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SAFARICOM LIMITED ANNOUNCES AUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 2016.

KEY HIGHLIGHTS

Delivering on strategy continues to grow our revenues with continued significance in non-voice revenues

- Service revenue growth of 13.8% to Kshs 177.8bn.
- 7.8% increase in total customer base to 25.2m.
- Voice service revenue grew by 3.9% to Kshs 90.8bn.
- Messaging (SMS) revenue grew by 10.6% to Kshs 17.3bn.
- M-PESA revenue increased by 27.2% to Kshs 41.5bn.
- 19.8% increase in 30 day active M-PESA customers to 16.6m.
- 42.7% growth in mobile data revenue to Kshs 21.2bn.
- 21.5% increase in 30 day active mobile data customers to 14.1m.
- Fixed service revenue growth of 22.0% to Kshs 3.8bn.

Strong financial and commercial performance

- 16.7% growth in EBITDA to Kshs 83.1bn with an EBITDA margin of 44.6[1] – up 0.9ppt.
- Net Income increased by 19.6% to Kshs 38.1bn.
- Free Cash Flow up 10.3% to Kshs 30.4bn attributed to favorable trading results.

Bob Collymore, Safaricom Limited CEO commented:

"Our continued focus on the three strategic pillars; putting customers' first, providing relevant products and enhancing operational excellence, has resulted in an 8% growth of our loyal customer base generating strong financial and commercial performance.

We have realigned our sales and operations teams to be independently managed in six regions, with the sales teams and network teams in each region reporting to that region's head. The focus by the teams on the ground, plus the Kshs 32.1bn investment in the network, has led to improved data speeds and voice network quality. Independent drive tests commissioned by Safaricom in March 2016 to measure key quality metrics such as dropped calls, call set-up success, voice quality and data speeds, show that our network delivers the best voice quality and faster data services than our competitors.

Mobile penetration in Kenya now stands at 87.7%[2] as at 31 December 2015 with Safaricom having a subscriber market share of 64.7%[2]. Our share reduced from 67% in that quarter due to a change in internal reporting policy which aligned our customer number reporting methodology to be similar to our competitors. We now report total customers as those that contributed to revenue in the last 90 days, which essentially removed 1.7m inactive customers from our count.

Service revenue for the year grew by 13.8% to Kshs 177.8bn, and our second half grew by 15.2%. Voice revenue grew by 3.9% to Kshs 90.8bn representing 51.1% of service revenue. Non-voice revenue grew by 26.3% and now represents 48.9% of service revenue up from 44.1% last year.

Messaging revenue grew by 10.6% to Kshs 17.3bn due to an increase in the number of SMS users benefiting from affordable SMS bundles and relevant promotions.

Mobile data revenue grew at 42.7% driven by a combination of a 21.5% increase in 30 day active mobile data customers to 14.1m, an increased uptake of data bundles and a growth in smartphone penetration. In March 2016 we had 7.9m customers on 3G and 4G enabled devices, of which 0.7m are 4G handsets.

M-PESA revenue grew by 27.2% to Kshs 41.5bn driven by a 19.8% growth in 30 day active M-PESA customers to 16.6m and a 17.5% growth of our M-PESA agent footprint to 100,744. Lipa Na M-PESA payments made at 44,000 merchant outlets in March grew by 74% to Kshs 20bn.

Fixed service revenue grew by 22% to Kshs 3.8bn on account of increased number of fixed customer users to 10,490 up 21.6%. We now have 1,018 commercial buildings connected to high speed fibre as well as 1,795 homes.

Contribution margin improved by 1.1ppt to 66.7% attributed to lower growth of direct costs at 10.0% compared to a 14.1% growth in total revenue excluding construction revenue.

Operating expenses as a percentage of total revenue excluding construction revenue was unchanged at 22.1% despite a 9.8% depreciation of the Kenya shilling. We will continue to explore cost reduction opportunities with current efforts focused on lowering transmission costs, network operating costs (including fuel) and IT operational costs.

Once again the business has delivered encouraging results and has continued to create value for our shareholders, supported by growth across all our revenue streams and focus on cost efficiency resulting in an EBITDA margin 44.6[1], a 0.9ppt improvement.

Free Cash Flow grew by 10.3% to Kshs 30.4bn despite the significant supplier payments for the National Police Security Network.

As highlighted in the first half of the financial year, as per International Accounting Standards, we have reported Construction revenue which relates to the construction of the National Police Security Network (NPS). This revenue is a provision based on percentage completed, and has not completed the customer acceptance process nor been billed to the customer. Similar costs have been reported under direct costs and therefore there is no impact to profit. The acceptance process is ongoing with billing expected in by June 2016 upon receipt of the acceptance certificate from the Ministry on Interior and National Coordination.

