

Vodacom Tanzania Public Limited Company

Interim condensed consolidated financial results
for the period ended 30 September 2022



Together we can



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Managing Director's Review

"More recently, we secured a market leading spectrum portfolio through an auction process. This investment is key to our network leadership expansion as well as future investment ambitions such as 5G...".

During the first six months of the financial year, Vodacom Tanzania ushered in a new digital era for customers with the launch in September of the country's first 5G network, a substantial innovation and technology milestone. Access to 5G will not only afford customers a superior customer experience through faster speeds and lower latency, but also support the development of emerging technologies such as Internet of Things. More recently, we secured a market leading spectrum portfolio through an auction process. This investment is key to our network leadership expansion as well as future investment ambitions such as 5G, both critical for bridging the digital divide and delivering on our purpose of connecting people to a better future.

We continue to leverage our 'Tech for Good' platforms to deliver on our social contract and purpose. Our M-Kulima platform, is designed to provide farmers with digital agricultural services including cashless electronic payments, market information and weather forecasts through mobile devices. The cashless payment service is available to over 1.3 million registered farmers, an over nine-fold increase in the past six months. Earlier this year we successfully partnered with the government and the Vodafone Foundation to officially launch our national M-Mama program. M-Mama provides transportation service to expectant mothers and newly born infants in rural Tanzania, in an effort to combat maternal mortality rate.

Separately, our M-Pesa platform was selected as a partner of choice in assisting the government initiative to disburse funds in order to support poor families under the Tanzania Social Action Fund (TASAF) initiative. Our involvement in such impactful societal programs as a partner or a service provider, showcases our world class technological capabilities and our commitment to facilitating innovative solutions to communal needs and societal challenges.

Commercially, our advanced machine learning capabilities continued to support product differentiation, providing customised propositions through our multi-product approach – better known as our 'system of advantage' – to keep customers confidently connected. Supported by our significant investments, customers increased 5.1% to 16.0 million, data users increased 1.2% to 8.0 million. Significantly, smartphone user growth was 18.2% to 4.7 million, which equates to 58.8% of our data users. Pleasingly, our customer market share expanded by 0.8pp to 30.5%¹.

Service revenue growth accelerated in the second quarter up 14.5%, offsetting a 4.3% decline in the first quarter and resulting in a 4.7% increase in service revenue for the six month period. This was supported by a strong performance in the data segment, a recovery in M-Pesa usage and double digit growth in revenue from fixed services. Adjusting for the

All growth rates quoted are year-on-year and refer to the six months ended 30 September 2022 compared to the six months ended 30 September 2021, unless stated otherwise.

All amounts/figures in this report marked with a "*", represent underlying growth which is performance adjusted by an estimated impact of the levy on mobile money transfer and withdrawal transactions.

¹ Tanzania Communication Regulatory Authority quarterly statistics report as at September 2022.

estimated TZS29.3 billion impact of levies on mobile money, service revenue for the six-month period increased 10.8%*. We reported profit after tax of TZS29.0 billion (TZS40.9 billion*) positively influenced by operating profit and the recognition of a TZS38.3 billion deferred tax asset in relation to our GSM business, reflecting improved medium term prospects for this segment.

The decision by government to review the levies on mobile money transfer and withdrawal transactions introduced on 15 July 2021, will have an uplift in financial inclusion. From 1 July 2022, the government facilitated a further 43% levy reduction for the top-band, marking a cumulative 60% reduction for that band since introduction. This intervention is particularly relevant to our peer-to-peer and cash out transactions which posted a modest recovery in the second quarter and our ability to expand financial inclusion to more Tanzanians. Pleasingly, M-Pesa customers recovered to 7.7 million, up 19.5%. Our M-Pesa revenue trajectory also reflects our ongoing focus on driving innovative products by leveraging on our strategic capabilities from the M-Pesa Africa hub, and accelerated opportunities in new growth areas including digital loans and overdraft services, insurance and merchant payments. Our M-Pesa app transition into a super-app is making good progress. The super-app will provide a one stop shopping and financial services experience to our over 400 000 app users. Government's decision to further reduce the levies to a maximum of TZS2 000 from 1 October 2022, marking a cumulative 80% reduction for the top-band compared to the maximum levy of TZS10 000 in July 2021, is also expected to widen financial inclusivity.

In the first half of the year, we invested TZS74.9 billion in capex to support our business growth and broadband coverage obligations. The capex was directed towards network coverage including 159 new 4G sites and 63 initial 5G sites, capacity enhancement and infrastructure improvements. This investment supported 30.1% growth in data usage on our network. Importantly, 4G traffic carried on our network increased by 61.7% contributing significantly to a 29.9% year on year growth in mobile data revenue. We expect our 5G rollout to accelerate into the second half of the financial year, providing an additional growth lever specifically on the fixed-wireless access.

Aligned with our purpose, we participated in the October 2022 spectrum auction conducted by the Tanzania Communications Regulatory Authority (TCRA) and secured low and mid-band spectrum. We were successful with our bids for the one available block of 700 MHz, the two available blocks of 2300 MHz and one of the four blocks of 2600 MHz (TDD), for a total acquisition price of US\$63.2 million.

This investment will also accelerate our future network expansion plans and help us unlock the growth potential from products like fixed-wireless access.

Looking ahead, we remain positive on the potential to deliver growth and shareholder value, while also focusing on our social contract and purpose. In this regard, we recognise that Vodacom Tanzania is well positioned to contribute towards Tanzania's economic growth and improved societal living standard. We will continue leveraging on our capabilities to offer segmented multi-products through our 'systems of advantage', enabled by our strong customer value management and machine learning platforms. We will continue to closely monitor the impact of the Russia-Ukraine war, which is driving increases in fuel and commodities prices, inflation, foreign currency exchange volatility and supply chain disruptions.

We look forward to continued dialogue and engagement with the government on various matters of interest to our industry, including; the regulatory environment, spectrum resources, tax and levy matters, and opportunities to participate and support the government towards attaining the UN sustainable development goals.

We are committed to connecting Tanzanians for a better future by providing access to modern technologies, as well as offering technological solutions to the businesses and society challenges. As part of this commitment, we will continue to invest in our data network, particularly 4G and 5G for mobile connectivity services, as well as providing high quality fixed services to homes and offices. We also remain focused on driving smartphone penetration to support digital and financial inclusion through our digital products and M-Pesa super-app, respectively. These are critical enablers for our customers to enjoy our services and continue to make us a service provider of choice, while also delivering on our purpose.

On a personal note, I am grateful for the warm Tanzanian welcome given to my family and myself. I am looking forward to work with all stakeholders, and taking the company and the industry forward while touching Tanzanians' lives in a positive way. Our ambition remains – leading Tanzania into the digital age and changing lives through technology.

Pamoja Tunaweza.



