

## Quarterly report for the quarter ended 31 December 2022

Vodacom Tanzania Public Limited Company  
(Incorporated in the United Republic of Tanzania)  
Registration number: 38501  
Stock Exchange (DSE) registration number ISIN: TZ1996102715  
Stock name: VODA

Together we can



### Managing Director's review

Philip Besimire

I am pleased to present Vodacom Tanzania's report for the quarter ended December 2022. This report adopts the enhanced reporting requirements of section 53 (1), of the Dar es Salaam Stock Exchange Public Limited Company Rules, 2022 'the 'DSE rules', which requires listed companies to provide financial performance updates for each quarter completed. In the spirit of good governance, we supplement the DSE requirements by providing additional reporting on relevant non-financial key performance indicators and other business updates.

During the quarter, we continued executing on initiatives that support our purpose and social contract, leveraging our advanced technological platforms to provide solutions to the societal challenges. Our M-Kulima continued to not only digitize the farming communities but also provide the Government with useful statistics for the agricultural sector. The platform recorded over 2.8 million registered farmers, with over TZS1.5 billion disbursements to farmers, securely made through M-Pesa in the quarter. Our M-Mama program, which provides emergency transport services that connect mothers and newborns to vital life-saving healthcare in rural areas, is in an expansion phase to 14 regions in the country, while already scaled in five regions. It is our commitment to continue using our "tech for good" platforms towards improved living standards.

In the quarter we enhanced our 'system of advantage' by acquiring a **strategic allocation of spectrum**, in the auction convened by the Tanzania Communications Regulatory Authority during October. Through our three winning bids, we secured four blocks of low and mid-band spectrum for a total price of US\$ 63.2 million. Investments in spectrum is a strategic pillar in delivering on our **commitment to continue supporting bridging the digital divide** through connectivity services, and delivering our purpose – connecting Tanzanians to a better future.

During the period, we continued **our commercial execution focusing on customer base growth and customer experience enhancement**, undertaken through on-the-ground and segmented below-the-line initiatives, supported by investment in network. These initiatives were critical in mitigating the impact of the intense market competition and supported good progress across our customer metrics. Compared to the corresponding quarter in the prior year, our customer base grew 6.0% to 16.3 million, data customers increased 10.5% to 8.4 million and M-Pesa customers increased 11.8% to 8.0 million. Our machine learning capabilities continued to facilitate multi-product offerings as we leverage our system of advantage, delivering an improved customer experience through personalisation. Our efforts culminated in us maintaining our customer satisfaction leadership measured through the Net Promoter Score (NPS).

From a financial performance perspective, **total revenue**<sup>1</sup> for the period grew by 14.2%<sup>2</sup> to TZS281.8 billion. **Service Revenue** increased by 13.9% to TZS277.7 billion, driven by a strong performance across M-Pesa, data and fixed revenue. Our commercial execution realised a 6.0% increase in customers and 7.8% growth in Average Revenue Per User (ARPU). Service revenue performance in the quarter was partly offset by pressure on voice with a 21.3% decline in average price per minute, a result of heightened competition on voice bundles.

**Total expenses**<sup>3</sup> of TZS192.1 billion reflected a 14.6% increase. Our cost transformation initiatives continued to generate savings that helped offset cost pressures related to the global challenges, such as fuel price escalations and chipset shortages. **Direct expenses** of TZS89.9 billion, were up 21.3%, driven by growth in service revenue and continued investment incurred to grow and protect our customer base. In **operating expenses**, we spent TZS101.7 billion, an increase of 8.4%, with **publicity expenses** declining 35.4%, a realisation from efficient cost transformation initiatives. Savings in publicity expenses were offset by 5.3% increase in **staff expenses** due to increase in number of staff and salary adjustments in line with inflation, and a 14.8% increase in **other operating expenses** primarily due to higher energy costs, additional investment in new technologies such as 5G, contractual price escalations and foreign exchange losses.

From a profitability perspective, we generated TZS26.4 billion **operating profit**, a 33.8% increase. The operating profit was supported by revenue growth and cost containment initiatives, partly offset by 6.7% increase in **depreciation and amortisation** expenses, reflecting additional investment made in our network including the newly acquired spectrum. We generated TZS5.1 billion **profit after tax** as compared to a loss of TZS3.5 billion in the corresponding period in the prior year.