In light of the strong financial performance in the past year, the Board recommends a dividend of Kshs 0.76 per share – an increase of 18.9%. Pending approval by shareholders we will pay out a dividend of Kshs 30.48bn, which represents 80% of our net income, for the year ended 31 March 2016.

FY17 Guidance

We expect our EBITDA for FY17 to be in the range of Kshs 89bn to 92bn, and capital expenditure to be in the range of Kshs 32bn to 33bn.

Strategic Priorities

We will continue to endeavor to transform the lives of Kenyans by delivering on our strategy.

Our Strategy is guided by the three strategic pillars of putting our customers' first, providing relevant products and enhancing excellence in our operations. We continue to ensure our customers have the best network through expansion, upgrades and quality improvement by building more 2G, 3G and 4G sites, upgrading our WiMAX sites and rolling out our own fiber to more buildings and homes.

We will leverage our regional operations structure to understand our customers' needs and aspirations even better. This will be critical in developing and offering our customers relevant propositions to build trust and grow the loyal base in addition to offering products and services that truly meet their needs and expectations.

Our loyal customer base continues to grow both in numbers and needs. This creates more opportunities for the business to innovate and develop specific propositions for the various customer segments. We shall continue to embed a segment approach to marketing in the organization.

Data remains our fastest growing revenue stream and we are focused on growing it further through accelerating smartphone penetration, growing 3G and 4G users, offering relevant content, driving adoption of data bundles and owning the home through our affordable 4G home broadband (the big box) and fiber to the home solutions.

M-PESA continues to be our key platform to drive financial inclusion. We will drive the growth of savings and loans, grow cashless payments for businesses through M-PESA and launch new innovative products.

Sustainability

Last year KPMG finalized a 'True Value' assessment to better understand and quantify Safaricom's value creation for Kenyan society in FY15, over and above the financial value we created for our shareholders. They identified that Safaricom generated societal value for Kenya which is at least nine times greater than our financial profit in FY15. This translated to additional economic activity amounting to Kshs 315bn that was created due to the revenue generated by Safaricom, the equivalent of 6% of Kenya's GDP. In the last year, the company created 4,251 direct jobs and 108,000 indirect jobs.

Safaricom is a Kenyan company that is heavily invested in the continued growth of the innovation eco-system in Kenya. We have created opportunities for partnerships with young entrepreneurs, small businesses and large enterprises. Beyond these commercial initiatives, Safaricom is increasingly driving an Open Business agenda that has seen us cut ties with any suppliers that have not signed up to Anti-Corruption policy.

Through our Foundations, we have committed Kshs 3bn over the last 15 years, the focus being on education, health and financial services. The M-PESA Foundation Academy, which started operations this year, will provide 97 children with the ability to access high quality education in the first year but growing to almost 1,000 when the school is completed."

Notes:

1. EBITDA margin is calculated on total revenue **excluding** construction revenue
2. CA December 2015 Sector Statistics Report
3. For year on year comparative purposes: all margins are calculated on total revenue **excluding** construction revenue

News Release

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Key indicators and summary financial information

The following are the key highlights of the results compared to the prior period ended 31 March 2015:

Key Performance Indicators	31-Mar-16	31-Mar-15	% Increase/ (Decrease)
Total customers (m)	25.16	23.35	7.75
Total customer ARPU**	597.71	586.93	1.84
30 day active customers (m)	22.06	19.36	13.95
30 day active customer ARPU**	713.60	699.63	2.00
Churn (%)*	22.29	17.25	5.04
Voice			
30 day active voice customers (m)	20.30	18.69	8.61
30 day active voice customer ARPU**	388.48	401.56	(3.26)
Voice ARPU(based on total customers)	305.42	328.33	(6.98)
M-PESA			
M-PESA registered customers (m)	23.65	20.63	14.64
Number of M-PESA agents	100,744	85,756	17.48
30 day active M-PESA customers (m)	16.60	13.86	19.77
30 day active M-PESA ARPU**	221.68	209.08	6.03
Mobile Data			
30 day active mobile data customers (m)	14.08	11.59	21.48
30 day active mobile data ARPU**	130.44	110.11	18.46
SMS			
30 day active SMS customers (m)	15.23	13.35	14.08
30 day active SMS customer ARPU**	98.35	100.21	(1.86)
SMS ARPU (based on total customers)	58.11	58.72	(1.04)
Fixed Service			
30 day active Fixed data customers	10,490	8,624	21.64
30 day active Fixed Service ARPU**	34,007	32,639	4.19
Base Stations			
2G base stations	3,800	3,382	12.36
3G base stations	2,517	1,943	29.54
4G base stations	467	236	97.88
U900 Sites	1,913	430	>100

*In H2 FY16 we changed the way we report total customers: from 220 days since last top-up to those customers which contributed revenue in the last 90 days.

