



Vodacom Tanzania Public
Limited Company

Interim condensed consolidated financial results

for the period ended 30 September 2023

Together we can

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Managing Director's review

I am encouraged by the execution of our purpose-led strategy in the first half of the financial year, which supported an upgrade to our medium-term growth target. We have made further progress across our social contract initiatives, as we transform lives using our 'tech-for-good' platforms across critical sectors including healthcare, agriculture, government services and small businesses. We also delivered a pleasing set of financial results as we continued to drive financial and digital inclusion supported by investment in our core connectivity networks and digital eco-systems.



With the support and collaboration from the government of Tanzania, USAID and the Vodafone foundation – we are extending the **M-Mama healthcare service** nationwide, beyond our initial plans. In August, we were honoured to officially launch the M-Mama initiative in Zanzibar isles in the presence of the President of United Republic of Tanzania, Her Excellency Samia Suluhu Hassan, who presided over the occasion. M-Mama service is now live and operational in all regions in Tanzania.

We remain committed to connecting for a better future. As reported in our first quarter review in July, we won bids for providing **network coverage in 190 rural and special purpose suburbs** in collaboration with the government, through the Universal Communications Access Fund. This collective initiative will help us contribute towards bridging the digital divide for the underserved communities in line with our purpose.

Our flagship **M-Kulima initiative** provided farmers with a convenient and safe mode of receiving proceeds for produce sold through the agricultural marketing cooperative societies. In the interim period, we securely disbursed funds through M-Pesa to over 20 000 recipients, making a cumulative disbursement of over TZS30.3 billion in the past two and a half years. This progress highlights our contribution to financial inclusion for farming communities in Tanzania.

In the **business segment**, we are seeing excellent growth in the number of merchants adopting 'Lipa kwa Simu', our **digital payment solution** as a mode for accepting payments, providing both accepting merchants and users the convenience of prompt and secured payment processing. The strong adoption of 'Lipa kwa Simu' is a result of commercial execution and accelerated financial education to merchants and customers on the benefits of transacting electronically. To date,

almost 250 000 merchants accept payments via M-Pesa, a more than two-fold increase from last year. In the interim period, these merchants have accepted payments worth more than TZS4.2 trillion through our platform, representing an impressive growth rate of around 70%.

To **support growth in our business**, we invested TZS93.1 billion in our network and IT infrastructures. We focused on improving customer experience through coverage expansion and network capacity, rolling out 276 additional 4G sites in the period. This investment together with initiatives in growing smartphone adoption has supported an impressive 60% growth in 4G data traffic.

Our efforts to drive **commercial execution** are evident in improved customer experience through personalisation. We are driving personalisation through our Customer Value Management (CVM) and big data platforms, which facilitate our multi-product offering referred to as the 'System of Advantage'. These

Managing Director's review continued

capabilities are critical to us for better understanding our customers and providing them with differentiated products to support improved levels of satisfaction and retention. Despite tough market competition, we retained market leadership with 31%¹ customer share and 18 points lead-gap in Net Promoter Score. We added 1.8 million customers during the period which translated into 15.6% customer base growth. Our data users increased by 22.3%, with smartphone users passing the 6 million milestone. Our M-Pesa customer base grew impressively by 20.5%, an impressive 1.1 million increase in the past six-month period.

Our strategy execution delivered a **strong financial performance** for the interim period. Service revenue grew by 18.7%, with good growth recorded in data and M-Pesa, supported by our continuous investment in the network. We reported a net profit after tax of TZS29.6 billion, an increase of 2.1% despite various cost pressures from global challenges particularly, energy price and foreign currency shortage.

Our M-Pesa business delivered 26.4% revenue growth, while new growth areas comprising of lending, insurance, and merchant services more than doubled in the period and contributed over 35% of M-Pesa revenue from 11% two years ago. This represents important progress in diversifying our M-Pesa business. Encouragingly, the value of transactions related to our traditional M-Pesa services, which include peer-to-peer transfers and withdrawals continued to grow. The M-Pesa performance was also supported by the removal of levies on mobile money transfer transactions from July 2023, in a continued collaborative effort with the government to drive financial inclusion.

In the first half of the year, our Songesha and term loan facilities benefitted over 3.5 million customers and 65 000 agents with micro loans worth more than TZS900 billion. We sold over 700 000 insurance policies with a cumulative insured value of more than TZS5.0 billion. Further, our product M-Koba, is making an important difference across communities in Tanzania. This product is designed to promote the security and transparency of funds pooled by community groups for its members to access savings and loans. M-Koba is scaling rapidly, with the value transacted in the period reaching over TZS200 billion, a significant increase, with over 200 000 number of registered groups.

Looking forward, we are pleased to upgrade our medium term growth target from 'mid-to-high-single digit' service revenue growth to 'high-single digit' service revenue growth. This reflects our confidence in executing on our purpose-led strategy, our dedicated team, strong desire to empower Tanzanians and ongoing investment into growth. We will also continue with our initiatives towards bridging the digital divide and driving financial inclusion. Our role is to create financial and digital solutions for Tanzanians, lifting up the marginalised members of the community closer to socio-economic opportunities and improving quality of life. Increasing rural coverage for connectivity, supporting the availability of affordable 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 ambition of creating a digital society.

We will also maintain an emphasis on customer satisfaction by ensuring the best experience on our network, attained through provision of reliable

and personalised connectivity and financial services. Personalisation is a function of designing and delivering multiple products aligned with customer usage behaviours that leverages our system of advantage, CVM and big data capabilities. To support this, we will continue executing efficiently on our planned capital investments and commercial initiatives to differentiate ourselves in the light of tough market competition.

Before concluding, I am delighted that at our annual general meeting shareholders approved the payment of annual dividend of TZS9.95 per share for the financial year ended 31 March 2023, which was paid on 16 October 2023. This is equivalent to total dividend pay-out of TZS22.3 billion in line with our dividend policy. It is our ambition to continue delivering business growth and profitability through both revenue and cost initiatives, thereby generating value to our shareholders. To achieve this, we will have to navigate through the impacts of increasing energy costs and ongoing global macro-economic pressures emanating from changes in economic policies of the world's major economies.

We are encouraged by the conducive business environment accorded by the government and the continued positive engagement with industry participants, and we are witnessing fruitful results of these engagements. It is a progressive practise that benefits Tanzanians and as such, we will continue to actively engage with the government on all relevant matters and collaborate in executing projects to deliver on our social contract and purpose, and government's national development goals.



Thank You
Philip Besimire

1 Tanzania Communication Regulatory Authority's quarterly communications statistics as at September 2023.

Highlights

Strong service revenue growth, up

18.7%
to TZS 602.7 billion.