Philip Besiimire
Managing Director

3 November 2022

Highlights



Service revenue increased

4.7%

(10.8%*),

supported by double digit growth in mobile and fixed data



M-Pesa customers up

19.5%

to 7.7 million, with second quarter M-Pesa revenue growing positively



Service revenue growth outlook confirmed

TZS74.9 billion

capital expenditure funding 159 additional 4G sites, 63 5G sites and enhancement of IT infrastructure

Earnings per share recovered positively to

TZS12.95

Summary financial information

Six months ended 30 September

TZS m	2022	2021	% Change
Service revenue	507 991	484 981	4.7
Revenue	518 347	492 854	5.2
EBITDA	153 999	159 552	(3.5)
Operating profit	28 963	39 603	(26.9)
Net profit/(loss) after tax	29 017	(7 648)	>200%
Operating free cash flow	41 008	44 344	(7.5)
Free cash flow	32 585	25 517	27.7
Capital expenditure	74 917	64 035	17.0
Earnings/(loss) per share (shillings)	12.95	(3.41)	>200%
Contribution margin (%)	66.4	68.9	(2.5)pp
EBITDA margin (%)	29.7	32.4	(2.7)pp
Operating profit margin (%)	5.6	8.0	(2.4)pp
Net profit/(loss) margin (%)	5.6	(1.6)	+7.2pp
Capital intensity (%)	14.5	13.0	+1.5pp

Operating and financial review

Six months ended 30 September

TZS m	2022	2021	% Change
Mobile voice revenue	143 817	146 636	(1.9)
M-Pesa revenue	169 569	174 674	(2.9)
Mobile data revenue	125 887	96 941	29.9
Digital & VAS revenue	17 472	17 105	2.1
Mobile incoming revenue	23 022	23 723	(3.0)
Messaging revenue	14 736	15 054	(2.1)
Fixed revenue	9 016	7 385	22.1
Other service revenue	4 472	3 463	29.1
Service revenue	507 991	484 981	4.7
Non-service revenue	10 356	7 873	31.5
Revenue	518 347	492 854	5.2
Total Expenses	(363 930)	(333 043)	(9.3)
Direct expenses	(174 110)	(153 256)	(13.6)
Staff expenses	(30 855)	(31 633)	2.5
Publicity expenses	(16 102)	(16 191)	0.5
Other operating expenses	(142 863)	(131 963)	(8.3)
Depreciation and amortisation	(125 454)	(120 208)	(4.4)
Operating profit	28 963	39 603	(26.9)
EBITDA	153 999	159 552	(3.5)
EBITDA margin	29.7%	32.4%	(2.7)pp

Revenue

Service Revenue increased 4.7% to TZS508.0 billion, with strong growth in data and fixed revenue partly offset by intensified competitive pressure in the voice segment. Growth was supported by our commercial efforts focused on new customer acquisition and retention, new services' penetration and increased usage per customer across our services. During the period, we added 641 000 customers driven by both open market and segmented initiatives which contributed to a 0.8pp expansion in customer market share, currently at 30.5%¹. Adjusting for the TZS29.3 billion estimated impact from the levy on mobile money transfer and withdrawal transactions, underlying service revenue grew 10.8%*, reflecting our successful commercial execution. **In the second quarter**, service revenue increased 14.5%, attributed to strong double digit growth of 41.7% in data revenue and 13.9% growth in M-Pesa revenue.

Mobile voice² revenue decreased by 1.9% to TZS143.8 billion, with ARPU declining 7.5% as a result of continued competitive pressure in voice bundle pricing. This competitive pressure resulted in a 23.0% decline in average price per minute while minutes of use increased by 19.7%. **In the quarter**, mobile voice revenue momentum improved and was up 3.6% attributed to 5.8% active customer increase, as we continue to drive usage and users' growth through our segmented commercial initiatives. Average revenue per customer declined 2.0% attributed to 19.7% decline in average price per minute, as voice pricing continue to be under pressure.

M-Pesa revenue declined 2.9% to TZS169.6 billion, impacted by the levies. Adjusted for the estimated impact of the first quarter levies, the underlying M-Pesa revenue for the first half of the year grew 12.5%*. Encouragingly, **in the second quarter**, M-Pesa revenue increased 13.9% offsetting the decline of 16.3% in the first quarter. Growth in the second quarter was supported by the 1 July 2022 levy reduction of 43%, as well as, ecosystem expansion through adoption of traditional products and new growth areas, comprising of financial services, merchant services and international money transfer (IMT). Revenue from our new growth areas increased by more than 90%, and contributed 22.6% of total M-Pesa revenue, an increase of 11.4pp.

¹ Tanzania Communication Regulatory Authority quarterly statistics report as at September 2022.

² Previously, "Mobile Voice revenue" reported included revenue from Airtime Advance Credit Service revenue (2022: TZS6.6 billion) which is now reported under "Digital and VAS" revenue. There was no impact on overall service revenue as a result of this reclassification.

Operating and financial review continued

Our financially inclusive Songesha overdraft product served over 2.6 million customers and 50 000 agents. In addition to this overdraft facility, M-Pesa agents are also eligible to term loans for financing their short-term business needs. During the period over 65 000 agents benefitted from over TZS280 billion issued in overdraft and term loans. This represents value increase of more than 230%, to finance agents' float availability and support business growth. We also accelerated our merchant payment solution, processing payments worth more than TZS2.5 trillion, up over 300%, through more than 100 000 merchants. We continued deepening financial inclusion through IMT with the extension of our money transfer services to some of the SADC countries following changes in governing regulations. This extension partly contributed to the 22.3% growth in value of money sent through our IMT service. M-Pesa customers increased 1.3 million in the past twelve month to 7.7 million, up 19.5%. During the period, total value of transactions through M-Pesa declined 3.9%, with a 21.1% decline in the first quarter partly offset by growth of 17.5% in the second quarter. This recovery trajectory in values and related volumes is expected to continue, supportive of the outlook for M-Pesa revenue.

Mobile data¹ revenue increased 29.9% to TZS125.9 billion, contributing 24.8% of service revenue, up 4.8pp year-on-year. The revenue growth is attributed to 28.3% increase in data ARPU, which reflects strong demand for data services as a result of our continued investment into the network and acceleration of smartphone adoption. During the period, monthly average usage per customer grew 28.6% to 2.0 gigabyte driven by segmented offers under our 'Just for You' umbrella, supported by our world-class CVM and machine learning platforms. Smartphone users on our network grew 18.2% to 4.7 million representing 58.8% penetration to our data customer base. Growth was supported by commercial initiatives in driving smartphone adoption and conversion, including investment in device subsidy and expanding our share of open market device sales. **In the quarter**, mobile data revenue was up 41.7%, with 40.0% higher data ARPU driven by 23.1% increase in data usage per customer.