**Looking forward**, we are encouraged with our current business performance and we will continue to focus on capturing business opportunities amidst intense competition, to ensure that we deliver business growth and generate value to our shareholders. Working towards our purpose of connecting Tanzanians towards a better future, we will continue investing in our network particularly data infrastructure. This will expand our customer reach and avail access to high speed data services, which in turn provides our customers with the best customer experience. To this end, we will continue rolling out our 5G network and fixed access services to serve both consumer and business segments. In addition to investing in enabling infrastructure, we will continue to work towards improving our customer experience and making our services accessible to all, supporting inclusivity.

Leveraging on our strategic M-Pesa Africa hub, we remain committed to the financial inclusion agenda through innovative and transformative M-Pesa services which can revolutionise our customers' lives for the better.

We will continue monitoring the impacts of the war in Ukraine, and proactively undertake all necessary actions to mitigate its impact on our business performance.

We are committed to continue engaging with the Government on all relevant matters relating to our business objectives, and also participate in partnerships to deliver on our social contract and purpose.

1. Total revenue is sum of service revenue and other non-service revenue including revenue on device, accessories and starter pack sales.  
2. Unless otherwise specified, all percentage growths in this report are year-on-year growths comparing quarter to December 2022 against quarter to December 2021.  
3. Excluding depreciation and amortisation.

### Condensed statement of profit or loss and other comprehensive income

for the quarter ended 31 December 2022

TZS m	Group		Company	
	Quarter 3 31/12/2022	Quarter 3 31/12/2021	Quarter 3 31/12/2022	Quarter 3 31/12/2021
Revenue	281 756	246 681	210 691	168 128
<b>Total expenses</b>	<b>(191 520)</b>	<b>(167 855)</b>	<b>(131 490)</b>	<b>(120 488)</b>
Direct expenses	(89 856)	(74 079)	(47 758)	(43 724)
Staff expenses	(17 036)	(16 184)	(12 337)	(11 031)
Publicity expenses	(5 740)	(8 892)	(1 693)	(5 632)
Other operating expenses	(78 888)	(68 700)	(69 702)	(60 101)
Depreciation and amortisation	(63 306)	(59 339)	(61 653)	(57 749)
Net credit losses on financial assets	(537)	245	(524)	248
<b>Operating profit/(loss)</b>	<b>26 393</b>	<b>19 732</b>	<b>17 024</b>	<b>(9 861)</b>
Finance income*	5 959	5 636	74 442	556
Finance costs	(19 463)	(18 944)	(15 291)	(15 133)
Net gain on foreign currency translation	132	64	92	71
<b>Profit/(loss) before tax</b>	<b>13 021</b>	<b>6 488</b>	<b>76 267</b>	<b>(24 367)</b>
Income tax expense	(7 886)	(9 956)	(4 793)	(577)
<b>Profit/(loss) for the period</b>	<b>5 135</b>	<b>(3 468)</b>	<b>71 474</b>	<b>(24 944)</b>
Other comprehensive income	–	–	–	–
<b>Total comprehensive income/(loss) for the period</b>	<b>5 135</b>	<b>(3 468)</b>	<b>71 474</b>	<b>(24 944)</b>
	TZS	TZS	TZS	TZS
Basic and diluted gain/(loss) per share (TZS)	2.29	(1.55)	31.91	(11.14)

\* Included in finance income for the company is TZS73.3 billion dividends received from the subsidiary entity (M-Pesa Limited).

