



Safaricom Limited

FY14 Presentation

12th May 2014



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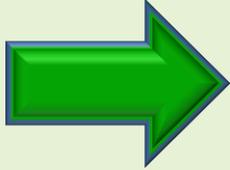
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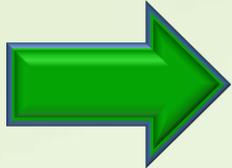
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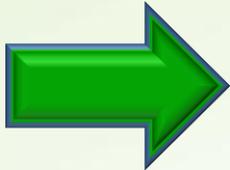
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FY14 Highlights



FY14 Financial Review



Strategic Focus and Guidance

FY14 Highlights

- Strong commercial and financial performance across all segments and metrics
- Continued investment and innovation in network and services
 - Capex investment of Kshs 27.8bn, up 12%
 - Significant improvements in voice and data service quality based on our ongoing Best Network in Kenya program
 - 770 km of nationwide metro fibre completed, 640 km ongoing
 - 122,000 Lipa na M-PESA merchants recruited; 24,137 actively using the service
- Strong growth of 28% in non-voice service revenue, now 36% of total revenue
- Reinforced position as Kenya's most admired brand, with an overall equity score of 85% and a Kenyan resonance score of 94%*
- Great progress on our initiatives to transform lives, especially in financial inclusion

* Internally commissioned research performed by Millward Brown



Strong financial performance

TOTAL REVENUE



+16% to Kshs 144.7bn

VOICE SERVICE REVENUE



+12% to Kshs 86.3bn

NON-VOICE SERVICE REVENUE
(SMS, BROADBAND & M-PESA)



+28% to Kshs 52.1bn

EBITDA



+24% to Kshs 60.9bn

NET PROFIT AFTER TAX



+31% to Kshs 23.0bn

FREE CASH FLOW



+56% to Kshs 22.7bn

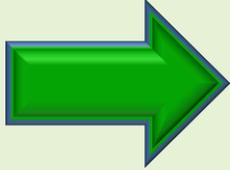
PROPOSED DIVIDEND PER SHARE



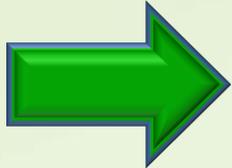
+52% to Kshs 0.47



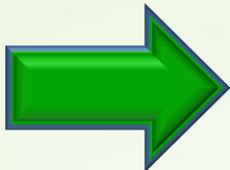
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FY14 Highlights



FY14 Financial Review

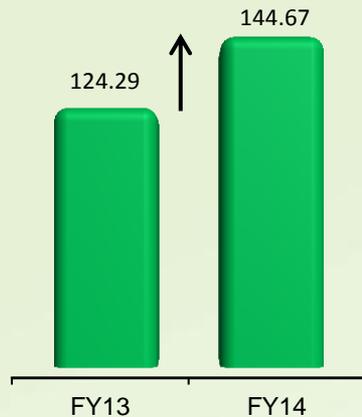


Strategic Focus and Guidance

Delivering on strategy: Strong financial results

Total revenue Kshs. Billion

+16.4%



More customers using Safaricom products and services

Increasing ARPUs across Voice, SMS and M-PESA

EBITDA Kshs. Billion

+23.8%

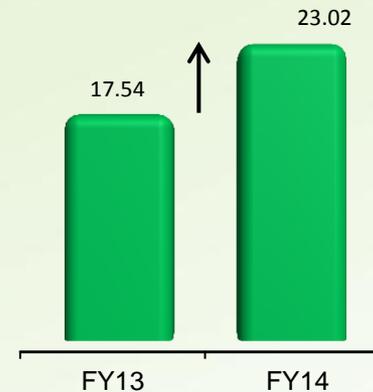


16.4% growth in revenue whilst containing overall cost growth at 11.6%

Robust EBITDA margin at 42.1% - up 2.5ppt

Net income Kshs. Billion

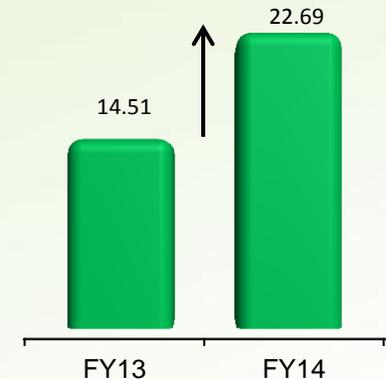
+31.2%



Driven by improved EBITDA and lower financing costs, partly offset by accelerated depreciation (non-cash)

Free cash flow Kshs. Billion

+56.4%



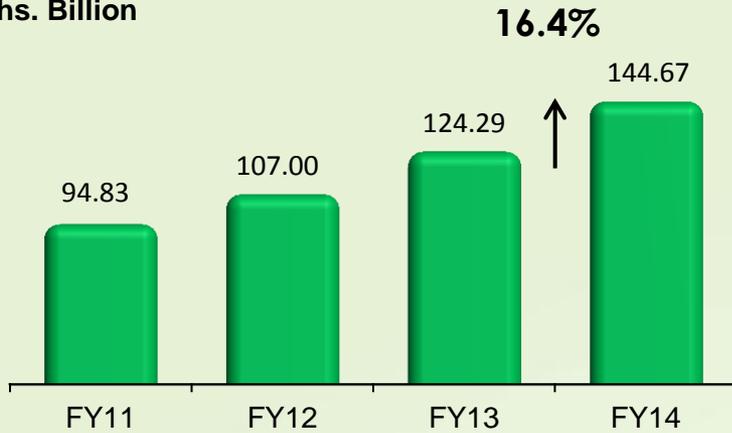
Positive impact of increase in EBITDA and positive working capital



Strong revenue growth in the period

FY14 Total revenue

Kshs. Billion

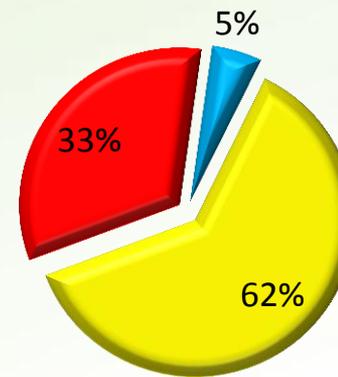


- 16.4% growth in total revenue
- 11.1% growth in customer base to 21.6m customers (19.4m in FY13)
- Voice service revenue growth of 11.6% and non-voice service revenue growth of 27.8%

