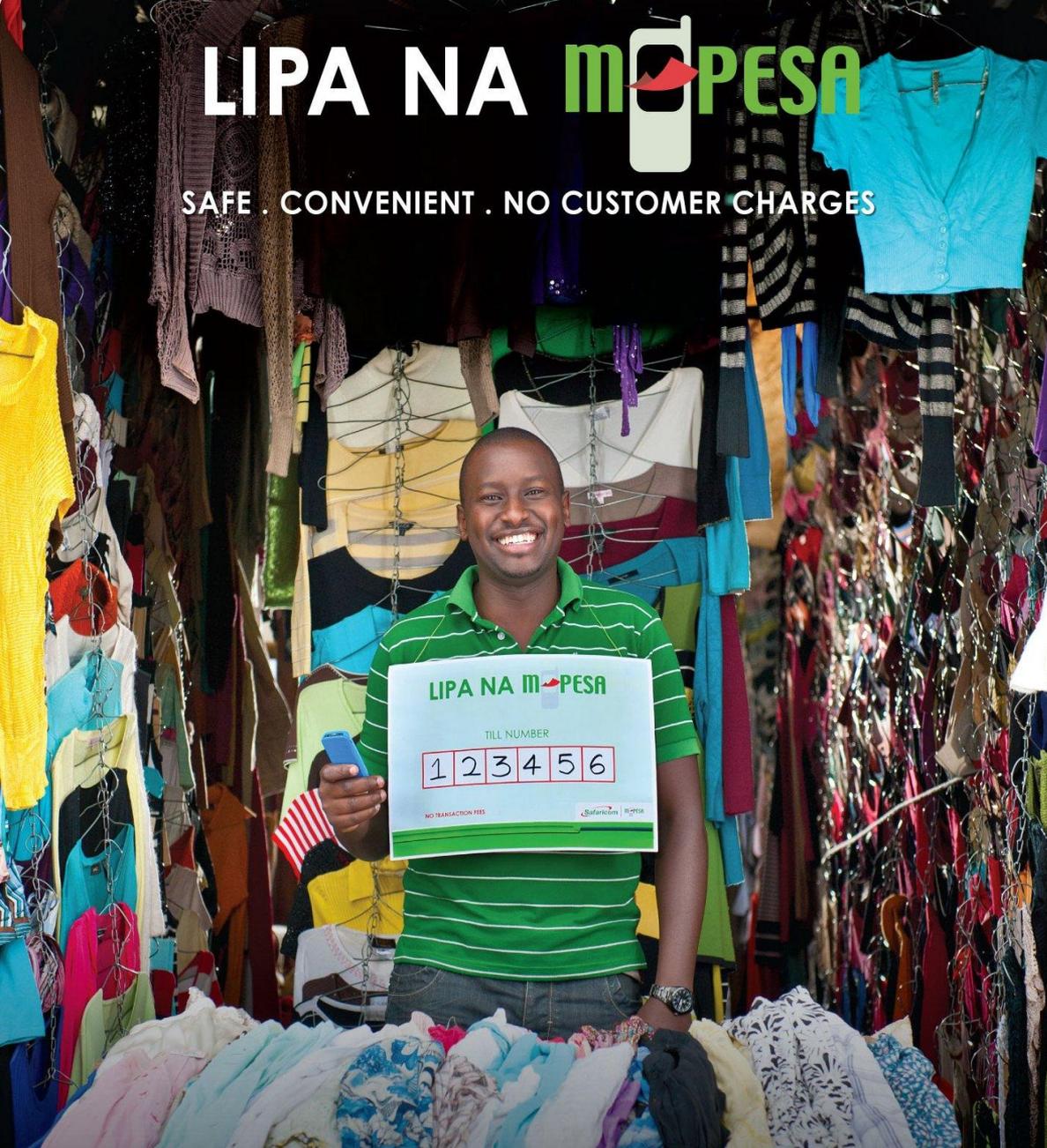


LIPA NA M-PESA

SAFE . CONVENIENT . NO CUSTOMER CHARGES



Safaricom
Ltd

H1 FY14
Presentation

5th November
2013



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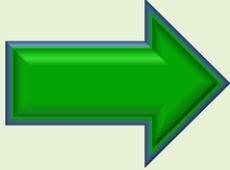
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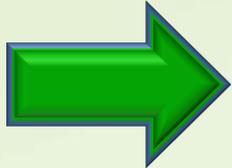
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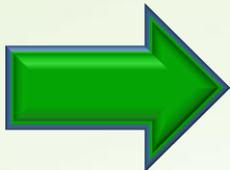
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H1 FY14 Highlights



H1 FY14 Financial Review



Strategic Focus and Guidance

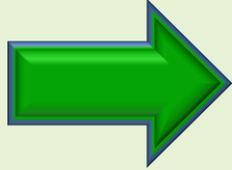
H1 FY14 Highlights

- Strong commercial and financial performance across all segments and metrics
- Continued investment and innovation in network and services
 - Significant improvements in voice and data service quality
 - Phase 1 of nationwide metro fibre build completed, accelerated phase 2
 - Lipa na M-PESA launched to enable cashless merchant payments
- Strong growth in Non-Voice service revenue
- Reinforced position as Kenya's most admired brand, with an overall equity score of 83% and a Kenyan resonance score of 94%
- Great progress on our initiatives to transform lives, especially in financial inclusion

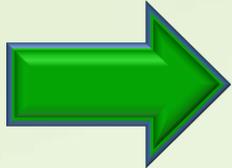
Delivering on key financial metrics

TOTAL REVENUE		+17% to Kshs 69.2bn
VOICE REVENUE		+12% to Kshs 41.9bn
NON-VOICE REVENUE (SMS, DATA and M-PESA)		+30% to Kshs 24.3bn
EBITDA		+29% to Kshs 28.9bn
NET INCOME		+45% to Kshs 11.3bn
FREE CASH FLOW		+167% to Kshs 13.7bn

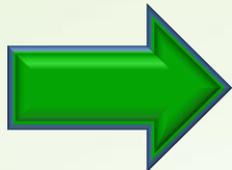
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H1 FY14 Highlights



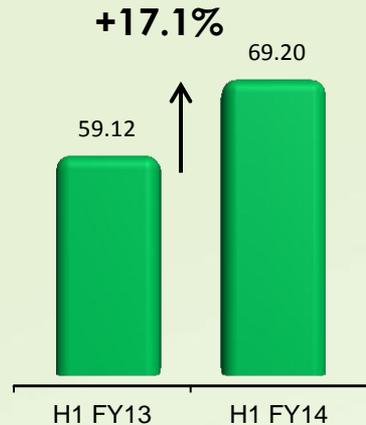
H1 FY14 Financial Review



Strategic Focus and Guidance

Delivering on strategy: Strong financial results

Total Revenue Kshs. Billion



More customers using our products and services

Increasing ARPUs across Voice, SMS and M-PESA

EBITDA Kshs. Billion



17% growth in revenue whilst containing costs growth at 9.6%

Robust EBITDA margin at 41.7% - up 4 ppt

Net Income Kshs. Billion



Driven by improved EBITDA, offset by accelerated depreciation (non-cash)