Digital & VAS² revenue, comprising of airtime advance credit service (ACS) and value added services (VAS), grew 2.1% to TZS17.5 billion, mainly driven by the increase in products' uptake as well as 6.4% increase in customers. **In the quarter**, digital & VAS revenue declined 1.2% compared to 5.8% growth in the previous quarter, a result of strategic decision taken to address customer experience from product design. This is in line with our ambition to ensure that we offer the best customer experience.

Mobile incoming revenue declined 3.0% to TZS23.0 billion, mainly driven by 28.5% lower average incoming price per minute, following a 23.1% drop in mobile termination rate (MTR) from TZS 2.6 in January 2021 to TZS 2.0 per minute in January 2022 in line with the glide path, partly offset by 35.7% higher incoming minutes, driven by aggressive competition in voice offers as competitors continue to offer more value in their off-net bundles. **In the quarter**, mobile incoming revenue was 7.1% lower, as a result of 27.8% decline in average earning per incoming minute, driven by MTR reduction in line with TCRA glide path, partly offset by 28.6% increase in total incoming minutes attributed to market competition.

Messaging revenue declined 2.1% to TZS14.7 billion, due to 10.1% lower SMS ARPU attributed to decline in number of messages transmitted. Messaging revenue remained flat **in the quarter**, a recovery from 4.3% decline in the preceding quarter.

Fixed revenue³ increased 22.1% to TZS9.0 billion, with a 22.7% growth in the second quarter. A positive result from fixed services acceleration supported by solid growth in new customers acquired, as we continue to accelerate our fixed services offerings.

1 Previously, "Mobile Data revenue" reported included revenue from data usage and revenue from the Value Added Services (VAS) (2022: TZS10.5 billion) which has been reported separately starting March 2022. There was no impact on overall service revenue as a result of this reclassification.

2 Include Airtime Advance Credit Service revenue previously reported under "Mobile voice revenue" and Value added services (VAS) revenue previously reported under "Mobile data revenue". The two services have now been combined to formulate Digital and VAS revenue. There was no impact on overall service revenue as a result of this reclassification.

3 Previously, "Fixed revenue" was reported under "Other service revenue". There was no impact on overall service revenue as a result of this reclassification.

Operating and financial review continued

Total expenses¹

Total expenses increased 9.3% to TZS363.9 billion. Savings realised from our cost transformation initiatives helped mitigate cost-pressures including increases in global prices due to Russia-Ukraine war.

Direct expenses increased 13.6% primarily due to increased starter pack and smartphone purchase prices resulting from global chipset shortages, as well as increase in interconnect cost and commissions to the distribution channels aimed at expanding our customer reach. **In the quarter**, direct expenses increased 23.2% driven by growth in service revenue and continued investment incurred to grow and protect our customer base.

Publicity and staff expenses declined 0.5% and 2.5% respectively driven by various cost savings initiatives. **In the quarter**, publicity expenses increased 11.7% attributed to increased commercial activities towards business recovery post levy reduction, while staff expenses declined 3.2% supported by our cost transformation initiatives.

Other operating expenses grew 8.3% driven by higher fuel prices, contractual price escalations as well as additional investment in our network. **In the quarter**, other operating expenses increased 9.7%, partly due to once off cost savings in prior year, excluding which other operating expenses grew 3.5% driven by operational expansion.

EBITDA

EBITDA decreased 3.5% to TZS154.0 billion, primarily impacted by pressures on expenses, on the back of a modest revenue growth attributed to the levies on mobile money transactions. Adjusting for the TZS16.3 billion estimated levy impact, underlying EBITDA grew 6.7%*. **In the quarter**, EBITDA grew 15.4% to TZS84.0 billion supported by growth in mobile data and recovery in M-Pesa.

Operating profit

Operating profit declined 26.9% to TZS29.0 billion as a result of decreased EBITDA and a 4.4% increase in the depreciation charge due to additional investment in our network made during the year. **In the quarter**, operating profit momentum improved to a 6.5% growth against 59.5% decline in the preceding quarter.

Capital expenditure

We invested TZS74.9 billion, or 14.5% of our revenue into capital expenditure. This was directed towards improving the quality of our network, widening 4G data coverage, enhancing our IT infrastructure, and rolling out the country's first 5G sites. We added 159 new 4G sites, 83 additional 3G sites and 14 additional 2G sites to further extend our coverage. Our 4G network reach spans across 2 122 sites across the country providing best-in-class data service and coverage. During the six-month period, 4G traffic grew 61.7%, supporting a 30.1% growth in overall data traffic while offloading traffic from 3G and freeing up capacity for relevant customers. During the second quarter, we rolled out 63 new 5G sites, becoming the first operator to launch 5G technology in the country. This investment will facilitate faster speeds and lower latency, supporting Tanzania's digital economy and digital lifestyle through emerging technologies.

¹ Excluding depreciation, amortisation and impairment losses.

Operating and financial review continued

Net finance charges

	Six months ended 30 September		
TZS m	2022	2021	% Change
Interest income from M-Pesa cash balances	8 042	11 088	(27.5)
Interest income from cash at bank	3 920	3 425	14.5
Finance Income	11 962	14 513	(17.6)
Finance cost of M-Pesa cash balances	(8 029)	(11 071)	27.5
Finance cost – lease liability	(29 271)	(31 165)	6.1
Other finance cost	(282)	(257)	(9.7)
Finance cost	(37 582)	(42 493)	11.6
Net (loss) on foreign currency translation	(2 135)	(363)	-(200)%
Net finance cost	(27 755)	(28 343)	2.1

Net finance cost decreased 2.1% to TZS27.8 billion driven by lower lease interest cost due to settlement of matured obligations, partly offset by higher net loss on foreign cash balances' translation. Low interest income earned on M-Pesa balances and corresponding low finance cost incurred on M-Pesa cash balances was due to lower interest rate earned on trust balances following reduced interest rates as per bank of Tanzania regulations, as well as low trust balances – an impact of the levy.

Taxation

The tax credit of TZS27.8 billion for the period was due to the recognition of a TZS38.3 billion deferred tax asset in relation to the GSM business. This reflects an improved medium-term profitability outlook for the segment, in contrast to the assessment conducted in the financial year 2021. Excluding the deferred tax asset recognized, tax expense would have been TZS10.5 billion, a decline of 44.4% due to lower profitability related to our subsidiary M-Pesa Limited impacted by the levies on mobile money.

Earnings

Earnings per share increased over 200% as a result of increased profit after tax, supported by the operating profit generated and the recognition of a deferred tax asset in relation to the GSM business.

Statement of financial position

Property and equipment decreased 0.3% to TZS 1 000.7 billion while intangible assets increased 11.2% to TZS72.6 billion. The investments into property and equipment during the period were offset by the depreciation of network infrastructure.