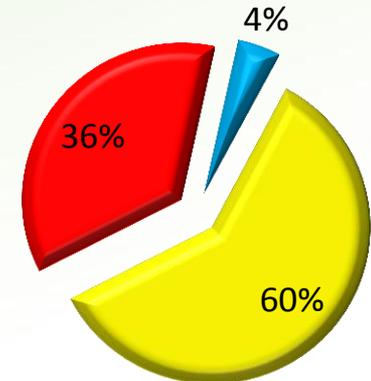
Total revenue breakdown

Kshs. Billion

FY13



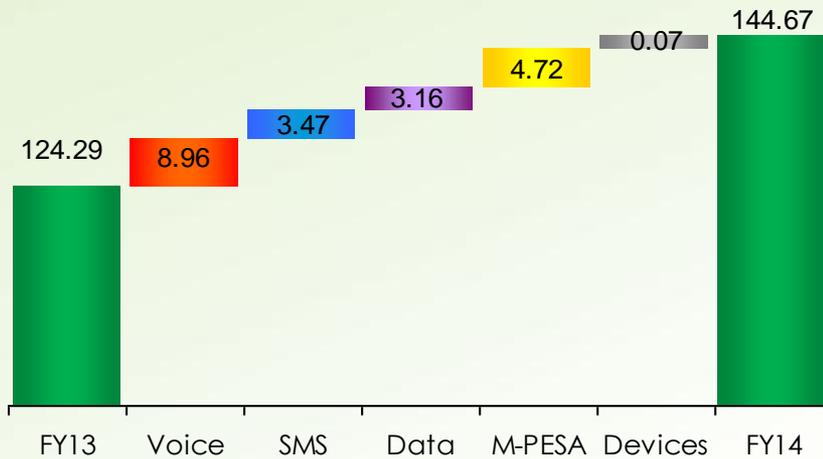
FY14



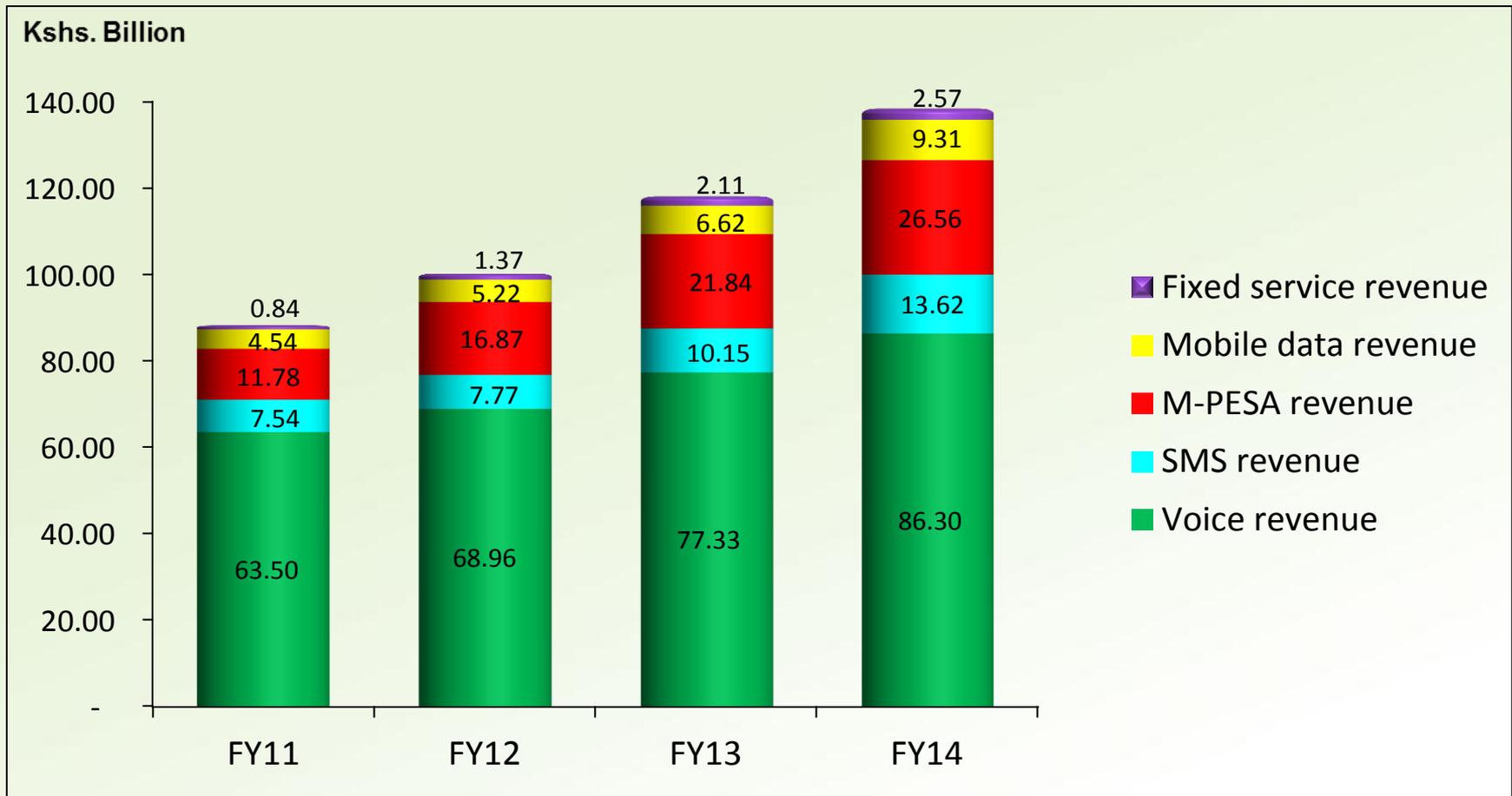
■ Voice ■ Non-voice ■ Devices

Total revenue growth

Kshs. Billion



Service revenue: Growth across all segments



Lowest retail prices & MTR rate in sub-Saharan Africa

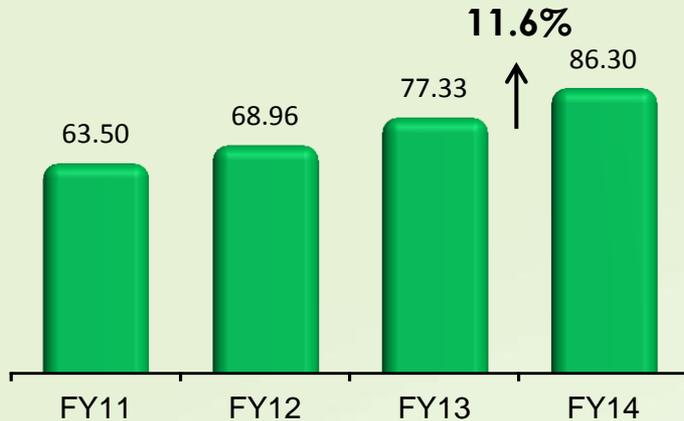
Country	Prepay Retail Price per Minute (US c)	MTR (US c)
Kenya	\$0.04	\$0.013
Angola	\$0.04	
Ghana	\$0.05	\$0.014
Rwanda	\$0.05	\$0.032
Nigeria	\$0.06	\$0.030
Gambia	\$0.07	\$0.013
Tanzania	\$0.10	\$0.020
Uganda	\$0.12	\$0.040
Madagascar	\$0.12	
Namibia	\$0.12	\$0.019
Benin	\$0.13	\$0.123
Burundi	\$0.13	\$0.031
Mozambique	\$0.13	\$0.064
South Africa	\$0.14	\$0.023
Guinea Bissau	\$0.15	

Country	Prepay Retail Price per Minute (US c)	MTR (US c)
Congo	\$0.16	\$0.040
Burkina Faso	\$0.16	\$0.099
Botswana	\$0.16	\$0.033
Cote D'ivoire	\$0.17	\$0.053
Malawi	\$0.17	\$0.083
Central African Republic	\$0.19	
Cameroon	\$0.19	\$0.053
Togo	\$0.21	\$0.111
Lesotho	\$0.21	\$0.044
Mali	\$0.22	\$0.026
Chad	\$0.26	
Gabon	\$0.30	\$0.064
Cape Verde	\$0.37	
Liberia	\$1.71	\$0.151

Source: Mobile Africa Tariff Tracker, March 2014

Voice: Sustained growth momentum

Voice service revenue
Kshs. Billion



Total customers
Million

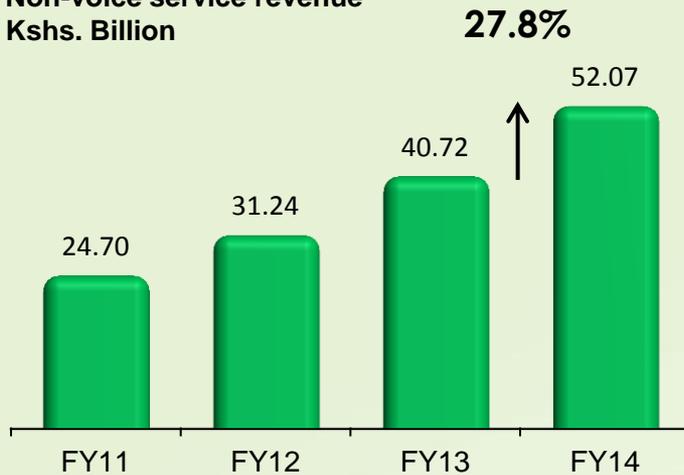


- 11.6% growth in voice service revenue
- Improved prepay airtime distribution
 - Top-up cards distributed to over 258,303 retail outlets and 40 own retail shops
 - 34.0% of airtime top-ups directly through M-PESA
- 36% increase in emergency top ups (*Okoa Jahazi*)
- Average blended rate per minute is Kshs 2.88 for national outgoing calls*
- 2.6% increase in outbound (on/off net) calling time to 98.2 minutes per customer per month
- 9.0% decrease in inbound calling time to 12.8 minutes per customer per month

