

Safaricom Limited

Summarised Unaudited Results for the Six Months period ended 30th September 2008

Profit and Loss Kshs 000s	Six months to 30-Sep-08	Six months to 30-Sep-07	% Change
Revenue	34,508,048	28,649,801	20.4%
Cost of sales	(15,309,040)	(12,128,280)	26.2%
Gross Profit	19,199,008	16,521,521	16.2%
Operating expenses (selling, distribution, administration and other expenses)	(9,523,789)	(7,560,977)	27.3%
Operating Profit	9,575,219	8,960,544	6.8%
Financing costs	(597,089)	1,575,237	-137.9%
Profit before tax	8,978,130	10,535,781	-14.8%
Income tax expense	(2,759,386)	(3,247,102)	-15.0%
Profit for the period	6,218,744	7,288,679	-14.7%
Gross Margin	44.4%	42.3%	
Proposed dividend	-	-	
Earnings per share for profit attributable to the equity holders of the company - basic (KShs per share)	0.155	0.182	-14.7%
Dividend per share for profit attributable to the equity holders of the company - basic (KShs per share)	-	-	

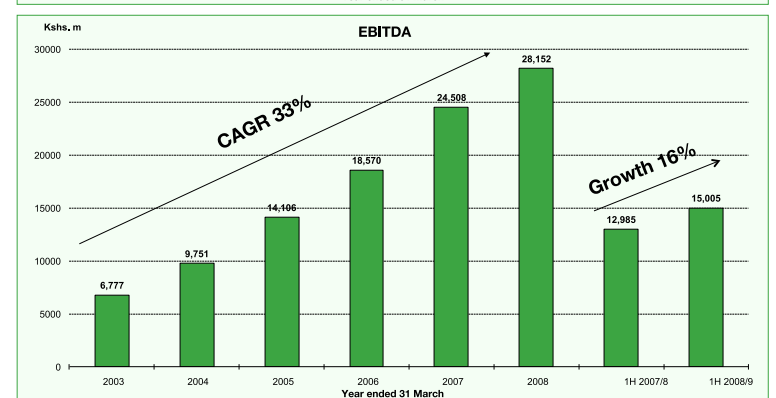
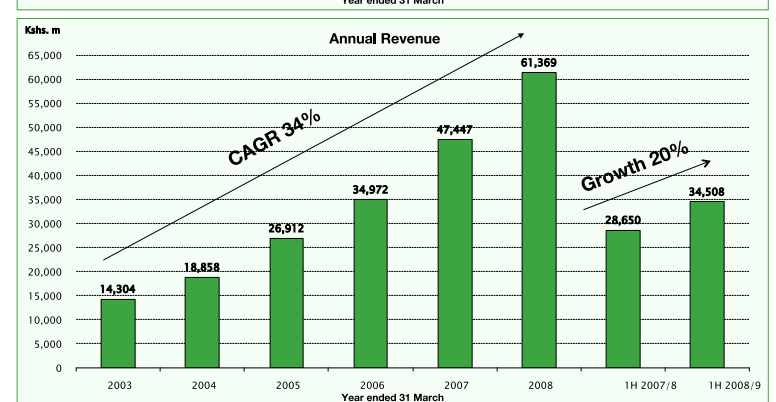
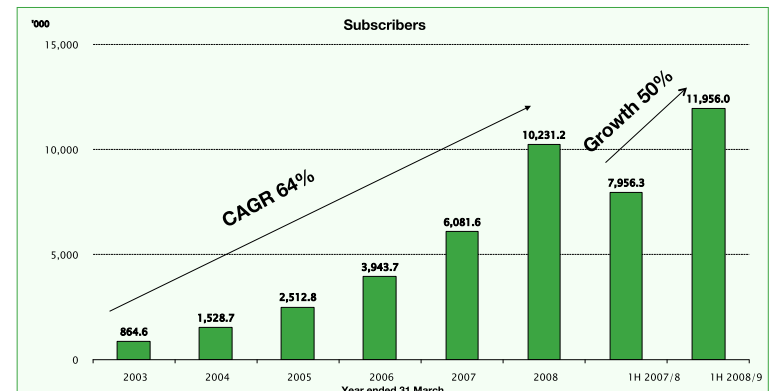
Balance Sheet Kshs 000s	At 30 September 2008	At 31 March 2008	% Change
Capital Employed			
Shareholders Funds	46,859,337	42,642,593	
Non Current Borrowings	5,760,000	6,480,000	
	52,619,337	49,122,593	7.1%
Represented by			
Non Current Assets	66,455,348	61,478,875	8.1%
Current Assets:			
Inventories	2,006,393	2,284,180	
Receivables and prepayments	7,925,530	5,068,749	
Current income tax	583,861	-	
Derivative financial instruments	105,060	-	
Cash and cash equivalents	2,844,551	5,534,509	
	13,465,395	12,887,438	4.6%
Current Liabilities			
Payables and accrued expenses	24,156,644	22,417,631	
Current income tax	3,144,762	107,041	
Borrowings	27,301,406	25,243,720	8.2%
	(13,836,011)	(12,356,282)	7.1%
Net current liabilities	52,619,337	49,122,593	