Operating and financial review continued

Net (debt)/cash

TZS m	Six months ended 30 September		
	2022	2021	% Change
Cash and cash equivalents	287 616	263 126	9.3
Lease liability	(524 223)	(516 535)	(1.5)
Net (debt)/cash	(236 607)	(253 409)	6.6
Net (debt)/cash to EBITDA (times)	(1.5)	(1.6)	0.1

Net debt decreased 6.6% to TZS236.7 billion mainly due to increase in bank and cash balances, due to increase in cash from operations, partly offset by increase in net lease liability from new contracts.

Cash flow

TZS m	Six months ended 30 September		
	2022	2021	% Change
EBITDA	153 999	159 552	(3.5)
Working capital	5 604	10 225	(45.2)
Capital expenditure	(74 917)	(64 035)	(17.0)
Lease payments	(44 073)	(61 398)	28.2
Other cash flow	395	–	n/a
Operating free cash flow	41 008	44 344	(7.5)
Net finance cash inflow	4 738	8 547	(44.6)
Tax paid	(13 161)	(27 374)	51.9
Free cash flow	32 585	25 517	27.7

Operating free cash flow declined 7.5% to TZS41.0 billion mainly due to a decrease in EBITDA, higher capital expenditure and higher working capital outflow relating to higher capex additions in the last quarter of the previous year.

Free cash flow increased 27.7% to TZS32.6 billion, due to lower tax paid on reduced M-Pesa profits, partly offset by lower net finance cash inflow resulting from lower interest earned on M-Pesa trust balances and pressure on operating free cash flow.

Operating and financial review continued

Regulatory matters

Levies on mobile money transfers and withdrawals

On 30 June 2021, the President approved the Finance Act, which included the amendments to the National Payment System Act (NPS Act) and Electronic & Postal and Communication Act (EPOCA) – introducing levy on mobile money transfer transactions.

For mobile money transfer and withdrawal transactions, a transaction value-dependent levy of between TZS10 and TZS10 000 was implemented on 15 July 2021. Following our engagements and due consideration by the government, the following amendments were implemented:

- **3 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 also re-defined the scope of the levy, to also include withdrawals and transfers through banks that were earlier excluded. The levy, which was previously chargeable on mobile transactions only, also became applicable to transfers between mobile accounts, between bank accounts, and across mobile and bank accounts. For withdrawals, the levy was extended to capture withdrawals from automated teller machines (ATM).
- **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, equivalent to 20% of the levy charged at introduction. This decision reduces further the end-user charges and is expected to meaningfully revive and accelerate our contribution to the financial inclusion agenda, through the use of mobile financial services.

Spectrum Auction

On 15 August 2022, the TCRA published a public notice inviting bids for licensing spectrum blocks intended for international mobile telecommunication services through auction, which was held on 11 October 2022. The following spectrum frequencies were auctioned and assigned: one block of 2 x 10 MHz for 700 MHz band; two blocks of 1 x 35 MHz for 2300 MHz band; three blocks of 2 x 15 MHz and one block of 1 x 20 MHz for 2600 MHz band, and four blocks of 1 x 40 MHz for 3500 MHz band. We participated and secured winning bids for the one block of 700 MHz, the two blocks of 2300 MHz and one block of 2600 MHz (TDD) for a total bid price of US\$63.2 million. The spectrum acquired is a critical strategic resource for delivering value to shareholders and fulfilling our purpose through network expansion and widened product portfolio.

Outlook and medium-term targets

Vodacom Tanzania is a purpose-led company and remains committed to connecting Tanzanians for a better future. Our purpose is premised on the three pillars – digital society, inclusion for all and planet. We will continue addressing shareholders' interests while delivering on our social contract through leveraging on our brand position and technological capabilities. We will continue investing in our operations, and through our services, focus on changing the lives in the community in which we operate and support Tanzania's economic progress. We believe that accelerating data adoption, smartphones penetration, digital and financial services is essential for delivering on our purpose.

Our 'system of advantage' is a multi-product approach that combines our unique strength in connectivity, digital and financial services to deliver diversified and differentiated offerings to our customers. Continued growth in demand for data services, underpins our strategy to roll out and improve customer experience in our data network, which supports digital inclusion. We are currently providing data services to 8.0 million customers, out of which 4.7 million customers, just below 60% are smartphone users, highlighting an opportunity to accelerate smartphone penetration and drive data revenue growth. We also have an ambition to capture the opportunity in the fixed broadband market, leveraging our fixed and wireless capabilities to provide customers with dedicated data speeds at homes, offices and on-the-go.

Operating and financial review continued

In financial services, our ambition is to accelerate financial inclusion through our diversified M-Pesa product portfolio. We continue leveraging our relationship with Vodacom Group and M-Pesa Africa, in expanding and transforming the M-Pesa ecosystem while democratising financial services. Our focus is also in improving customer experience in seamlessly accessing the services in the ecosystem through the M-Pesa App, which is in transformation process to become a one stop lifestyle super-app.

Looking ahead, we are encouraged by the improving business environment and positive dialogue with the government on various matters of interest to our industry. We aspire to grow our business over the medium-term and continue to connect Tanzania for a better future, by providing access to modern technologies, as well as offering technological solutions to the businesses and society challenges. We remain cautious on the potential global repercussions of the Russia – Ukraine war, which is currently causing escalations in fuel and commodities prices, foreign currency exchange volatility and supply chain disruptions. Our medium-term targets are as follows:

1

Low to mid-single digit service revenue growth

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.

For and on behalf of the Board



Justice (Rtd) Thomas B. Mihayo
Chairman

3 November 2022



Philip Besiimire
Managing Director



Hilda Bujiku
Finance Director

Quarterly report

for the quarter ended 30 September 2022

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 2022

TZS m	Group		Company	
	Quarter 2 30/09/2022	Quarter 2 30/09/2021	Quarter 2 30/09/2022	Quarter 2 30/09/2021
Revenue	272 525	237 430	207 065	161 909
Direct expenses	(91 297)	(74 530)	(51 322)	(42 414)
Staff expenses	(15 723)	(16 237)	(11 181)	(11 791)
Publicity expenses	(8 911)	(7 978)	(4 887)	(4 736)
Other operating expenses	(71 525)	(65 177)	(62 894)	(56 490)
Depreciation and amortisation	(63 192)	(53 516)	(61 429)	(51 505)
Net credit losses on financial assets	(1 032)	(429)	(983)	(439)
Operating profit	20 845	19 563	14 369	(5 466)
Finance income	6 425	7 006	84 941	614
Finance costs	(18 940)	(20 886)	(14 751)	(15 477)
Net loss on foreign currency translations	(624)	180	(692)	230
Profit before tax	7 706	5 863	83 867	(20 099)
Income tax credit/(expense)	30 685	(7 678)	33 082	–
Profit/(loss) for the period	38 391	(1 815)	116 949	(20 099)
Other comprehensive income	–	–	–	–
Total comprehensive income/(loss) for the period	38 391	(1 815)	116 949	(20 099)
	TZS	TZS	TZS	TZS
Basic and diluted gain/(loss) per share (TZS)	17.14	(0.81)	52.21	(8.97)