*On top of which 16% VAT and 10% excise duty is levied

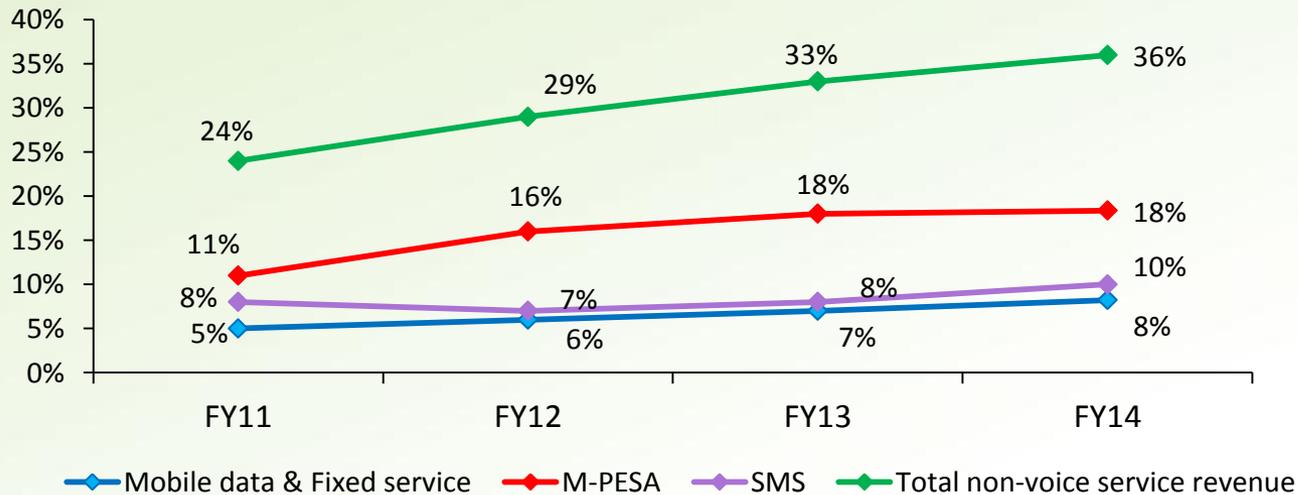
Strong growth in non-voice service revenue

Non-voice service revenue
Kshs. Billion



- Non-voice service revenue grew 27.8% - Now 36% of total revenue
- Driven by increased customers and usage
- Revenue growth of:
 - SMS +34.2%
 - Mobile data +40.6%
 - Fixed service +21.8%
 - M-PESA +21.6%

Data/M-PESA/SMS contribution to total revenue



M-PESA: Driving financial inclusion

M-PESA revenue
Kshs. Billion



- 21.6% growth in M-PESA revenue, driven by:

- 15.4% increase in 30 day active users to 12.2m
- 13.0% increase in registered customers to 19.3m

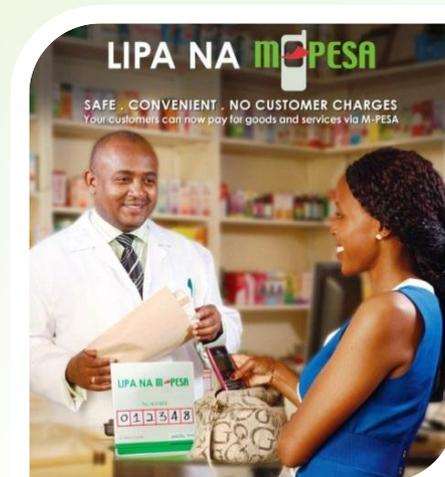
- Kshs 101.3bn of real time payments per month*

- Person to Person: Kshs 81.6 bn per month (16% growth)
- Person to Business: Kshs 11.0 bn per month (73% growth)
- Business to Person: Kshs 8.7 bn per month (70% growth)

- 15,478 (23.6%) M-PESA agent outlets added in the year; now 81,025 M-PESA agent outlets.

- 122,000 Lipa na M-PESA merchants recruited; 24,137 actively using the service

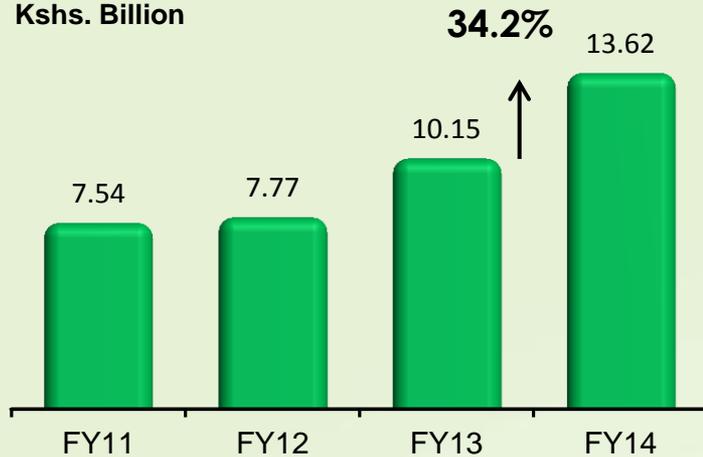
30-day active M-PESA customers
Million



*Average for April 2013 to March 2014

SMS: Attractive bundles and promos driving growth

SMS revenue
Kshs. Billion



- 34.2% growth in SMS revenue, driven by;

- Affordable SMS bundles, 66% growth in SMS bundle revenue to Kshs 2.5bn
- 129% growth in SMS usage per customer while average price per SMS declined by 64%
- SMS based promotion (Bonyeza)

SMS customers
Million



CONNECT ALL DAY, YOUR WAY
The new daily internet bundles now come with FREE SMS

FOR KSHS 5
GET 5MB
+ 5 SMS

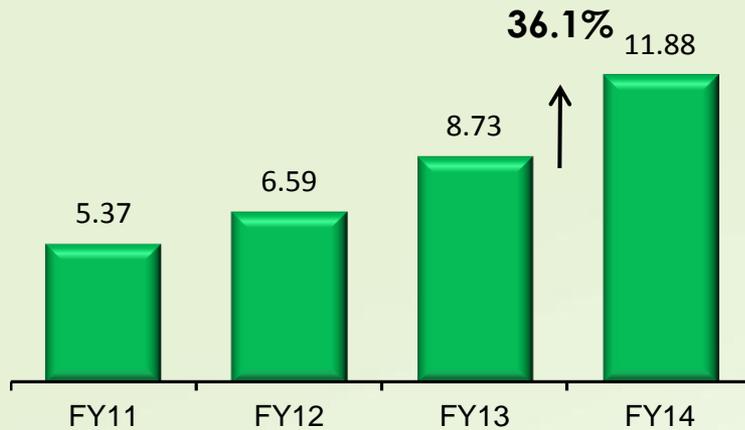
FOR KSHS 10
GET 10MB
+ 10 SMS

FOR KSHS 20
GET 20MB
+ 20 SMS

LIVE 24/7
Dial *544# & select daily internet bundles

Data: Customers, usage & devices driving growth

Mobile data & Fixed service revenue
Kshs. Billion



30-day active data customers
Million



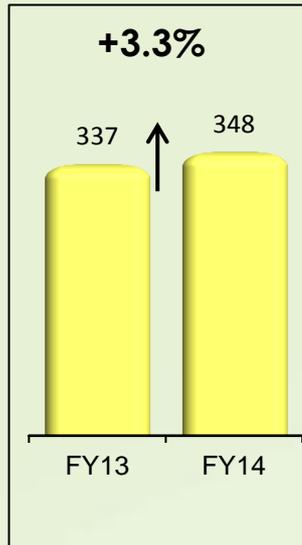
- Mobile data revenue growth of 40.6% driven by:
 - 34.1% growth in 30 day active mobile data users to 9.56m – now 44% of our customer base
 - 16.1% increase in mobile data usage per customer while average price per MB declined by 14.4%
 - 2.3m smartphones/tablets/dongles connected
- Fixed service revenue growth of 21.8%