We now connect

18.5 million
customers, up 15.6%.

M-Pesa customers grew

20.5%
to 9.3 million, reflecting increased adoption of M-Pesa services.

Net profit after tax at

TZS29.6 billion
up 2.1%.

Capital expenditure of

TZS93.1 billion
in enhancing our broadband coverage – including 276 new 4G sites

Summary of financial information

Six months ended 30 September

TZS m	2023	2022	% Change
Service revenue	602 743	507 991	18.7
Revenue	612 772	518 347	18.2
EBITDA	186 515	153 999	21.1
Operating profit	56 974	28 963	96.7
Net profit after tax	29 623	29 017	2.1
Operating free cash flow	(821)	41 008	(102.0)
Free cash flow	(12 209)	32 585	(137.5)
Capital expenditure	93 139	74 917	24.3
Earnings per share ('EPS') (shillings)	13.2	13.0	2.1
Contribution margin (%)	67.4	66.4	+1.0pp
EBITDA margin (%)	30.4	29.7	+0.7pp
Operating profit margin (%)	9.3	5.6	+3.7pp
Capital intensity (%)	15.2	14.5	+0.7pp

Operating and financial review

Six months ended 30 September

TZS m	2023	2022	% Change
Mobile voice revenue	144 091	143 817	0.2
M-Pesa revenue	214 374	169 569	26.4
Mobile data revenue	167 338	125 887	32.9
Digital & VAS revenue	18 713	17 472	7.1
Mobile incoming revenue	24 598	23 022	6.8
Messaging revenue	14 843	14 736	0.7
Fixed data revenue	13 679	9 016	51.7
Other service revenue	5 107	4 472	14.2
Service revenue	602 743	507 991	18.7
Non-service revenue	10 029	10 356	(3.2)
Revenue	612 772	518 347	18.2
Direct expenses	(199 576)	(172 779)	(15.5)
Operating expenses	(226 388)	(189 820)	(19.3)
Staff expenses	(36 590)	(30 855)	(18.6)
Publicity expenses	(16 892)	(16 102)	(4.9)
Tower lease and maintenance expenses ¹	(69 932)	(58 776)	(19.0)
Other operating expenses	(102 975)	(84 088)	(22.5)
Depreciation and amortisation	(129 603)	(125 454)	(3.3)
Net credit losses on financial assets	(230)	(1 330)	82.7
Operating profit	56 974	28 963	96.7
EBITDA	186 515	153 999	21.1
EBITDA margin	30.4%	29.7%	+0.7pp

Revenue

Service revenue grew 18.7% to TZS602.7 billion. This encouraging growth was delivered as a result of good performance in our strategic revenue drivers – data and M-Pesa. Our strong commercial execution delivered impressive customer base growth of 15.6% and improved average revenue per user (ARPU) of 5.7%. Our CVM initiatives played a significant role in providing customers with personalised segmented offers, leading to increased customer engagement and stickiness to our network. **In the second quarter**, service revenue grew 18.9%, supported by double digit growth in data and M-Pesa services.

Mobile voice revenue was slightly up to TZS144.1 billion with its contribution to service revenue declining by 4.3pp to 23.9%. The upside from customer growth was offset by an 11.7% voice ARPU decline, reflecting pressure on voice pricing in the market. The average price per minute (PPM) declined by 19% while minutes of use increased by 8.8%. **In the second quarter**, mobile voice revenue was up 0.5%, with an increase in customers helping to offset a 12.1% ARPU decline due to 17.6% lower PPM.

Revenue from new services in M-Pesa grew by over 100%, contributing over 35% of **M-Pesa revenue**. The new

services supported a strong 26.4% growth in M-Pesa revenue reaching TZS214.4 billion, and its contribution to service revenue expanding by 2pp to 35.5%. The growth was fuelled by a 20.5% increase in M-Pesa customers to 9.3 million, and ARPU growth of 4.9% as a result of increased adoption of our new M-Pesa services. Notably, our peer-to-peer transfer revenue recorded double digit growth, reflecting an increase in both volumes and values supported by the removal of levies on peer-to-peer transactions from July 2023. **In the second quarter**, M-Pesa revenue grew 29.9% as a result of a 20.5% increase in customers and 7.8% improvement in M-Pesa ARPU.

¹ Previously included under 'Other operating expenses'.

Mobile data revenue was up 32.9% to TZS167.3 billion and its contribution to service revenue expanded by 3.0pp to reach 27.8%. This strong performance was driven by a 22.3% growth in data customers coupled with an 8.7% increase in data ARPU, reflecting encouraging usage growth and price stability. Investment into our network, accelerated smartphone adoption and strong demand for mobile data, resulted in 26.1% growth in data traffic. Smartphone users increased by 29.9% to 6.1 million supported by our commercial execution and investment in the network. **In the second quarter**, mobile data revenue grew 28.9% supported by strong 22.3% customer growth and increase in usage.

Digital & VAS revenue, comprising of airtime advance credit service and value added services (VAS), increased 7.1% to TZS18.7 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, which also resulted in 10.6% growth **in the second quarter**.

Mobile incoming revenue grew 6.8% to TZS24.6 billion driven by a 9.8% increase in the number of incoming minutes. Revenue growth was partly offset by 7.0% reduction in mobile termination rates (MTR) from TZS2.0 to TZS1.86 per minute in January 2023. **In the second quarter**, mobile incoming revenue was 2.2% lower, mainly due to the impact of reduction in MTRs.

Fixed data revenue continued to grow at an impressive rate, with a

51.7% increase to TZS13.7 billion, and 57.9% growth **in the second quarter**. This performance reflects commercial execution across our business and consumer segments leveraging on our investment in fixed wireless infrastructure. Our strong commercial execution led into more than 20 000 homes and businesses connected at the end of the period, reflecting a significant growth.

Expenses¹

During the period, our cost initiatives delivered a TZS30 billion saving which partially mitigated the cost pressures from the impact of foreign exchange losses, increased energy prices, and investment in customer acquisition and retention – in line with the market dynamics.

Direct expenses increased 15.5% to TZS199.6 billion and **in the second quarter** grew 15.9%. The increase was in line with service revenue growth, partly offset by TZS9 billion savings realised from our cost saving initiatives.

Staff related expenses increased 18.6% as a result of an increase in number of employees to support the business growth and inflationary salary adjustment.

Tower lease and maintenance expenses² increased by 19.0% to TZS69.9 billion, reflecting a more than 25% increase in fuel price, escalation of service contracts and investment in expanding our network – including technology advancement.

Other Operating expenses increased 22.5% to TZS103.0 billion. Excluding the impact of foreign exchange losses, other operating

expenses increased 8.6% largely driven by business growth, the increase in network elements and high energy cost in our data centers due to power rationing and fuel price increases.