Free Cash Flow Kshs. Billion

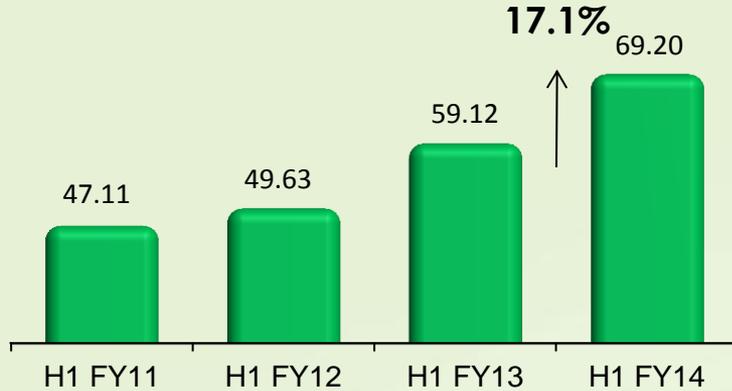


Positive impact of EBITDA increase and working capital management

Strong revenue growth in the period

H1 FY14 Revenue

Kshs. Billion

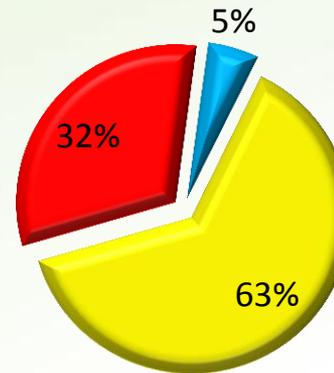


- 17% growth in total revenue
- 8% growth in customer base to 20.8m customers (19.2m in H1 FY13)
- Voice revenue growing at 12% and non-voice revenue growing at 30%

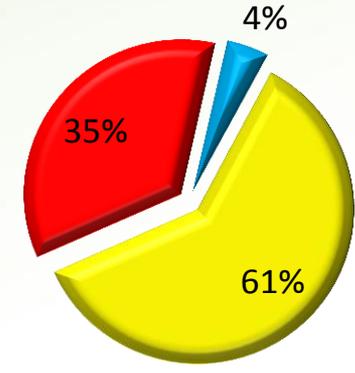
Revenue Breakdown

Kshs. Billion

H1 FY13



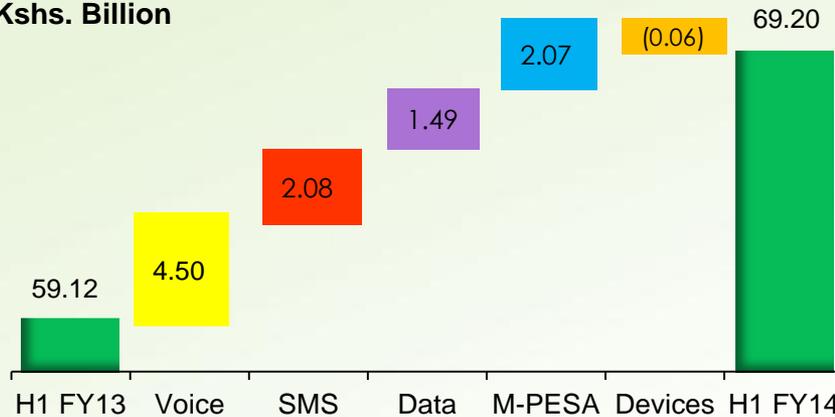
H1 FY14



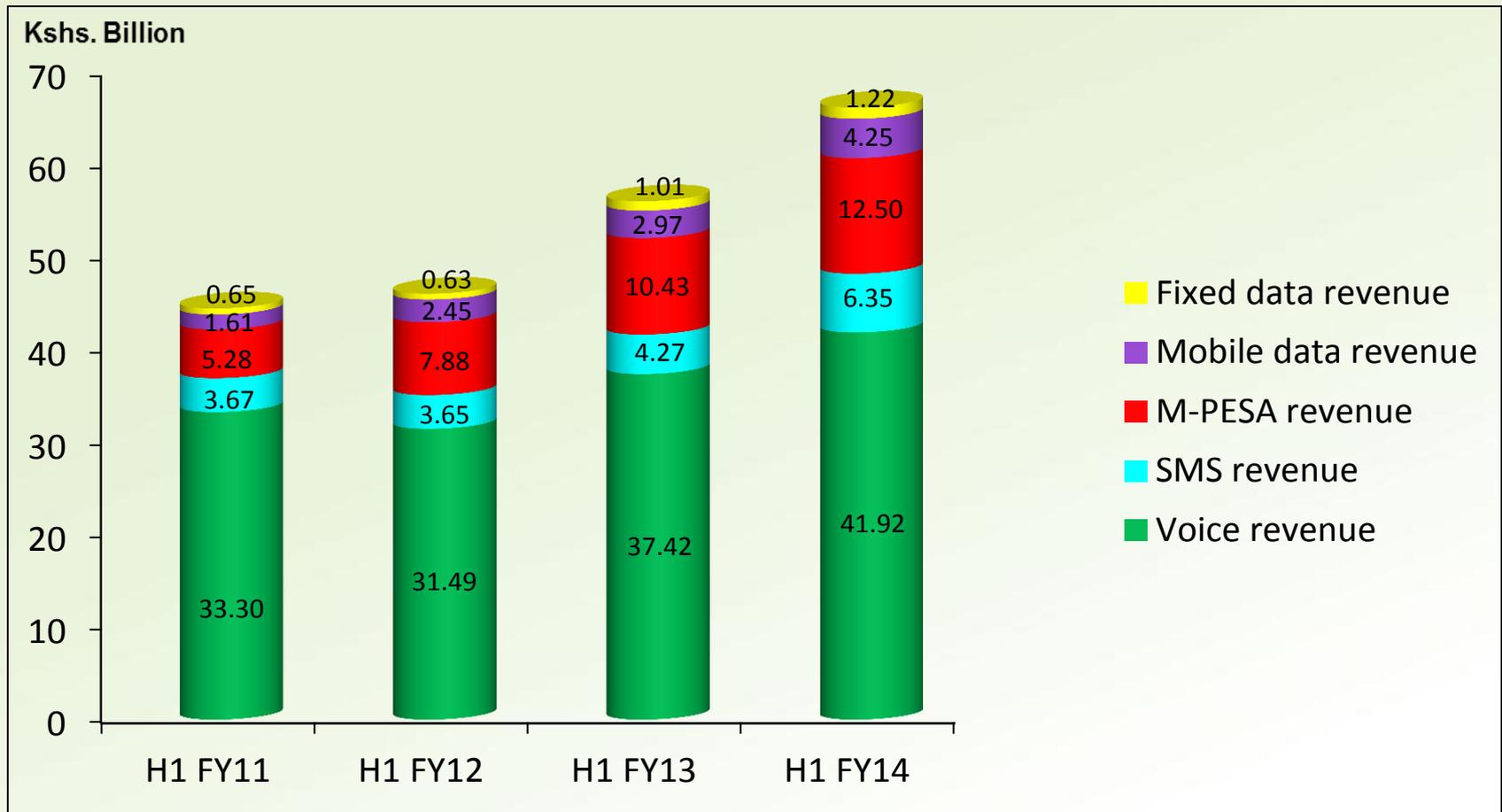
■ Voice ■ Non-Voice ■ Devices

Revenue Growth

Kshs. Billion



Service revenues: Growth across all products



Lowest retail prices & MTR rate in sub-Saharan Africa

Country	Prepay Retail Price per Minute	MTR
Kenya	\$0.04	\$0.013
Angola	\$0.04	
Ghana	\$0.06	\$0.025
Rwanda	\$0.08	\$0.049
Nigeria	\$0.08	\$0.031
Gambia	\$0.09	\$0.031
Uganda	\$0.10	\$0.033
Tanzania	\$0.10	\$0.022
Benin	\$0.14	\$0.123
Namibia	\$0.14	\$0.030
Burundi	\$0.14	\$0.031
Mozambique	\$0.14	\$0.064
Guinea Bissau	\$0.15	
Congo	\$0.16	
South Africa	\$0.16	\$0.041