Sustained ARPU growth

Voice

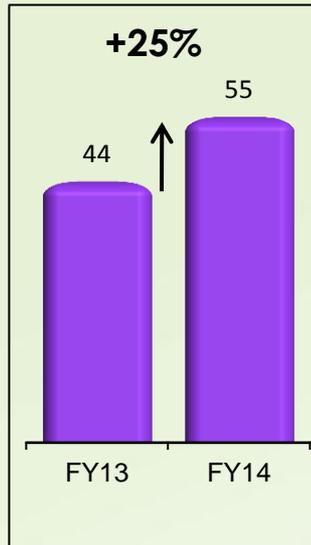
Kshs.



11.0% growth in customers and 3% increase in usage

SMS

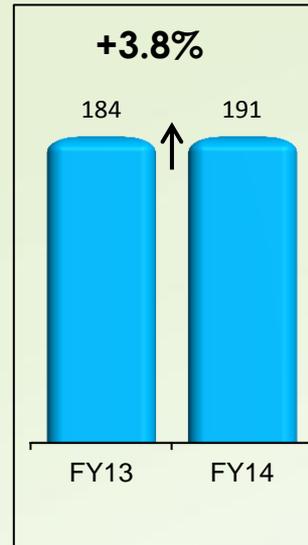
Kshs.



Increased usage driven by SMS bundles and campaigns (*Bonyeza Ushinde*)

M-PESA

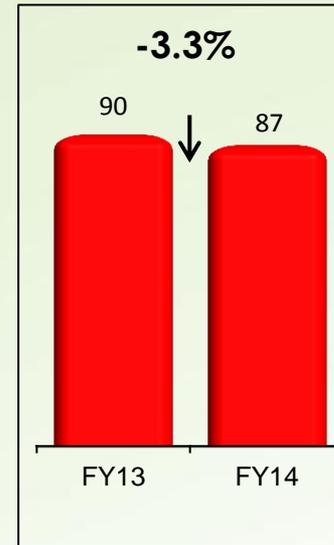
Kshs.



15.4% growth in 30 day active customers with minimal growth in chargeable transactions per customer holds ARPU almost flat

Mobile Data

Kshs.



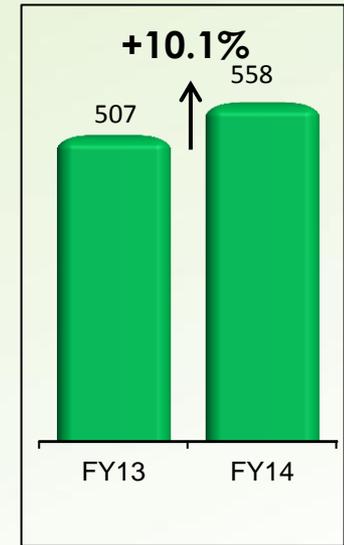
16.1% increase in mobile data usage

Average rate per MB declined by 14.4% to Kshs 1.21

34.1% growth in 30 day active customers

Service ARPU

Kshs.



10.1% increase in the year driven by growth in all service revenue lines

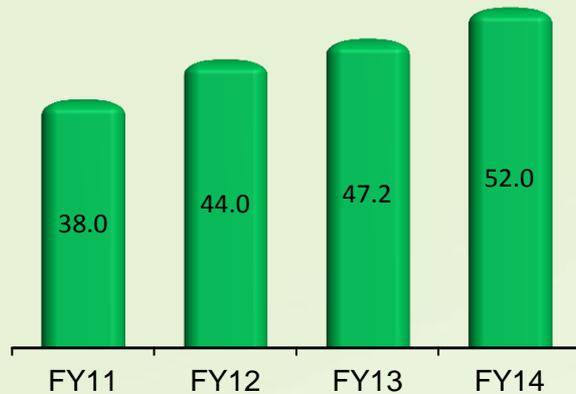
* Voice, SMS and Service ARPU are calculated based on total mobile customers

* M-PESA and Mobile Data ARPUs are calculated based on respective 30 day active customers

Direct cost control improves contribution margin

FY Direct costs

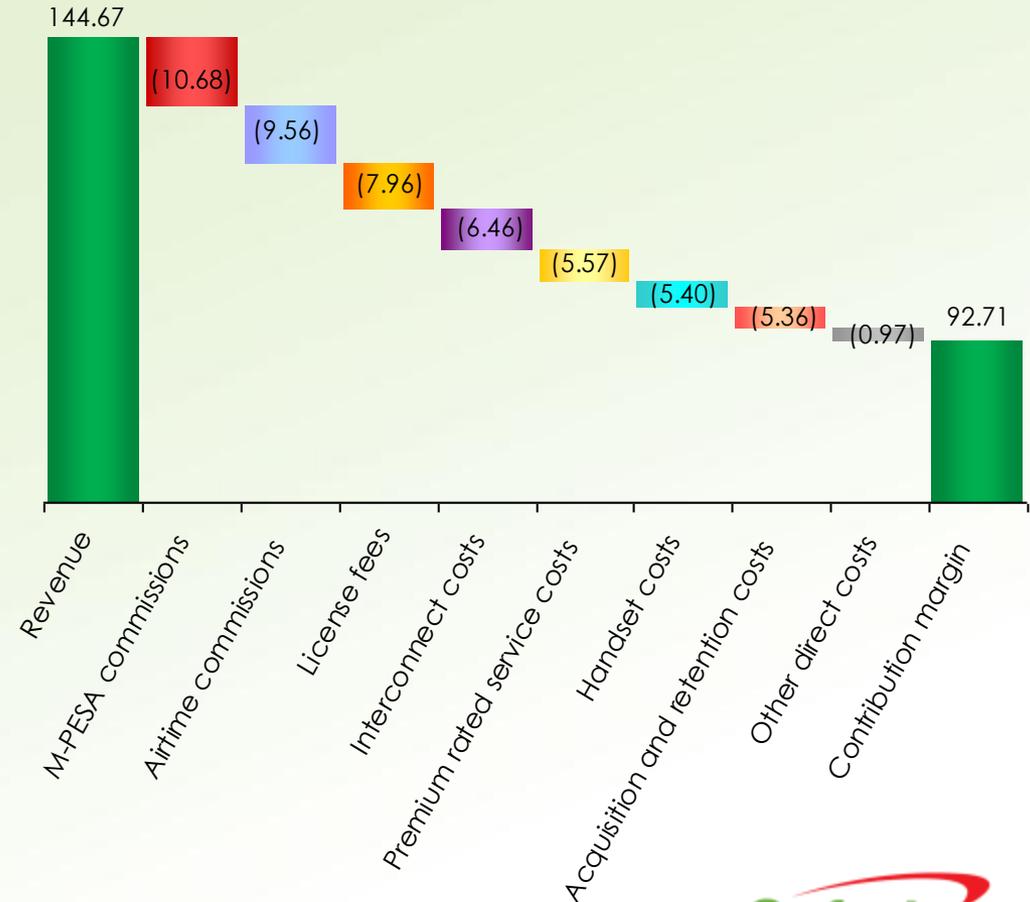
Kshs. Billion



- 10.2% increase in direct costs, lower than the 16.4% increase in total revenue
- Contribution margin increased to 64.1% up 2.1 ppt.
- Cost savings realized in the following areas
 - Customer acquisition costs (Sim cards and devices)
 - Top up card costs