In the second quarter, operating expenses including a TZS2.7 billion foreign exchange loss, increased by 18.8%. Excluding the foreign exchange loss, operating expenses grew by 11.3%, primarily driven by increase in energy costs, network expansion, service contracts escalations and increase in number of employees.

EBITDA

We generated EBITDA of TZS186.5 billion, an increase of 21.1%, with an EBITDA margin of 30.4% representing margin expansion of 0.7pp, supported by strong revenue growth and our cost saving initiatives. **In the second quarter**, EBITDA grew 24.1% to TZS104.2 billion as a result of strong revenue growth, complemented by savings from our cost saving initiatives.

Operating profit

We recorded an impressive 96.7% growth in operating profit to TZS57.0 million for the interim period and 88.5% growth for the second quarter. This was supported by a strong EBITDA performance, coupled with a slower 3.3% growth in the depreciation and amortisation charges. Growth in depreciation and amortisation charges was a result of our investment in the network and spectrum acquired in the second half of the last financial year, partly offset by saving from revised assets' useful life.

1 Excluding depreciation, amortisation and Net credit losses on financial assets.

2 Previously included in 'Other operating expenses'.

Operating and financial review continued

Capital expenditure

During the period we incurred capital expenditure of TZS93.1 billion, equivalent to 15.2% of revenue. The investment was directed into expanding our broadband coverage, capacity enhancements, and

modernisation of our IT infrastructure. We rolled out an additional 141 kilometres of fibre and 276 new 4G sites, ending the period with a total of more than 4 600¹ kilometres of fibre in our network. We are pleased

that our investment supported an increase in traffic carried in our network and a continued shift in traffic from 3G to 4G, which carried over 70% of our data traffic compared to less than 60% a year ago.

Net finance charges

TZS m	Six months ended 30 September		
	2023	2022	% Change
Interest income from M-Pesa cash balances	9 759	8 042	21.4
Interest income from cash investments	2 476	3 920	(36.8)
Finance income	12 235	11 962	2.3
Finance cost of M-Pesa cash balances	(9 745)	(8 029)	(21.4)
Finance cost – lease liability	(20 722)	(29 271)	29.2
Other finance costs	(3 491)	(283)	<(200)
Finance cost	(33 958)	(37 583)	9.6
Net loss on foreign currency translation	(2 829)	(2 135)	(32.5)
Net finance cost	(24 552)	(27 756)	11.5

Finance income increased 2.3% as a result of higher interest income from the M-Pesa Trust account, a reflection of growth in M-Pesa business. The finance income on M-Pesa Trust account is offset by a related finance cost. Finance cost declined 9.6% owing to lower lease interest costs as a result of settlement of matured lease obligations and savings realised from contract renegotiations with service providers.

Taxation

The tax expense of TZS2.8 billion was 110.1% higher reflecting an

improvement in M-Pesa profitability. This was partially offset by a tax credit of TZS9.6 billion (FY23: TZS38.3 billion) due to the recognition of deferred tax asset in relation to an improved medium term profitability outlook for our GSM business. Excluding the deferred tax asset impact, the tax expense increased by 18.5% as a result of strong growth in our M-Pesa business.

Earnings

Earnings per share increased 2.1% to TZS13.2, supported by the good business performance in line with our

continued focus on delivering shareholders' value.

Statement of financial position

Property and equipment decreased 9.8% to TZS903.0 billion, as investment made during the period were offset by the related depreciation charge. Intangible assets increased 180.8% to TZS203.8 billion largely due to TZS143.1 billion capitalisation of spectrum acquired in the second half of the prior financial year.

¹ Include both on-built and leased fibre.

Net debt

TZS m	Six months ended 30 September		
	2023	2022	% Change
Cash and cash equivalents	148 330	287 616	(48.4)
Lease liability	(417 689)	(524 223)	20.3
Net debt	(269 359)	(236 607)	(13.8)
Net debt to EBITDA (times)	(1.4)	(1.5)	0.1

Net debt increased 13.8% to TZS269.4 billion, mainly due to payment of final instalment for the spectrum we acquired last financial year. During the period, we generated TZS320.3 billion cash from operations, an increase of 26.3%. The cash generated from operations was offset by the TZS77.4 billion final spectrum instalment.

Cash flow¹

TZS m	Six months ended 30 September		
	2023	2022	% Change
EBITDA	186 515	153 999	21.1
Working capital	(19 778)	5 604	<(200)
Capital expenditure	(93 139)	(74 917)	(24.3)
Lease payments	(74 483)	(44 073)	(69.0)
Other cash flows	64	395	(83.8)
Operating free cash flow	(821)	41 008	(102.0)
Net finance cash inflow	2 290	4 738	(51.7)
Tax paid	(13 678)	(13 161)	(3.9)
Free cash flow	(12 209)	32 585	(137.5)

Operating free cash flow was negative TZS0.8 billion. Cash generated from EBITDA growth was offset by increased investment in the network and timing difference of the tower lease payments as well as working capital items.

Free Cash flow was negative TZS12.2 billion due to lower operating free cash flow and tax paid in line with business performance. Also, the inflow from net financing activities declined by 51.7% due to the decrease in interest received from cash investment, as a result of decreased cash balance during the period.



¹ For the reconciliation of cash generated from operations to free cash flow, refer to page 31.

Operating and financial review continued

Regulatory matters

Mobile Termination Rates

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 TZS 2.0 which was applicable before January 1, 2023 to TZS 1.86. As a result, 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	1.60	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:

1 September 2021

An initial 30% levy reduction, to a maximum levy of TZS7 000.

2 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).

3 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.

4 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 has been retained.

Outlook and medium-term targets

As we look into the future, we are keenly focused on our strategic areas which reflect the ever-evolving business environment in our industry and the economy in general. We will continue to lead the industry in shaping customer experience and the way people connect and transact inclusively, through our innovative products and services supported by investment in our digital infrastructure.

Leveraging on our system of advantage, we will develop transformative products, while expanding customers' access to our data services and smartphone adoption. These are critical ingredients for creating equality in a digital society, where everyone has access to opportunities brought about by the technological advancement. We are also focusing on expanding our reach in the fixed data services' space, in both the business, home and consumer segments. We believe these areas are a catalyst to positive socio-economic changes that will enable more people and communities to participate and capture opportunities in the digital economy. Advancement in connectivity services and digital lifestyle, is likely to drive social-economic development for individuals and communities as a whole, including financial inclusion and narrowing of the digital divide. This will in turn drive growth in the overall economy, including growth of our business.

