiatives to grow customers, while voice ARPU declined 9.4%. The ARPU

decline was due to a c15% decline in average price per minute reflecting continued pressure on voice pricing in the market, which was partly offset by a 6.5% increase in minutes of use per customer. **In the fourth quarter**, mobile voice revenue was up 10.5%, primarily as result of growth in customers, with ARPU declining by just 2.9%.

M-Pesa revenue grew 27.8% to TZS456.3 billion, expanding its contribution to service revenue by 2.4pp to 36.3%. The growth was supported by a 24.1% increase in customers and ARPU growth of 3.0%, both reflecting increased adoption of M-Pesa services. Our focus on the new growth areas, which include lending, insurance,

savings and merchant payments, continued to support M-Pesa revenue diversification. The new growth areas significantly contributed to the M-Pesa revenue growth, while peer-to-peer transfer and cash out revenue growth was supported by the increase in volumes and values transferred as levies on peer-to-peer transactions were removed from July 2023. **In the fourth quarter**, M-Pesa revenue grew 28.6% as a result of a 24.1% increase in customers and 3.7% improvement in M-Pesa ARPU.

Mobile data revenue was another key contributor to this year results, up 26.9% to TZS347.3 billion, making up 27.6% of service revenue from 26.0% in the prior year. The data revenue performance was a result of successful commercial execution, with data customers up 15.1% to 10.1 million and ARPU growing by 10.3%. ARPU growth was primarily driven by the increase in data usage per customer to 2.1 gigabyte per month. Data usage was supported by our investment in the network and smartphone penetration. Smartphone users grew 24.3%, with a 66% increase in 4G data traffic. **In the fourth quarter**, mobile data revenue grew 21.1% supported by strong customer growth of 15.1% and a 5.3% increase in data ARPU.

Digital & VAS revenue, which comprises of airtime advance service and value-added services (VAS), increased 8.2% to TZS38.7 billion. This growth was underpinned by increased product penetration from our diverse portfolio of digital and VAS products, supported by our commercial initiatives focused on growing customer adoption and retention. **Fourth quarter** growth was 7.8%.

Mobile incoming revenue grew 4.4% to TZS48.4 billion driven by a 14.6% increase in the number of incoming minutes. Revenue growth was partly offset by 5.4% reduction in mobile termination rates (MTR) from TZS1.86 to TZS1.76 per minute in January 2024. **In the fourth quarter**, mobile incoming revenue was 2.3% lower, as a result of 16.4% lower incoming ARPU due to lower MTR offsetting upside from growth in customers.

Fixed data revenue grew impressively at 57.6% to TZS30.7 billion, with **fourth quarter** growth accelerating to 64.3%. This performance reflects our investment in fixed wireless infrastructure, with our fixed customer base comprising of homes and businesses growing by over 35%.

Total expenses¹

We sustained our cost saving momentum in the year, delivering more than TZS70 billion worth of savings, which partially mitigated cost pressures arising from increased energy prices, contractual escalation on service contracts, and the impact of foreign exchange losses.

1 Excluding spend on mergers and acquisition, and movement in capital creditors.

Direct expenses increased 19.6% to TZS418.0 billion and 25.4% **in the fourth quarter**. The increase was broadly in line with service revenue growth. Additionally, we absorbed TZS2.3 billion expense increase due to changes in the rate of fees payable to the government to support universal communication service access projects. The direct expenses growth was partly offset by TZS20.7 billion savings realised from our cost initiatives.

Total operating expenses grew 18.9% to TZS464.5 billion reflecting business growth, inflationary adjustment, service contracts' escalations and TZS13.6 billion foreign exchange losses resulting from currency depreciation. Excluding foreign exchange losses, operating expenses grew 16.1%, including TZS49.7 billion cost savings delivered through our cost transformation initiatives.

- **Staff related expenses** increased 14.5% to TZS74.7 billion, due to an increase in number of employees to support the business growth and inflationary salary adjustments.
- **Publicity expenses** increased 11.4% to TZS30.4 billion, reflecting increased investment in driving commercial activities to support revenue growth.
- **Tower lease and maintenance expenses** increased by 16.0% to TZS141.0 billion, reflecting a more than 25% increase in fuel prices in line with the global fuel price increase, service contracts escalation and cost increases resulting from expanding our network.
- **Other operating expenses** increased 23.6% to TZS218.5 billion, significantly impacted by foreign exchange losses due to depreciation of our local currency against major currencies. Excluding the forex losses impact, other operating expenses increased 17.4% reflecting business growth, an increase in network operating costs and higher energy costs in our data centers as a result of increased fuel usage due to power rationing and fuel price increases.

In the fourth quarter, total operating expenses including a TZS2.8 billion foreign exchange loss were up 19.0%. Excluding the foreign exchange loss, operating expenses grew by 17.9% as we delivered on our cost optimisation initiatives.

EBITDA

Our EBITDA increased 19.7% to TZS394.2 billion, reflecting strong service revenue growth and our cost containment initiatives. Adjusting for the TZS13.6 billion foreign exchange loss impact, underlying EBITDA grew 23.0% with a 1.0pp margin improvement to 31.9%. **In the fourth quarter** EBITDA grew 19.8% to TZS102.6 billion.

Operating and financial review continued

Operating profit

We recorded pleasing operating profit growth of 64.8% to TZS134.3 billion for the year, and a 42.6% increase in the **fourth quarter**. The result was supported by strong EBITDA growth, although partially offset by a 4.8% increase in the depreciation and amortisation charge. The depreciation and amortisation increase was a result of our investment into the network and new spectrum acquired in the second half of the previous financial year.

Capital expenditure¹

During the year, we invested TZS170.1 billion in our infrastructure, equivalent to 13.3% of our revenue. This spend was directed towards expanding our broadband coverage, capacity enhancements and modernization of our IT infrastructure. Our network reach was expanded by 451 new 4G sites and additional 250 kilometres of fibre. We also invested in IT modernization to support the development of innovative and next generation digital and financial products. We are pleased that our sustained investment supported business growth and a shift in data traffic from 3G to 4G, which is critical for driving data demand through enhanced customer experience. During the year, over 75% of our data traffic was carried via 4G technology compared to less than 66% a year ago.