Condensed statement of financial position

as at 30 September 2022

TZS m	Group		Company	
	Quarter 2 30/09/2022	Quarter 2 30/09/2021	Quarter 2 30/09/2022	Quarter 2 30/09/2021
ASSETS				
Non-current assets	1 217 224	1 178 646	1 186 835	1 148 127
Property and equipment	1 000 713	1 003 467	995 655	995 265
Intangible assets	72 565	65 271	49 948	44 682
Capacity prepayments	46 253	40 804	46 253	40 804
Goodwill	1 639	1 639	–	–
Income tax receivables	42 511	44 511	42 511	44 511
Trade and other receivables	13 646	22 365	13 646	22 365
Deferred tax assets	39 897	589	38 322	–
Investments in subsidiary	–	–	500	500
Current assets	955 246	914 185	318 114	268 711
Capacity prepayments	16 720	16 017	16 720	16 017
Inventories	4 680	2 064	4 680	2 064
Trade and other receivables	108 805	126 126	113 654	142 593
Income tax receivables	24 196	9 254	21 067	8 453
Mobile financial deposit	513 229	497 598	–	–
Cash and cash equivalents	287 616	263 126	161 993	99 584
TOTAL ASSETS	2 172 470	2 092 831	1 504 949	1 416 838
EQUITY AND LIABILITIES				
Capital and reserves	806 257	789 939	686 114	631 378
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	224 124	207 806	103 981	49 245
Non-current liabilities	442 957	441 429	442 957	441 429
Lease liabilities	436 139	436 545	436 139	436 545
Government grant	80	120	80	120
Trade and other payables	244	348	244	348
Provisions	6 494	4 416	6 494	4 416
Current liabilities	923 256	861 463	375 878	344 031
Lease liabilities	88 083	79 990	88 083	79 990
Mobile financial payables	513 229	497 598	–	–
Trade and other payables	310 733	271 193	276 904	251 359
Government grant	785	520	785	520
Provisions	10 426	12 162	10 106	12 162
TOTAL LIABILITIES	1 366 213	1 302 892	818 835	785 460
TOTAL EQUITY AND LIABILITIES	2 172 470	2 092 831	1 504 949	1 416 838

Condensed statement of changes in equity

for the quarter ended 30 September 2022

TZS m	Share capital	Share premium	Revaluation reserves	Retained earnings	Total
GROUP					
01 July 2022	112 000	442 435	27 698	185 817	767 950
Total comprehensive income for the quarter	–	–	–	38 391	38 391
Transactions with owners: Dividend declared	–	–	–	(84)	(84)
At 30 September 2022	112 000	442 435	27 698	224 124	806 257
COMPANY					
01 July 2022	112 000	442 435	27 698	(12 968)	569 165
Total comprehensive income for the quarter	–	–	–	116 949	116 949
At 30 September 2022	112 000	442 435	27 698	103 981	686 114
GROUP					
01 July 2021	112 000	442 435	27 698	209 621	791 754
Total comprehensive income for the quarter	–	–	–	(1 815)	(1 815)
At 30 September 2021	112 000	442 435	27 698	207 806	789 939
COMPANY					
01 July 2021	112 000	442 435	27 698	69 344	651 477
Total comprehensive loss for the quarter	–	–	–	(20 099)	(20 099)
At 30 September 2021	112 000	442 435	27 698	49 245	631 378

Condensed statement of cash flow

for the quarter ended 30 September 2022

TZS m	Group		Company	
	Quarter 2 30/09/2022	Quarter 2 30/09/2021	Quarter 2 30/09/2022	Quarter 2 30/09/2021
Cash flow from operating activities				
Cash generated from operations	130 249	74 954	95 630	37 474
Income tax paid	(8 138)	(16 062)	(5 338)	(4 864)
Net cash flow generated from operating activities	122 111	58 892	90 292	32 610
Cash flow (used in)/from investing activities				
Additions to property and equipment and intangible assets	(38 503)	(18 331)	(38 504)	(18 331)
Finance income received	2 231	1 588	84 941	614
Increase in cash held in restricted deposit	(34 376)	(6 411)	–	–
Interest received from M-Pesa deposits	4 194	5 417	–	–
Net cash flow (used in)/from investing activities	(66 454)	(17 737)	46 437	(17 717)
Cash flow used in financing activities				
Dividend paid	(8)	(101)	(8)	(101)
Interest paid to M-Pesa customers	(3 505)	(542)	–	–
Payment on lease liabilities – interest	(14 466)	(15 348)	(14 590)	(15 348)
Payment on lease liabilities – principal	(10 496)	(14 666)	(10 372)	(14 666)
Net cash flow used in financing activities	(28 475)	(30 657)	(24 970)	(30 115)
Net increase/(decrease) in cash and cash equivalents	27 182	10 498	111 759	(15 222)
Cash and cash equivalents at the beginning of the period/year	260 946	253 410	50 813	116 056
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies	(511)	(782)	(579)	(732)
Cash and cash equivalents at the end of the period	287 616	263 126	161 993	100 102

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



Philip Besiime
Managing Director



Hilda Bujiku
Finance Director

Interim condensed consolidated financial statements




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 2022 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, 2016 (Amended). The directors are also responsible for safeguarding the assets of the Group and taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

The interim condensed consolidated financial statements have been reviewed by the independent auditor, Ernst & Young (EY), who was given unrestricted access to the relevant financial records and related data, including minutes of meetings of shareholders, the Board of Directors (the "Board") and committees of the Board. The directors believe that all representations made to the independent auditor during their review were valid and appropriate. The auditor's review report is presented on page 17.

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 3 November 2022 and signed on its behalf by:



Philip Besiimire
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 2022, 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 18 to 31.

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, 2016 (Amended).

Auditor's responsibility and scope of review

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

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements as at 30 September 2022 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

11 November 2022

Condensed consolidated statement of profit or loss and other comprehensive income

for the period ended 30 September 2022

TZS m	Notes	September 2022 Reviewed	September 2021 Reviewed	March 2022 Audited
Revenue	4	518 347	492 854	971 025
Direct expenses		(172 779)	(153 251)	(299 185)
Staff expenses		(30 855)	(31 633)	(63 823)
Publicity expenses		(16 102)	(16 191)	(30 184)
Other operating expenses		(142 864)	(131 963)	(279 473)
Depreciation and amortisation		(125 454)	(120 208)	(236 201)
Net credit charge/(release)/on financial assets		(1 330)	(5)	2 275
Operating profit		28 963	39 603	64 434
Finance income		11 963	14 513	25 837
Finance costs		(37 582)	(42 493)	(85 544)
Net loss on foreign currency translations		(2 135)	(363)	(1 548)
Profit before tax		1 209	11 260	3 179
Income tax credit/(expense)	5	27 808	(18 908)	(23 442)
Profit/(loss) for the period		29 017	(7 648)	(20 263)
Other comprehensive income		–	–	–
Total comprehensive income/(loss) for the period		29 017	(7 648)	(20 263)
		TZS	TZS	TZS
Basic and diluted earnings/(loss) per share	6	12.95	(3.41)	(9.05)