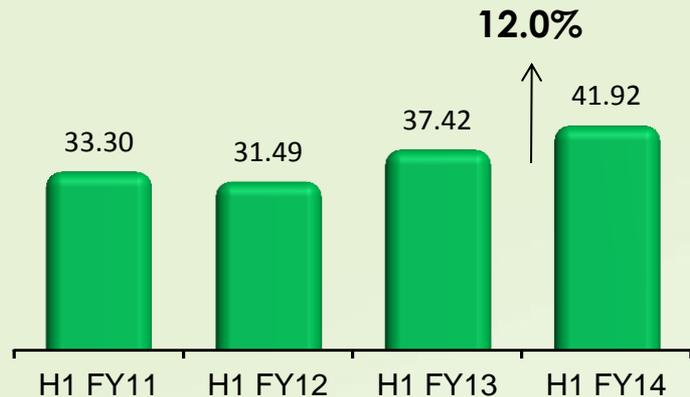
Country	Prepay Retail Price per Minute	MTR
Burkina Faso	\$0.16	\$0.099
Cote D'ivoire	\$0.17	\$0.060
Malawi	\$0.17	\$0.083
Botswana	\$0.18	\$0.042
Central African Republic	\$0.19	
Cameroon	\$0.19	\$0.160
Mali	\$0.21	
Togo	\$0.23	\$0.111
Chad	\$0.25	
Madagascar	\$0.30	
Gabon	\$0.32	\$0.064
Cape Verde	\$0.34	
Lesotho	\$0.42	\$0.062
Liberia	\$1.71	\$0.151

Source: Mobile Africa Tariff Tracker 2013

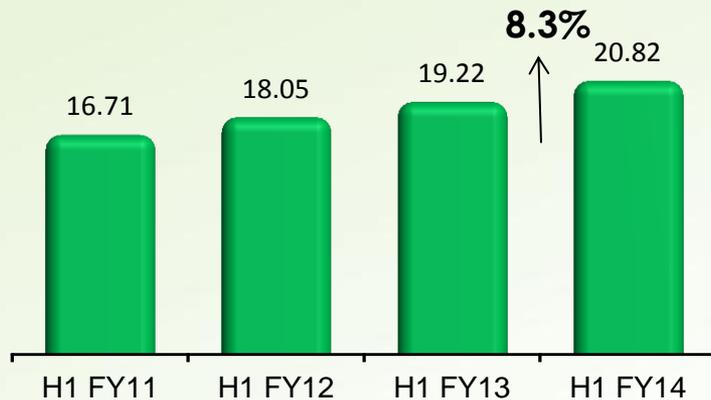


Voice: Sustained growth momentum

Voice Revenue
Kshs. Billion



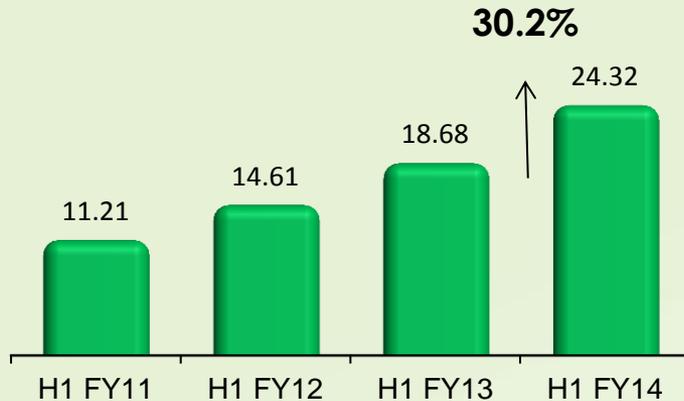
Customers
Million



- 12% growth in voice revenue
- Improved distribution
 - Airtime distribution across over 250,000 retail outlets
 - 34% of airtime top-ups directly through M-PESA
- Our programme to ensure we have the best network in Kenya has reduced dropped calls and improved call quality considerably
- 6.7% increase in outbound calling to 98.7 minutes per customer per month
- 9.2% decrease in inbound calling to 12.7 minutes per customer per month

Strong growth in Non-Voice service revenues

Non-Voice Revenue
Kshs. Billion

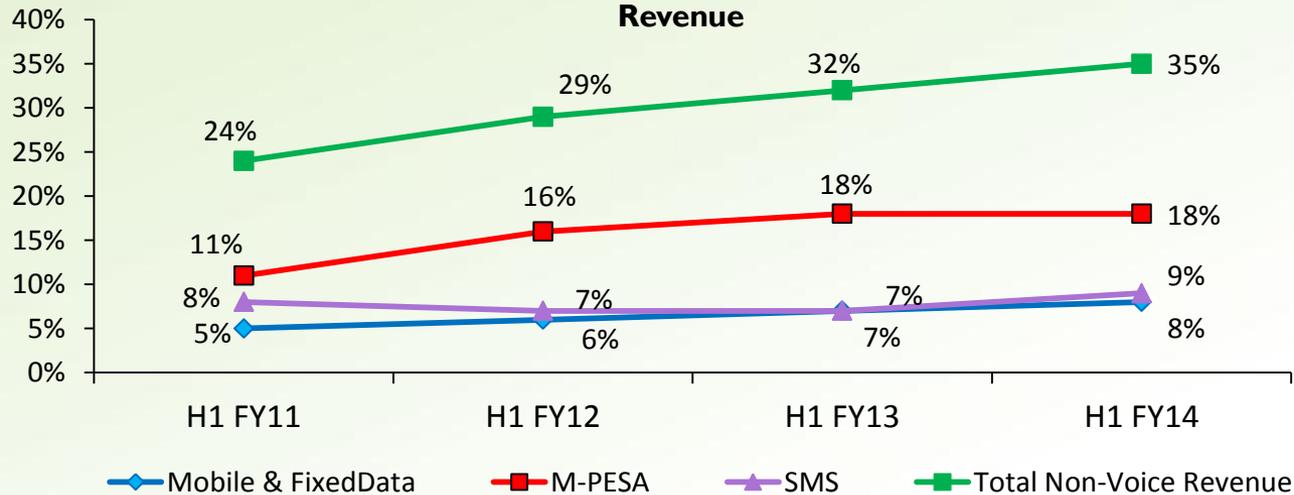


- Non-Voice revenue grew 30% - now 35% of total revenue

- Driven by increased customers and usage. Revenue growth of:

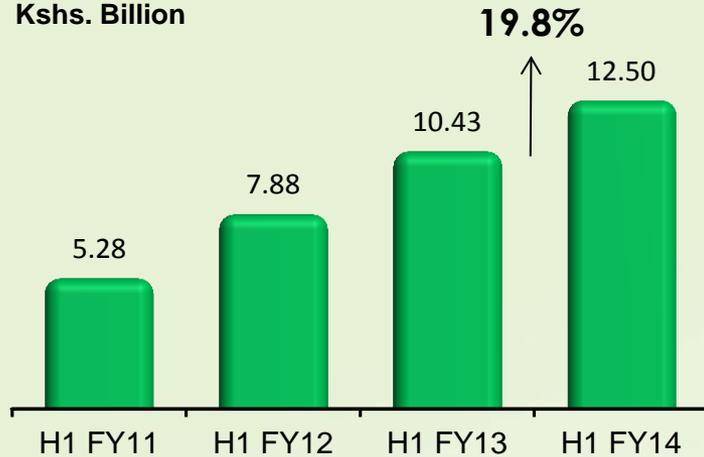
- SMS +49%
- Mobile data +43%
- Fixed service +21%
- M-PESA +20%

Mobile Data/M-PESA/SMS Contribution to Total Revenue

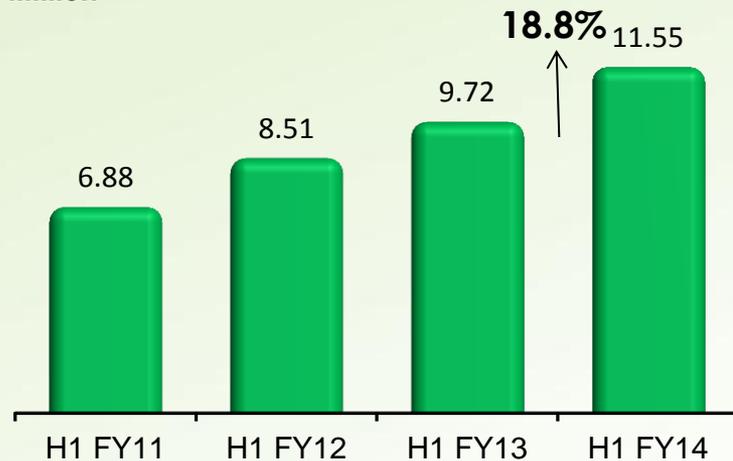


M-PESA: Major Non-Voice revenue driver

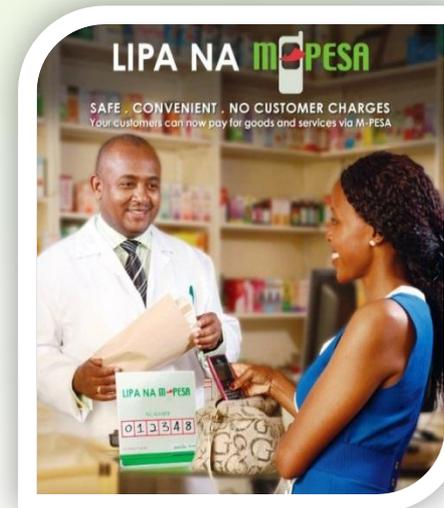
M-PESA Revenue
Kshs. Billion



30-day Active M-PESA Customers
Million



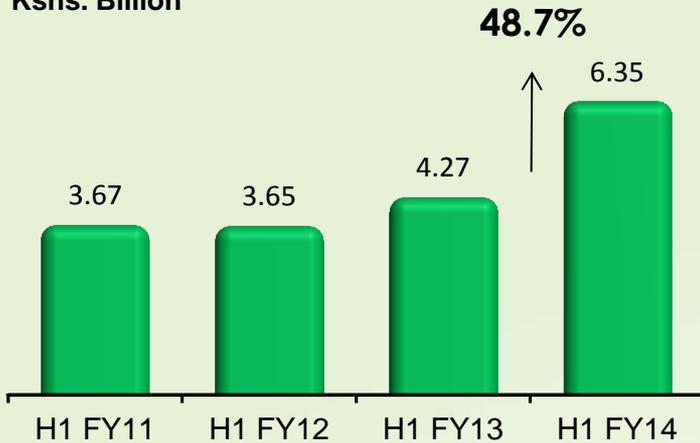
- 20% growth in M-PESA revenue, driven by:
 - 19% increase in 30 day active users to 11.6m
 - 19% increase in registered customers to 18.2 m
 - 2% increase in average number of transactions per customer
- Kshs 94.8bn of real time payments per month*
 - Person to Person: Kshs 77.3bn per month* (16% growth)
 - Person to Business: Kshs 9.9bn per month* (88% growth)
 - Business to Person: Kshs 7.6bn per month* (90% growth)
- 33,316 M-PESA agent outlets added in the year; now 78,856 M-PESA agent outlets



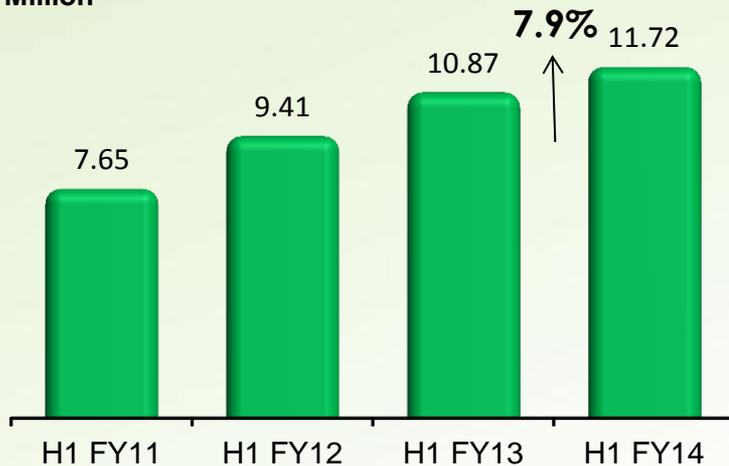
* Average across the six months (Apr-Sept)

SMS: Impressive growth

SMS Revenue
Kshs. Billion



SMS Customers
Million

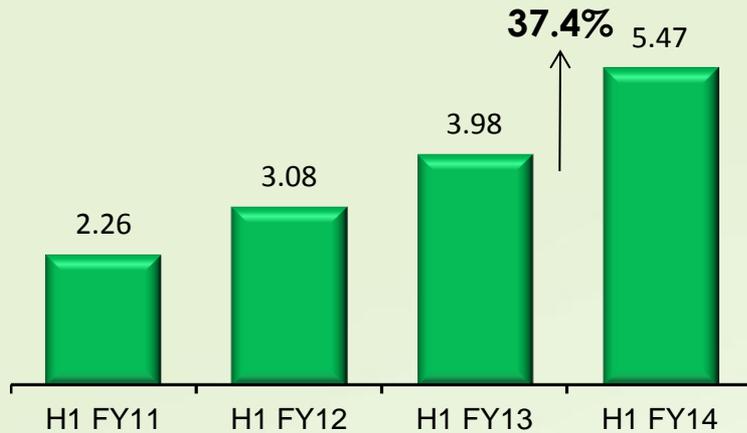


- 49% growth in SMS revenue, driven by 8% increase in 30 day active users to 11.7m
- Increased usage driven by SMS based promotions such as 'Bonyeza Ushinde'
- Affordable pricing driven by SMS bundles