1 Excluding spend on mergers and acquisition.

Net finance charges

TZSm	Twelve months ended 31 March		
	2024	2023	% Change
Interest income from M-Pesa cash balances	21 355	16 671	28.1
Interest income from cash investments	4 409	7 792	(43.4)
Finance income	25 764	24 463	5.3
Finance cost of M-Pesa cash balances	(21 149)	(16 449)	(28.6)
Finance cost – lease liability	(47 774)	(57 098)	16.3
Other finance cost	(4 184)	(3 103)	(34.8)
Finance cost	(73 107)	(76 650)	4.6
Net loss on foreign currency transaction	(8 949)	(2 939)	<(200)
Net finance cost	(56 292)	(55 126)	(2.1)

Finance income increased 5.3% as interest income earned from the M-Pesa Trust account offset lower interest received from cash investments, following a spectrum acquisition and payment of the final dividend for financial year 2023. The finance income on M-Pesa Trust account was offset by a related finance cost.

The finance cost decreased 4.6% due to lower lease interest costs following the settlement of matured obligations on the lease liability. Other finance cost increased 34.8% reflecting the interest elements in financing the acquisition of Smile Communication Tanzania Limited. Net finance costs of TZS56.3 billion was up 2.1% in the year, negatively impacted by foreign currency transaction losses.

Taxation

The tax expense of TZS24.6 billion (FY23: a tax credit of TZS18.2 billion) was over 200% higher year-on-year, reflecting tax increase from growth in M-Pesa profitability. The tax credit in the prior year was a result of TZS50.9 billion once off deferred tax asset recognised in relation to an improved medium term profitability outlook for our GSM business, which was partly offset by a tax expense from M-Pesa Limited.

Earnings

Earnings per share increased 19.9% to TZS23.83 supported by the good business performance reflecting our continued focus on delivering shareholders' value.

Statement of financial position

Property and equipment declined 10.2% to TZS866.7 billion and intangible assets increased 33.2% to TZS280.1 billion, including the capitalisation of spectrum for TZS78.3 billion that was acquired during the year from Smile Communication Tanzania Limited. Total property, equipment and intangible assets equated to TZS1146.7 billion, representing a modest decline of 2.4%, with investments made during the year offset by the depreciation of network infrastructure and amortisation of intangible assets.

Net debt

TZSm	Twelve months ended 31 March		
	2024	2023	% Change
Cash and cash equivalents	221 697	236 590	(6.3)
Lease liability	(392 763)	(493 340)	20.4
Net debt	(171 066)	(256 750)	33.4
Net debt to EBITDA (times)	(0.4)	(0.8)	0.3

Net debt improved by 33.4%, reflecting a 20.4% reduction in our lease liability due to payment of matured lease obligations, partly offset by the 6.3% lower cash and cash equivalents. The decline in cash and cash equivalents reflected an outflow from significant non-operational payments amounting to TZS90 billion made during the year, relating to the final spectrum instalment and part of the acquisition price of Smile Communication Tanzania Limited. Excluding these payments net debt would have improved by 68.4%, reflecting improved business performance and cashflow generation.

Cash flow¹

TZSm	Twelve months ended 31 March		
	2024	2023	% Change
EBITDA	394 179	329 398	19.7
Working capital	34 199	(5 228)	>200
Capital expenditure ²	(170 134)	(155 981)	(9.1)
Lease payments	(134 844)	(105 239)	(28.1)
Other cash flows	419	395	6.1
Operating free cash flow	123 819	63 345	95.5
Net finance cash (outflow)/inflow	(1 529)	8 592	(117.8)
Tax paid	(26 550)	(17 050)	(55.7)
Free cash flow	95 740	54 887	74.4

1 For the reconciliation of cash generated from operations to free cash flow, refer to page 33.

2 Excluding spend on mergers and acquisition.

Operating and financial review continued

Operating free cash flow increased 95.5% to TZS123.8 billion underpinned by strong EBITDA growth and better working capital management, partly offset by the increased capital investment and tower lease payments in line with the payment terms.

Free Cash flow increased 74.4% to TZS95.7 billion, as a result of strong operating free cashflow that was partly offset by 55.7% increase in tax paid in line with business performance. The inflow from net financing activities declined by 117.8% due to a once-off interest paid on foreign exchange contracts (FEC) – part of our foreign currency hedging initiatives.

Regulatory matters

Mobile Termination Rates

In July 2023, the Tanzania Communications Regulatory Authority issued the Interconnection Rates Determination No.6/2023, which was applicable retrospectively starting January 2023. The determination decreased the voice call termination charges per minute for local calls by 7.0% from TZS2.0 to TZS1.86 which was applicable to December 31, 2023, and a further 5.4% decline to TZS1.76 effective from 1 January to 31 December 2024. Overall impact of MTR reduction on our financial performance for the year was not material. The determination also provided a glidepath to the end of December 2027, as indicated in the table below.

Start date	1 January 2023	1 January 2024	1 January 2025
Rate per minute (TZS)	1.86	1.76	1.68
Start date	1 January 2026	1 January 2027	
Rate per minute (TZS)	1.60	1.52	

Levies on mobile money transfers and withdrawals

On 30 June 2021, the President approved the Finance Act 2021, which included the amendments to the National Payment System Act (NPS Act, 2015) and Electronic & Postal and Communication Act (EPOCA, 2010 RE: 2022), introducing a levy on mobile money transfer transactions. In respect of mobile money transfer and withdrawal transactions, a transaction value dependent levy of between TZS10 and TZS10 000 was implemented from 15 July 2021. Following engagements with stakeholders

and due consideration by the Government, the following amendments have been implemented since the introduction of the levies:

- **September 2021:** an initial 30% levy reduction, to a maximum levy of TZS7 000.
- **1 July 2022:** an additional 43% reduction to the maximum levy band was passed through the Finance Act 2022, marking a cumulative 60% reduction since the levy's introduction. This reduction set the maximum levy chargeable at TZS4 000. The Finance Act 2022 also re-defined the scope of the levy, to include withdrawals and transfers effected through banks, which were earlier excluded. The levy, which was previously only chargeable on mobile transactions, also became applicable to transfers between mobile accounts, bank accounts, and across mobile and bank accounts. For withdrawals, the levy was extended to capture withdrawals from automated teller machines (ATMs).
- **1 October 2022:** through a special supplement to the National Payment System (Electronic Money Transactions levy) (Amendment Regulations) the maximum levy chargeable was set at TZS2 000, which was equivalent to 20% of the levy charged at inception; and
- **1 July 2023:** The Finance Act 2023 amended the National Payment System Act, Cap. 306 and Cap. 437, effectively abolishing the Airtime Levy and the Mobile money transaction levy on electronic transfers. The levy on cash withdrawals was retained and continues to be charged accordingly.