### Condensed statement of financial position as at 31 December 2022

TZS m	Group		Company	
	Quarter 3 31/12/2022	Quarter 3 31/12/2021	Quarter 3 31/12/2022	Quarter 3 31/12/2021
<b>Assets</b>				
<b>Non-current assets</b>	<b>1 329 895</b>	<b>1 159 796</b>	<b>1 301 101</b>	<b>1 130 884</b>
Property and equipment	588 651	566 699	584 351	559 214
Intangible assets	212 260	64 180	190 533	44 463
Right of use assets	385 820	417 763	385 820	417 763
Capacity prepayments	43 534	47 192	43 534	47 192
Goodwill	1 639	1 639	–	–
Income tax receivables	42 511	41 011	42 511	41 011
Trade and other receivables	15 530	20 741	15 530	20 741
Deferred tax assets	39 950	571	38 322	–
Investment in subsidiary	–	–	500	500
<b>Current assets</b>	<b>921 969</b>	<b>902 865</b>	<b>302 993</b>	<b>252 148</b>
Capacity prepayments	15 223	16 062	15 223	16 062
Inventories	6 309	1 404	6 309	1 404
Trade and other receivables	144 486	118 577	132 868	132 805
Income tax receivables	24 440	20 654	21 157	14 899
Mobile financial deposits	543 686	467 556	–	–
Cash and cash equivalents	187 825	278 612	127 436	86 978
<b>Total assets</b>	<b>2 251 864</b>	<b>2 062 661</b>	<b>1 604 094</b>	<b>1 383 032</b>
<b>Equity and liabilities</b>				
<b>Capital and reserves</b>	<b>811 319</b>	<b>786 471</b>	<b>757 588</b>	<b>606 434</b>
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	229 186	204 338	175 455	24 301
<b>Non-current liabilities</b>	<b>415 876</b>	<b>443 278</b>	<b>415 876</b>	<b>443 278</b>
Lease liabilities	409 062	437 958	409 062	437 958
Government grant	50	62	50	62
Trade and other payables	128	433	128	433
Provisions	6 636	4 825	6 636	4 825
<b>Current liabilities</b>	<b>1 024 669</b>	<b>832 912</b>	<b>430 630</b>	<b>333 320</b>
Lease liabilities	85 377	61 837	85 377	61 837
Mobile financial payables	543 686	467 556	–	–
Trade and other payables	384 757	291 097	334 724	259 061
Government grant	1 874	269	1 874	269
Licence payables classified as debt	896	–	896	–
Provisions	8 079	12 153	7 759	12 153
<b>Total liabilities</b>	<b>1 440 545</b>	<b>1 276 190</b>	<b>846 506</b>	<b>776 598</b>
<b>Total equity and liabilities</b>	<b>2 251 864</b>	<b>2 062 661</b>	<b>1 604 094</b>	<b>1 383 032</b>

## Condensed statement of changes in equity for the quarter ended 31 December 2022

TZS m	Share capital	Share premium	Capital contribution	Retained earnings	Total
<b>GROUP</b>					
<b>Quarter ended 31 December 2022</b>					
<b>1 October 2022</b>	112 000	442 435	27 698	224 124	806 257
Total comprehensive income for the quarter	-	-	-	5 135	5 135
Transactions with owners: Dividend declared	-	-	-	(73)	(73)
<b>At 31 December 2022</b>	<b>112 000</b>	<b>442 435</b>	<b>27 698</b>	<b>229 186</b>	<b>811 319</b>
<b>Quarter ended 31 December 2021</b>					
<b>1 October 2021</b>	112 000	442 435	27 698	207 806	789 939
Total comprehensive income for the quarter	-	-	-	(3 468)	(3 468)
<b>At 31 December 2021</b>	<b>112 000</b>	<b>442 435</b>	<b>27 698</b>	<b>204 338</b>	<b>786 471</b>
<b>COMPANY</b>					
<b>Quarter ended 31 December 2022</b>					
<b>1 October 2022</b>	112 000	442 435	27 698	103 981	686 114
Total comprehensive income for the quarter	-	-	-	71 474	71 474
<b>At 31 December 2022</b>	<b>112 000</b>	<b>442 435</b>	<b>27 698</b>	<b>175 455</b>	<b>757 588</b>
<b>Quarter ended 31 December 2021</b>					
<b>1 October 2021</b>	112 000	442 435	27 698	49 245	631 378
Total comprehensive loss for the quarter	-	-	-	(24 944)	(24 944)
<b>At 31 December 2021</b>	<b>112 000</b>	<b>442 435</b>	<b>27 698</b>	<b>24 301</b>	<b>606 434</b>