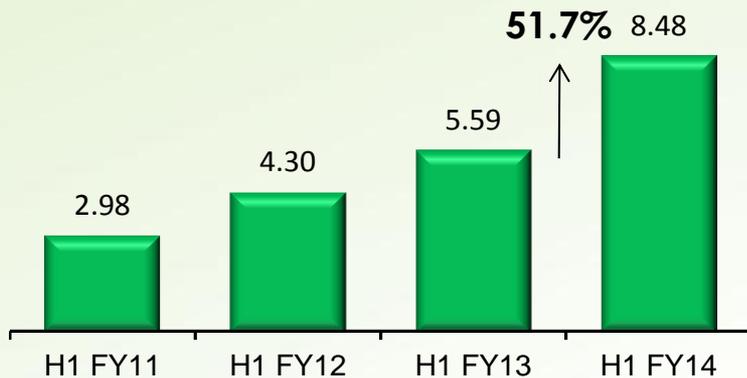


Data: Customers and usage driving growth

Mobile Data & Fixed Service Revenue
Kshs. Billion



30-day Active Data Customers
Million



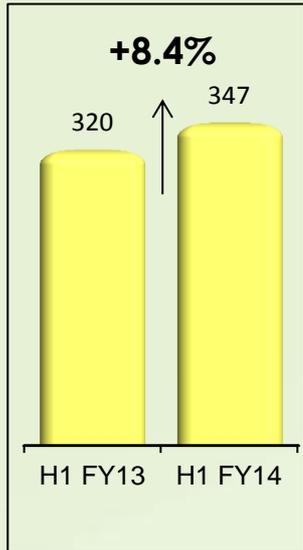
- Mobile data revenue growth of 43% driven by:
 - 52% growth in 30 day active mobile data users to 8.5m – now 41% of our customer base
 - 18% increase in mobile data usage per customer while average price per MB declined by 21%
- Fixed data revenue growth of 21% driven by:
 - 15.4% increase in fixed data ARPU to Ksh 29,680



Sustained ARPU growth

Voice

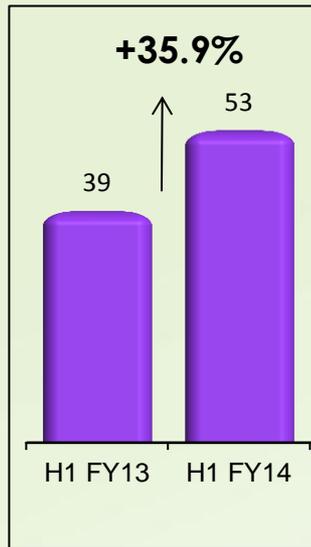
Kshs.



Loyal customer base benefiting from positive promotions

SMS

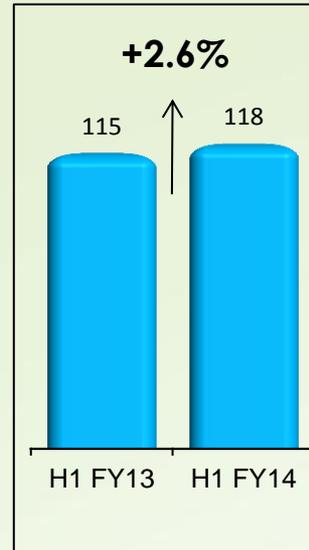
Kshs.



Bonyeza Ushinde SMS campaign in H1 (Previous year it was in H2)

M-PESA

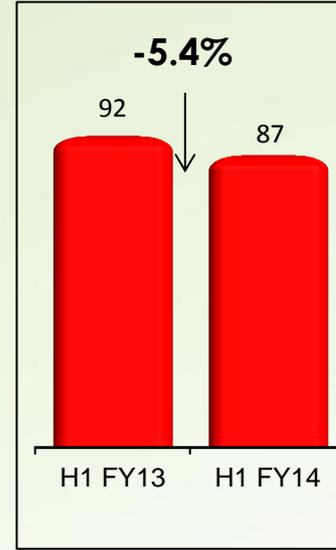
Kshs.



19% growth in customer numbers holds ARPU flat

Mobile Data

Kshs.

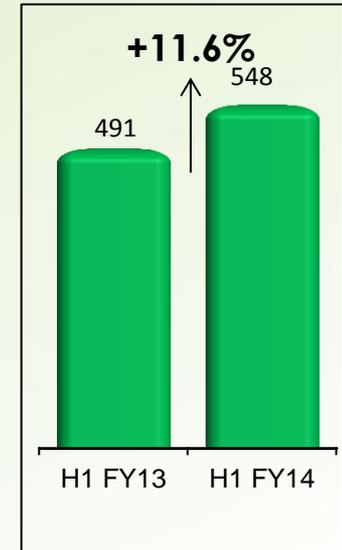


52% growth in customer numbers dilutes ARPU marginally

Average rate per MB at Kshs 1.20

Service ARPU

Kshs.



12% increase supported by all products and services

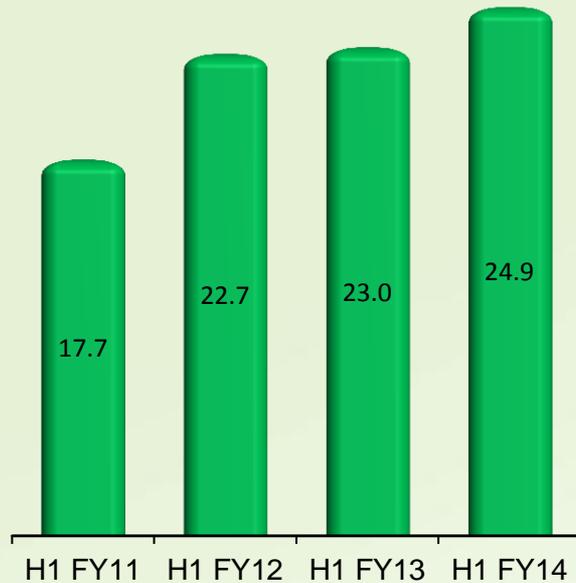
* Voice, SMS and Service ARPU are calculated based on total customers