Outlook and medium-term targets

Looking ahead, we will continue tapping on opportunities for business growth focusing on our strategic growth pillars, while also delivering on our purpose and social contract as we continue to connect people and things for a better tomorrow. We will continue to lead the industry in shaping customer experience and the way people connect and transact inclusively, supported by investment in our digital infrastructure.

Customers remain at the core of our decisions and operations. We will serve and provide them with the best experience on our network through access to simple, differentiated and well secured products, with good customer support. We will focus further on personalised offers aligned with customer behaviours, leveraging our system of advantage.

We will continue investing in our network and IT systems with great emphasis on cyber security, to facilitate a secure expansion of our product portfolio that will attract, satisfy and retain customers. We look forward to exploring and executing on opportunities for further growth in data, M-Pesa, fixed and wholesale while stabilising the core services.

Increasing rural coverage connectivity, supporting affordability of smartphones and fixed wireless devices, and the continuous expansion of the M-Pesa eco-system remains high on our agenda. These are critical elements in delivering on our ambitions to support digital society and financial inclusion. Alongside this roll-out, we will continue creating financial and digital solutions – progressing the transformation of the traditional ways of life, providing the marginalised members of the community with access to socio-economic opportunities to improve the quality of life.

We remain focused and conscious of the need to support and deliver further business growth and value to our shareholders by generating cost savings through smart spending.

Considering our business growth drivers, strategic execution and the business environment, we are pleased to maintain our upgraded medium term growth targets as follows:

1. 'High-single digit' service revenue growth, with scope to exceed in the near term; and
2. 13.0% – 16.0% capital expenditure as a % of revenue.

These medium-term targets assume a stable currency, regulatory and macroeconomic environment. These targets are on average, over the next three years, excluding spectrum purchases, exceptional items and any merger and acquisition activity.

Acquisition of Smile Communication Tanzania Limited

On 27 March 2024, we fulfilled all material conditions precedent for acquisition of 100% issued share capital of Smile Communications Tanzania Limited ('Smile'), at a cost of US\$30.5 million (TZS78.3 billion). The purchase consideration included US\$4.2 million (TZS10.7 billion) fee for spectrum reassignment. Most of the administrative procedures were completed on 3 April 2024. The acquisition provides Vodacom Tanzania with access to Smile's spectrum resources, including 2 x 10MHz of 800MHz and 2 x 10MHz of

2 600MHz. Spectrum is a critical resource for growing digital inclusion in Tanzania and enable our strategy. The detailed information of the Smile acquisition deal is published and included in company's website at <https://vodacom.co.tz/announcements>.

Declaration of Dividends

For the financial year ended 31 March 2024, the company made an after-tax profit of TZS53.4 billion (FY23: profit of TZS44.6 billion). The Board will recommend a final dividend, in relation to the financial year ended 31 March 2024, 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, considering 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 Dar es salaam Stock Exchange market listing requirements.

For and on behalf of the Board



Justice (Rtd) Thomas Mihayo
Chairman



Philip Besiimire
Managing Director



Hilda Bujiku
Finance Director

29 April 2024

Quarterly report

for the quarter ended 31 March 2024

Issued pursuant to section 53 of Dar es Salaam Stock Exchange PLC Rules 2022.

Vodacom Tanzania Public Limited Company
(Incorporated in the United Republic of Tanzania)

Registration number: 38501

Stock Exchange (DSE) registration number ISIN: TZ1996102715

Stock name: VODA

Condensed statement of profit or loss and other comprehensive income

for the quarter ended 31 March 2024

TZSm	GROUP		COMPANY	
	Q4 FY24	Q4 FY23	Q4 FY24	Q4 FY23
Revenue	331 698	272 914	242 232	203 711
Direct expenses	(108 878)	(86 834)	(54 863)	(46 124)
Operating expenses	(120 163)	(99 306)	(98 482)	(78 042)
Staff expenses	(19 082)	(16 364)	(14 181)	(10 835)
Publicity expenses	(5 131)	(5 413)	(4 173)	(406)
Tower lease and maintenance costs	(35 224)	(32 148)	(35 224)	(32 148)
Other operating expenses	(60 726)	(45 381)	(44 904)	(34 653)
Depreciation and amortisation	(65 748)	(59 546)	(64 587)	(58 325)
Net credit gains/(losses) on financial assets	328	(1 107)	242	(1 179)
Operating profit	37 237	26 121	24 542	20 041
Finance income	7 169	6 541	19 210	1 539
Finance costs	(20 671)	(19 605)	(14 722)	(15 080)
Net loss on foreign currency transaction	(2 194)	(936)	(2 030)	(755)
Profit before tax	21 541	12 121	27 000	5 745
Income tax (expense)/credit	(15 470)	(1 717)	(9 640)	831
Net profit	6 071	10 404	17 360	6 576

Condensed statement of financial position

as at 31 March 2024

TZSm	GROUP		COMPANY	
	Q4 FY24	Q4 FY23	Q4 FY24	Q4 FY23
Assets				
Non-current assets	1 268 668	1 314 691	1 237 693	1 285 561
Goodwill	1 639	1 639	–	–
Property and equipment	866 651	965 176	864 321	961 391
Intangible assets	280 069	210 233	256 316	188 309
Capacity prepayments	29 159	40 339	29 159	40 339
Trade and other receivables	12 800	11 853	12 000	11 053
Income tax receivables	36 120	33 098	33 098	33 098
Deferred tax assets	42 230	52 353	42 299	50 871
Investment in subsidiary	–	–	500	500
Current assets	1 107 067	897 149	321 885	324 111
Capacity prepayments	12 756	16 916	12 756	16 916
Inventories	3 409	3 075	3 409	3 075
Trade and other receivables	114 380	115 771	122 982	113 391
Income tax receivables	24 532	15 439	21 084	10 653
Mobile financial deposits	730 293	509 358	–	–
Cash and cash equivalents	221 697	236 590	161 654	180 076
Total assets	2 375 735	2 211 840	1 559 578	1 609 672
Equity and liabilities				
Equity	852 834	821 723	796 957	764 164
Share capital	112 000	112 000	112 000	112 000
Share premium	442 435	442 435	442 435	442 435
Capital contribution	27 698	27 698	27 698	27 698
Retained earnings	270 701	239 590	214 824	182 031
Non current liabilities	297 883	400 225	297 883	400 225
Lease liabilities	281 831	394 137	281 831	394 137
Other financial liabilities	9 292	–	9 292	–
Provision	6 760	6 068	6 760	6 068
Government grants	–	20	–	20
Current liabilities	1 225 018	989 892	464 738	445 283
Lease liabilities	110 931	99 203	110 931	99 203
Licence payables	–	72 168	–	72 168
Other financial liabilities	2 930	–	2 930	–
Trade and other payables	374 809	301 026	345 051	267 432
Mobile financial payables	730 293	509 358	–	–
Government grants	735	513	735	513
Provisions	5 320	7 624	5 091	5 967
Total liabilities	1 522 901	1 390 117	762 621	845 508
Total equity and liabilities	2 375 735	2 211 840	1 559 578	1 609 672

