

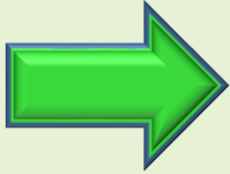
Safaricom Limited

FY15 Presentation

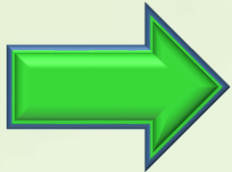


Safaricom

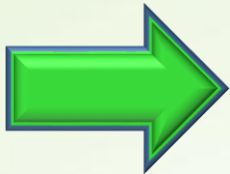
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FY15 Highlights



FY15 Financial Review



Strategic Focus and Guidance

FY15 Highlights

- Strong growth of non-voice service revenue.
- Continued investment and innovation.
 - Significant improvements in voice and data service quality based on our ongoing Best Network in Kenya program
 - Ongoing deployment of 900MHz spectrum acquired from Essar for 3G, and modernization of 100% of our 2G base stations
 - 4G go live in Nairobi and Mombasa delivering faster internet speeds
 - Next generation MPesa system and upgrade of ERP successfully implemented
 - 2,010 km of metro fibre installed. 1,070 base stations connected to own fibre
- Maintained position as Kenya's most admired brand, with an overall brand equity score of 86%*, a Youthfulness score of 79%* and a Net Promoter Score of 53%**
- Sustained progress on our initiative to transform lives, especially in financial inclusion

*Internally commissioned research performed by Millward Brown **Internally commissioned research performed by TNS



What we have achieved

Best Network in Kenya

- Launched Kenya's first 4G network in Nairobi and Mombasa
- Successfully deployed the next generation (G2) MPesa system in Kenya
- 2,010 kms of metro fiber rolled out to date, with 1,070 (30%) of our base stations connected
- 720 buildings connected to our own fiber
- 100% of our Radio Network now modernised
- Trusted to build the National Police Security Network with phase 1 going live in May 2015
- Highest 3G data speeds averaging 4.3mbps and improvements in call drop rates

Growing mobile data

- Grew active mobile data customers
- Smartphone users grew by 98% to 3.4m through provision of low cost smartphones
- Provided more value in the bundles to drive affordability, growing usage by 38%



**MORE INTERNET
FOR SO MUCH LESS**

DIAL *544# TO BUY YOUR INTERNET BUNDLE

Buy Safaricom Internet
bundles and get up to
100% extra

make the SMART MOVE
Get a smartphone or tablet now and download apps that let you do more.

999 + 2,000 MPESA POINTS	3,499 + 3,000 MPESA POINTS
3,999 + 5,000 MPESA POINTS	3,999 + 5,000 MPESA POINTS

TO CHECK, REDEEM OR TRANSFER YOUR BONGA POINTS DIAL *124#

Safaricom SHOP

Safaricom

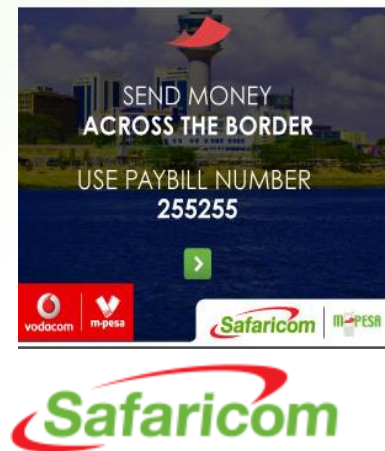
What we have achieved...Cont'd

Rewarding and delighting our customers

- Increased number of web self care service users to 2.67m
- Made emergency top ups more accessible
- Flexi loyalty redemption and credit facilities for customers to acquire smart devices

Deepening financial Inclusion

- Mpesa 30 day active customers grew
- Launched International Money Transfer to Vodacom Tanzania
- 30 day active Lipa na MPesa merchants growth of 105% to 49,413. Value transacted in March 2015 of Kshs 11.6bn
- 30 Day active M-shwari customers now at 3m, deposit at Kshs 5.5bn and loans Kshs 2.1bn
- Launched KCB- MPesa as an alternative to M-Shwari. Customers at 1.4m
- Launched Okoa Stima an emergency loan facility to pay for electricity



Safaricom

What we have achieved...Cont'd

Partner of choice for business

- Increased penetration of additional products into corporate customer base (Fixed data at 21% and MPesa at 22%)
- County government penetration with 60% of counties using at least one Enterprise solution
- Grew SME active customers by 106% to 64,000 customers

Growing youth appeal

- Youth brand equity is now at 79% and Youth Net Promoter Score at 57%
- Acquired 1.28m subscribers from the youth segment
- Substantially reduced mobile data pricing to ensure affordability

Supporting innovation

- Idea Lifecycle Management Portal: enabling ideas to be shared internally and externally
- Kshs 90m venture fund that will invest in high potential start-ups using mobile technology




ZINDUA
INNOVATE + SUCCEED

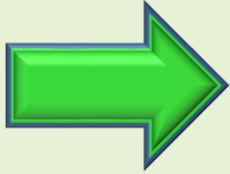


Safaricom

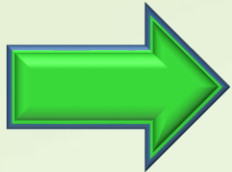
Strong financial performance

TOTAL REVENUE		+13% to Kshs 163.4bn
SERVICE REVENUE		+13% to Kshs 156.2bn
NON-VOICE SERVICE REVENUE		+27% to Kshs 68.8bn
EBITDA		+17% to Kshs 71.2bn
NET INCOME		+38% to Kshs 31.9bn
FREE CASH FLOW		+21% to Kshs 27.5bn
PROPOSED DIVIDEND PER SHARE		+36% to Kshs 0.64

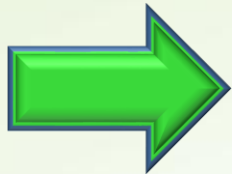
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FY15 Highlights



FY15 Financial Review

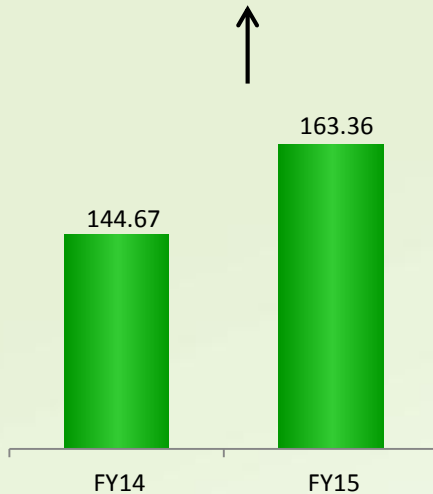


Strategic Focus and Guidance

Delivering on strategy: Strong financial results

Total revenue Kshs. Billion

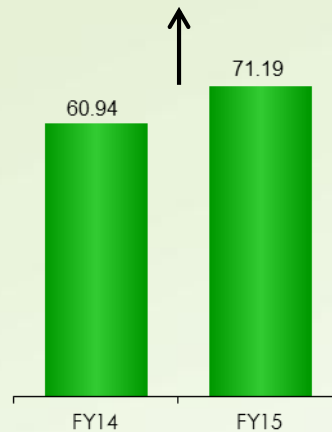
+12.9%



8.3% growth in subscribers.
Increasing ARPUs across Data, SMS and MPesa

EBITDA Kshs. Billion

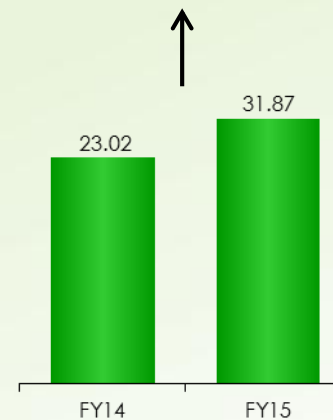
+16.8%



12.9% growth in revenue.
Robust EBITDA margin at 43.6% (incl. positive one-offs)