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

Direct cost control improves contribution margin

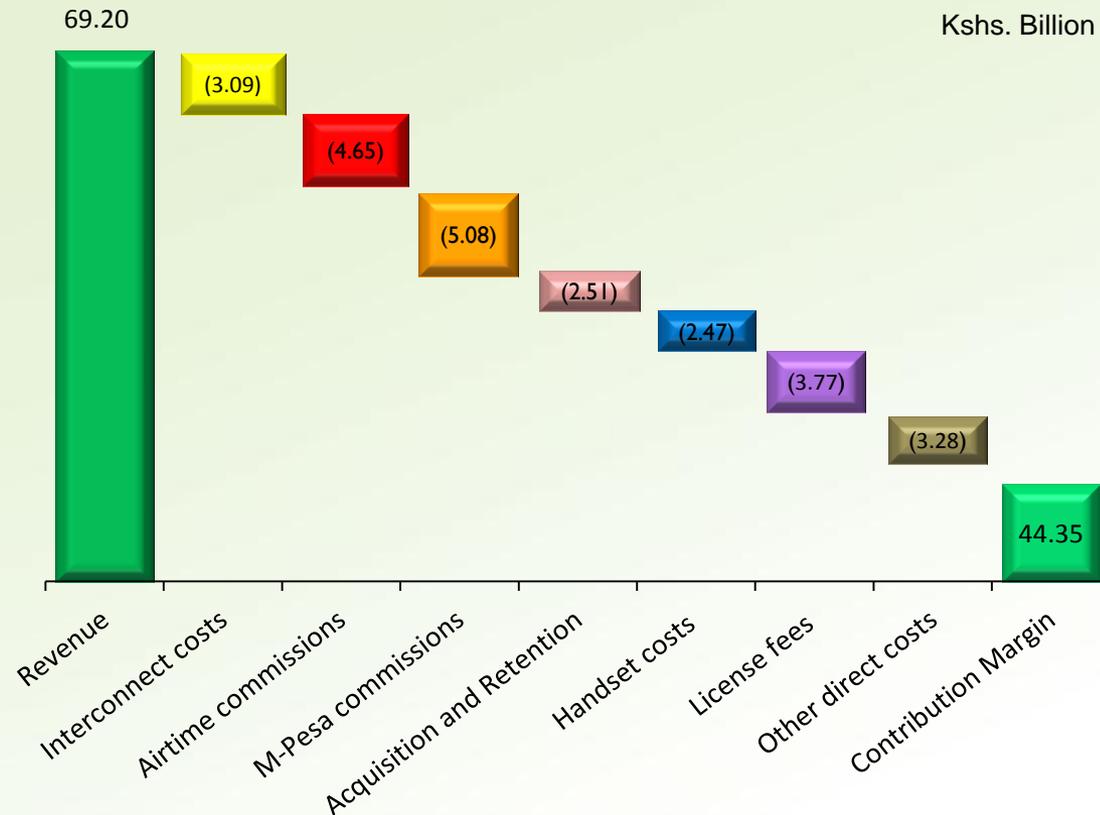
HY Direct Costs

Kshs. Billion



HY Direct Costs Breakdown

Kshs. Billion

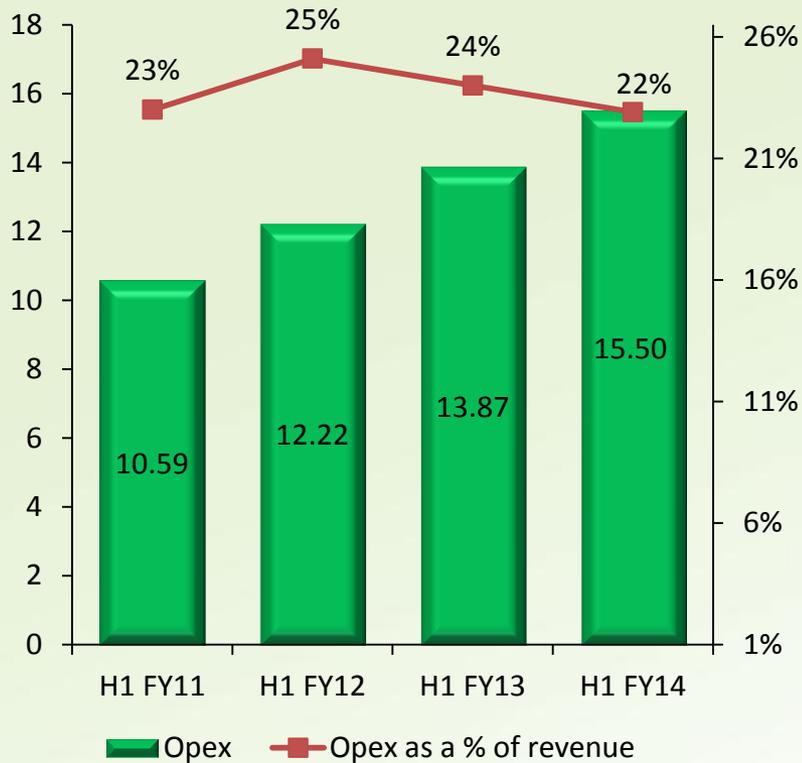


- 8% increase in direct costs , compared to a 17% increase in total revenue
- Contribution margin increased to 64.1% up 2.9ppt, despite M-PESA being margin dilutive

Continued focus on cost control initiatives

HY OPEX- Revised

Kshs. Billion



- Operating costs as a % of total revenue declined to 22%
- 12% increase in operating costs versus a 17% increase in total revenue
- Operating cost saving initiatives still focus on:
 - Transmission costs
 - Network operating costs (including fuel)
 - IT operational costs
 - Headcount control
 - Insurance

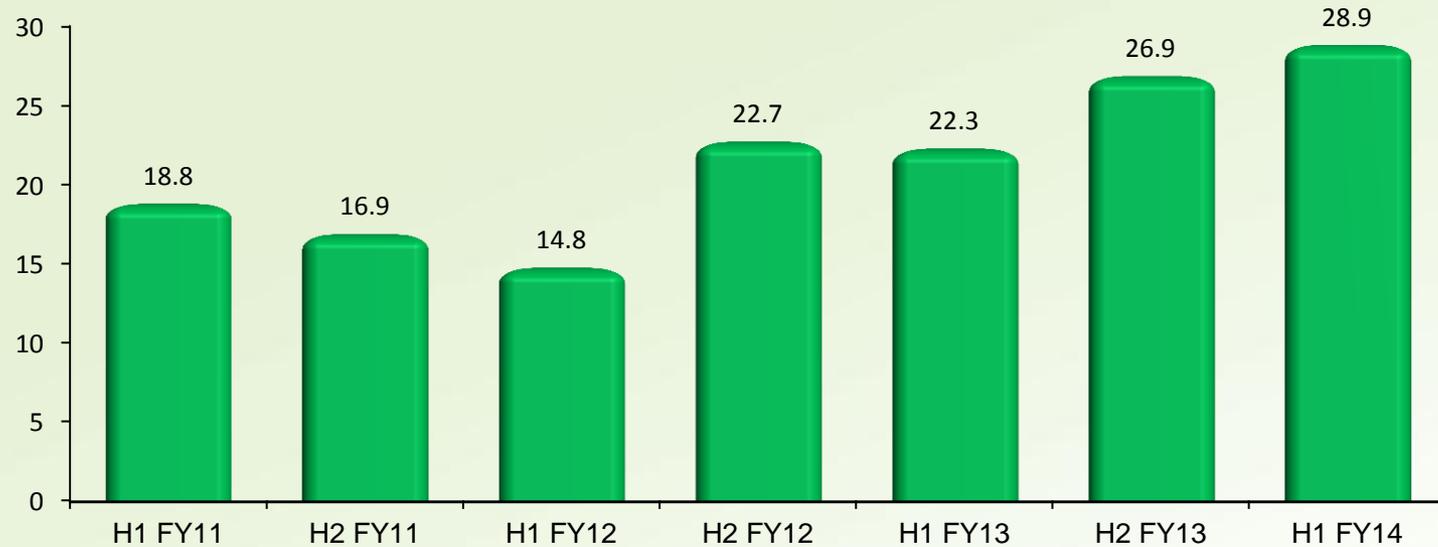
* Operating costs relate to Payroll, Publicity, Leased Lines, Network & IT operational costs, and Other (rent, rates, insurances, etc)