Condensed statement of changes in equity

for the quarter ended 31 March 2024

TZSm	Share capital	Share premium	Capital contribution	Retained earnings	Total
GROUP					
At 1 January 2024	112 000	442 435	27 698	264 648	846 781
Total comprehensive income for the period	–	–	–	6 071	6 071
At 31 March 2024	112 000	442 435	27 698	270 719	852 852
<hr/>					
At 1 January 2023	112 000	442 435	27 698	229 186	811 319
Total comprehensive income for the period	–	–	–	10 404	10 404
At 31 March 2023	112 000	442 435	27 698	239 590	821 723
<hr/>					
COMPANY					
At 1 January 2024	112 000	442 435	27 698	197 464	779 597
Total comprehensive income for the period	–	–	–	17 360	17 360
At 31 March 2024	112 000	442 435	27 698	214 824	796 957
<hr/>					
At 1 January 2023	112 000	442 435	27 698	175 455	757 588
Total comprehensive income for the period	–	–	–	6 576	6 576
At 31 March 2023	112 000	442 435	27 698	182 031	764 164

Condensed statement of cash flows

for the quarter ended 31 March 2024

TZSm	GROUP		COMPANY	
	Q4 FY24	Q4 FY23	Q4 FY24	Q4 FY23
Cash flow from operating activities				
Cash generated from operations	166 701	41 655	126 228	75 448
Income taxes (paid)/received	(7 212)	4 294	(2 070)	8 198
Interest paid on tax liabilities	–	(277)	–	–
Net cash generated from operating activities	159 489	45 672	124 158	83 646
Cash flow from investing activities				
Additions to property and equipment and intangible assets	(29 427)	(80 580)	(25 132)	(79 678)
Asset acquisition	(9 568)	–	(9 568)	–
Proceeds from sale of property and equipment	352	–	352	–
Finance income received	1 213	2 091	650	1 539
Dividend income received	–	–	18 560	–
Cash held in restricted deposits	(23 521)	34 328	–	–
Interest received from M-Pesa deposits	5 956	4 450	–	–
Net cash used in investing activities	(54 995)	(39 711)	(15 138)	(78 139)
Cash flow from financing activities				
Dividends paid	(58)	(3)	(39)	(3)
Payment of lease liabilities – principal	(14 928)	(9 115)	(14 928)	(9 115)
Payment of lease liabilities – interest	(13 067)	(13 613)	(13 067)	(13 613)
Settlement of derivative financial liabilities	(1 860)	–	(1 860)	–
Proceeds from revolving credit facility	47 266	–	47 266	–
Principal repayment of revolving credit facility	(47 266)	–	(47 266)	–
Interest repayment of revolving credit facility	(1 312)	–	(1 312)	–
Principal repayment on other financial liabilities	(178)	–	(178)	–
Interest repayment on other financial liabilities	(110)	–	(110)	–
Interest paid to M-Pesa customers	(5 548)	(4 148)	–	–
Increase in licence debt	–	69 946	–	69 946
Net cash (used in)/received from financing activities	(37 061)	43 067	(31 494)	47 215
Net increase in cash and cash equivalents	67 433	49 028	77 526	52 722
Cash and cash equivalents at the beginning of the quarter	153 238	187 825	82 938	127 436
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies	1 026	(263)	1 190	(82)
Cash and cash equivalents at the end of the quarter	221 697	236 590	161 654	180 076

In preparation of the quarterly financial statements, consistent accounting policies have been used as those applicable to the previously audited financial statements.



Philip Besimire
Managing Director



Hilda Bujiku
Finance Director

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Statement of directors' responsibilities

The directors are responsible for the preparation, integrity and fair presentation of the preliminary condensed consolidated financial statements for the year ended 31 March 2024 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 preliminary 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 16.

The directors are of the opinion that the preliminary condensed consolidated financial statements have been prepared, in all material respects, in accordance with the basis of preparation described in Note 2 to the preliminary 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 preliminary condensed consolidated financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation of preliminary condensed consolidated financial statements that are free from material misstatement whether due to fraud or error.

Nothing has come to the attention of the directors to indicate that the Group and the Company will not remain a going concern for at least twelve months from the date of this statement. The going concern basis has been adopted in preparing the preliminary condensed consolidated financial statements.

The preliminary condensed consolidated financial statements were approved by the Board of Directors on 29 April 2024 and signed on its behalf by:



Justice (Rtd) Thomas B Mihayo
Chairman



Philip Besiimire
Managing Director

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

To the shareholders of Vodacom Tanzania Public Limited Company

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 2024, 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 as set out on pages 17 to 31.

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 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 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 2024 and for the year then ended, have not been prepared, in all material respects, in accordance with the basis of preparation described in Notes 2 to the preliminary condensed consolidated financial statements.



Dr Neema Kiure
Partner (FCPA 1227)
For and on behalf of Ernst & Young
Certified Public Accountants
Dar es Salaam, Tanzania

10 May 2024

Condensed consolidated statement of profit or loss and other comprehensive income

for the year ended 31 March

TZSm	Notes	March 2024 Reviewed	March 2023 Audited
Revenue	4	1 278 217	1 073 018
Direct expenses		(418 035)	(349 470)
Staff expenses		(74 666)	(65 230)
Publicity expenses		(30 358)	(27 255)
Other operating expenses ¹		(359 505)	(298 306)
Depreciation and amortisation		(260 317)	(248 306)
Net credit losses on financial assets		(1 060)	(2 974)
Operating profit		134 276	81 477
Finance income		25 764	24 463
Finance costs		(73 107)	(76 650)
Net loss on foreign currency transactions ²		(8 949)	(2 939)
Profit before tax		77 984	26 351
Income tax (expense)/credit	5	(24 557)	18 205
Profit for the year		53 427	44 556
Other comprehensive income		–	–
Total comprehensive income for the year, net of tax		53 427	44 556
Attributable to:			
Equity shareholders		53 387	44 556
Non-controlling interests		40	–
		53 427	44 556
Basic and diluted earnings per share (TZS)	6	23.83	19.89

1 The amount includes tower lease and maintenance expenses TZS141 017 million (March 2023: TZS121 532 million).

2 The Group experienced volatility in exchange rate gains and losses due to the weakening of the shilling against major currencies the Group is exposed to.