Net income Kshs. Billion

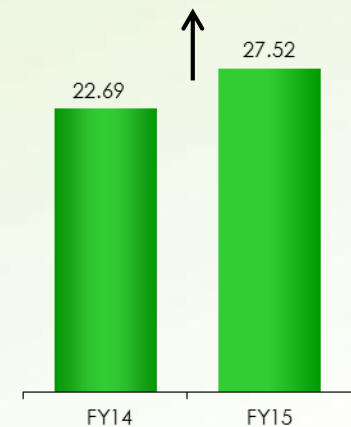
+38.4%



Driven by growth in EBITDA and flat depreciation

Free cash flow Kshs. Billion

+21.3%

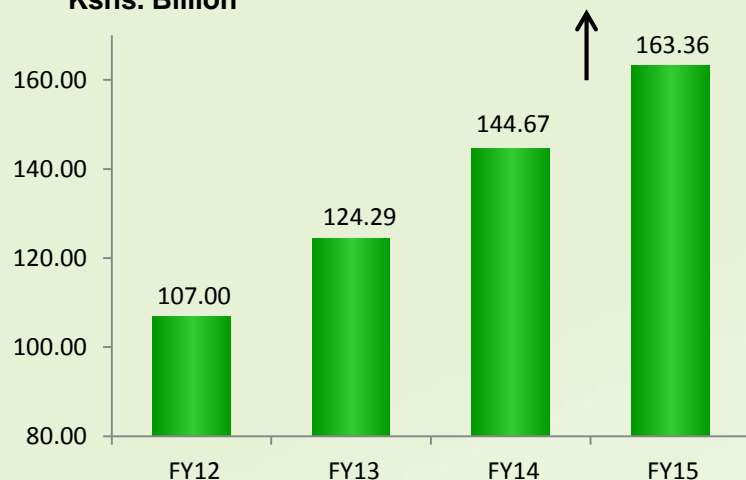


Positive impact from favourable trading results

Strong revenue growth

FY15 Total revenue
Kshs. Billion

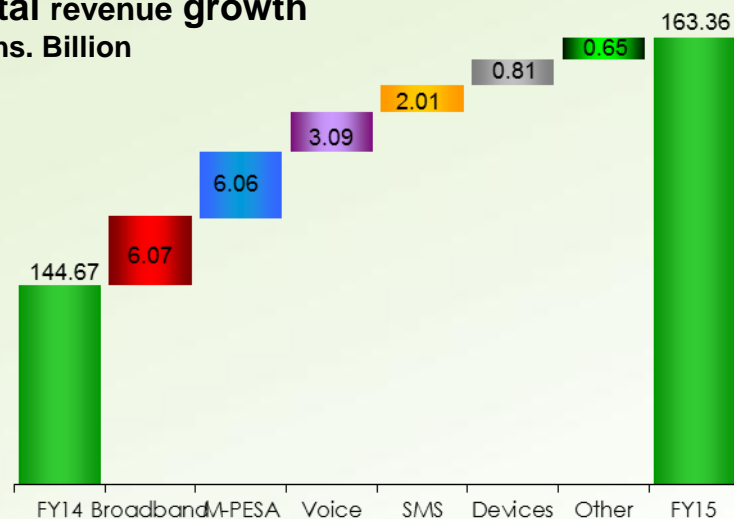
12.9%



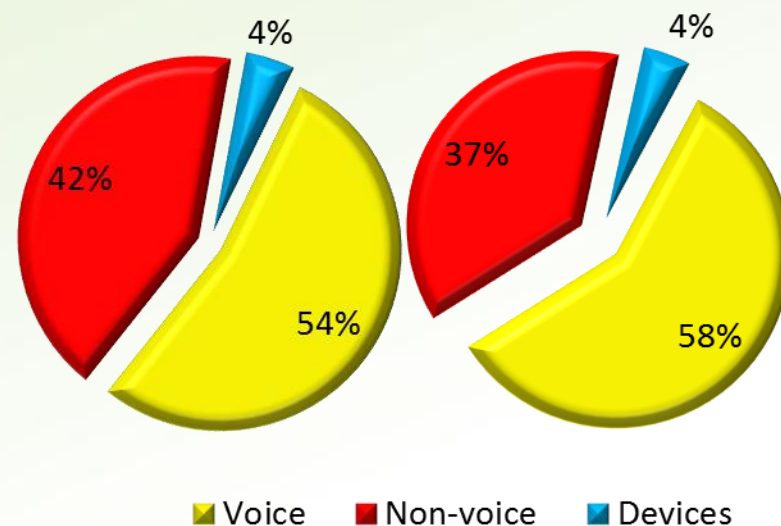
- 12.9% growth in total revenue
- 8.3% growth in customer base to 23.35m
- Non-voice service revenue growth of 27.4%
- Voice service revenue growth of 3.7%