* Operating costs revised to exclude frequency fees now reported as Direct costs (1.5% impact on cost to revenue ratio)

Strong growth in EBITDA

H1/H2 EBITDA

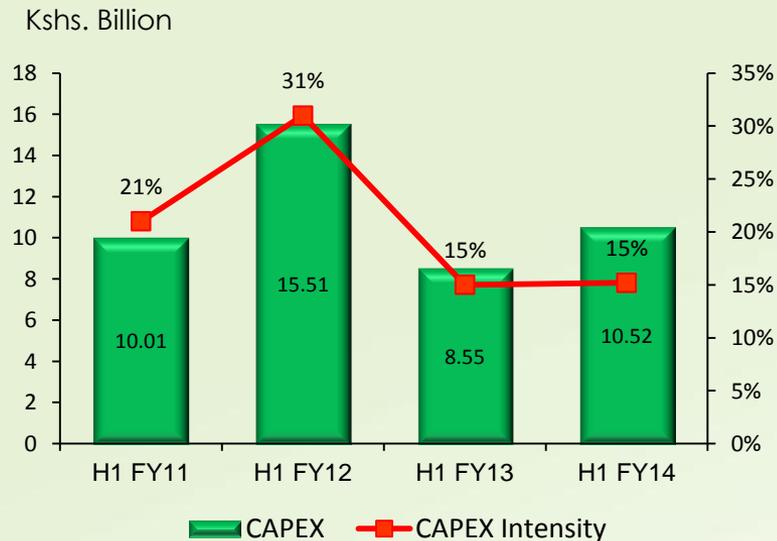
Kshs. Billion



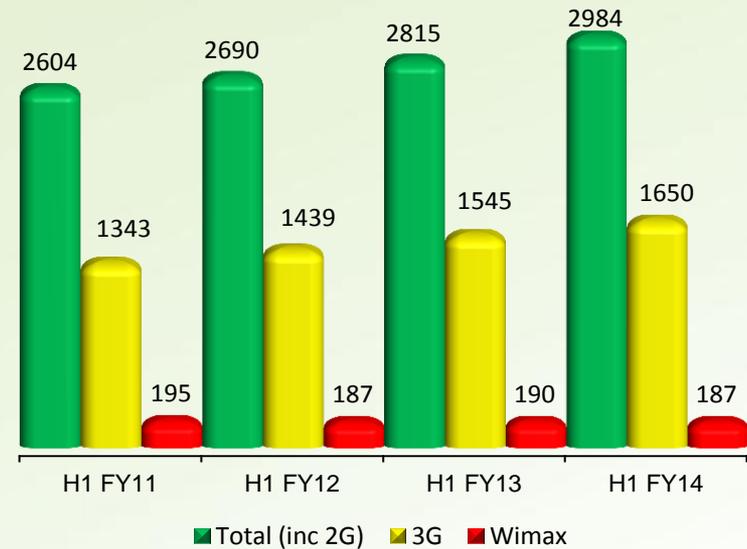
- 29% growth in H1 FY14 EBITDA to Kshs 28.9bn
- H1 FY14 EBITDA margin improves 4ppt to 41.7%

Largest & Fastest Network in Kenya

HY CAPEX



Base Stations



Capital expenditure of Kshs 10.5bn invested in:

- Best Network in Kenya program
- 2G and 3G capacity growth
- Fiber rollout in Nairobi
- Energy efficiency

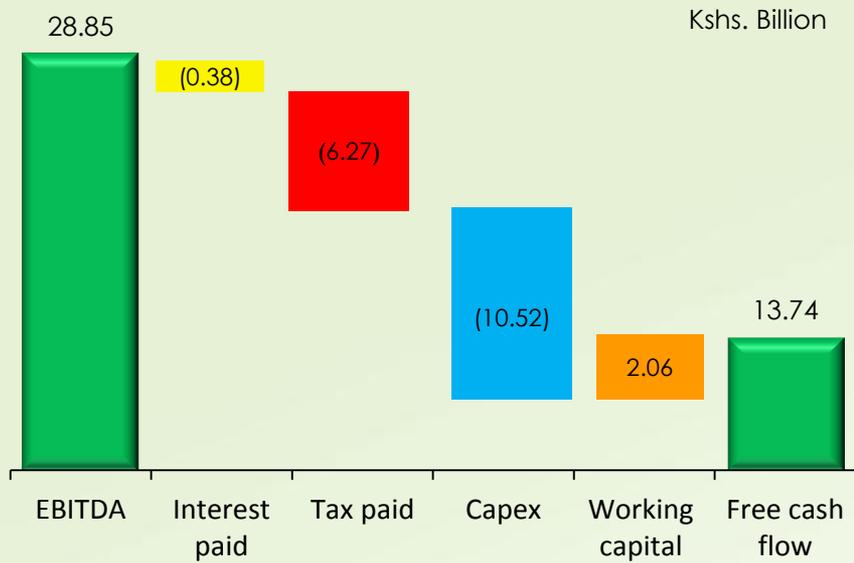
Capital expenditure is usually back end loaded to the 2nd half. Guidance of Kshs 26-27bn for FY14

Largest 2G and 3G network:

- 2,984 2G enabled base stations
- 1,650 3G enabled base stations
- 1,260 3G sites at 21mbps
- 415 3G sites at 42mbps



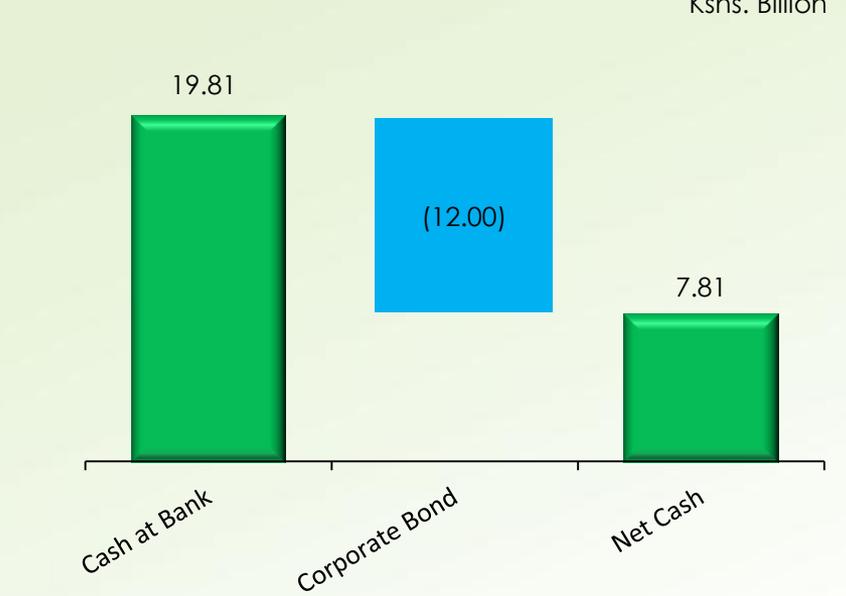
HY Free Cash Flow



- 167% growth in Free Cash Flow to Kshs 13.7bn from Kshs 5.1bn
- Driven by improved EBITDA and working capital management