Condensed consolidated statement of financial position

as at 31 March 2024

TZSm	Notes	March 2024 Reviewed	March 2023 Audited
Assets			
Non-current assets		1 268 668	1 314 691
Property and equipment		866 651	965 176
Intangible assets		280 069	210 233
Capacity prepayments		29 159	40 339
Goodwill		1 639	1 639
Income tax receivables ³		36 120	33 098
Trade and other receivables		12 800	11 853
Deferred tax assets		42 230	52 353
Current assets		1 107 067	897 149
Capacity prepayments		12 756	16 916
Inventories		3 409	3 075
Trade and other receivables		114 380	115 771
Income tax receivables ³		24 532	15 439
Mobile financial deposit ⁴		730 293	509 358
Cash and cash equivalents		221 697	236 590
Total assets		2 375 735	2 211 840
Equity and liabilities			
Equity			
Share capital		112 000	112 000
Share premium		442 435	442 435
Capital contribution		27 698	27 698
Retained earnings		270 660	239 590
Equity attributable to the owners of the parent		852 793	821 723
Non-controlling interest		41	–
Total Equity		852 834	821 723
Non-current liabilities		297 883	400 225
Lease liabilities ⁵		281 831	394 137
Other financial liabilities ⁶		9 292	–
Government grant		–	20
Provisions	7	6 760	6 068
Current liabilities		1 225 018	989 892
Lease liabilities ⁵		110 931	99 203
Other financial liabilities ⁶		2 930	–
Licence payable		–	72 168
Trade and other payables	12	374 540	301 026
Dividend payables		269	–
Mobile financial payables ⁴		730 293	509 358
Government grant		735	513
Provisions	7	5 320	7 624
Total liabilities		1 522 901	1 390 117
Total equity and liabilities		2 375 735	2 211 840

The preliminary condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 29 April 2024 and were signed on its behalf by:

Justice (Rtd) Thomas B Mihayo
Chairman



Philip Besiimire
Managing Director



- 3 These are mainly deposits made to the tax authority in relation to disputed tax assessments and withholding tax credits. The increase is mainly due to release of prior period income tax accrual.
- 4 Mobile financial deposits relate to restricted bank balances for M-Pesa customer deposits. Mobile financial payables relate to amounts due to M-Pesa customers. Significant increase is due to the growth of M-Pesa business leading to increase in customers deposits.
- 5 The Group converted some USD denominated leases to TZS denominated, resulting to an increase in incremental borrowing rates, and hence a reduced lease liability and right-of-use assets.
- 6 This is a payable to the government in relations to previously accrued right of way costs, the amount is payable over five years and therefore was reclassified from accruals to other financial liabilities. Interest is charged on a monthly basis using the agreed secured overnight financing rate (SOFR).

Condensed consolidated statement of changes in equity

for the year ended 31 March

TZ\$M	Share capital	Share premium	Capital contribution	Retained earnings	Equity attributable to owners of parent	Non controlling Interests	Total equity
Year ended 2024 (Reviewed)							
At 1 April 2023	112 000	442 435	27 698	239 590	821 723	–	821 723
Total comprehensive income for the period	–	–	–	53 348	53 348	79	53 427
Dividends declared				(22 278)	(22 278)	(38)	(22 316)
At 31 March 2024	112 000	442 435	27 698	270 660	852 793	41	852 834
Year ended 31 March 2023 (Audited)							
At 1 April 2022	112 000	442 435	27 698	195 191	777 324	–	777 324
Total comprehensive income for the period	–	–	–	44 556	44 556	–	44 556
Dividends declared	–	–	–	(157)	(157)	–	(157)
At 31 March 2023	112 000	442 435	27 698	239 590	821 723	–	821 723

Condensed consolidated statement of cash flows

for the year ended 31 March

TZSm	Notes	31 March 2024 Reviewed	31 March 2023 Audited
Cash flows from operating activities			
Cash generated from operations	10	643 087	391 390
Income tax paid		(26 549)	(17 050)
Interest paid on tax liabilities		–	(277)
Net cash flows generated from operating activities		616 538	374 063
Cash flow from investing activities			
Additions to property and equipment and intangible assets ¹⁰		(179 916)	(228 263)
Asset acquisition	12	(12 501)	–
Proceeds from disposals of property and equipment		419	500
Government grants received		14 456	4 143
Finance income received		4 409	7 792
Net movement in mobile financial deposits		(220 935)	(73 272)
Interest received from M-Pesa deposits		21 355	16 671
Net cash flow utilised in investing activities		(372 713)	(272 429)
Cash flow from financing activities			
Dividends paid		(22 265)	(203)
Principal repayment on spectrum licence payable		(75 465)	–
Interest repayment on spectrum licence payable		(1 925)	–
Interest paid to M-Pesa customers		(19 596)	(15 556)
Settlement of derivative financial liabilities		(5 767)	–
Proceeds from revolving credit facility ⁷		47 266	–
Principal repayment of revolving credit facility ⁷		(47 266)	–
Interest repayment on revolving credit facility ⁷		(1 312)	–
Payment of lease liabilities – principal		(87 070)	(48 140)
Payment of lease liabilities – Interest		(47 774)	(57 098)
Principal repayment on other financial liabilities		(771)	–
Interest repayment on other financial liabilities		(280)	–
Net cash flow utilised in financing activities		(262 225)	(121 036)
Net decrease in cash and cash equivalents		(18 400)	(19 402)
Cash and cash equivalents at the beginning of the year		236 590	256 961
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies		3 507	(969)
Cash and cash equivalents at the end of the year		221 697	236 590

7 During the year, the Group obtained a revolving credit facility to facilitate financing of Smile acquisition. The facility was settled within the year.

Notes to the preliminary condensed consolidated financial statements

for the year ended 31 March

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 preliminary condensed consolidated financial statements for the year ended 31 March 2024, have been prepared in accordance with, and containing the information required by the International Accounting Standard 34 Interim Financial Reporting ("IAS 34") and the framework concepts and the measurement and recognition requirements of the IFRS Accounting Standards as issued by the International Accounting Standards Board.