Condensed consolidated statement of financial position

as at 30 September 2022

TZS m	Notes	September 2022 Reviewed	September 2021 Reviewed	March 2022 Audited
ASSETS				
Non-current assets				
Property and equipment		1 217 224	1 178 646	1 191 715
Intangible assets		1 000 713	1 003 467	1 014 626
Capacity prepayments		72 565	65 271	76 681
Goodwill		46 253	40 804	44 582
Income tax receivables ¹		1 639	1 639	1 639
Trade and other receivables ²		42 511	44 511	41 011
Deferred tax assets		13 646	22 365	11 388
		39 897	589	1 788
Current assets		955 246	914 185	846 914
Capacity prepayments		16 720	16 017	15 864
Inventories		4 680	2 064	2 597
Trade and other receivables ²		108 805	126 126	112 570
Income tax receivables ¹		24 196	9 254	22 836
Mobile financial deposit ³		513 229	497 598	436 086
Cash and cash equivalents		287 616	263 126	256 961
TOTAL ASSETS		2 172 470	2 092 831	2 038 629
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital		806 257	789 939	777 324
Share premium		112 000	112 000	112 000
Capital contribution		442 435	442 435	442 435
Retained earnings		27 698	27 698	27 698
		224 124	207 806	195 191
Non-current liabilities		442 957	441 429	451 764
Lease liabilities ⁴		436 139	436 545	446 044
Government grant		80	120	143
Trade and other payables		244	348	378
Provisions	7	6 494	4 416	5 199
Current liabilities		923 256	861 463	809 541
Lease liabilities ⁴		88 083	79 990	60 472
Mobile financial payables ³		513 229	497 598	436 086
Trade and other payables		310 733	271 193	300 006
Government grant		785	520	1 218
Provisions	7	10 426	12 162	11 759
TOTAL LIABILITIES		1 366 213	1 302 892	1 261 305
TOTAL EQUITY AND LIABILITIES		2 172 470	2 092 831	2 038 629

The interim condensed consolidated and separate financial statements were approved and authorised for issue by the Board of Directors on 3 November 2022 and were signed on its behalf by:



Philip Besiimire
Managing Director



Hilda Bujiku
Finance Director

¹ These are deposits with TRA in respect to objected assessments for corporate tax as well as tax refundable from revised assessments.

² Trade and other receivables as at 30 September 2022 include contract assets amounting to TZS 4 070 million of which TZS 2 633 million is current and TZS 1 437 million is non-current (September 2021: current TZS 2 190 million and non-current TZS 1 013 million, March 2022: current TZS 2 208 million and non-current TZS 938 million).

³ Mobile financial deposits relate to restricted bank balances for M-Pesa customer deposits. In prior year this item was named financial assets. Mobile financial payables relate to amounts due to M-Pesa customers including interest payable. In prior period, these balances were included under Trade and other payables and Interest due to customers. This is necessary to ensure consistency reporting with the parent company.

⁴ The movement is related to new lease contracts and accrued interest netted-off by payment during the period.

Condensed consolidated statement of changes in equity

for the period ended 30 September 2022

TZS m	Share capital	Share premium	Capital contribution	Retained earnings	Total
Six month period ended 30 September 2022 (Reviewed)					
1 April 2022	112 000	442 435	27 698	195 191	777 324
Total comprehensive income 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
Six month period ended 30 September 2021 (Reviewed)					
1 April 2021	112 000	442 435	27 698	215 454	797 587
Total comprehensive loss for the period	–	–	–	(7 648)	(7 648)
At 30 September 2021	112 000	442 435	27 698	207 806	789 939
Year ended 31 March 2022 (Audited)					
1 April 2021	112 000	442 435	27 698	215 454	797 587
Total comprehensive loss for the year	–	–	–	(20 263)	(20 263)
At 31 March 2022	112 000	442 435	27 698	195 191	777 324

Condensed consolidated statement of cash flows

for the period ended 30 September 2022

TZS m	Note	September 2022 Reviewed	September 2021 Reviewed	March 2022 Audited
Cash flow from operating activities				
Cash generated from operations	10	253 509	208 894	316 748
Income tax paid		(13 161)	(27 374)	(43 191)
Net cash flow generated from operating activities		240 348	181 520	267 804
Cash flow used in investing activities				
Additions to property and equipment and intangible assets		(92 474)	(58 445)	(142 153)
Proceeds from disposals of property and equipment		395	–	6
Government grant received		–	3 608	4 991
Finance income received		3 920	3 425	7 219
(Decrease)/increase in cash held in restricted deposit		(77 143)	(53 415)	8 097
Interest received from M-Pesa deposits		8 042	11 088	18 618
Net cash flow used in investing activities		(157 260)	(93 739)	(103 222)
Cash flow used in financing activities				
Dividend paid		(35)	(183)	(209)
Interest paid to M-Pesa customers		(7 225)	(5 965)	(20 043)
Payment on lease liabilities – interest		(29 271)	(31 165)	(60 871)
Payment on lease liabilities – principal		(14 802)	(30 233)	(69 183)
Net cash flow used in financing activities		(51 333)	(67 546)	(150 306)
Net increase in cash and cash equivalents		31 755	20 235	14 276
Cash and cash equivalents at the beginning of the period/year		256 961	244 257	244 257
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies		(1 100)	(1 366)	(1 572)
Cash and cash equivalents at the end of the period/year		287 616	263 126	256 961

Notes to the interim condensed consolidated financial statements

for the period ended 30 September 2022

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 for certain financial instruments which are measured at fair value or at amortised cost. 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 new, revised or amended accounting pronouncements adopted by the Group from 1 April 2022 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.

Notes to the interim condensed consolidated financial statements continued

4. Revenue

TZS m	September 2022 Reviewed	September 2021 Reviewed	March 2022 Audited
Major products/service lines			
Customer service revenue ⁵	469 588	448 739	882 384
Mobile interconnect	23 022	23 723	48 105
Fixed service revenue	9 016	7 385	15 328
Other service revenue	6 365	5 134	10 698
Service revenue	507 991	484 981	956 515
Equipment revenue	9 537	7 263	13 060
Other non-service revenue	496	342	922
Revenue from contracts with customers	518 024	492 586	970 497
Interest income recognised as revenue	323	268	528
Revenue	518 347	492 854	971 025
Revenue is further disaggregated per revenue stream as follows:			
Mobile voice revenue	143 817	146 636	286 985
M-Pesa revenue	169 569	174 674	329 557
Mobile data revenue	125 887	96 941	203 985
Digital & VAS revenue ⁶	17 472	17 105	36 294
Mobile incoming revenue	23 022	23 723	48 105
Messaging revenue	14 736	15 054	28 861
Fixed revenue	9 016	7 385	15 328
Other service revenue	4 472	3 463	7 400
Service revenue	507 991	484 981	956 515
Non-service revenue	10 356	7 873	14 510
Revenue	518 347	492 854	971 025

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

⁵ Comprises of mobile contract revenue and mobile prepaid revenue.