We remain focused on cost containment in order to achieve stronger profitability and generate value for our shareholders. Considering our business growth drivers, strategic execution and the business environment, we upgrade our medium term growth target as follows:

1

from 'mid-to-high-single digit' service revenue growth **to** 'high-single digit' service revenue growth, with scope to exceed in the near term.

2

unchanged 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.

For and on behalf of the Board



Justice (Rtd) Thomas B. Mihayo
Chairman
2 November 2023



Philip Besimire
Managing Director



Hilda Bujiku
Finance Director

Quarterly report

for the quarter ended 30 September 2023

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

Condensed statement of profit or loss and other comprehensive income for the quarter ended 30 September 2023

TZS m	Group		Company	
	Quarter 2		Quarter 2	
	30 September 2023	30 September 2022	30 September 2023	30 September 2022
Revenue	322 769	272 525	233 857	207 065
Direct expenses	(105 844)	(91 297)	(55 035)	(51 322)
Operating expenses	(113 083)	(96 159)	(92 278)	(78 962)
Staff expenses	(19 030)	(15 723)	(14 157)	(11 181)
Publicity expenses	(9 190)	(8 911)	(5 202)	(4 887)
Tower lease and maintenance costs	(34 579)	(28 826)	(34 579)	(28 826)
Other operating expenses	(50 284)	(42 699)	(38 340)	(34 068)
Depreciation and amortisation	(64 942)	(63 192)	(63 259)	(61 429)
Net credit/(loss) on financial assets	386	(1 032)	396	(983)
Operating profit	39 286	20 845	23 681	14 369
Finance income	5 675	6 425	19 173	84 941
Finance costs	(14 188)	(18 940)	(8 940)	(14 751)
Net gain/(loss) on foreign currency transactions	3 390	(624)	3 408	(692)
Profit before tax	34 163	7 706	37 322	83 867
Income tax credit	2 460	30 685	7 508	33 082
Profit for the quarter	36 623	38 391	44 830	116 949

Condensed statement of financial position

as at 30 September 2023

TZS m	GROUP		COMPANY	
	Quarter 2		Quarter 2	
	30 September 2023	30 September 2022	30 September 2023	30 September 2022
ASSETS				
Non-current assets	1 251 467	1 217 224	1 220 123	1 186 835
Goodwill	1 639	1 639	–	–
Property and equipment	597 532	587 588	595 214	582 530
Intangible assets	203 775	72 565	181 496	49 948
Right of use assets ¹	305 494	413 125	305 494	413 125
Capacity prepayments	34 229	46 253	34 229	46 253
Trade and other receivables	10 391	13 646	9 591	13 646
Income tax receivables	36 120	42 511	33 098	42 511
Deferred tax assets	62 287	39 897	60 501	38 322
Investment in subsidiary	–	–	500	500
Current assets	993 093	955 246	268 086	318 114
Capacity prepayments	14 310	16 720	14 310	16 720
Inventory	6 076	4 680	6 076	4 680
Trade and other receivables	150 237	108 805	164 398	113 654
Income tax receivables	13 362	24 196	9 748	21 067
Mobile financial deposits	660 778	513 229	–	–
Cash and cash equivalents	148 330	287 616	73 554	161 993
Non-current assets held for sale²	8 871	–	8 871	–
Total assets	2 253 431	2 172 470	1 497 080	1 504 949
EQUITY AND LIABILITIES				
Capital and reserves	829 048	806 257	770 860	686 114
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	246 915	224 124	188 727	103 981
Non-current liabilities	333 090	442 957	333 090	442 957
Lease liabilities ¹	326 231	436 139	326 231	436 139
Government grants	59	80	59	80
Trade and other payables	–	244	–	244
Provisions	6 800	6 494	6 800	6 494
Current liabilities	1 091 293	923 256	393 130	375 878
Lease liabilities	91 458	88 083	91 458	88 083
Government grants	15 767	785	15 767	785
Mobile financial payables	660 778	513 229	–	–
Trade and other payables	317 197	310 733	280 041	276 904
Provisions	6 093	10 426	5 864	10 106
Total liabilities	1 424 383	1 366 213	726 220	818 835
Total equity and liabilities	2 253 431	2 172 470	1 497 080	1 504 949

1 The decrease in Right-of-use assets is mainly driven by the amortisation of leases and conversion of lease contracts from USD to TZS whereas payments and the aforementioned lease currency conversion are the main drivers to the decline in the non-current lease liabilities.

2 This relates to fiber assets that are anticipated to be transferred to the Government within a year as part of an agreement between the fiber consortium members and the Government of Tanzania.

Condensed statement of changes in equity

for the quarter ended 30 September 2023

TZS m	Share capital	Share premium	Revaluation Reserves	Retained Earnings	Total
GROUP					
Quarter ended 30 September 2023					
At 1 July 2023	112 000	442 435	27 698	232 590	814 723
Total comprehensive income for the period	–	–	–	36 623	36 623
Dividends	–	–	–	(22 298)	(22 298)
At 30 September 2023	112 000	442 435	27 698	246 915	829 048
COMPANY					
At 1 July 2023	112 000	442 435	27 698	166 175	748 308
Total comprehensive income for the period	–	–	–	44 830	44 830
Dividends	–	–	–	(22 278)	(22 278)
At 30 September 2023	112 000	442 435	27 698	188 727	770 860
GROUP					
At 1 July 2022	112 000	442 435	27 698	185 817	767 950
Total comprehensive income for the period	–	–	–	38 391	38 391
Dividends	–	–	–	(84)	(84)
At 30 September 2022	112 000	442 435	27 698	224 124	806 257
COMPANY					
At 1 July 2022	112 000	442 435	27 698	(12 968)	569 165
Total comprehensive income for the period	–	–	–	116 949	116 949
At 30 September 2022	112 000	442 435	27 698	103 981	686 114

Condensed statement of cash flows

for the quarter ended 30 September 2023

TZS m	GROUP		COMPANY	
	Quarter 2		Quarter 2	
	30 September 2023	30 September 2022	30 September 2023	30 September 2022
Cash generated from operations	151 598	130 248	41 891	95 630
Income tax paid	(5 197)	(8 138)	(1 193)	(5 338)
Net cash generated from operating activities	146 401	122 110	40 698	90 292
Cash flows from investing activities				
Additions to property and equipment and intangible assets	(25 655)	(38 503)	(23 497)	(38 504)
Dividends income received	–	–	19 293	83 718
Finance income received	971	2 231	430	1 223
Cash held in restricted deposits	(79 529)	(34 376)	–	–
Interest received from M-Pesa deposits	5 254	4 194	–	–
Net cash used in investing activities	(98 959)	(66 454)	(3 774)	46 437
Cash flows from financing activities				
Dividends payable	(2)	(8)	(1)	(8)
Payment of lease liabilities – interest	(7 452)	(14 466)	(7 452)	(14 590)
Interest paid to M-Pesa customers	(4 523)	(3 505)	–	–
Spectrum license payment	(39 438)	–	(39 438)	–
Payment of lease liabilities – principal	(22 566)	(10 496)	(22 566)	(10 372)
Net cash used in financing activities	(73 981)	(28 475)	(69 457)	(24 970)
Net (decrease)/increase in cash and cash equivalents	(26 539)	27 181	(32 533)	111 759
Cash and cash equivalents at the beginning of the quarter	173 228	260 946	104 428	50 813
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies	1 641	(511)	1 659	(579)
Cash and cash equivalents at the end of the quarter	148 330	287 616	73 554	161 993