The preliminary condensed consolidated financial statements for the year ended 31 March 2024, have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. Amounts in the financial statements are stated in Tanzanian Shillings (TZS), rounded to the nearest million (TZSm), except when otherwise indicated.

The preliminary condensed consolidated financial statements for the year ended 31 March 2024, 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 preliminary condensed consolidated financial statements disclose the events and transactions that update the relevant information presented in the latest audited annual consolidated financial statements.

The material 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 2023 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

TZSm	March 2024 Reviewed	March 2023 Audited
Major products/service lines		
Customer service revenue	1 162 595	975 057
Mobile interconnect	48 380	46 340
Fixed service revenue	30 745	19 509
Other service revenue	16 615	12 856
Equipment revenue	14 901	16 030
Other non-service revenue	3 805	2 486
Revenue from contracts with customers	1 277 041	1 072 278
Interest income recognised as revenue	1 176	740
Revenue	1 278 217	1 073 018

Revenue is further disaggregated per revenue stream as follows:

Mobile voice revenue	285 769	283 547
M-Pesa revenue	456 285	357 136
Mobile data revenue	347 303	273 702
Digital & VAS revenue	38 723	35 797
Mobile incoming revenue	48 380	46 340
Messaging revenue	31 078	29 038
Fixed revenue	30 745	19 509
Other service revenue	20 052	8 693
Service revenue	1 258 335	1 053 762
Non-service revenue	19 882	19 256
Revenue	1 278 217	1 073 018

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

5. Income tax expense

TZSm	March 2024 Reviewed	March 2023 Audited
Expected income tax expense at the Tanzania statutory tax rate 30%	23 395	7 905
Adjusted for:		
– Non-deductible expenditure ⁸	6 680	4 340
– Net non-taxable gaming income ⁹	(1 077)	(333)
Deferred tax asset recognised from prior period-Holding Company (Release)/provision of prior year taxes	– (10 700)	(52 808) 10 700
Under provision of prior year Deferred tax asset	(291)	–
Alternative minimum tax – Holding company	4 657	4 046
Withholding tax from – Subsidiary company	1 893	7 937
Under provision of prior year current tax – Subsidiary company	–	8
Income tax expense/(credit)	24 557	(18 205)
Effective tax rate	31.49%	(69.09)%

6. 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 as shown below:

	March 2024 Reviewed	March 2023 Audited
Basic and diluted earnings per share (TZS)	23.83	19.89
Earnings attributable to owners of the parent (TZSm)	53 387	44 556
Weighted average number of ordinary shares outstanding	2 240 000 300	2 240 000 300
Dividend declared during the year (TZSm)	22 316	157

8 Non deductible expenditure includes charitable donations, dispute losses, fines and penalties.

9 This includes gaming income (non taxable) and costs(non-deductible).

7. 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.

TZSm	March 2024 Reviewed	March 2023 Audited
At 1 April	13 692	16 958
Site restoration obligation	6 069	5 199
Legal/Regulatory	1 015	1 607
Marketing taxes and Indirect tax assessments and disputes	6 608	10 152
Additions/charge to profit or loss		
Site restoration obligation – additions	31	304
Site restoration obligation – interest accrued	660	566
Legal/Regulatory – additions	193	2 512
Marketing taxes and Indirect tax assessments and disputes – additions	–	1 443
	884	4 825
Released to profit or loss		
Legal/Regulatory	(280)	(3 089)
Marketing taxes and Indirect tax assessments and disputes	(2 216)	(4 987)
	(2 496)	(8 076)
Utilised against payments during the year		
Legal/Regulatory	–	(15)
	–	(15)
At 31 March	12 080	13 692
Site restoration obligation	6 760	6 069
Legal/Regulatory	928	1 015
Marketing taxes and Indirect tax assessments and disputes	4 392	6 608
Comprising of:		
Non-current		
Site restoration obligation	6 760	6 069
Current		
Legal/Regulatory	928	1 015
Marketing taxes and Indirect tax assessments and disputes	4 392	6 608
	5 320	7 623

8. Capital expenditure and commitments

During the period the Group invested TZS248 456¹⁰ million (March 2023: TZS299 121 million) in property and equipment and intangible assets. The current year's additions include TZS78 322 million incurred for the Smile asset acquisition (Note 12). The capital expenditure was funded using internally generated funds. As at year end, TZS122 465 million of the total investment made was payable to capex creditors (2023: TZS138 595 million).

The Group's capital commitments is as presented below:

TZSm	March 2024 Reviewed	March 2023 Audited
Capital expenditure contracted for but not yet incurred (Including property and equipment and intangible assets)	34 682	30 046

¹⁰ The gross additions to property, equipment and intangible assets is made up of actual additions of TZS170 134 million and TZS78 322 million relating to smile acquisition.

In the cash flow statement, net cash outflow relating to property, equipment and intangible assets amount to TZS179 916 million which includes a net TZS9 782 million payment to capex creditors.

9. 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.

TZSm	March 2024 Reviewed	March 2023 Audited
Balances with related parties		
Trade and other receivables		
Vodafone Group Plc (Ultimate Parent)	2 668	2 148
Vodacom Group Limited (Immediate Parent)	1 140	2 185
	3 808	4 333
Trade and other payables		
Vodafone Group Plc (Ultimate Parent)	(4 964)	(5 316)
Vodacom Group Limited (Immediate Parent)	(4 312)	(2 561)
M-Pesa Africa	(4 089)	(4 942)
	(13 365)	(12 819)

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.

Transactions with related parties

TZSm	March 2024 Reviewed	March 2023 Audited
Vodafone Group Plc and its subsidiaries		
Revenue	10 177	6 832
Direct expenses	(1 247)	(1 216)
Other operating expenses	(4 107)	(2 775)
	4 823	2 841
Vodacom Group Limited subsidiaries – Mozambique, DRC, Mauritius and Lesotho		
Revenue	145	15
Direct expenses	(164)	(107)
Other operating expenses	(1 710)	(512)
	(1 729)	(604)

9. Related parties continued

TZSm	March 2024 Reviewed	March 2023 Audited
Vodacom Group Limited – South Africa		
Revenue	3 630	4 969
Direct expenses	(1 836)	(2 150)
Other operating expenses	(13 311)	(13 224)
	(11 517)	(10 405)
Compensation for key management personnel		
Short-term employee benefits	(6 157)	(6 552)
Share based compensation ¹¹	(627)	(150)
Long-term employee benefits	(483)	(1 788)
	(7 267)	(8 490)
Non-executive directors		
Non-executive directors fees	(1 265)	(1 212)
Executive directors		
Short-term employee benefits	(1 798)	(2 733)
Long-term employee benefits	(164)	(252)
	(1 962)	(2 985)

11 This share-based payment arrangement is accounted for as an equity-settled share-based payment transaction by Vodacom International Limited (VIL) who is an employer company for the Vodacom Tanzania Public Limited Company staff who is part of the Vodacom Group Limited share-based scheme. The cost is payable by the group to VIL who is not part of the Vodacom Tanzania Public Limited Company Group.