Total revenue breakdown
Kshs. Billion

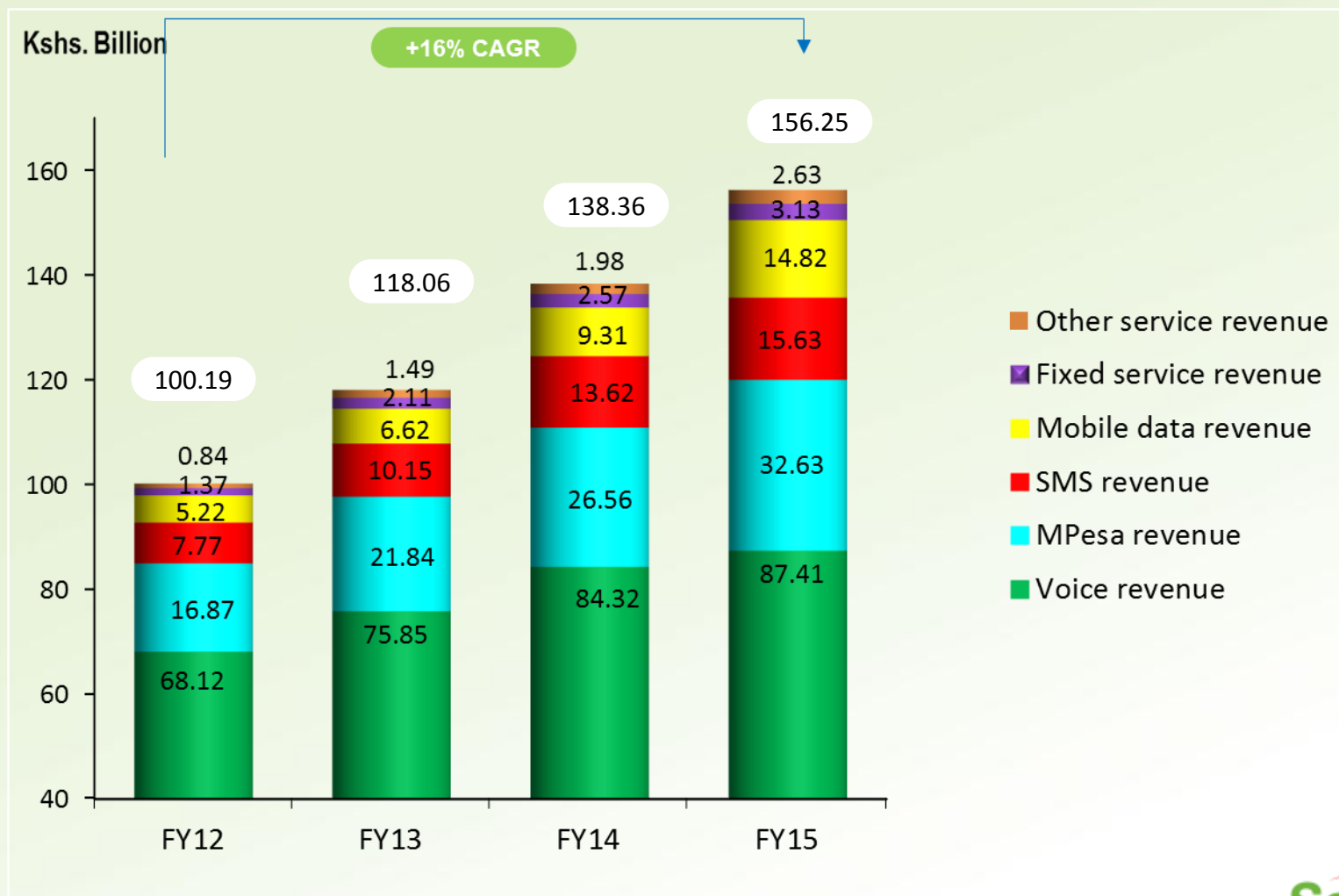
Total revenue growth
Kshs. Billion



Total revenue breakdown
Kshs. Billion

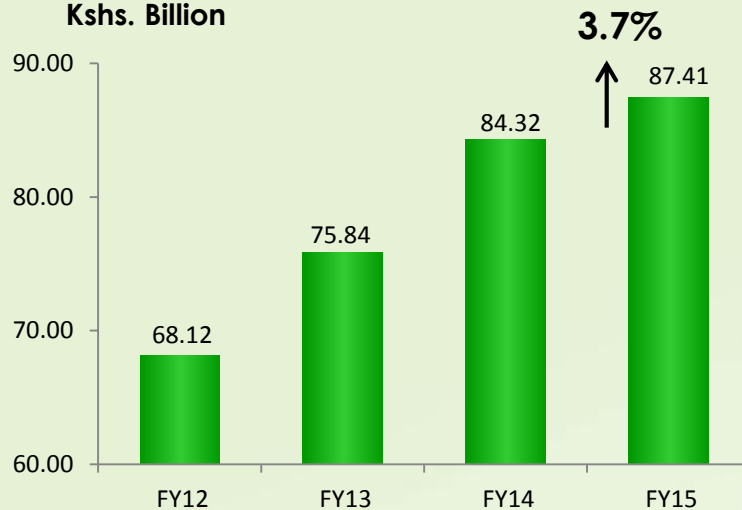


Service revenue: Growth across all segments

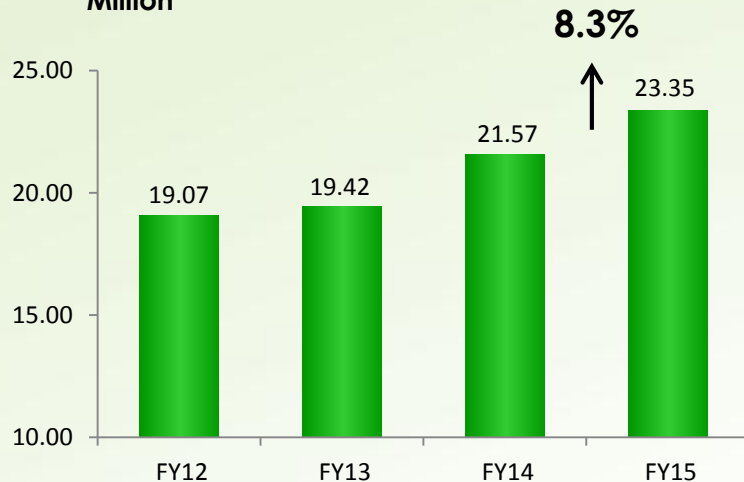


Voice revenue: Sustained growth

Voice Revenue
Kshs. Billion



Mobile customers
Million

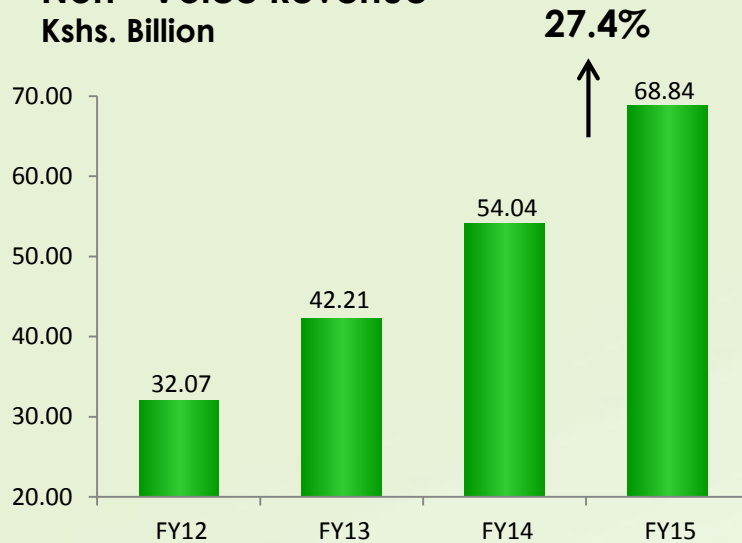


- 3.7 % growth in voice service revenue
- 8.3 % growth in customers
- Strong prepay airtime distribution network
 - Top-up cards distributed in over 275,000 retail outlets and 42 own retail shops
 - 37.8% of airtime top-ups directly through MPesa
- 31.9% increase in emergency top ups (Okoa Jahazi)
- Average blended rate per minute is Kshs 2.92* for national outgoing calls

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

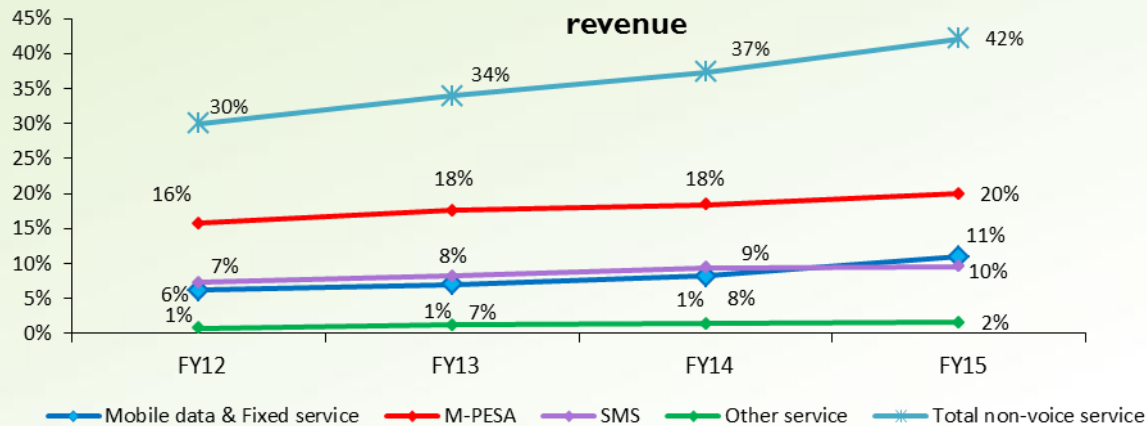
Non-voice revenue: Strong growth across all segments

Non - Voice Revenue Kshs. Billion



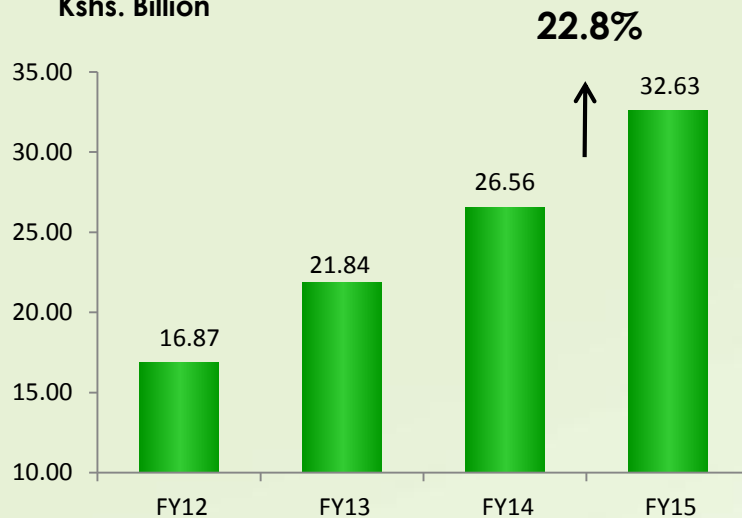
- Non-voice service revenue grew 27.4%, now 42.1% of total revenue
- Revenue growth of:
 - SMS +14.8%
 - Mobile data +59.2%
 - Fixed service +21.7%
 - MPesa +22.8%
 - Other service revenue +32.9% (Access fees / *Okoa Jahazi*)