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



Philip Besiimire
Managing Director



Hilda Bujiku
Financial Director

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Statement of directors' responsibilities

The directors are responsible for the preparation, integrity and fair presentation of the interim condensed consolidated financial statements for the period ended 30 September 2023 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") and the framework concepts and the measurement and recognition requirements of IFRS 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 ("DSE") Rules, 2022. The directors are also responsible for safeguarding the assets of the Group and taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

The interim condensed consolidated financial statements have been reviewed by the independent auditor, Ernst & Young (EY), who was given unrestricted access to the relevant financial records and related data, including minutes of meetings of shareholders, the Board of Directors (the "Board") and committees of the Board. The directors believe that all representations made to the independent auditor during their review were valid and appropriate. The auditor's review report is presented on page 16.

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

The interim condensed consolidated financial statements were approved by the Board of Directors on 2 November 2023 and signed on its behalf by;



Philip Besimire
Managing Director



Hilda Bujiku
Finance Director

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

To the directors of Vodacom Tanzania Public Limited Company

We have reviewed the accompanying interim condensed consolidated financial statements of Vodacom Tanzania Public Limited Company (the "Company") and its subsidiaries (together the "Group") which comprise the condensed consolidated statement of financial position as at 30 September 2023, and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months period then ended, and selected explanatory notes as set out on pages 17 to 30.

Directors' responsibility for the interim condensed consolidated financial statements

The directors are responsible for the preparation of the interim condensed consolidated financial statements in accordance with, and containing the information required by the International Accounting Standard 34 Interim Financial Reporting ("IAS 34") and the framework concepts and the measurement and recognition requirements of IFRS, the requirements of the Tanzanian Companies Act No. 12 of 2002, and the requirements of the Dar es Salaam Stock Exchange PLC Rules, 2022.

Auditor's responsibility and scope of review

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

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of financial information performed by the independent auditor of the entity'. A review of financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements as at 30 September 2023 and for the six months period then ended, have not been prepared, in all material respects, in accordance with the basis of preparation described in Note 2 to the interim condensed consolidated financial statements.



Dr Neema Kiure
Partner (FCPA 1227)
For and on behalf of Ernst & Young
Certified Public Accountants
Dar es Salaam, Tanzania
2 November 2023

Condensed consolidated statement of profit or loss and other comprehensive income

for the period ended 30 September 2023

TZS m	Notes	September 2023 Reviewed	September 2022 Reviewed	March 2023 Audited
Revenue	4	612 772	518 347	1 073 018
Direct expenses		(199 576)	(172 779)	(349 470)
Staff expenses		(36 590)	(30 855)	(65 230)
Publicity expenses		(16 892)	(16 102)	(27 255)
Other operating expenses ¹		(172 907)	(142 864)	(298 306)
Depreciation and amortisation		(129 603)	(125 454)	(248 306)
Net credit losses on financial assets		(230)	(1 330)	(2 974)
Operating profit		56 974	28 963	81 477
Finance income		12 235	11 963	24 463
Finance costs		(33 958)	(37 582)	(76 650)
Net loss on foreign currency transactions		(2 829)	(2 135)	(2 939)
Profit before tax		32 422	1 209	26 351
Income tax (expense)/credit	5	(2 799)	27 808	18 205
Profit for the period/year		29 623	29 017	44 556
Other comprehensive income		–	–	–
Total comprehensive income for the period		29 623	29 017	44 556
		TZS	TZS	TZS
Basic and diluted earnings per share (TZS)	6	13.22	12.95	19.89

1 The amount includes tower lease and maintenance expenses TZS 69 932 million (September 2022: TZS 58 776 million), (March 2023 : TZS 121 532million).

Condensed consolidated statement of financial position

as at 30 September 2023

TZS m	Notes	September 2023 Reviewed	September 2022 Reviewed	March 2023 Audited
ASSETS				
Non-current assets				
Property and equipment		1 251 467	1 217 224	1 314 691
Intangible assets		903 026	1 000 713	965 176
Capacity prepayments		203 775	72 565	210 233
Goodwill		34 228	46 253	40 339
Income tax receivables ²		1 639	1 639	1 639
Trade and other receivables ³		36 120	42 511	33 098
Deferred tax assets ³		10 392	13 646	11 853
		62 287	39 897	52 353
Current assets				
Capacity prepayments		993 093	955 246	897 149
Inventories		14 310	16 720	16 916
Trade and other receivables ⁴		6 076	4 680	3 075
Government grant receivables		135 781	108 805	115 771
Income tax receivables ²		14 456	–	–
Mobile financial deposits ⁵		13 362	24 196	15 439
Cash and cash equivalents		660 778	513 229	509 358
		148 330	287 616	236 590
Non current assets held for sale	7	8 871	–	–
TOTAL ASSETS		2 253 431	2 172 470	2 211 840
EQUITY AND LIABILITIES				
Equity				
Share capital		829 048	806 257	821 723
Share premium		112 000	112 000	112 000
Capital contribution		442 435	442 435	442 435
Retained earnings		27 698	27 698	27 698
		246 915	224 124	239 590
Non-current liabilities				
Lease liabilities		333 090	442 957	400 225
Government grant		326 231	436 139	394 137
Trade and other payables		59	80	20
Provisions	8	–	244	–
		6 800	6 494	6 068
Current liabilities				
Lease liabilities		1 091 293	923 256	989 892
Licences payable		91 458	88 083	99 203
Mobile financial payables ⁵		–	–	72 168
Trade and other payables		660 778	513 229	509 358
Dividend payables		294 683	310 733	301 026
Government grant ⁶		22 514	–	–
Provisions	8	15 767	785	513
		6 093	10 426	7 624
TOTAL LIABILITIES		1 424 383	1 366 213	1 390 117
TOTAL EQUITY AND LIABILITIES		2 253 431	2 172 470	2 211 840

The interim condensed consolidated and separate financial statements were approved and authorised for issue by the Board of Directors on 2 November 2023 and were signed on its behalf by:

Philip Besimire
Managing Director



Hilda Bujiku
Finance Director



2 These are deposits made with the tax authority in relation to disputed corporate tax assessments.

3 The increase in the deferred tax asset is related to the additional prior year's tax losses being recognised in the current period. The deferred tax asset balance for the Group mainly relates to generated tax losses to be utilised against future taxable income.