10. Cash generated from operations

TZSm	March 2024 Reviewed	March 2023 Audited
Profit before tax	77 984	26 351
Adjusted for:		
Financing income	(25 764)	(24 463)
Financing costs	73 107	76 650
Net loss on foreign currency transaction	8 949	2 939
Operating profit	134 276	81 477
Adjusted for:		
Depreciation and amortisation	260 317	248 306
Net credit losses on financial assets	1 060	2 974
Amortisation of capacity prepayments	19 985	16 353
Gain on disposal of property and equipment.	(413)	(386)
Increase in provision for inventory	659	1 222
Amortisation of government grant	(127)	(345)
Decrease in legal, marketing and tax assessment disputes provisions	(2 272)	(3 832)
Cash flow from operations before working capital changes¹²	413 485	345 769
Payment of capacity contracts	(4 645)	(13 162)
Increase in inventory	(993)	(1 700)
Increase in trade and other receivables	(9 668)	(10 783)
Increase in trade, mobile financial and other payables ¹²	244 908	71 266
Cash generated from operations	643 087	391 390

11. 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 act with integrity and transparency in all tax matters including a policy of full transparency to the tax authority and the payment of all taxes 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.

During the year, the group managed to resolve and settle the long outstanding tax dispute in relation to Transfer Pricing for Vodacom Tanzania Plc for the years of income 2018 to 2020. This was achieved through amicable settlement and it was mainly determined in favor of the Group.

12 The movement within government grant capital expenditure creditors that was previously incorrectly disclosed as a non-cash adjustment as at 31 March 2023 (TZS4 626 million) financial reporting year are now correctly been included as part of the trade, mobile financial and other payables working capital movements. The reclassification has no impact on earnings or earnings per share, nor on any subtotals or totals in the statement of cash flows.

11. Contingent liabilities continued

Tax matters continued

However, the group shall maintain part of the Transfer pricing exposure as a contingent matter as detailed below:

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 Organization for Economic Cooperation and Development ("OECD") guidelines. The TRA conducted the Transfer Pricing audit for the year of income 2021 for M-Pesa Limited, the audit has resulted in certain disputed items. The company has objected and is optimistic that the outcome will be positive.

Litigation and other claims contingencies

The Group is currently involved in various legal proceedings and has, in consultation with its legal counsel, assessed the possible/probable 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 year end.

12. Other matters

Mobile Termination Rates ("MTR")

In July 2023, the Tanzania Communications Regulatory Authority (TCRA) issued the Interconnection Rates Determination No.6/2023, which was applicable starting January 2023. The determination decreased the voice call termination or 'MTR' charges per minute for local calls by 7.0% from TZS2.0 which was applicable before January 1, 2023, to TZS1.86. During the period, we have recorded a TZS1.4 billion reduction in incoming revenue with minimal impact on profitability. The determination also revealed the rates applicable for the calendar years ending December 2027 as presented in the table below.

Start date	1 January 2023	1 January 2024	1 January 2025	1 January 2026	1 January 2027
Rate per minute (TZS)	1.86	1.76	1.68	1.6	1.52

12. Other matters continued

Levies on mobile money transfers and withdrawals and airtime

On 30 June 2021, the President approved the Finance Act 2021, which included the amendments to the National Payment System Act (NPS Act, 2015) and Electronic & Postal and Communication Act (EPOCA, 2010 RE: 2022), introducing a levy on mobile money transfer transactions. In respect of mobile money transfer and withdrawal transactions, a transaction value dependent levy of between TZS10 and TZS10 000 was implemented from 15 July 2021. Following engagements with stakeholders and due consideration by the Government, the following amendments have been implemented since the introduction of the levies:

- a. **September 2021:** an initial 30% levy reduction, to a maximum levy of TZS7 000.
- b. **1 July 2022:** an additional 43% reduction to the maximum levy band was passed through the Finance Act 2022, marking a cumulative 60% reduction since the levy's introduction. This reduction set the maximum levy chargeable at TZS4 000. The Finance Act 2022 also re-defined the scope of the levy, to include withdrawals and transfers effected through banks, which were earlier excluded. The levy, which was previously only chargeable on mobile transactions, also became applicable to transfers between mobile accounts, bank accounts, and across mobile and bank accounts. For withdrawals, the levy was extended to capture withdrawals from automated teller machines (ATMs).
- c. **1 October 2022:** through a special supplement to the National Payment System (Electronic Money Transactions levy) (Amendment Regulations) the maximum levy chargeable was set at TZS2 000, which was equivalent to 20% of the levy charged at inception; and
- d. **1 July 2023:** The Finance Act 2023 amended the National Payment System Act, Cap. 306 and Cap. 437, effectively abolishing the Airtime Levy and the Mobile money transaction levy on electronic transfers. The levy on cash withdrawals was retained and continues to be charged accordingly.

Acquisition of Smile Communication Tanzania Limited

On 27 March 2024, all material conditions precedent were met in an agreement with Smile Telecoms IP Limited and Smile Telecoms Holdings Limited (The Sellers) for the purchase by Vodacom Tanzania Plc of 100% of Smile Communications Tanzania Limited's ('Smile') issued share capital. The total purchase consideration amounted to US\$30.5 million (TZS78.3 billion), which included \$4.2 million (TZS10.7 billion) fee for spectrum reassignment. The transaction constitutes an asset acquisition, since substantially all of the fair value of the gross assets acquired is concentrated in the spectrum asset that was reassigned to Vodacom Tanzania Plc on 28 March 2024. The total purchase consideration was allocated to the cost of the spectrum asset

Included in assets acquisition line item in the condensed consolidated statement of cash flows is an amount of TZS10.7 billion relating to the payment of spectrum reassignment fees to the Tanzania Communications Regulatory Authority. Included in Trade and other payables line item in the condensed consolidated statement of financial position is the net amount of TZS65.8 billion¹³ relating to purchase consideration payable to the Sellers. TZS36.2 billion was paid on 4 April 2024 and the balance will be payable upon receipt of the tax clearance certificate issued by the Tanzania Revenue Authority, for which the time remains uncertain as at the date of this report.