FY14 Direct costs breakdown

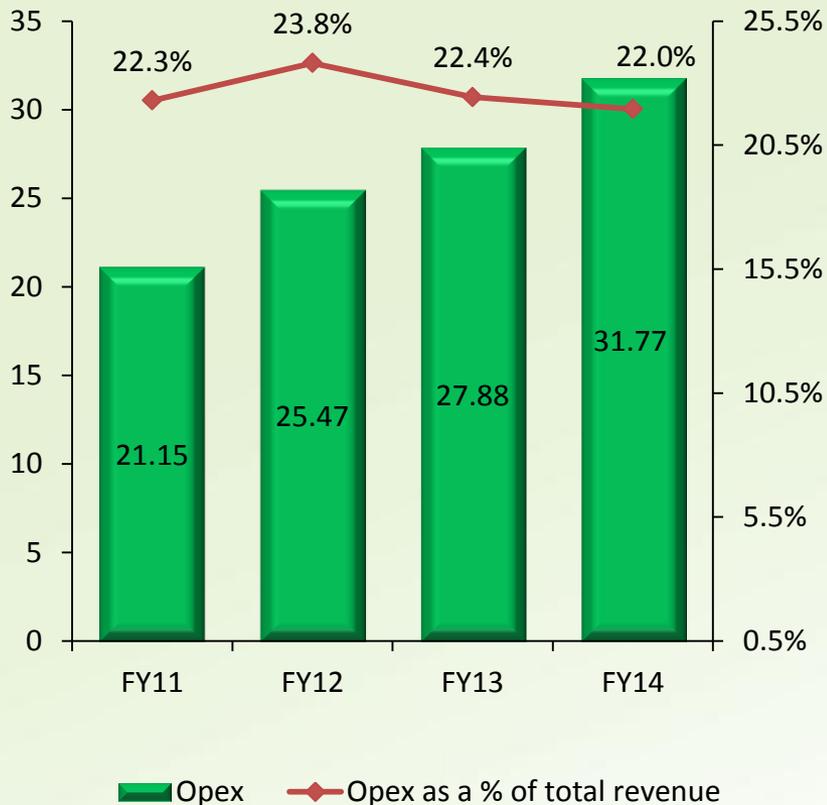
Kshs. Billion



Continued focus on cost control initiatives

FY OPEX

Kshs. Billion



- Operating costs as a % of total revenue declined to 22.0%
- 14.0% increase in operating costs versus a 16.4% increase in total revenue
- Operating cost saving initiatives focus on:
 - Transmission costs
 - Network operating costs (including fuel)
 - IT operational costs

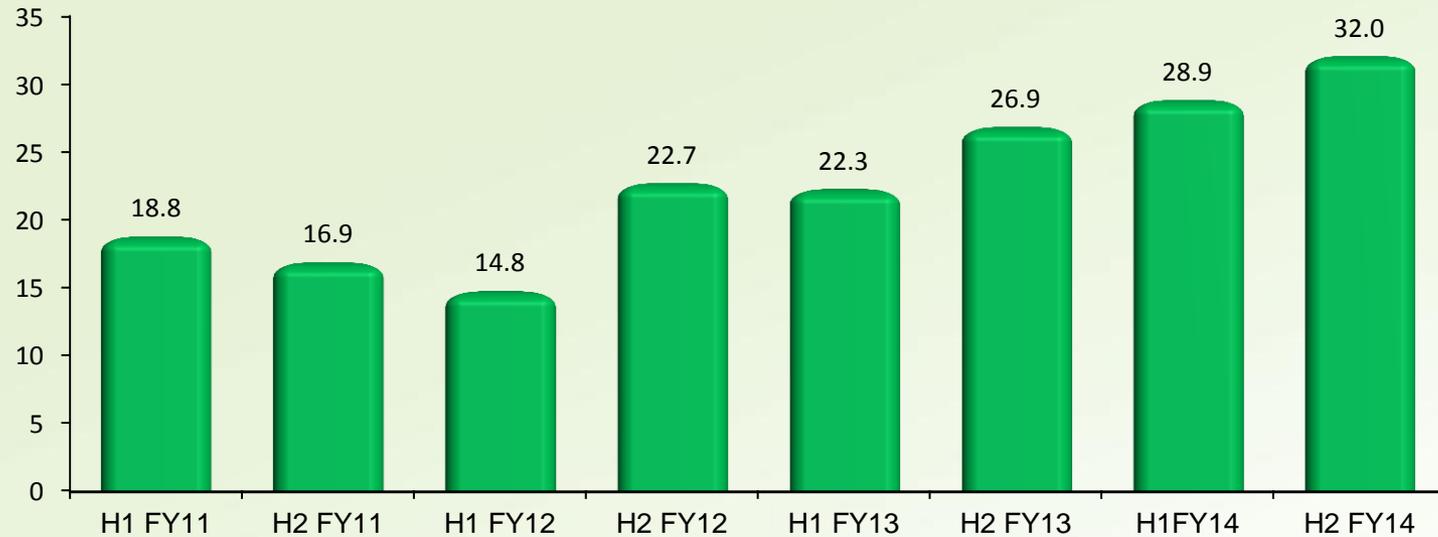
* Operating costs relate to Payroll, Publicity, Leased Lines, Network & IT operational costs, and other costs (including rent, rates and insurances)

* Bad debts now reclassified under operating costs

Strong growth in EBITDA

EBITDA

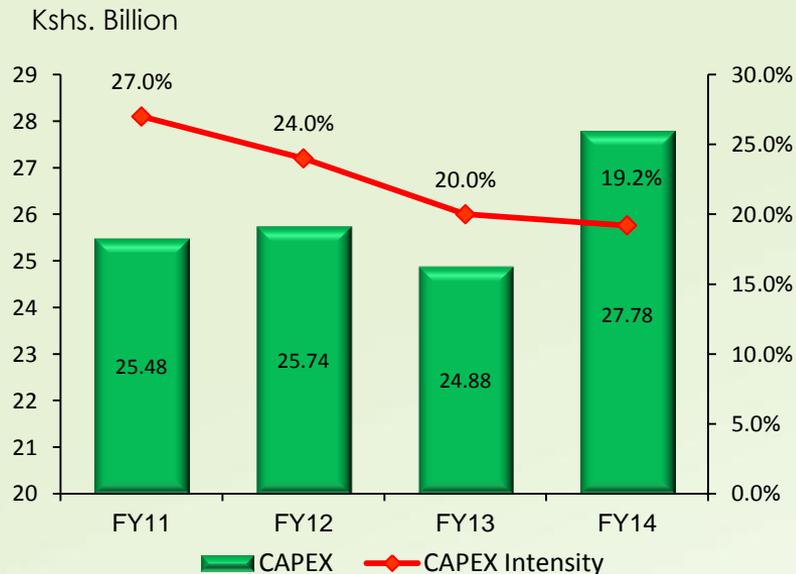
Kshs. Billion



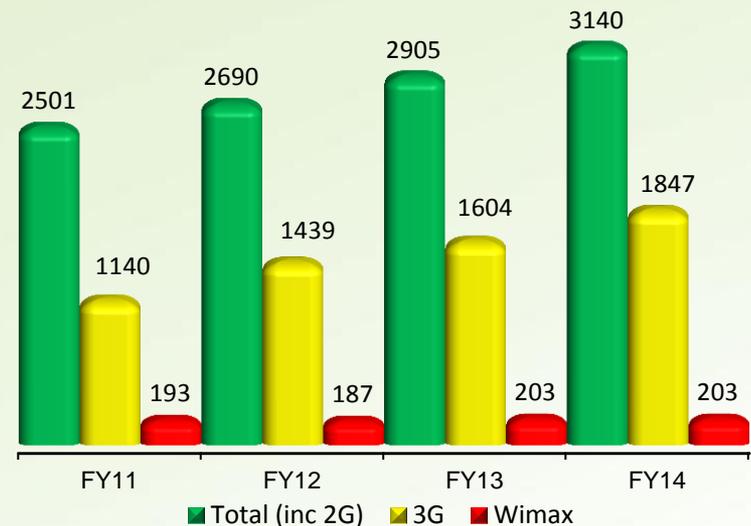
- 23.8% growth in FY14 EBITDA to Kshs 60.9bn
- FY14 EBITDA margin improves by 2.5 ppt to 42.1%