** ARPU is in Kshs

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Condensed consolidated statement of comprehensive income

Kshs bn	31-Mar-16	31-Mar-15	% Increase/ (Decrease)
Voice revenue	90.80	87.37	3.93
Voice- Outgoing	83.66	81.19	3.04
Voice- Incoming	7.14	6.18	15.53
M-PESA revenue	41.50	32.63	27.18
SMS revenue	17.33	15.67	10.59
Mobile data revenue	21.15	14.82	42.71
Fixed service revenue	3.82	3.13	22.04
Other service revenue	3.18	2.63	20.91
Service Revenue	**177.78**	**156.25**	**13.79**
Handset revenue and other revenue	8.62	7.11	21.24
Construction revenue	9.28	-	-
Total Revenue	**195.68**	**163.36**	**19.78**
Other Income	0.23	0.58	(60.34)
Direct costs	(62.30)	(56.71)	9.86
Construction costs	(9.28)	-	-
Contribution margin	**124.33**	**107.23**	**15.95**
Contribution margin %	*66.70%*	*65.64%*	*1.06ppt*
Operating costs	(40.99)	(35.96)	13.99
Forex Loss on trading activities	(0.27)	(0.08)	>100
Opex & forex loss % service revenue	*22.14%*	*22.06%*	*0.08ppt*
EBITDA	**83.07**	**71.19**	**16.69**
*EBITDA margin %**	*44.56%*	*43.58%*	*0.98ppt*
Depreciation, impairment & amortisation	(27.94)	(25.57)	9.27
Net financing income	0.51	0.22	>100
Forex gain on cash and cash equivalents	0.39	0.21	85.71
Share of associate profit/(loss)	0.10	-	-
Fair value loss on investment property	(0.37)	-	-
Asset purchase gain	-	0.11	-
Earnings Before Taxation	**55.76**	**46.16**	**20.80**
Taxation	(17.66)	(14.28)	23.67
Net Income	**38.10**	**31.87**	**19.55**
Dividend per share	0.76	0.64	**18.75**

* For year on year comparative purposes: All margins are calculated on total revenue **excluding** construction revenue

News Release

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Condensed consolidated statement of financial position

Kshs bn	**As at 31-Mar-16**	**As at 31-Mar-15**	**% Increase/ (Decrease)**
Equity and non-controlling interest	116.74	104.28	11.95
Borrowings	-	0.49	-
Capital employed	**116.74**	**104.77**	**11.43**
Non-current assets	**129.24**	**124.37**	**3.92**
Current Assets			
Inventories	0.82	8.26	(90.07)
Receivables and prepayments	20.62	10.30	100.19
Restricted cash	2.39	2.11	13.27
Cash and cash equivalents	6.11	11.92	(48.74)
	29.94	**32.59**	**(8.13)**
Current liabilities			
Payables and accrued expenses	40.07	41.42	(3.26)
Current income tax	2.37	0.62	<100
Borrowings	-	10.15	-
	42.44	**52.19**	**(18.68)**
Net current liabilities	(12.50)	(19.60)	36.22
Net assets	**116.74**	**104.77**	**11.43**
Gross gearing (gross borrowing) % Capital employed	-	10.16%	-

- Decrease in inventories as a result of reallocating Kshs 9.28bn of unbilled costs relating to the National Police Security Network to receivables.
- Included in capital employed is Kshs 30.48bn for proposed dividends due for payment by December 2016 if approved by shareholders at the AGM.
- Reduction in cash after repayment of the term borrowings resulting into zero gearing.

Net Cash Position

Kshs bn	As at 31-Mar-16	As at 31-Mar-15	% Increase/ (Decrease)
Cash and cash equivalents	6.11	11.92	(48.74)
Restricted cash	2.39	2.11	13.27
Bank and other borrowings	-	(10.15)	-
Long term borrowing	-	(0.49)	-
Total net cash/(debt)	**8.50**	**3.39**	**150.74**

Free Cash flow

Kshs bn	As at 31-Mar-16	As at 31-Mar-15	% Increase/ (Decrease)
EBITDA	**83.07**	**71.19**	**16.69**
Working capital movement	(4.23)	3.66	<100%
Capital Additions	(33.34)	(33.70)	(1.56)
Operating free cash flow	**45.50**	**41.15**	**9.87**
Net Interest received	0.51	0.22	>100%
Taxation paid	(15.65)	(13.85)	13.00
Free cash flow	**30.36**	**27.52**	**10.32**

- Increase in both net cash and operating free cash flow due to favorable trading results.
- Increase in tax paid in line with the improved trading results.