## Condensed statement of cash flows for the quarter ended 31 December 2022

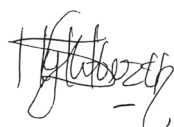
TZS m	Group		Company	
	Quarter 3 31/12/2022	Quarter 3 31/12/2021	Quarter 3 31/12/2022	Quarter 3 31/12/2021
<b>Cash flow from operating activities</b>				
Cash generated from operations	100 370	76 931	59 059	59 347
Income tax paid	(8 182)	(17 838)	(4 883)	(3 523)
<b>Net cash flow generated from operating activities</b>	<b>92 188</b>	<b>59 093</b>	<b>54 176</b>	<b>55 824</b>
<b>Cash flow used in investing activities</b>				
Additions to property and equipment and intangible assets	(125 049)	(36 733)	(125 046)	(36 733)
Finance income received**	1 780	1 818	74 442	556
Proceeds from transfer of assets to subsidiary (M-Pesa Limited)	-	-	2	-
Increase in cash held in restricted deposit	(30 457)	30 042	-	-
Interest received from M-Pesa deposits	4 178	3 818	-	-
<b>Net cash flow used in investing activities</b>	<b>(149 548)</b>	<b>(1 055)</b>	<b>(50 602)</b>	<b>(36 177)</b>
<b>Cash flow used in financing activities</b>				
Dividend paid	(165)	(11)	(8)	(11)
Interest paid to M-Pesa customers	(4 183)	(10 291)	-	-
Payment on lease liabilities – Interest	(14 215)	(15 302)	(14 215)	(15 302)
Interest paid on other borrowings	(39)	-	(39)	-
Payment on lease liabilities – principal	(24 223)	(16 835)	(24 223)	(16 835)
<b>Net cash flow used in financing activities</b>	<b>(42 825)</b>	<b>(42 439)</b>	<b>(38 485)</b>	<b>(32 148)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(100 185)</b>	<b>15 599</b>	<b>(34 911)</b>	<b>(12 501)</b>
Cash and cash equivalents at the beginning of the period	287 616	263 125	161 993	99 584
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies	394	(112)	354	(105)
<b>Cash and cash equivalents at the end of the period</b>	<b>187 825</b>	<b>278 612</b>	<b>127 436</b>	<b>86 978</b>

\*\* Included in finance income received for the company is TZS73.3 billion dividends received from the subsidiary entity (M-Pesa Limited).

The quarterly condensed consolidated and separate financial statements were approved and authorised for issue by the Board of Directors on 19 January 2023 and were signed on its behalf by:



**Philip Besiimire**  
Managing Director



**Hilda Bujiku**  
Finance Director

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

## KPIs and other business updates

### Salient features



6.0% customers growth and  
**7.8%** increase in ARPU reflecting effective commercial initiatives.



M-Pesa customers up  
**11.8%** to 8.0 million exceeding pre-levies level.



Data customers grew  
**10.5%** to 8.4 million, with close to 60% using smartphones.

### Key indicators' review

	31 Dec 2022	30 Sep 2022	31 Dec 2021	YoY % change	Quarterly % change
Customers <sup>4</sup> (thousand)	16 292	16 008	15 365	6.0%	1.8%
Data Customers <sup>5</sup> (thousand)	8 445	7 971	7 641	10.5%	5.9%
M-Pesa Customers <sup>6</sup> (thousand)	7 960	7 726	7 118	11.8%	3.0%
MOU per month <sup>7</sup>	286	288	246	16.3%	(0.7%)
Total ARPU <sup>8</sup> (shillings per month)	5 558	5 466	5 154	7.8%	1.7%

Our sustained investment into the network combined with accelerated commercial initiatives, delivered good traction in customer metrics, with 6.0% base growth to 16.3 million. Our Customer Value Management (CVM) and machine learning platforms continued to play pivotal roles in delivering value to our customers through differentiated offerings, attracting and retaining customers on our network. Our commercial efforts resulted in a 7.8% total ARPU increase, mainly supported by strong revenue growth in data and M-Pesa. This was a particularly pleasing outcome given the pressure on consumer disposable income. Voice performance was impacted by ongoing price declines as a result of market competition, despite a 16.3% increase in minutes of use (MoU).