Data/M-PESA/SMS/Other service revenue contribution to total revenue

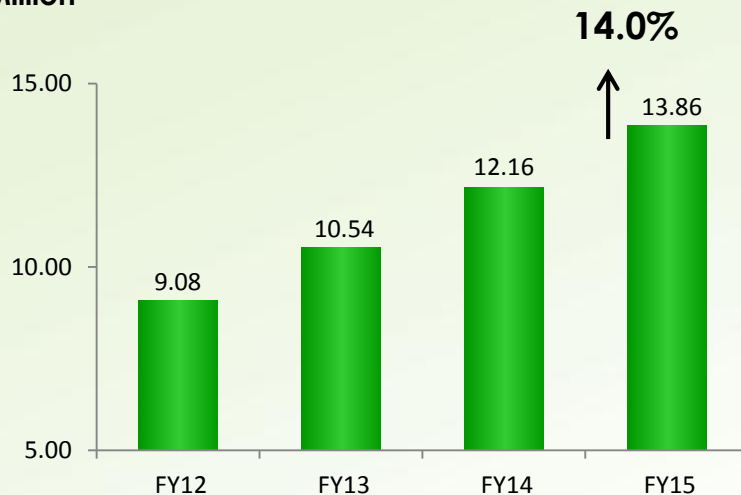


MPesa: Driving financial inclusion

MPesa Revenue
Kshs. Billion

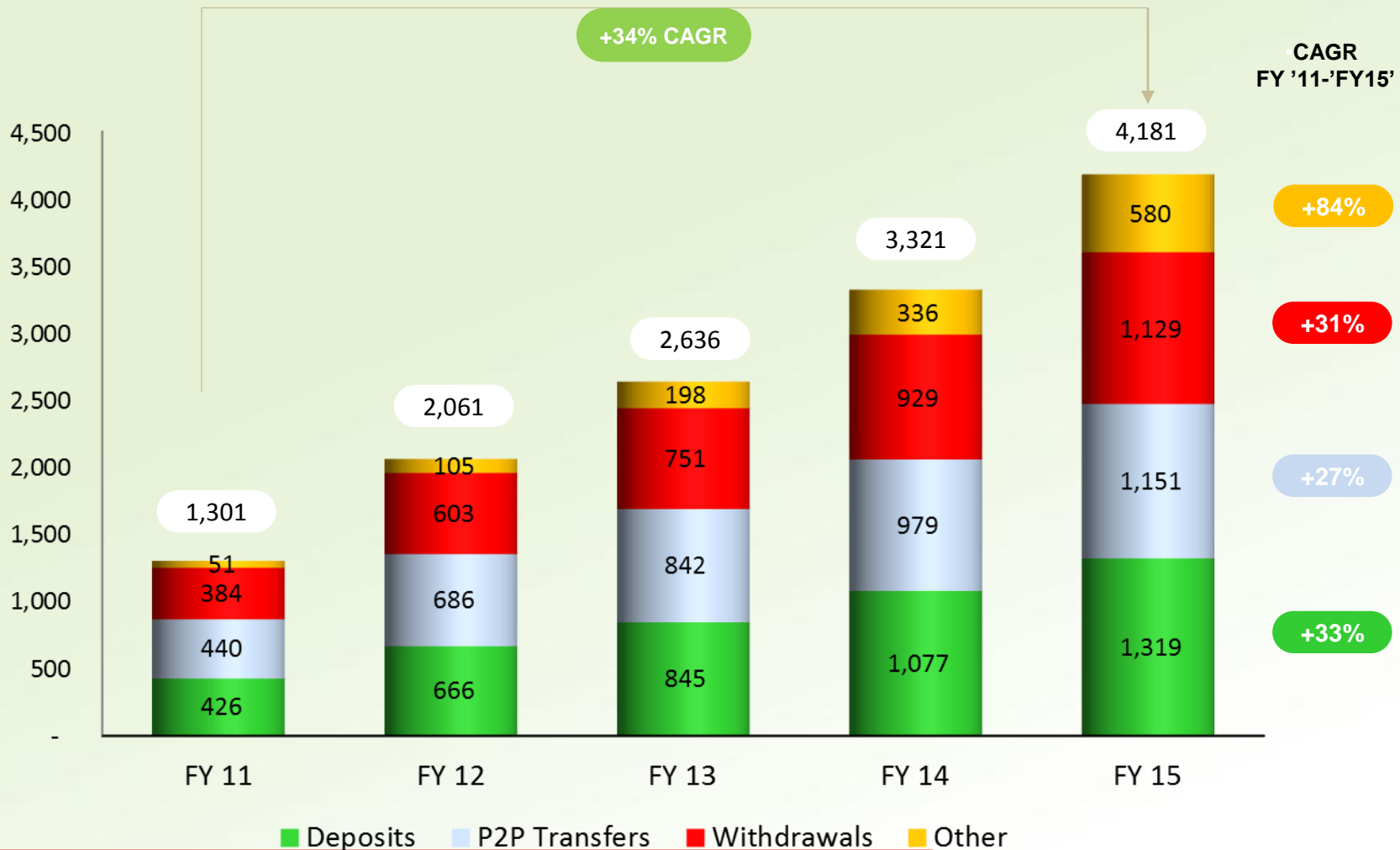


30-day Active MPesa Customers
Million



- 22.8% growth in MPesa revenue, driven by:
 - 14.0% increase in 30 day active users to 13.86m
 - 6.2 chargeable transactions per month per 30 day active users (13% growth)
- Total MPesa transactional value at Kshs 4.18tn in FY15 (26% growth)
- In March 2015, Lipa Na MPesa customers made payments of Kshs 11.6bn, of which Kshs 2.8bn was specific to merchants paying distributors
- 5.8% growth in MPesa agents compared to last financial year; now at 85,756 MPesa agent outlets
- M-Shwari: Increased active customers to 5.8m, 30 day active customer to 3.0m, Kshs 5.5bn on deposit and Kshs 2.1bn on loan with NPLs at 2.0%
- KCB - MPesa: registered customers 1.4m, Kshs 120m on deposit and Kshs 950m on loan

MPesa: value transacted (Ksh bn)



Value transacted is 34% of GDP*

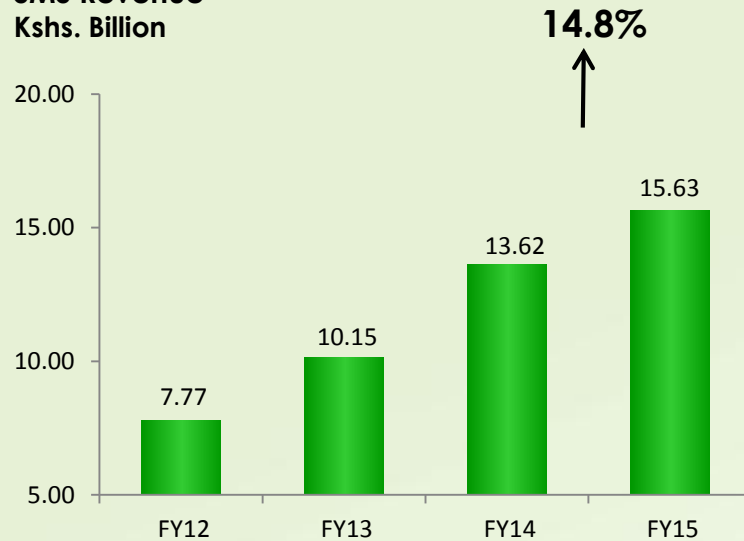
Computation based on transfers and other payments (B2C, C2B, IMT, Buy goods, etc) and rebased GDP of USD 55.2bn