4 It consists of contract assets totalling TZS 7 406 million, of which TZS 4 845 million is current and TZS 2 561 million is non-current (September 2022: TZS 4 070; current TZS 2 633 million and non-current TZS 1 437 million, March 2023: TZS 5 712 million, current TZS 3 662 million and non-current TZS 2 050 million).

5 Mobile financial deposits relate to restricted bank balances for M-Pesa customer deposits. Mobile financial payables relate to amounts due to M-Pesa customers including interest payable.

6 The increase is related to a new Government grant contract to the group that will be used for expanding rural network coverage in Tanzania.

Condensed consolidated statement of changes in equity

for the period ended 30 September 2023

TZS m	Share capital	Share premium	Capital contribution	Retained Earnings	Total
Six month period ended 30 September 2023 (Reviewed)					
1 April 2023	112 000	442 435	27 698	239 590	821 723
Total comprehensive income for the period	–	–	–	29 623	29 623
Transactions with owners:					
Dividend declared	–	–	–	(22 298)	(22 298)
At 30 September 2023	112 000	442 435	27 698	246 915	829 048
Six month period ended 30 September 2022 (Reviewed)					
1 April 2022	112 000	442 435	27 698	195 191	777 324
Total comprehensive loss for the period	–	–	–	29 017	29 017
Transactions with owners:					
Dividend declared	–	–	–	(84)	(84)
At 30 September 2022	112 000	442 435	27 698	224 124	806 257
Year ended 31 March 2023 (Audited)					
1 April 2022	112 000	442 435	27 698	195 191	777 324
Total comprehensive income for the year	–	–	–	44 556	44 556
Transactions with owners:					
Dividend declared	–	–	–	(157)	(157)
At 31 March 2023	112 000	442 435	27 698	239 590	821 723

Condensed consolidated statement of cash flows

for the period ended 30 September 2023

TZS m	Notes	September 2023 Reviewed	September 2022 Reviewed	March 2023 Audited
Cash flow from operating activities				
Cash generated from operations	11	320 258	253 509	391 390
Income tax paid		(13 678)	(13 161)	(17 050)
Interest paid on tax liabilities		–	–	(277)
Net cash flow generated from operating activities		306 580	240 348	374 063
Cash flows used in investing activities				
Additions to property and equipment and intangible assets		(96 208)	(92 474)	(228 263)
Proceeds from disposals of property and equipment		64	395	500
Government grant received		–	–	4 143
Finance income received		2 476	3 920	7 792
Net movement in mobile financial deposits		(151 420)	(77 143)	(73 272)
Interest received from M-Pesa deposits		9 759	8 042	16 671
Net cash flow used in investing activities		(235 329)	(157 260)	(272 429)
Cash flow used in financing activities				
Dividend paid		(2)	(35)	(203)
Interest repayment on spectrum license payables		(1 177)	–	(39)
Interest paid to M-Pesa customers		(8 768)	(7 225)	(15 556)
Capital repayment on spectrum license payable		(77 390)	–	–
Payment on lease liabilities-Interest		(20 722)	(29 271)	(57 098)
Payment on lease liabilities – principal		(53 761)	(14 802)	(48 140)
Net cash flow used in financing activities		(161 820)	(51 333)	(121 036)
Net (decrease)/increase in cash and cash equivalents				
		(90 569)	31 755	(19 402)
Cash and cash equivalents at the beginning of the period/year		236 590	256 961	256 961
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies		2 309	(1 100)	(969)
Cash and cash equivalents at the end of the period/year		148 330	287 616	236 590

Notes to the interim condensed consolidated financial statements

for the period ended 30 September 2023

1. General information

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

2. Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with, and containing the information required by the International Accounting Standard 34 Interim Financial Reporting ("IAS 34") and the framework concepts and the measurement and recognition requirements of IFRS.

The interim condensed consolidated financial statements have been prepared on the historical cost basis, except where otherwise stated. Amounts in the financial statements are stated in Tanzanian Shillings (TZS), rounded to the nearest million (TZS m), except when otherwise indicated.

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

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

3. Changes in accounting policies

The Group adopted the new, revised or amended accounting pronouncements as issued by the IASB, which were effective and applicable to the Group from 1 April 2023, none of which had any material impact on the Group's financial results for the period. The Group has not early adopted any new, revised or amended accounting pronouncements, that are not yet effective and the Group is not expecting these pronouncements to have a material impact on the financial results of the Group.

Notes to the interim condensed consolidated financial statements continued

4. Revenue

TZS m	September 2023 Reviewed	September 2022 Reviewed	March 2023 Audited
Major products/service lines			
Customer service revenue ⁷	556 895	469 588	975 057
Mobile interconnect	24 598	23 022	46 340
Fixed service revenue	13 679	9 016	19 509
Other service revenue	7 571	6 365	12 856
Service revenue	602 743	507 991	1 053 762
Equipment revenue	7 555	9 537	16 030
Other non-service revenue	1 931	496	2 486
Revenue from contracts with customers	612 229	518 024	1 072 278
Interest income recognised as revenue	543	323	740
Revenue	612 772	518 347	1 073 018
Revenue is further disaggregated by revenue stream as follows:			
Mobile voice revenue	144 091	143 817	283 547
M-Pesa revenue	214 374	169 569	357 136
Mobile data revenue	167 338	125 887	273 702
Digital & VAS revenue	18 713	17 472	35 797
Mobile incoming revenue	24 598	23 022	46 340
Messaging revenue	14 843	14 736	29 038
Fixed revenue	13 679	9 016	19 509
Other service revenue	5 107	4 472	8 693
Service revenue	602 743	507 991	1 053 762
Non-service revenue	10 029	10 356	19 256
Revenue	612 772	518 347	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.

⁷ Comprises of mobile contract revenue and mobile prepaid revenue.