Largest & Fastest Network in Kenya

FY CAPEX



Base stations



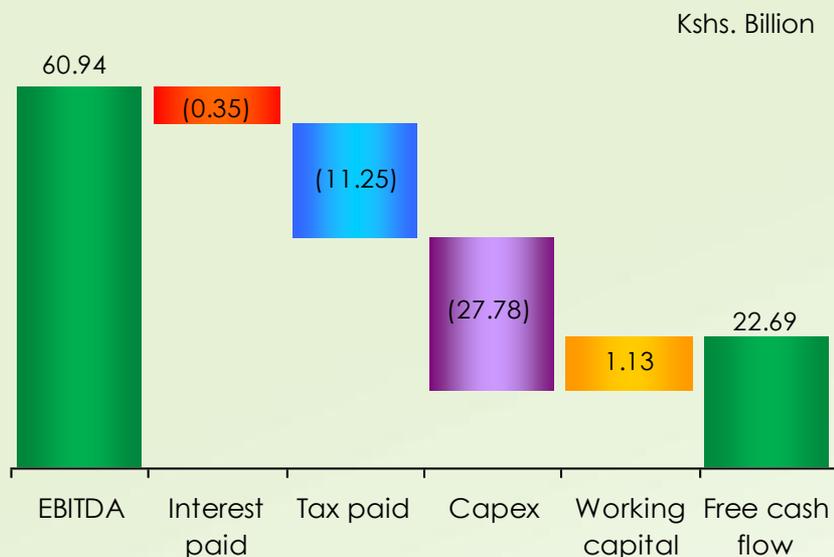
Capital expenditure of Kshs 27.78 bn invested in:

- Fibre – 770 km completed
- 640km ongoing in key metro areas Nairobi, Nakuru, Mombasa and Kisumu
- 2G and 3G capacity growth – modernization and upgrades
- Information systems upgrades

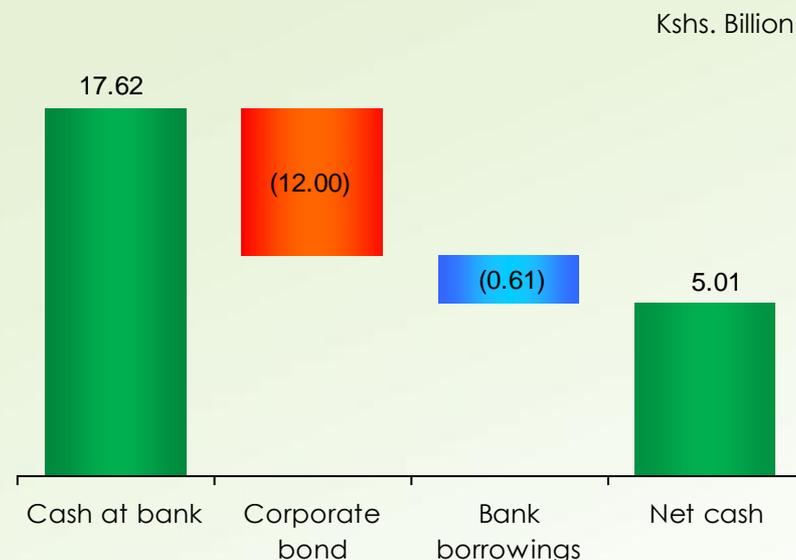
Largest 2G and 3G network:

- 3,140 2G enabled base stations of which 1,847 are also 3G enabled (59%)
- 900 3G sites at 21mbps
- 947 3G sites at 42mbps

FY Free Cash Flow



FY Net Cash



- 56% growth in Free Cash Flow to Kshs 22.7bn from Kshs 14.5bn in FY13
- Driven by improved EBITDA and positive working capital

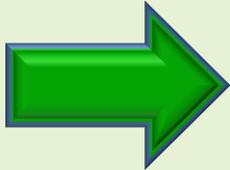
* Free Cash Flow excludes M&A and spectrum purchases

- Kshs 7.5bn corporate bond at 12.25%, expires Nov 2014
- Kshs 4.5bn corporate bond at 7.75%, expires Dec 2015
- Kshs 0.61bn two year term loan facility at 91 day TB rate minus 1%

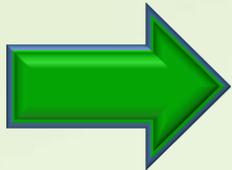
Key Financials:

	FY 14	FY 13	GROWTH	H2 FY14	H2 FY13	GROWTH
Voice revenue	86.30	77.33	11.6%	44.34	40.07	10.7%
Messaging revenue	13.62	10.15	34.2%	7.28	5.88	23.8%
Mobile data revenue	9.31	6.62	40.6%	5.08	3.50	45.1%
Fixed service revenue	2.57	2.11	21.8%	1.35	1.10	22.7%
M-Pesa revenue	26.56	21.84	21.6%	14.07	11.42	23.2%
Service Revenue	138.36	118.05	17.2%	72.12	61.96	16.4%
Handset revenue	4.95	4.93	0.4%	2.72	2.50	8.8%
Acquisition and other revenue	1.36	1.31	3.8%	0.63	0.72	-12.5%
Total Revenue	144.67	124.29	16.4%	75.47	65.19	15.8%
Direct costs	(51.96)	(47.17)	-10.2%	(27.17)	(24.77)	-9.7%
Contribution margin	92.71	77.12	20.2%	48.30	40.41	19.5%
<i>Contribution margin %</i>	<i>64.1%</i>	<i>62.0%</i>	<i>2.1%</i>	<i>64.0%</i>	<i>62.0%</i>	<i>2.0%</i>
Operating costs	(31.77)	(27.88)	-14.0%	(16.21)	(13.45)	-20.5%
<i>Operating costs % total revenue</i>	<i>22.0%</i>	<i>22.4%</i>	<i>-0.4%</i>	<i>21.5%</i>	<i>20.6%</i>	<i>0.9%</i>
EBITDA	60.94	49.24	23.8%	32.09	26.97	19.0%
<i>EBITDA margin %</i>	<i>42.1%</i>	<i>39.6%</i>	<i>2.5%</i>	<i>42.5%</i>	<i>41.4%</i>	<i>1.1%</i>
Depreciation, amortisation & impairment	(25.79)	(22.14)	-16.5%	(13.09)	(12.23)	-7.0%
Net Financing cost	(0.16)	(1.65)	90.3%	0.08	(0.80)	110.0%
Taxation	(11.97)	(7.91)	-51.3%	(7.32)	(4.17)	-75.5%
Net Income	23.02	17.54	31.2%	11.76	9.77	20.4%
Earnings per share	0.57	0.44	29.5%	0.29	0.25	16.0%
Free Cash Flow	22.69	14.51	56.4%	8.95	9.37	-4.5%
Recommended Dividend	18.83	12.40	51.9%			
Dividend per share	0.47	0.31	51.6%			