*According to Kenya National Bureau of Statistics & World Bank



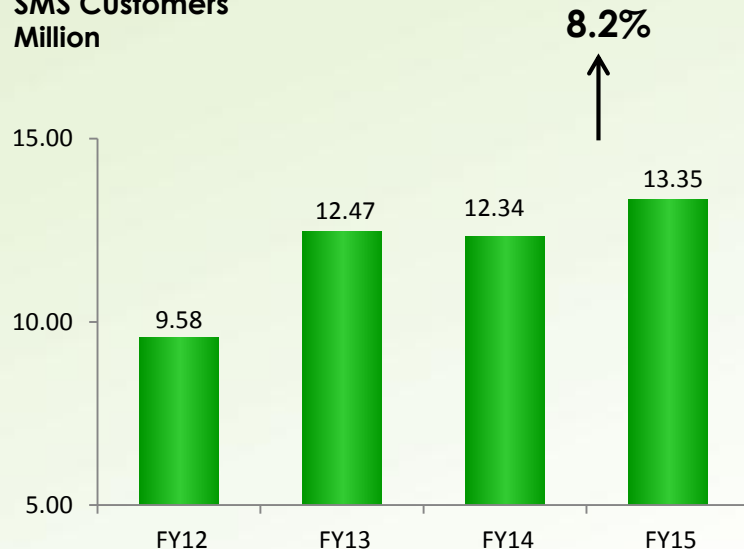
SMS: Attractive bundles & active users driving growth

SMS Revenue
Kshs. Billion



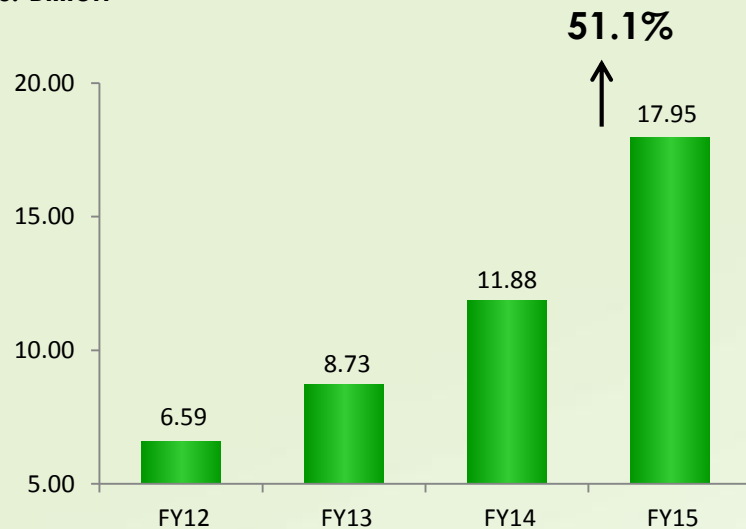
- 14.8% growth in SMS revenue, driven by:
 - 8.2% growth in 30 day active SMS users to 13.35m
 - 33.8% increase in active SMS bundle users to 4.0m
 - 14.1% growth in SMS usage per customer
- Average blended rate per SMS declined by 5.6 % due to increased bundle purchases

SMS Customers
Million



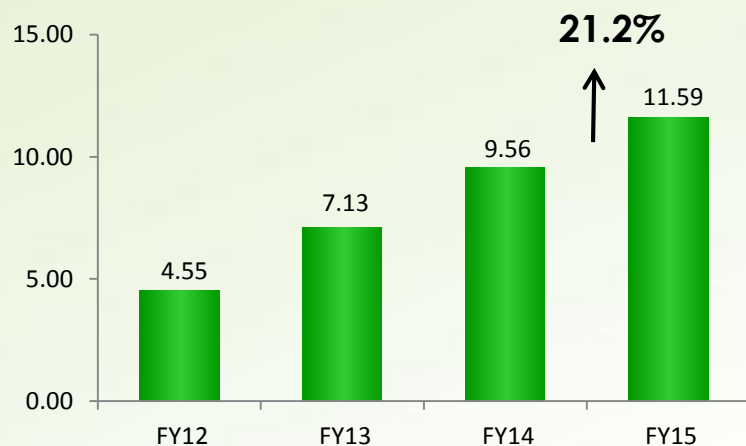
Data: Customers, usage & devices driving growth¹⁷

Mobile Data & Fixed Service Revenue
Kshs. Billion

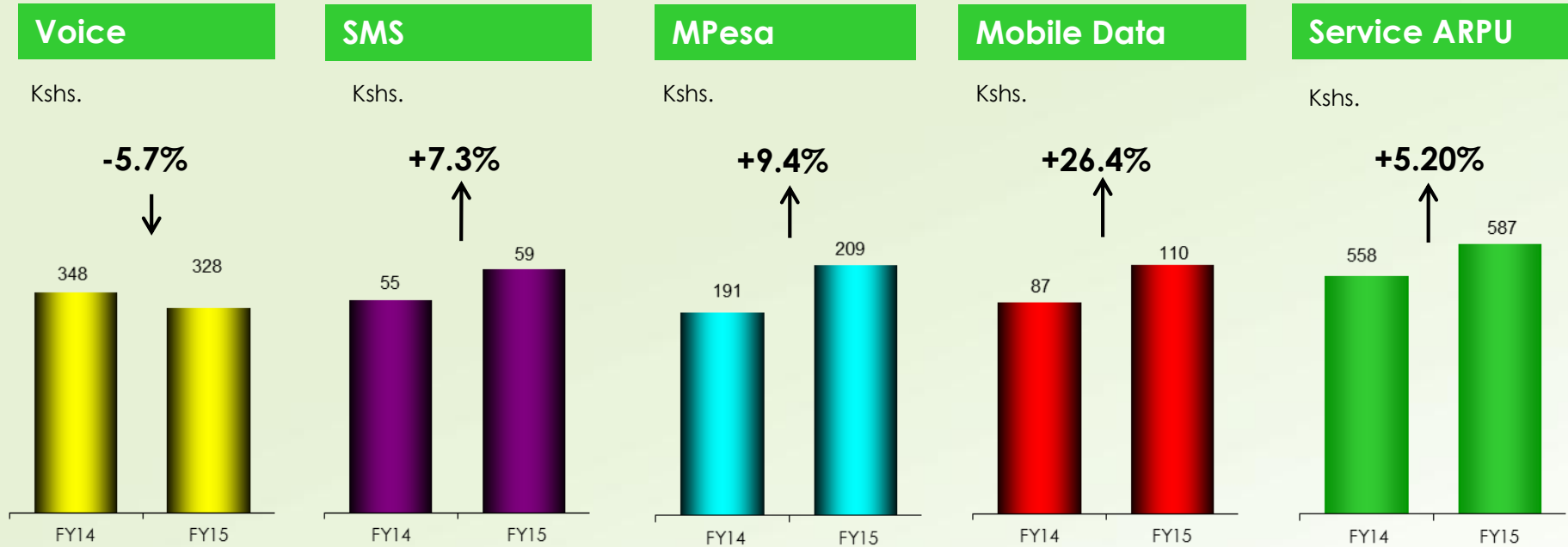


- Mobile data revenue growth of 59.2% driven by:
 - 21.2% growth in 30 day active mobile data users to 11.6m – now 50% of our customer base
 - 3G & 4G enabled devices in our network now at 4.4m
 - Grew active data bundle users to 4m
 - 37.9% increase in mobile data usage per customer
 - Average price per MB declined by 8.3% from increased bundle purchases
- Fixed service revenue growth of 21.7% driven by 22.8% increase in customers to 8,624

30-day Active Mobile Data Customers
Million



Sustained ARPU growth in non-voice services



ARPU decline attributed to reduction 21% in incoming rates and 3.7% reduction in outbound usage per customer