5. Income tax expense

TZS m	September 2023 Reviewed	September 2022 Reviewed	March 2023 Audited
Expected income tax expense at the Tanzania statutory tax rate 30%	9 727	363	7 905
Adjusted for:			
Non-deductible expenditure ⁸	2 657	626	4 340
Non-taxable gaming income	(559)	(177)	(333)
Net withholding tax impact on dividend income	965	4 204	7 937
Net tax deferred credit recognised from prior period	(12 218)	(38 322)	(42 108)
Deferred tax assets not recognised for tax losses and net deductible timing differences	—	3 321	—
Deferred Tax Credit not recognised	—	210	—
Alternative Minimum Tax	2 227	1 967	4 046
Prior year adjustment – Subsidiary Company	—	—	8
Income tax expense/(credit)	2 799	(27 808)	(18 205)
Effective tax rate⁹	8.63%	(2 300.08)%	(69.09)%

6. Earnings and dividends per share

Profit and loss 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:

	September 2023 Reviewed	September 2022 Reviewed	March 2023 Audited
Basic and diluted earnings per share (TZS)	13.22	12.95	19.89
Profit attributable to the shareholders (TZS m)	29 623	29 017	44 556
Weighted average number of ordinary shares outstanding	2 240 000 300	2 240 000 300	2 240 000 300
Dividend declared during the period/year (TZS m)¹⁰	22 298	84	157

7. Non-current assets held for sale

On September 25, 2023, Vodacom Tanzania was formally accepted as a member of the consortium after the consortium of telecom operators and the government of Tanzania signed a deed of settlement and addendum to a memorandum of agreement. The agreement stipulates, among other things, that the consortium members transfer their long-haul fibre infrastructure to the government within one year and in return, the company will get the right to use the asset without additional consideration. The carrying value of the non-current assets held for sale as at 30 September 2023 was TZS 8 871 million, and there were no impairments to be raised as the estimated fair value less cost to sell was assessed to be higher than the carrying value of these assets.

⁸ Non deductible expenditure includes charitable donations, disputed losses, and gaming expenses.

⁹ The effective tax rate of 8.63% in the current period is lower than the statutory rate of 30.0% mainly due to the net deferred tax credit recognised during the period.

¹⁰ The amount includes dividends payable to Vodacom Group TZS16.7 billion and TZS5.6 billion payable to other shareholders.

Notes to the interim condensed consolidated financial statements continued

8. Provisions

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

TZS m	30 September 2023 Reviewed	30 September 2022 Reviewed	31 March 2023 Audited
At 1 April	13 692	16 958	16 958
Site restoration obligation	6 069	5 199	5 199
Legal/regulatory	1 015	1 607	1 607
Marketing taxes & indirect tax assessment disputes	6 608	10 152	10 152
Additions/charge to profit or loss			
Site restoration obligation-additions	412	1 013	304
Site restoration obligation -interest accrued	319	282	566
Legal/regulatory-additions	16	655	2 512
Marketing taxes & indirect tax assessment disputes-additions	–	–	1 443
	747	1 950	4 825
Released to profit or loss			
Legal/regulatory	(103)	(1 031)	(3 089)
Marketing taxes & indirect tax assessment disputes	(1 443)	(942)	(4 987)
	(1 546)	(1 973)	(8 076)
Utilised against payments during the year			
Legal/regulatory	–	(15)	(15)
	–	(15)	(15)
At 30 September/31 March	12 893	16 920	13 692
Site restoration obligation	6 800	6 494	6 069
Legal/regulatory	928	1 216	1 015
Marketing taxes & indirect tax assessment disputes	5 165	9 210	6 608
Comprising of:			
Non-current			
Site restoration obligation	6 800	6 494	6 068
	6 800	6 494	6 068
Current			
Legal/regulatory	928	1 216	1 014
Marketing taxes & indirect tax assessment disputes	5 165	9 210	6 610
	6 093	10 426	7 624

9. Capital expenditure and commitments

During the period the Group incurred TZS 93 139 million in (September 2022: TZS 89 856 million; March 2023: TZS 155 981 million). The incurred expenditure was directed into expanding our broadband coverage, capacity enhancements, and modernisation of our IT infrastructure. This capital expenditure will be funded using internally generated funds.

The Group's capital commitments is as presented below:

	September 2023 TZS m Reviewed	September 2022 TZS m Reviewed	March 2023 TZS m Audited
Capital expenditure contracted for but not yet incurred (including property and equipment and intangible assets)	53 111	46 110	30 046

10. 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.

	September 2023 TZS m Reviewed	September 2022 TZS m Reviewed	March 2023 TZS m Audited
Balances with related parties			
Trade and other receivables			
Vodafone Group Plc (Ultimate Parent)	654	1 979	2 148
Vodacom Group Limited (Immediate Parent)	1 164	1 819	2 185
	1 818	3 798	4 333
Trade and other payables			
Vodafone Group Plc (Ultimate Parent)	(5 562)	(10 242)	(5 316)
Vodacom Group Limited (Immediate Parent)	(20 847)	(6 420)	(2 561)
M-Pesa Africa	(5 852)	(4 285)	(4 942)
	(32 261)	(20 947)	(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.

Notes to the interim condensed consolidated financial statements continued

10. Related parties (continued)

Transactions with related parties

	September 2023 TZS m Reviewed	September 2022 TZS m Reviewed	March 2023 TZS m Audited
Vodafone Group Plc and its subsidiaries			
Revenue	4 147	3 471	6 832
Direct expenses	(571)	(698)	(1 216)
Other operating expenses	(1 858)	(1 660)	(2 775)
	1 718	1 113	2 841
Vodacom Group Limited subsidiaries – Mozambique, DRC, Mauritius and Lesotho			
Revenue	133	34	15
Direct expenses	(70)	(37)	(107)
Other operating expenses	(914)	(318)	(512)
	(851)	(321)	(604)
Vodacom Group Limited – South Africa			
Revenue	2 132	2 417	4 969
Direct expenses	(886)	(1 376)	(2 150)
Other operating expenses	(6 329)	(6 526)	(13 224)
	(5 083)	(5 485)	(10 405)
Compensation for key management personnel			
Short-term employee benefits	(3 185)	(3 868)	(6 552)
Share based compensation	(293)	(147)	(150)
Long-term employee benefits	(894)	(894)	(1 788)
	(4 372)	(4 909)	(8 490)
Non-executive directors			
Non-executive directors fees	(596)	(556)	(1 212)
Executive directors			
Short-term employee benefits	(756)	(1 017)	(2 733)
Long-term employee benefits	(259)	(170)	(252)
	(1 015)	(1 187)	(2 985)

11. Cash generated from operations

	September 2023 TZS m Reviewed	September 2022 TZS m Reviewed	March 2023 TZS m Audited
Profit before tax	32 422	1 209	26 351
Adjusted for:			
Financing income	(12 235)	(11 963)	(24 463)
Financing costs	33 958	37 582	76 650
Net loss on foreign currency translation	2 829	2 135	2 939
Operating profit	56 974	28 963	81 477
Adjusted for:			
Depreciation and amortisation	129 603	125 454	248 306
Net credit loss on financial assets	230	1 330	2 974
Amortisation of capacity prepayments	8 198	8 136	16 353
A gain on disposal of property, equipment and intangible assets	(62)	(418)	(386)
Increase in provision for inventory	49	944	1 222
Amortisation of government grant	(68)	(1 716)	(345)
Decrease in legal, marketing and tax dispute provisions	(1 118)	(320)	(3 832)
Cash flow from operations before working capital changes¹¹	193 806	162 373	345 769
Payment of capacity contracts	(13 162)	(12 666)	(13 162)
Increase in inventory – gross	(3 050)	(3 027)	(1 700)
(Increase)/decrease in trade and other receivables	(19 554)	2 181	(10 783)
Increase in trade, mobile financial and other payables ¹¹	162 218	104 648	71 266
Cash generated from operations	320 258	253 509	391 390

11 The movement within government grant capital expenditure creditors that was previously incorrectly disclosed as a non-cash adjustment within the 30 September 2022 (TZS3 532 million) and 31 March 2023 (TZS4 626 million) financial reporting period/year are now correctly 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.