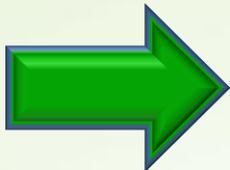
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FY14 Highlights



FY14 Financial Review



Strategic Focus and Guidance

Strategy Overview

- Best network in Kenya
- Grow mobile and fixed data
- Partner of choice for business
- Deepen financial inclusion
- Grow, retain and reward our loyal customer base
- Grow youth appeal
- High performing innovative organization

Deliver the Best Network in Kenya

What we have achieved:

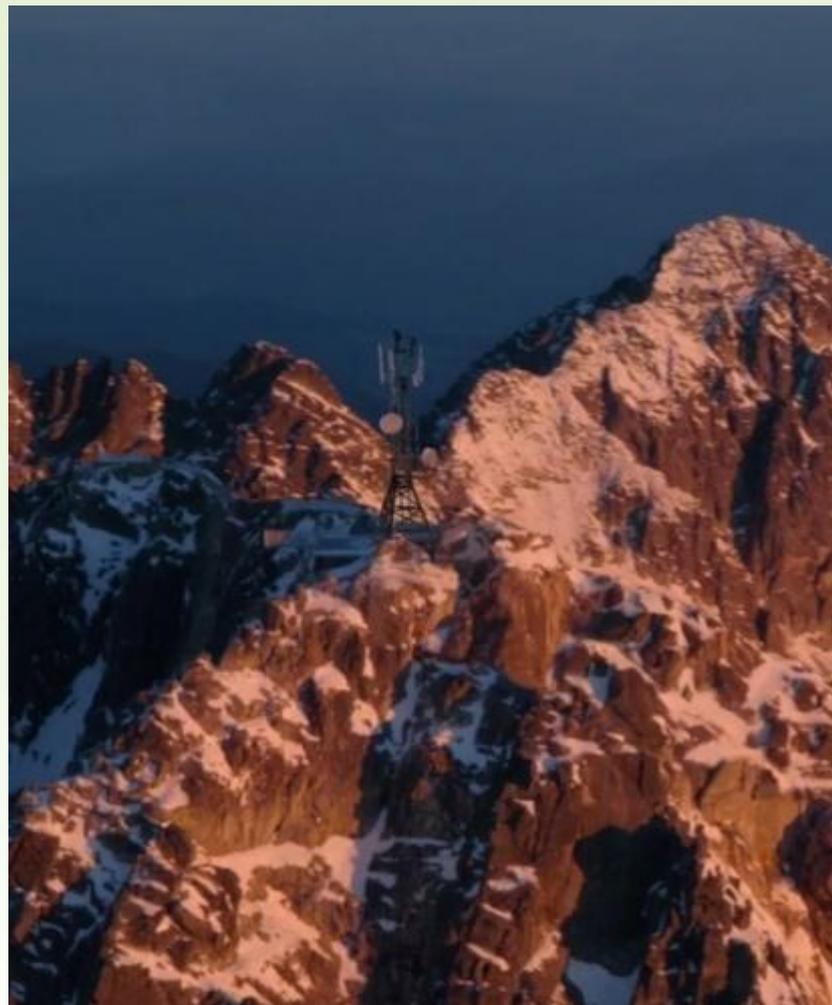
- Expanding coverage reach: 91% of population coverage by 2G network while 3G coverage is up to 61%
- Mobile Broadband: high speed 3G data sites (42Mbps) increased to 51%
- Successful LTE trials in 10 sites within Nairobi and Mombasa. 70Mbps data speeds achieved
- 86% of Radio Network now modernized. 78% of transmission network now on IP
- Fibre: 770 km completed with an additional 640km ongoing in key metro areas - Nairobi, Nakuru, Mombasa and Kisumu
- Own fibre deployment covering 50% of Nairobi sites
- Green energy adoption in 11% of sites resulted in 15% reduction in unit power utilization



Sustained network improvement & expansion

Top priorities:

- Complete the additional 640km of own fibre in key towns outside Nairobi
- Deploy fibre to 900 commercial buildings in key metro areas in Kenya (Nairobi, Nakuru, Mombasa and Kisumu)
- Increase the number of 3G sites of which 75% will be upgraded to 42mbps
- Launch of WiFi network in selected malls within the cities
- Launch a 4G network once spectrum is available
- Provide free broadband to schools who have had the laptop program rolled
- Deployment of 50 base stations in 12 counties where it is not commercially justifiable



Grow Mobile Data

What we have achieved:

- Increased data customers by 34% to 9.6m
- Increased the number of 3G devices on the network to 3.1m, of which 1.9m are smartphones by breaking price barrier jointly with handset manufacturers.
- Increased total usage by 74% through content usage stimulation
- Value based pricing – combined Internet and SMS bundles and social media propositions
- Introduced Vuma Online - WiFi service in public transport vehicles for internet sampling

Top priorities:

- Increase smartphone and 3G device penetration through cost effective quality offers
- Greater push on relevant content, social media and applications
- Encourage developers to create relevant content and aggregate via Safaricom Appstore



Safaricom

Grow Fixed Data

What we have achieved:

- Fixed service revenue grew by 22% to Kshs 2.6bn
- Number of fixed customer accounts grew by 4%
- Fixed Voice connections increased by 24%
- Launched unified communication services for the SME segment of our business
- Re-launched our 'Software as a Service' (Cloud) with SMEs connected to either of our services below:
 - Hosted Payroll Solution
 - Hosted Accounting Solution
 - Website and Email Hosting

Top priorities:

- Grow our managed services segment
- Expand fibre services to more customers, through a combination of 3rd party fibre and own fibre



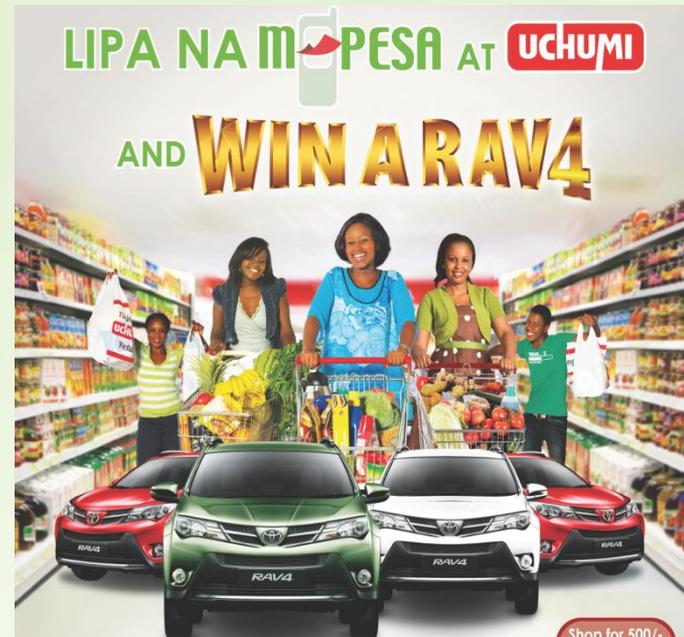
Deepen financial inclusion using M-PESA

What we have achieved:

- Increased M-PESA outlets by 15,478 in the year, now at 81,025
- Launched Lipa na M-PESA: 122,000 merchants acquired; 24,137 are now active
- Increased cashless FMCG distributors to 158 with a total of 1,271 distribution points
- M-Shwari: 3.6m active customers, Kshs 4.0bn on deposit, Kshs 1.2bn on loan with NPLs at 2.7%

Top priorities:

- Grow M-PESA to become a primary payment platform
- Commercialize Lipa na M-PESA by growing active merchant base
- Grow cashless FMCG distributors
- Grow Bank to M-PESA transfers & drive uptake of savings and loans