⁶ During the year, further disaggregation to revenue was done and Digital & VAS revenue line was introduced. Previously, this line used to be aggregated in mobile voice and mobile data. The disaggregation is necessary to enhance consistency with other reports. There is no impact on the overall total revenue.

Notes to the interim condensed consolidated financial statements continued

5. Income tax expense

TZS m	September 2022 Reviewed	September 2021 Reviewed	March 2022 Audited
Expected income tax expense at the Tanzania statutory tax rate 30%	363	3 378	954
Adjusted for:			
Non-deductible expenditure ⁷	626	723	6 823
Non-taxable gaming (income)/cost	(177)	–	398
Net tax impact of Dividend Income	4 204	–	–
Deferred tax assets not recognised for tax losses and net deductible timing differences – Company	3 321	14 839	25 585
Alternative Minimum Tax – Company	1 967	–	–
Deferred Tax Credit recognised – Company	(38 322)	–	–
Deferred Tax asset not recognized – Subsidiary	210	211	421
Prior year tax, prior year tax adjustments and Penalties	–	(243)	(10 739)
Income tax (credit)/expense	(27 808)	18 908	23 442
Effective tax rate⁸	(2 300.08)%	167.92%	737.40%

6. Earnings/(loss) 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 2022 Reviewed	September 2021 Reviewed	March 2022 Audited
Basic and diluted earnings/(loss) per share (TZS)	12.95	(3.41)	(9.05)
Profit/(loss) attributable to the shareholders (TZS m)	29 017	(7 648)	(20 263)
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)⁹	84	–	–

⁷ Non deductible expenditure includes charitable donations, dispute losses, gaming expenses, fines and penalties.

⁸ The effective tax rate of (2,300.08)% in the current period is significantly lower than the statutory rate of 30.0% partly due to the net tax impact of dividend income received by the company and net tax impact of both recognised and unrecognised deferred tax credit from the company.

⁹ During the year M-Pesa limited Board declared and paid dividends amounting to TZS83.8 million to a minority shareholder (Vodacom Group Limited).

Notes to the interim condensed consolidated financial statements continued

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:

TZS m	30 September 2022 Reviewed	30 September 2021 Reviewed	31 March 2022 Audited
At 1 April	16 958	24 558	24 558
Site restoration obligation	5 199	4 159	4 159
Legal/regulatory	1 607	2 353	2 353
Restructuring	–	2 582	2 582
Marketing fees and tax assessment disputes	10 152	15 464	15 464
Additions/charge to profit or loss			
Asset retirement-addition	1 013	–	713
Asset retirement-charge to profit or loss	282	257	327
Legal/regulatory	655	350	630
Marketing fees and tax assessment disputes	–	2 333	3 209
Released to profit or loss			
Legal/regulatory	(1 031)	(115)	(1 251)
Restructuring	–	(259)	(312)
Marketing fees and tax assessment disputes	(942)	–	–
Utilised against payments during the year			
Legal/regulatory	(15)	–	(125)
Restructuring	–	(2 076)	(2 270)
Marketing fees and tax assessment disputes	–	–	(2 354)
Transfers			
Marketing fees and tax assessment disputes	–	(8 470)	(6 167)
At 30 September/31 March	16 920	16 578	16 958
Site restoration obligation	6 494	4 416	5 199
Legal obligations	1 216	2 588	1 607
Restructuring	–	247	–
Marketing fees and tax assessment disputes	9 210	9 327	10 152
Comprising of:			
Non-current			
Site restoration obligation	6 494	4 416	5 199
Sub-total	6 494	4 416	5 199
Current			
Legal obligations	1 216	2 588	1 607
Marketing fees	4 045	5 037	4 987
Restructuring costs	–	247	–
Tax assessment disputes	5 165	4 290	5 165
Sub-total	10 426	12 162	11 759

Notes to the interim condensed consolidated financial statements continued

8. Capital expenditure and commitments

During the period the Group invested TZS 74 917 million (September 2021: TZS 64 035 million; March 2022: TZS 173 955 million) in property and equipment, and intangible assets. This investment was funded using internally generated funds.

The Group's capital commitments is as presented below:

TZS m	September 2022 Reviewed	September 2021 Reviewed	March 2022 Audited
Capital expenditure contracted for but not yet incurred (including property and equipment and intangible assets)	69 061	59 277	35 580

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.

TZS m	September 2022 Reviewed	September 2021 Reviewed	March 2022 Audited
Balances with related parties			
Trade and other receivables			
Vodafone Group Plc (Ultimate Parent)	1 979	3 736	5 249
Vodacom Group Limited (Immediate Parent)	1 819	2 042	2 068
	3 798	5 778	7 317
Trade and other payables			
Vodafone Group Plc (Ultimate Parent)	(10 242)	(4 004)	(5 616)
Vodacom Group Limited (Parent)	(6 420)	(3 185)	(8 330)
M-Pesa Africa	(4 285)	(1 222)	(1 351)
	(20 947)	(8 411)	(15 297)

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

9. Related parties continued

Transactions with related parties

TZS m	September 2022 Reviewed	September 2021 Reviewed	March 2022 Audited
Vodafone Group Plc and its subsidiaries			
Revenue	3 471	2 302	5 221
Direct expenses	(698)	(590)	(1 234)
Other operating expenses	(1 660)	(2 091)	(4 541)
	1 113	(379)	(554)
Vodacom Group Limited subsidiaries – Mozambique, DRC, Mauritius and Lesotho			
Revenue	34	400	568
Direct expenses	(37)	(4)	(189)
Other operating expenses	(318)	(1 953)	(2 239)
	(321)	(1 557)	(1 860)
Vodacom Group Limited – South Africa			
Revenue	2 417	2 549	4 924
Direct expenses	(1 376)	(993)	(2 108)
Other operating expenses	(6 526)	(6 366)	(13 112)
	(5 485)	(4 810)	(10 296)
Compensation for key management personnel			
Short-term employee benefits	(3 868)	(3 420)	(8 958)
Share based compensation	(147)	–	(437)
Long-term employee benefits	(894)	(843)	(654)
	(4 909)	(4 263)	(10 049)
Non-executive directors			
Non-executive directors fees	(556)	(618)	(1 193)
Executive directors			
Short-term employee benefits	(1 017)	(1 558)	(5 156)
Long-term employee benefits	(170)	(304)	(753)
	(1 187)	(1 862)	(5 909)