The seller has signed an irrevocable and unconditional indemnity agreement with the Group, which will enable the Group to recover the costs for any qualifying future liabilities over and above the purchase price stemming from a breach of any warranty or to cover any indemnity claims. The guarantee will be for a maximum amount of US\$9.6 million (TZS24.6 billion) for the first 24 months and thereafter be in place for a further 12 months at a maximum amount of US\$4.8 million (TZS12.3 billion).

13 The TZS65.8 billion excludes TZS1.8 billion costs paid on behalf of the seller and now recoverable from the purchase consideration.

12. Other matters continued

Non-current assets ceased to be classified as being held for sale

Following the signing of an agreement between the government and the consortium members to transfer Consortium fiber infrastructure to the government in September 2023, the group classified the underlying fiber infrastructure as Non-Current Asset held for sale in line with IFRS5. Subsequent to 30 September 2023, due to changes in circumstances outside of the control of the Group, the Group determined that the timing of the transfer of the underlying assets became uncertain and albeit that the Group remains committed to the transaction, the Group determined that the underlying non-current assets ceased to be held for sale in line with the requirements of IFRS 5 and were reclassified to property and equipment. The underlying non-current assets were reclassified at a carrying amount of TZS8.8 billion, which represents its carrying amount before the assets were classified as held for sale, adjusted for the depreciation of TZS0.5 billion that would have been recognised had the asset not been classified as held for sale. The recoverable amount was assessed to be higher than the carrying amount.

13. 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 preliminary condensed consolidated financial statements. There is no revenue from transactions with a single external customer that amounts to 10% or more of the Group's revenue.

14. Fair value

During the year, the group entered into Forward exchange contracts (FEC) in a bid to mitigate the volatility in the foreign exchange market. As at 31 March 2024, the group had no any open FECs. The amount of fair value adjustments recorded under net loss on foreign currency transactions is TZS5.8 billion. The FECs would fall in level two in terms of fair value hierarchy under IFRS 13. Level two classification is used when valuation inputs used to determine fair value are observable for the asset/(liability), either directly as prices (being mid forward rates and spot rates) or indirectly when derived from prices.

The Group does not have any other financial instruments that required to be measured at fair value subsequent to initial recognition. The carrying amounts of the Group's financial instruments reasonably approximate their fair values due to the short-term nature of the instruments.

15. Events after the reporting period

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

Key Performance Indicators for the period ended 31 March 2024

	Twelve months ended 31 March		
	2024	2023	% Change
Active customers (thousands) ¹	19 563	16 735	16.9
ARPU (shillings per month) ²	5 523	5 328	3.7
Data customers – (thousand) ³	10 065	8 748	15.1
M-Pesa customers – (thousand) ⁴	10 169	8 197	24.1
Traffic⁵ (millions of minutes)	62 526	52 676	18.7
Outgoing	42 396	35 115	20.7
Incoming	20 130	17 561	14.6
MoU⁶ per month	285	275	3.6
Messaging (million)	46 563	33 164	40.4
Number of employees	607	581	4.5
Number of sites			
5G	363	231	57.1
4G	2 804	2 353	19.2
3G	3 233	3 096	4.4
2G	3 481	3 447	1.0

- Active customers are based on the total number of mobile customers using any billable 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.
- 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 Access Point Names (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.
- M-Pesa customers are the number of unique customers who have generated billable transactions during the month. In the past 3 months, 13.3 million unique customers generated revenue related to M-Pesa.
- 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 (both incoming and outgoing traffic) during the period by the average monthly active customers during the period. Outgoing MoU was 231 (2023: 217).

Reconciliation of Operating free cash flow and Free cash flow

TZSm	Twelve months ended 31 March		
	2024	2023	% Change
Cash generated from operations ¹	657 542	395 531	66.2
Additions to property and equipment and intangible assets ²	(179 916)	(154 964)	(16.1)
Payment of lease liabilities – Principal ³	(87 070)	(48 141)	(80.9)
Interest paid on lease liabilities ³	(47 774)	(57 098)	16.3
Amounts owed to M-PESA account holders ⁴	(219 382)	(72 378)	<(200)
Proceeds from disposal of property and equipment ³	419	395	6.1
Operating free cash flow	123 819	63 345	95.5
Tax paid ³	(26 550)	(17 050)	(55.7)
Finance income received ⁵	4 409	7 792	(43.4)
Interest received from M-Pesa deposits ³	21 355	16 671	28.1
Interest paid to M-Pesa customers ³	(19 596)	(15 556)	(26.0)
Mark to Market liabilities payments ³	(5 767)	–	n/a
Interest paid on tax liabilities ³	–	(277)	100.0
Interest on other borrowings	(1 312)	(38)	<(200)
Interest on license debt	(618)	–	n/a
Free cash flow	95 740	54 887	74.4

1 This amount excludes government grants directed towards investing activities amounting to TZS14.5 billion for the period ending 31 March 2024 and TZS4.1 billion for the period ending 31 March 2023.

2 For the period ending 31 March 2024, this amount excludes TZS77.4 billion payment of final instalment of the spectrum acquired last financial year, and TZS12.5 billion initial payment for acquisition of Smile Communication Tanzania Limited. For the period ending 31 March 2023, this amount excludes TZS73.2 billion initial payment for the spectrum acquired in the financial year ended 31 March 2023.

3 Extracted without adjustment from the preliminary condensed consolidated statement of cash flows for the period ended 31 March 2024.

4 Relates to money held on behalf of M-Pesa customers, which is not available for use by the Company.

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 twelve months ended 31 March 2024. 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 twelve months ended 31 March 2024, 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, 4G and 5G 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

TB Mihayo¹ (Chairman), P Besimire(MD)², H Bujiku(FD)¹, D Gutierrez³, K Mutooni⁴, M Ikongo¹, M Mbungela⁵, N Nyoka⁵, R Morathi⁵, S Ramasamy⁶, S Mdalose⁷, T Semane⁵

1. Tanzanian 2. Ugandan 3. Bolivian 4. Kenyan
5. South African 6. Indian 7. British

Company secretary

Caroline Mduma

Registered office

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Transfer secretary

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