14.1% increase usage driven by affordable SMS bundles

13.1% growth in chargeable transactions per 30 day active customers

37.9% increase in usage per subscriber due to affordable bundles and smartphone penetration

Driven by increased usage across non voice service revenue segments

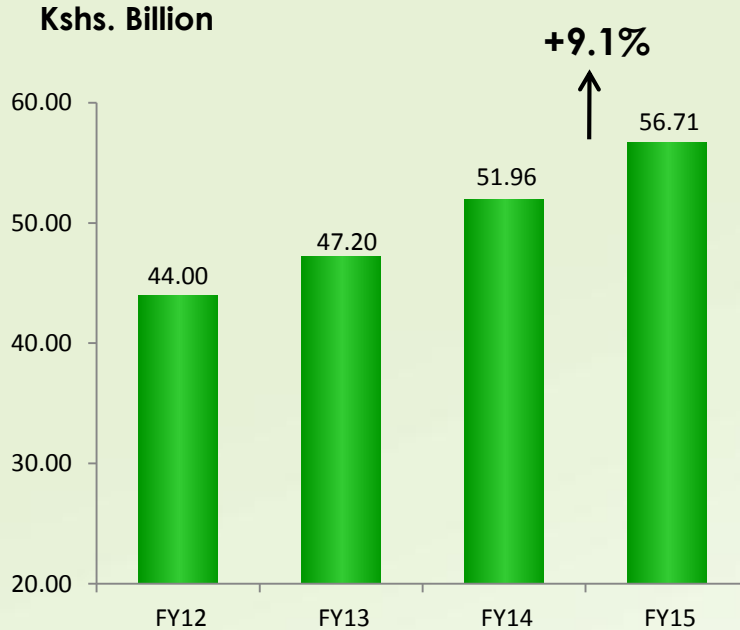
* Voice, SMS and Service ARPU are calculated based on total mobile customers

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



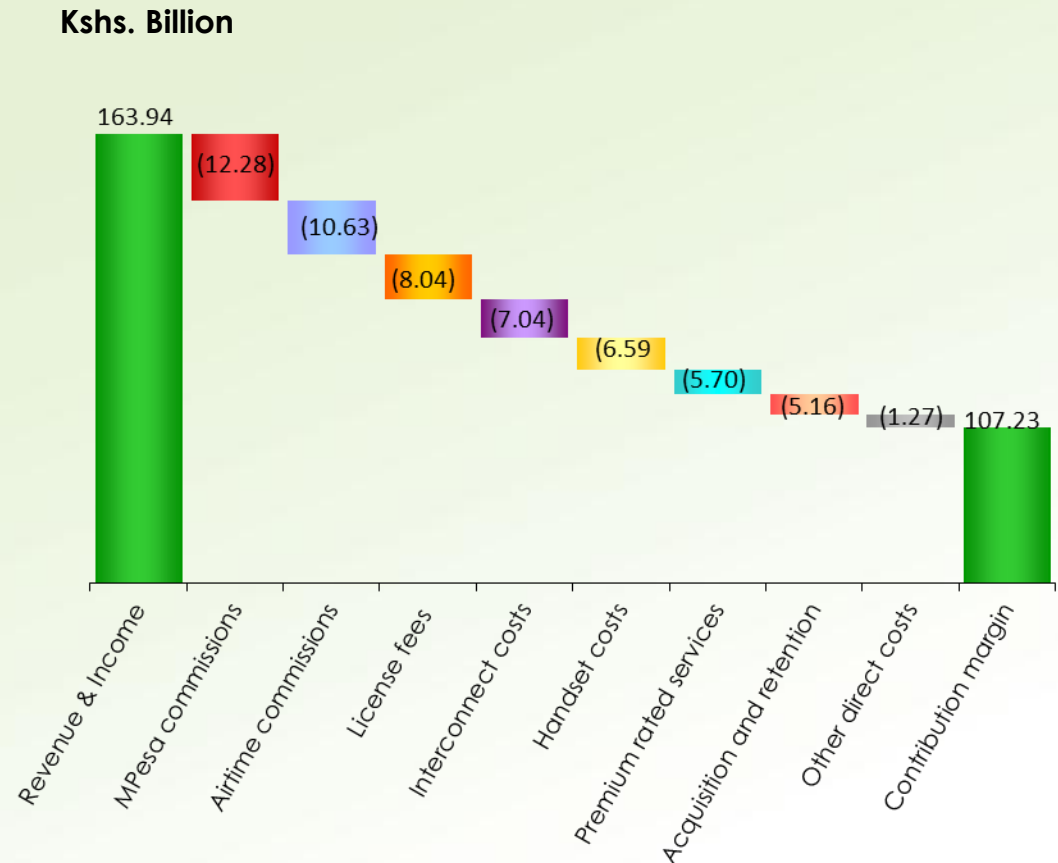
Direct Costs control improves contribution margin

FY15 Direct costs



- 9.1% increase in direct costs, compared to 12.9% increase in total revenue
- Contribution margin increased to 65.6%, up 1.5ppt

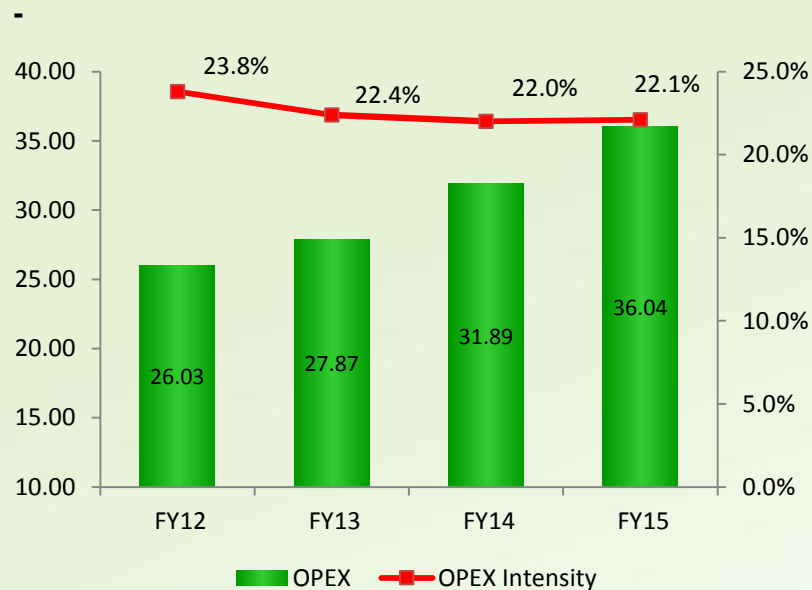
FY15 Direct costs breakdown



Continued focus on cost control initiatives

FY15 OPEX

Kshs. Billion



- Steady operating costs as % of total revenue of 22.1%
- Continuous operational cost reduction initiatives focus on
 - ✓ Transmission costs
 - ✓ IT operating costs
 - ✓ Network operating costs

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

Strong growth in EBITDA

EBITDA

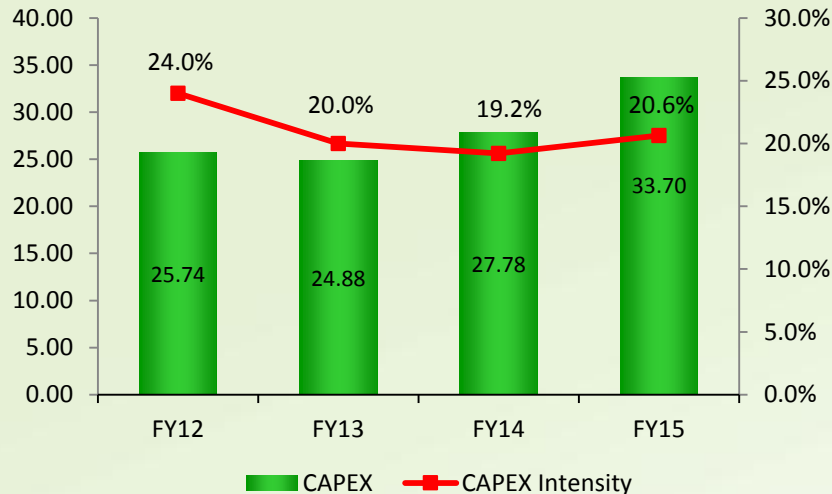


- 16.7 % growth in FY15 EBITDA to Kshs 71.2bn
- FY15 EBITDA margin at 43.6%, however, the underlying EBITDA margin is 42.6% after removing material one-off items