Notes to the interim condensed consolidated financial statements continued

10. Cash generated from operations

TZS m	September 2022 Reviewed	September 2021 Reviewed	March 2022 Audited
Profit before tax	1 209	11 260	3 179
Adjusted for:			
Financing income	(11 963)	(14 513)	(25 837)
Financing costs	37 582	42 493	85 544
Net loss on foreign currency translation	2 135	363	1 548
Operating profit	28 963	39 603	64 434
Adjusted for:			
Depreciation and amortisation	125 454	120 208	236 201
Net charge/(release) on financial assets	1 330	5	(2 275)
Amortisation of capacity prepayments	8 136	6 816	14 345
A gain on disposal of property, equipment and intangible assets	(418)	–	18
Increase/(decrease) in provision for inventory	944	(1 515)	(2 555)
Amortisation of government grant	(1 716)	(983)	(1 716)
Government grant applied against funded assets	(3 532)	(3 603)	(3 532)
Decrease in legal and marketing provisions	(320)	(8 237)	(5 657)
Cash flow from operations before working capital changes	158 841	152 294	299 263
Payment of capacity contracts	(12 666)	(3 890)	(15 044)
(Increase)/decrease in inventory – gross	(3 027)	3 630	4 137
(Increase)/decrease in trade and other receivables	2 181	(7 874)	17 556
Increase in trade, mobile financial and other payables	108 180	64 734	10 836
Cash generated from operations	253 509	208 894	316 748

Notes to the interim condensed consolidated financial statements continued

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 acting with integrity and transparency in all tax matters including a policy of full transparency to the tax authority and the payment of all taxes properly due under the relevant tax laws in Tanzania. The Group is regularly subject to audits and examination by the tax authority of its direct and indirect tax filings. The consequence of such reviews is that in some instances, disputes can arise with the tax authority over the interpretation or application of certain tax rules where these tax laws are ambiguous and subject to a broad range of interpretations. To address and manage this tax uncertainty, good governance is fundamental to the Group's business sustainability. The major tax positions taken are thus subject to review by executive management and reported to the Board. The Group has support from external advisors supporting the positions taken in respect of the significant tax matters which support the application and interpretation of the tax legislation. The Group has considered all matters in dispute with the tax authority and has accounted for any exposure identified if required. The Group has not disclosed all the details in relation to the open tax disputes because the matters are still under the dispute resolution process. The following open tax disputes are material contingent liabilities not recognised in the statement of financial position and may have a significant impact on the profit or loss and financial position of the Group if these disputes are not resolved favorably:

- **Capital allowances of telecommunication equipment**

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

- **Withholding tax on satellite, international roaming and undersea cable services**

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

- **Transfer pricing**

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

Notes to the interim condensed consolidated financial statements continued

11. Contingent liabilities continued

Litigation and other claims contingencies

The Group is currently involved in various legal proceedings and has, in consultation with its legal counsel, assessed the 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.

12. Other matters

Regulatory matters

SIM card registration

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

We continue to drive awareness to customers on the mandatory SIM card verification process.

Levies on mobile money transfers and withdrawals

On 30 June 2021, the President approved the Finance Act, which included the amendments to the National Payment System Act (NPS Act) and Electronic & Postal and Communication Act (EPOCA) – introducing levies on mobile money transfer transactions.

For mobile money transfer and withdrawal transactions, a transaction value dependent levy of between TZS10 and TZS10 000 was implemented from 15 July 2021. Following our engagements and due consideration by the government, the following amendments were implemented:

- **3 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 also re-defined the scope of the levy, to also include withdrawal and transfers through banks which were earlier excluded. The levy, which was previously chargeable on mobile transactions only, also became applicable to transfers between mobile accounts, between bank accounts and across mobile and bank accounts. For withdrawals, the levy was extended to capture withdrawals from automated teller machines (ATM).
- **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, equivalent to 20% of the levy charged at introduction. This decision reduces further the end-user charges, and is expected to meaningfully revive and accelerate our contribution to the financial inclusion agenda, through the use of mobile financial services.

Notes to the interim condensed consolidated financial statements continued

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 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.

14. 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.

15. Events after the reporting period

Spectrum Auction

On 15 August 2022, the TCRA published a public notice inviting bids for licensing spectrum blocks intended for international mobile telecommunication services through auction, which was held on 11 October 2022. The following spectrum frequencies were auctioned and assigned: one block of 2 x 10 MHz for 700 MHz band; two blocks of 1 x 35 MHz for 2300 MHz band; three blocks of 2 x 15 MHz and one block of 1 x 20 MHz for 2600 MHz band, and four blocks of 1 x 40 MHz for 3500 MHz band.

The group participated and secured winning bids for the one block of 700MHz, the two blocks of 2300 MHz and one block of 2600 MHz (TDD) for a total bid price of US\$63 million. The spectrum acquired is critical strategic resource for delivering value to shareholders and fulfilling our purpose through network expansion and widened product portfolio.

Supplementary information

Six months ended 30 September

TZS m	2022	2021	% Change
Active customers (thousands)	16 008	15 237	5.1
ARPU (shillings per month)	5 257	5 294	(0.7)
Data customers - (thousand)	7 971	7 875	1.2
M-Pesa customers - (thousand)	7 726	6 463	19.5
Traffic (millions of minutes)	25 706	19 760	30.1
Outgoing	16 819	13 210	27.3
Incoming	8 887	6 550	35.7
MoU per month	274	221	24.0
Messaging (million)	15 669	13 946	12.4
Number of employees	575	532	8.1
Number of sites			
4G	2 122	1 824	16.3
3G	2 951	2 825	4.5
2G	3 402	3 356	1.4

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 2022. 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 2022, contains 'forward-looking statements', which have not been reviewed or reported on by the Group's auditors, with respect to the Group's financial condition, results of operations and businesses and certain information relating to the Group's plans and objectives. In particular, such forward-looking statements include statements relating to: The Group's future performance; future capital expenditures, acquisitions, divestitures, expenses, revenues, financial conditions, dividend policy, and future prospects; business and management strategies relating to the expansion and growth of the Group; the effects of regulation of the Group's business by the government in the country in which it operates; the Group's expectations as to the launch and roll out dates for products, services or technologies; expectations regarding the operating environment and market conditions; growth in customers and usage; and the rate of dividend growth by the Group.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "will", "anticipates", "aims", "could", "may", "should", "expects", "believes", "intends", "plans" or "targets" (including in their negative form).

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

Corporate information

Vodacom Tanzania Public Limited Company

(Incorporated in the United Republic of Tanzania)

Registration number: 38501

(ISIN: TZ1996102715 Share Code: VODA)

Directors

TB Mihayo¹ (Chairman), P Besiimire² (MD), H Bujiku¹ (FD), 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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Sponsoring licenced dealing member

Orbit Securities Company Limited

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