Cash flow statement Kshs 000s	Six months to 30-Sep-08	Six months to 30-Sep-07	% Change
Operating activities			
Cash generated from operations	13,742,947	13,707,531	
Interest received/(paid)	(282,431)	1,107,544	
Income tax paid	(3,812,438)	(3,987,988)	
Net cash from operating activities	9,648,079	10,827,187	-10.9%
Investing activities	(10,043,751)	(12,796,653)	-21.5%
Financing activities	(2,294,286)	-	
Net movement in cash and cash equivalents	(2,689,958)	(1,969,466)	
Movement in cash and cash equivalents			
At start of year	5,534,509	5,887,692	
Decrease	(2,689,958)	(1,969,466)	
At end of the period	2,844,551	3,918,226	

Statement of changes in equity Kshs '000s	Share capital	Share premium	Retained earnings	Dividends	Total
Six months ended 30 September 2007	1	3,849,999	24,939,307	4,000,000	32,789,307
At start of period	-	-	7,288,679	-	7,288,679
Profit for the period	-	-	-	(4,000,000)	(4,000,000)
Dividend declared	-	-	-	-	-
At end of period	1	3,849,999	32,227,986	-	36,077,986
Year ended 31 March 2008	1	3,849,999	24,939,307	4,000,000	32,789,307
At start of year	1,999,999	(1,999,999)	-	-	-
Bonus issue of shares	2,000,000	1,850,000	24,939,307	4,000,000	32,789,307
Profit for the year	-	-	13,853,286	-	13,853,286
Dividends:					
- Paid for 2007	-	-	-	(4,000,000)	(4,000,000)
- Declared for 2008	-	-	(2,000,000)	2,000,000	-
At end of year	2,000,000	1,850,000	36,792,593	2,000,000	42,642,593
Period ended 30 September 2008	2,000,000	1,850,000	36,792,593	2,000,000	42,642,593
At start of year	2,000,000	1,850,000	36,792,593	2,000,000	42,642,593
Profit for the period	-	-	6,216,744	-	6,216,744
Dividends:					
- Paid for 2008	-	-	-	(2,000,000)	(2,000,000)
At end of the period	2,000,000	1,850,000	43,009,337	-	46,859,337

Key highlights of the six months ended 30 September 2008

- The subscriber base increased by 50.3% over prior year position of 7,956m to close at 11,956m
- Market share now stands at 81%
- Turnover increased by 20.4% to Kshs 34,508 bn compared to Kshs 28,650bn in September 2007.
- EBITDA increased by 15.8% over prior year to Kshs 15,0 bn
- Profit before tax decreased by 14.8%. In prior year numbers there was interest charged on interconnect debt of Kshs 1,202bn which was paid by Telkom Kenya Limited and a one off unrealised foreign currency gain of Kshs 553m due to the revaluation of dollar denominated Shareholder loans
- Strong growth in the M-PESA service with over 4m registered users
- Capital expenditure spend in the period to 30 September 2008 is Kshs 10bn
- Increased geographical footprint of the Safaricom network across the country
- Acquisition of One Communication Limited, a Wimax service provider for USD 2.6m. The contract precedents were fulfilled on 14 October 2008



Commentary on results

The Board of Directors is pleased to announce the unaudited results for the six months to 30 September 2008. In preparing the results, the same accounting policies and methods of computation have been used as were in the last financial statements. The six months saw an increase in the number of subscribers with the base growing to 11,956 m as at 30 September 2008. In order to cope with this growth, the company continued to invest heavily in the expansion of network infrastructure. In the half year ended 30th September 2007 there was a one off interest receivable amount of Kshs1.202bn representing interest charges to Telkom Kenya Limited, and a one off unrealised foreign currency gain of Kshs553m due to the revaluation of dollar denominated Shareholder loans. Eliminating the effect of these, the increase in Profit Before Tax would be 2.2%

Capital expenditure

Capital expenditure in the six months rose significantly with a further investment of Kshs 10 billion to bring the total capital expenditure from inception to Kshs 106 billion. To finance this expansion, the company has continued to reinvest all internally generated cash. Total borrowings as at 30 September 2008 stood at Kshs 8.9 billion.

Taxation

The company continues to be a major contributor to the revenues of the government and during the six months paid a total of Kshs 12 billion in duties, taxes and license fees. The total duties, taxes and fees paid since launch has now exceeded Kshs 98.9 million.

Dividends

The directors do not approve payment of an interim dividend.

Nicholas Nganga

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Chairman