Strong performance in data continued to support the overall business performance. Active data customers increased 10.5% to 8.4 million, with usage per customer increasing 13.6% to 2.0 gigabyte. Data traffic increased a healthy 25.5%, supported by demand for data services as we extended our 4G data coverage footprint and increased smartphones availability. At the end of the quarter we had 2 261 total 4G sites, an increase of 324 sites year-on-year. Our 5G sites count reached 170, an increase of 107 sites during the quarter. Our smartphone users reached 5.0 million, an increase of 26.5%, with 59.4% penetration to data customers, representing a 7.5pp year-on-year improvement. As the first operator to commercially launch 5G network in the country, and supported by our strategic allocation of spectrum resources, we are geared towards empowering our customers with superfast internet to homes, workplaces and on-the-go to support modern digital lifestyles.

Our M-Pesa business continued its steady recovery mainly driven by new growth services comprising of financial services, international money transfers and merchant services. The year-to-date value of traditional peer-to-peer (P2P) transactions was still 13.5% lower than prior year, while the value of transactions in the new growth areas reflected an exceptional increase of 178.1%. For the quarter, P2P transaction value increased by 21.0%, while the values for the new growth areas increased by 191.1%. The overall value of M-Pesa transactions grew 7.1% year-to-date, while for the quarter the value was up 33.4%. Our M-Pesa base reached 8.0 million, 11.8% year-on-year growth, the highest base in over 18 months' period. Strong commercial execution in accelerating the transformative services has played a significant role in driving customer recovery and ARPU. We look forward for a further recovery in the next quarter.

### Regulatory matters

#### 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 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 include withdrawals and transfers through banks which were earlier excluded. The levy, which was previously only chargeable on mobile transactions, also became applicable to transfers between mobile accounts, bank accounts and across mobile and bank accounts. For withdrawals, the levy was extended to capture withdrawals from automated teller machines (ATMs).
- **1 October 2022:** through a special supplement to the National Payment System (Electronic Money Transactions levy) (Amendment Regulations) the maximum levy chargeable was set at TZS2 000, equivalent to 20% of the levy charged at introduction. This levy is still applicable to date.

#### Spectrum Auction

On 11 October 2022, the TCRA convened a spectrum auction of International Mobile Telecommunication spectrum frequencies. 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 700MHz, the two blocks of 2300MHz and one block of 2600MHz (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.

### Historical key indicators

	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021
Customers <sup>4</sup> (thousand)	16 292	16 008	15 595	15 368	15 365
Data Customers <sup>5</sup> (thousand)	8 445	7 971	7 460	7 603	7 641
M-Pesa Customers <sup>6</sup> (thousand)	7 960	7 726	7 445	6 833	7 118
MOU per month <sup>7</sup>	286	288	260	237	246
Total ARPU <sup>8</sup> (shillings per month)	5 558	5 466	5 044	4 797	5 154

The quarterly information has not been audited or reviewed by the Group's external auditors.

### Trademarks

Vodafone, the Vodafone logo, Vodafone Mobile Broadband, Vodafone WebBox, Vodafone Passport, Vodafone live!, Power to You, Vodacom, Vodacom 4 Less and Vodacom Change the World 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 update which sets out the quarterly results for Vodacom Tanzania Public Limited Company for the three months ended 31 December 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 of 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 businesses by governments in the countries 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'. 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 will occur in the future, involve known and unknown risks, uncertainties and other facts or factors which may cause the actual results, performance or achievements of the Group, or its industry to be materially different from any results, performance or achievement expressed or implied by such forward-looking statements. Forward-looking statements are not guarantees of future performance and are based on assumptions regarding the Group's present and future business strategies and the environments in which it operates now and in the future.

All subsequent oral or written forward-looking statements attributable to the Group or any member thereof or any persons acting on their behalf are expressly qualified in their entirety by the cautionary statements above and below. Vodacom expressly disclaims any liability in respect of the content of any forward looking statement and also expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein or to reflect any change in their expectations with regard thereto or any change in events, conditions or circumstances on which any such forward-looking statement is based.

- 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.
- Active data customers are based on the number of unique users generating billable data traffic during the month. Also included are users on integrated tariff plans, or who have access to corporate APNs, and users who have been allocated a revenue generating data bundle during this month. A user is defined as being active if they are paying a contractual monthly fee for this service or have used the service during the reported month.
- M-Pesa customers are the number of unique customers who have generated billable transactions during the month. In the past 3 months, 10.8 million unique customers generated revenue related to M-Pesa.
- 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 228 (2021: 198).
- Total ARPU is calculated by dividing the average monthly service revenue during the period by the average monthly active customers.