Notes to the interim condensed consolidated financial statements continued

12. Contingent liabilities

Tax matters

The Group's future tax charge, effective tax rate and profit before tax could be affected by several factors including tax reforms conducted in Tanzania and the resolution of open tax disputes with the Tanzania Revenue Authority ("TRA" or the "tax authority") and/or tax courts. The Group is committed to acting with integrity and transparency in all tax matters including a policy of full transparency to the tax authority and the payment of all taxes properly due under the relevant tax laws in Tanzania. The Group is regularly subject to audits and examination by the tax authority of its direct and indirect tax filings. The consequence of such reviews is that in some instances, disputes can arise with the tax authority over the interpretation or application of certain tax rules where these tax laws are ambiguous and subject to a broad range of interpretations. To address and manage this tax uncertainty, good governance is fundamental to the Group's business sustainability. The major tax positions taken are thus subject to review by executive management and reported to the Board. The Group has support from external advisors supporting the positions taken in respect of the significant tax matters which support the application and interpretation of the tax legislation. The Group has considered all matters in dispute with the tax authority and has accounted for any exposure identified if required.

- Transfer pricing

The Group, as part of a multinational enterprise, makes extensive use of services provided by associated entities in a value adding manner and applies the arm's length principle, in the taxation context, in such undertakings. These intercompany transactions are documented in the Group's transfer pricing documentation which is done in accordance with the requirements of local Transfer Pricing Regulations and Organisation for Economic Cooperation and Development (OECD) guidelines.

In 2023, the TRA conducted a transfer pricing audit for the 2018 to 2020 tax years which resulted in certain disputed items in terms of the methodology and other Transfer Pricing aspects used to support the taxation arm's length principle. The engagements with the tax authority to resolve the dispute are continuous.

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 period end.

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

13. 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 TZS 2.0 which was applicable before January 1, 2023, to TZS 1.86. 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

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 TZS 10 and TZS 10 000 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 TZS 7 000.

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 TZS 4 000. 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 TZS 2 000, 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 has been retained.

Declaration of Dividends in respect of the financial year ended 31 March 2023

At the Annual General Meeting held on Friday 22 September 2023, the shareholders of Vodacom Tanzania Public Limited Company ('the Company') approved a gross final dividend of TZS 9.95 per share (2022: nil), in line with our dividend policy, in respect of the financial year ended 31 March 2023. The final dividend represents 50% of net profit after tax, a total of TZS 22.3 billion.

Notes to the interim condensed consolidated financial statements continued

14. Segments

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

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

15. Fair value

The Group does not have any financial instruments that required to be measured at fair value subsequent 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.

16. 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 30 September 2023

	Six months ended 30 September		
	2023	2022	% Change
Active customers ¹ (thousands)	18 502	16 008	15.6
ARPU ² (shillings per month)	5 557	5 257	5.7
Data customers ³ – (thousand)	9 745	7 971	22.3
M-Pesa customers ⁴ – (thousand)	9 311	7 726	20.5
Traffic⁵ (millions of minutes)	30 534	25 707	18.8
Outgoing	20 775	16 819	23.5
Incoming	9 759	8 887	9.8
MoU per month⁶	292	274	6.6
Messaging (million)	21 311	15 669	36.0
Number of employees	594	575	3.3
Number of sites			
5G	232	63	>200%
4G	2 629	2 122	23.9
3G	3 148	2 951	6.7
2G	3 458	3 402	1.6

Reconciliation of Operating free cash flow and Free cash flow

TZS m	Six months ended 30 September		
	2023	2022	% Change
Cash generated from operations ⁷	320 258	253 509	26.3
Additions to property and equipment and intangible assets ⁸	(96 208)	(92 474)	(4.0)
Payment of lease liabilities – Principal ⁷	(53 761)	(14 802)	<(200)
Interest paid on lease liabilities ⁷	(20 722)	(29 271)	29.2
Amounts owed to M-Pesa account holders ⁹	(150 452)	(76 349)	(97.1)
Proceeds from sale of property and equipment ⁷	64	395	(83.8)
Operating free cash flow	(821)	41 008	(102.0)
Tax paid ⁷	(13 678)	(13 161)	(3.9)
Finance income received ⁷	2 476	3 920	(36.8)
Interest received from M-Pesa deposits ⁷	9 759	8 042	21.4
Interest paid to M-Pesa customers ⁷	(8 768)	(7 225)	(21.4)
Interest paid on other borrowings	(1 177)	–	n/a
Free cash flow	(12 209)	32 585	(137.5)

1 Active customers are based on the total number of mobile customers using any service during the last three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service and those customers who are active whilst roaming.

2 ARPU is calculated by dividing the average monthly service revenue by the average monthly active customers during the period.

3 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.

4 M-Pesa customers are the number of unique customers who have generated billable transactions during the month. In the past 3 months, 12.6 million unique customers generated revenue related to M-Pesa.

5 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.

6 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 234 (2022: 215).

7 Extracted without adjustment from the interim condensed consolidated statement of cash flows for the period ended 30 September 2023

8 For the period ending September 2023, this amount excludes TZS77.4 billion payment of final instalment of the spectrum acquired last financial year.

9 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 interim consolidated financial results of Vodacom Tanzania Public Limited Company ('the Company') and its subsidiaries (together 'the Group') for the six months ended 30 September 2023. 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 interim results of the Group for the six months ended 30 September 2023, 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 Besiimire (MD)², H Bujiku (FD)¹, D Gutierrez³,
K Mutooni⁴, M Ikongo¹, M Mbungela⁵, N Nyoka⁵, R Morathi⁵,
S Ramasamy⁶, S Mdlalose⁷, T Semane⁵

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

Company secretary

Caroline Mduma

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Transfer secretary

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