Largest & Fastest Network in Kenya

FY15 CAPEX

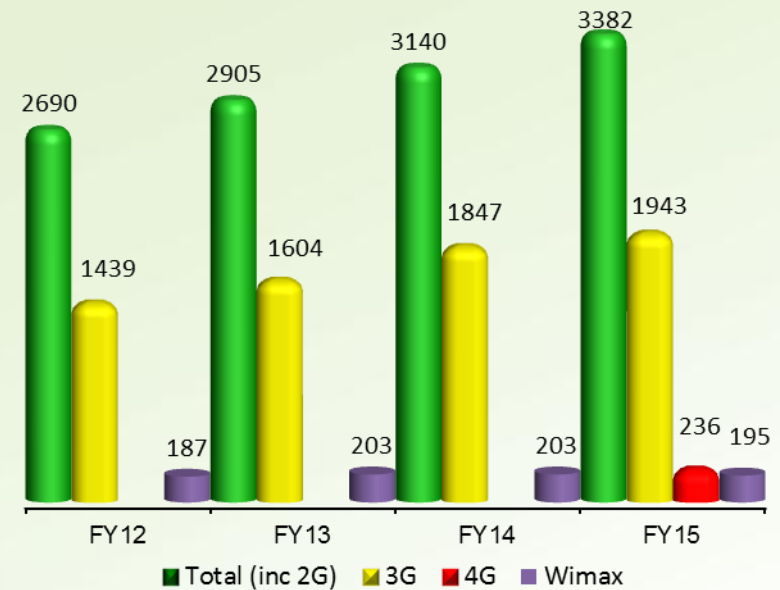
Kshs. Billion



Capital expenditure of Kshs 34bn invested in:

- Fibre – 2,010km completed to date in key metro areas.
- Modernization and upgrade of 2G
- Investment in 3G and 4G networks
- New MPesa (G2) platform
- Information system upgrades

Base stations



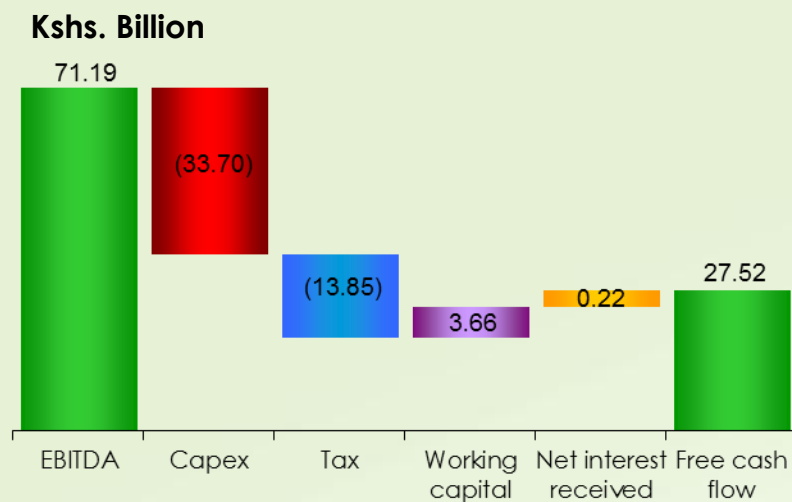
Pioneer 4G network with 236 sites in Mombasa and Nairobi

Largest 2G and 3G network:

- 3,382 2G base stations of which 1,943 are also 3G enabled (57%)
- 1943 3G sites at 21mbps
- 1,873 3G sites at 42mbps

Improved cash generation

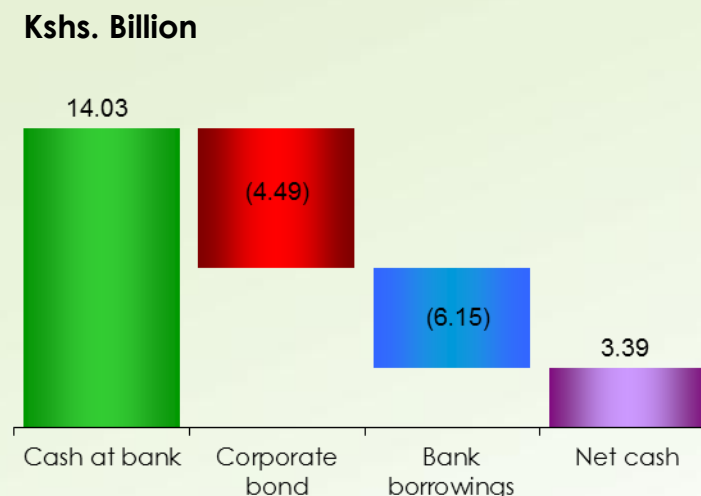
FY15 Free Cash Flow*



- 21.3% growth in Free Cash Flow to Kshs 27.5bn from Kshs 22.7bn in FY14
- Driven by improved trading results and positive working capital movement

* Free Cash Flow excludes M&A and spectrum purchases

FY15 Net Cash

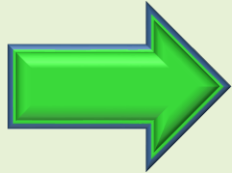


- Kshs 4.49bn corporate bond at 7.75%, expires Dec 2015
- Kshs 1.35bn two year loan facility at 91 day t-bill rate minus 1%
- Kshs 2.40bn short term loan facility at 91 day t-bill rate plus 0.45%
- Kshs 2.40bn short term loan facility at 91 day t-bill rate plus 0.3%

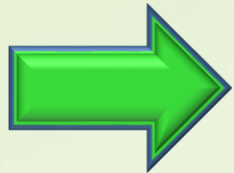
Key Financials:

	FY15	FY14	GROWTH	H2 FY15	H2 FY14	GROWTH
Voice revenue	87.41	84.32	3.7%	43.74	43.27	1.1%
MPesa revenue	32.63	26.56	22.8%	17.03	14.06	21.1%
Messaging revenue	15.63	13.62	14.8%	8.46	7.27	16.4%
Mobile data revenue	14.82	9.31	59.2%	8.32	5.06	64.3%
Fixed service revenue	3.13	2.57	21.7%	1.64	1.35	21.3%
Other service revenue	2.63	1.98	32.9%	1.45	1.08	35.0%
Service Revenue	156.25	138.36	12.9%	80.65	72.09	11.9%
Handset revenue	5.67	4.95	14.6%	2.57	2.72	-5.8%
Acquisition and other revenue	1.45	1.36	6.4%	0.81	0.65	23.8%
Total Revenue	163.37	144.67	12.9%	84.03	75.47	11.3%
Other income	0.58	0.13	>100%	0.02	0.12	-83.5%
Direct costs	(56.71)	(51.96)	9.1%	(27.79)	(27.17)	2.3%
Contribution margin	107.24	92.83	15.5%	56.26	48.42	16.2%
<i>Contribution margin %</i>	<i>65.6%</i>	<i>64.2%</i>	<i>1.5%</i>	<i>66.9%</i>	<i>64.2%</i>	<i>2.8%</i>
Operating costs	(36.04)	(31.89)	13.0%	(18.60)	(16.34)	13.8%
<i>Operating costs % total revenue</i>	<i>22.1%</i>	<i>22.0%</i>	<i>0.1%</i>	<i>22.1%</i>	<i>21.6%</i>	<i>0.5%</i>
EBITDA	71.19	60.94	16.8%	37.66	32.08	17.4%
<i>EBITDA margin %</i>	<i>43.6%</i>	<i>42.1%</i>	<i>1.5%</i>	<i>44.8%</i>	<i>42.4%</i>	<i>2.4%</i>
Depreciation, amortisation & impairment	(25.57)	(25.79)	-0.8%	(12.98)	(13.08)	-0.8%
Net Financing cost	0.42	(0.17)	>100%	0.26	0.08	>100%
Asset Purchase Gain	0.11	0.00	>100%	0.11	0.00	>100%
Taxation	(14.28)	(11.97)	19.3%	(7.88)	(7.32)	7.7%
Net Income	31.87	23.02	38.4%	17.16	11.76	45.9%
Earnings per share	0.80	0.57	38.4%	0.43	0.29	45.9%
Free Cash Flow	27.52	22.69	21.3%	12.04	8.95	34.5%
Recommended dividend	25.64	18.83	36.2%			
Recommended dividend per share	0.64	0.47	36.2%			