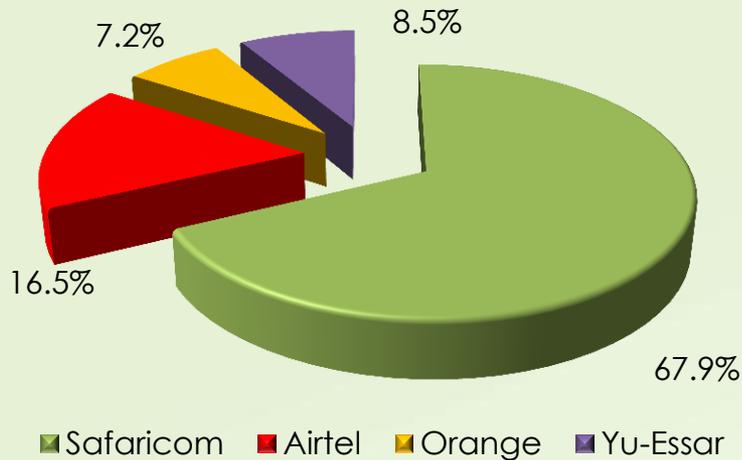


M-SHWARI Performance

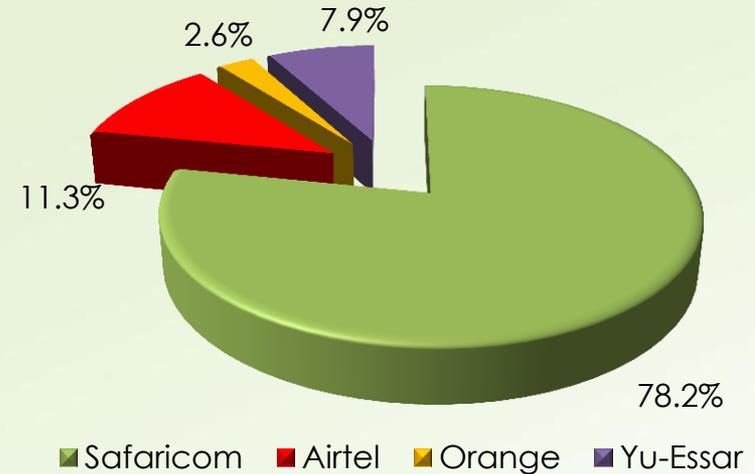
	March 2013	March 2014
Customers	2.5 million	6.8 million
Active Customers	1.1 million	3.6 million
Net Deposits	0.9 billion	4.0 billion
Loan Balance	0.3 billion	1.2 billion
Non Performing Loans	4.0%	2.7%

Retain market leadership

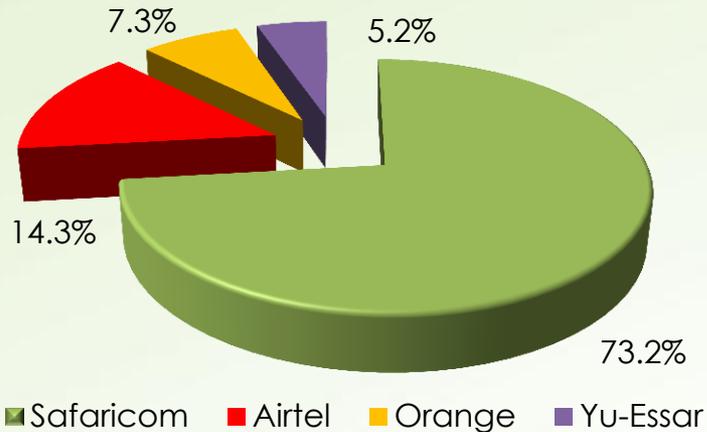
Subscriber market share-Dec 2013



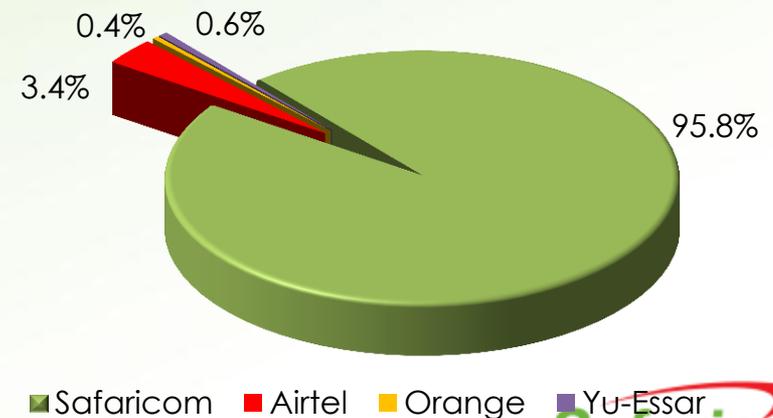
Voice traffic market share-Dec 2013



Mobile data market share-Dec 2013



SMS market share-Dec 2013



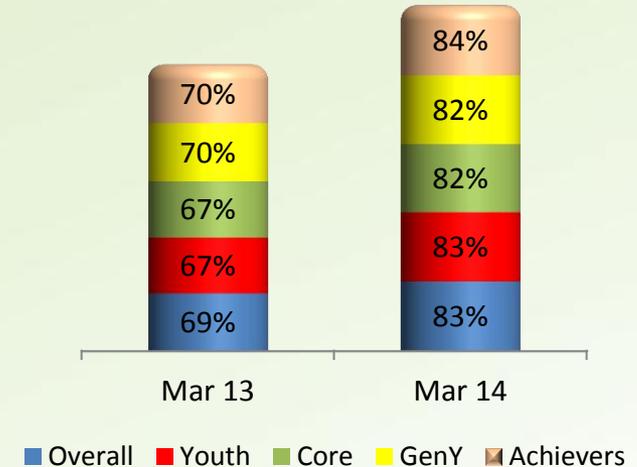
Source: Communication Commission of Kenya (CCK)

Grow youth appeal

What we have achieved:

- Increase in youth appeal with overall brand youthfulness growing to 83% from 69% since March 2013.
- Engagement with youth through activities and propositions:
 - Vuma online (WiFi in public transport vehicles)
 - Affordable bundles of data & SMS
 - Kaa social na chattitude (data bundles)
 - Niko na Safaricom live (local music engagement events)
 - Safaricom 7s (annual rugby tournament)
 - Groove awards (gospel music awards)

Youthfulness attribute – by segment



Encourage further innovation

What we have launched in the last 12 months:

- Lipa na M-PESA (cashless payments for goods & services)
- Cashless FMCG distribution using M-PESA
- Lipa Kodi (rental payments to landlords)
- *Chattitude* and *10+10 for 10* (data bundles)
- *Vuma Online* (WiFi in public transport vehicles)
- The Safaricom Appstore
- The Safaricom Appstar competition
- The Safaricom Appwiz competition
- *i-Cow* (animal health application for farmers)
- *Linda Jamii* (Health insurance: premiums paid via M-PESA)
- Telecoms lab at JKUAT university



FY15 Guidance

Free Cash Flow:

Expected to be in the range of Kshs 25bn - Kshs 26.5bn

Free Cash Flow excludes the impact of any future M&A, license renewal fees, and spectrum purchases

FY14 Highlights

- Strong commercial and financial performance across all segments and metrics
- Continued investment and innovation in network and services
 - Capex investment of Kshs 27.8bn, up 12%
 - Significant improvements in voice and data service quality based on our ongoing Best Network in Kenya program
 - 770 km of nationwide metro fibre completed, 640 km ongoing
 - 122,000 Lipa na M-PESA merchants recruited; 24,137 actively using the service
- Strong growth of 28% in non-voice service revenue, now 36% of total revenue
- Reinforced position as Kenya's most admired brand, with an overall equity score of 85% and a Kenyan resonance score of 94%*
- Great progress on our initiatives to transform lives, especially in financial inclusion

* Internally commissioned research performed by Millward Brown





Q&A