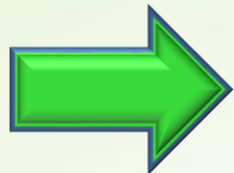
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FY15 Highlights



FY15 Financial Review



Strategic Focus and Guidance

Strategic priorities

Our strategy will be driven by;

- Putting our customers first,
- Delivering relevant products, and
- Ensuring excellence in operations

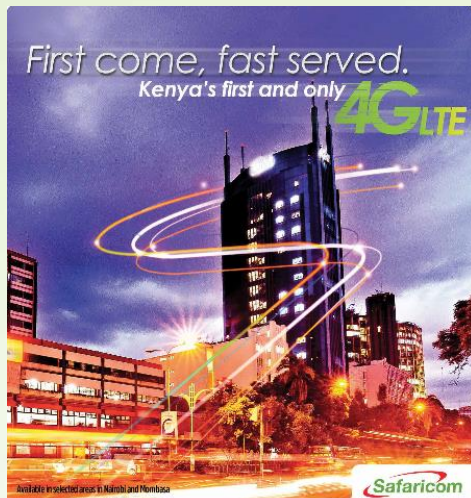
Strategic priorities for next year

Continue the Best Network In Kenya program

- Increase 3G population coverage from 69% to 80% in FY16
- Extend 4G deployment to additional 13 towns and cities across Kenya by Dec 2015
- Implement big data capability to improve customer experience
- Continue to roll out fiber to additional 10 towns and connect another 200 base stations
- Fiber to the Building (FTTB): reach 1,000 commercial buildings
- Fiber to the Home (FTTH): reach 8,000 homes in 50 residential estates

Grow mobile data

- Increase smartphone, 3G, and 4G devices penetration to stimulate usage
- Commercialize the Safaricom Home Broadband proposition "**The Big Box**"
- Nurture and expand partnerships with local & global content providers



Delighting our customers

- Offer personalised value propositions
- Improve retail queue waiting time
- Remove call reasons into the call centre
- Robust acquisition of subscribers

Deepening financial inclusion

- Leverage the new G2 MPesa system
- Drive growth of Lipa Na MPesa
- Drive uptake of saving & loans through M-shwari and KCB-MPesa
- Grow business to business payments
- Grow IMT within the region
- Improve merchant real time settlement to banks on Lipa na MPesa



Partner of choice for business

- Continue to leverage on own fiber in key towns
- Accelerate commercialization and growth of managed services
- Develop key vertical specific propositions to drive product penetration among corporates
- Drive fixed voice growth, leveraging on Fibre to the Building
- Grow payments for business: Retail, Utility s, Public Sector and FMCG's

Grow youth appeal

- More behavior analysis to ensure we develop the best propositions

Encourage further innovation

- Continue to engage with internal and external innovators
- Introduce parental control: to control internet for their children
- Provide Sandbox for more developers to connect & use SMS and USSD



FY16 Guidance

Net Income for FY16

Expected to be in the range of Kshs 32 - 34bn

Free Cash Flow for FY16*

Expected to be in the range of Kshs 25 - 26bn (a decrease on FY15 due to payments for the build of the National Police Security Network)

***Free Cash Flow** as we present it excludes the impact of any M&A, license renewal fees, and spectrum purchases

FY15 Highlights

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- Continued investment and innovation.
 - Significant improvements in voice and data service quality based on our ongoing Best Network in Kenya program
 - Ongoing deployment of 900MHz spectrum acquired from Essar for 3G, and modernization of 100% of our 2G base stations
 - 4G go live in Nairobi and Mombasa delivering faster internet speeds
 - Next generation MPesa system and upgrade of ERP successfully implemented
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- Maintained position as Kenya's most admired brand, with an overall brand equity score of 86%*, a Youthfulness score of 79%* and a Net Promoter Score of 53%**
- Sustained progress on our initiative to transform lives, especially in financial inclusion

*Internally commissioned research performed by Millward Brown **Internally commissioned research performed by TNS



Always moving forward

2G
3G
4G



the**BIG**box

 Safaricom

Appendices



Achieved 'Best in Test' P3 Certification

Commissioned independent drive tests covering Safaricom and its two competitors:

- 6,000 Kms
- 20,000 voice calls
- 5,000 data sessions

Voice tests results (Mobile 2 ISDN)

Operator	Call Setup Success Ratio [%]	Dropped call Ratio[%]	Call Setup Time [s]	Speech Quality
Safaricom	97.3	0.3	4.3	2.7
Competitor x	96.8	0.4	4.4	2.8
Competitor y	96.5	0.9	4.6	2.6

Competitive voice performance with:

- Safaricom ahead of competition in call setup success rate, dropped calls and call set-up time
- Speech Quality at par with competition

Areas covered and interconnecting highways:

Nairobi, Ruiru, Thika, Makuyu, Embu, Chuka, Meru, Nanyuki, Nyeri, Nyahururu, Nakuru, Eldoret, Malava, Kakamega, Kisumu, Ahero, Oyugis, Kisii, Keroka, Bomet, Narok, Kikuyu, Athi River, Voi, Mariakani, Mombasa, Mtwapa, Malindi

Data tests results

Operator	Mean User Data Rate Download 3MB (kbps)	Mean User Data Rate Upload 1MB (kbps)	Mean Web browsing Session Time[s]	Youtube SD reproduction without interruptions [%]
Safaricom	4,336	1,466	4.7	87.8
Competitor x	3,393	1,134	5.2	66.7
Competitor y	3,924	1,041	6.0'	15.6

Safaricom materially offering best data experience with:

- Highest broadband download and upload speeds
- Fastest web browsing
- Highest number of uninterrupted video payouts

The above results for each operator is only measured where that operator has coverage, so the fact that Safaricom has a greater coverage than the competitors is not reflected.



How we will account for the Police Network Project

P&L						
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Fixed data revenue		554	665	665	665	775
Service Revenue		554	665	665	665	775
Other income						
Total revenue		554	665	665	665	775
Other income		11,583				
Contribution margin		12,136	665	665	665	775
Network costs		(328)	(402)	(402)	(402)	(476)
Other operating costs	(214)	(11,583)	0	0	0	0
EBITDA	(214)	226	263	263	263	299
<i>EBITDA margin %</i>		40.8%	39.5%	39.5%	39.5%	38.6%
Taxation		(56)	(67)	(67)	(67)	(79)
Net Income	(214)	170	195	195	195	221
Cashflow						
Trading Cash Flow	(214)	226	263	263	263	299
Working Capital Changes	(903)	(6,171)	1,533	1,374	1,374	1,264
Movement in Stocks	(7,227)	7,227	0	0	0	0
Movement in Debtors	0	(7,074)	1,533	1,374	1,374	1,264
Movement in Creditors	6,324	(6,324)	0	0	0	0
Operating Cash Flow	(1,117)	(5,945)	1,795	1,637	1,637	1,563