* Free Cash Flow excludes M&A and spectrum purchases

HY Net Cash



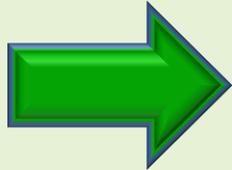
- Kshs 7.5bn corporate bond at 12.25%, expires Nov 2014
- Kshs 4.5bn corporate bond at 7.75%, expires Dec 2015
- Dividend paid in Nov to free float, Dec to VFK and GoK



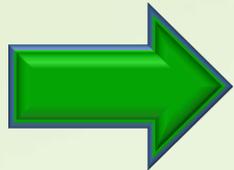
Key Financials:

	H1 FY14	H1 FY13	VARIANCE
Voice revenue	41.92	37.42	12.0%
Messaging revenue	6.35	4.27	48.7%
Mobile broadband revenue	4.25	2.97	43.1%
Fixed service revenue	1.22	1.01	20.8%
M-Pesa revenue	12.50	10.43	19.8%
Service Revenue	66.24	56.10	18.1%
Handset revenue	2.22	2.43	-8.6%
Acquisition and other revenue	0.74	0.59	25.4%
Total Revenue	69.20	59.12	17.1%
Direct costs	(24.85)	(22.96)	-8.2%
Contribution margin	44.35	36.16	22.6%
<i>Contribution margin %</i>	<i>64.1%</i>	<i>61.2%</i>	<i>2.9%</i>
Operating costs	(15.50)	(13.87)	-11.8%
<i>Operating costs % total revenue</i>	<i>22.4%</i>	<i>23.5%</i>	<i>1.1%</i>
EBITDA	28.85	22.29	29.4%
<i>EBITDA margin %</i>	<i>41.7%</i>	<i>37.7%</i>	<i>4.0%</i>
Depreciation, impairment & amortisation	(12.70)	(9.91)	-28.2%
Net Financing cost	(0.24)	(0.87)	72.4%
Taxation	(4.65)	(3.74)	-24.3%
Net Income	11.26	7.77	44.9%
Earnings per share	0.28	0.19	47.4%
Free Cash Flow	13.74	5.14	167.3%

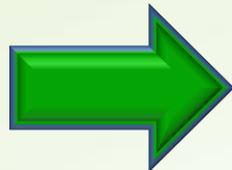
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H1 FY14 Highlights



H1 FY14 Financial Review



Strategic Focus and Guidance

Strategy Overview

Our focus for the next 6 months is to:

- Further expand the Best Network in Kenya program
- Grow Mobile and Fixed Data
- Deepen financial inclusion
- Retain and reward our loyal customer base
- Grow youth appeal
- Encourage further innovation

Deliver the Best Network in Kenya

We started our Best Network in Kenya program 1 year ago, and we promised to achieve great results within 1 year.

Some of the activities we have undertaken are :

- Modernized 85% of our radio network, that's 2,650 sites
- Increased capacity on 1,200 sites, expanding data services by 100% and voice by 20%
- Upgraded 95% of 3G sites to a minimum of 21Mbps
- Upgraded 65% of the transmission network to IP
- Laid 570km of fibre
- Extended the commercial power grid to 95% of all sites
- Decentralised the Enterprise customer network to 21 counties
- Extended the population coverage of 2G to 89% and 3G to 56%

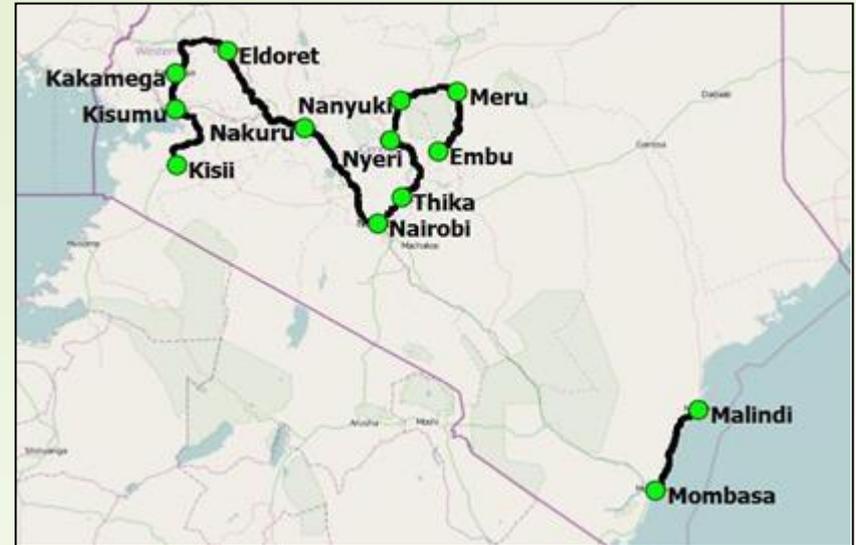


Top priority items in pipeline:

- Support the government to grow iGDP, and deliver wifi access to schools, by implementing a 4G (LTE) network as soon as spectrum comes available.
- Build 52 security sites in the border counties.
- Extend the fibre roll-out to more base stations and buildings across Kenya.

Great improvement in our network

- Over the last year we have commissioned 4 independent drive tests.
- Most recent drive test covered:
 - 5,500 kms,
 - 20,000 voice calls
 - 5,000 data sessions.
- The conclusion was:
 - *“Safaricom has visibly improved to a **strong** market position in data services and **competitive** performance in voice services.”*
 - *“The rolled out technology is not yet exploited to the maximum.”*
- Next steps are to :
 - consolidate performance
 - maximize technology capability within the spectrum available.



“Safaricom is in good shape when looking at available comparison data from non-European Opcos.”

Grow Mobile Data

What we have achieved:

- Increased data customers by 52% to 8.5m
- Increased the number of 3G devices on the network to 2.6m, of which 1.5m are smartphones
- Introduced *Chattitude* - Daily internet bundle
- Introduced Vuma Online - Free WiFi service in public transport vehicles with 1,115 active matatus/buses

Top priority items in pipeline:

- Migrate customers from 2G to 3G devices on cost effective quality devices
- Greater push on social media, apps, media and content
- Encourage developers to create relevant content



Grow Fixed Data

What we have achieved:

- Grown number of corporate customers with a dedicated internet connection by 14%
- Launched a fixed calling service over fibre
- Re-launched our Software as a Service “Cloud” for SMEs, with the following applications:
 - Hosted Payroll Solution
 - Hosted Accounting Solution
 - Website and
 - Email Hosting

Top priority items in pipeline:

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



MANAGEMENT OF YOUR EMPLOYEE SALARIES AND BENEFITS SIMPLIFIED WITH SAFARICOM ONLINE PAYROLL

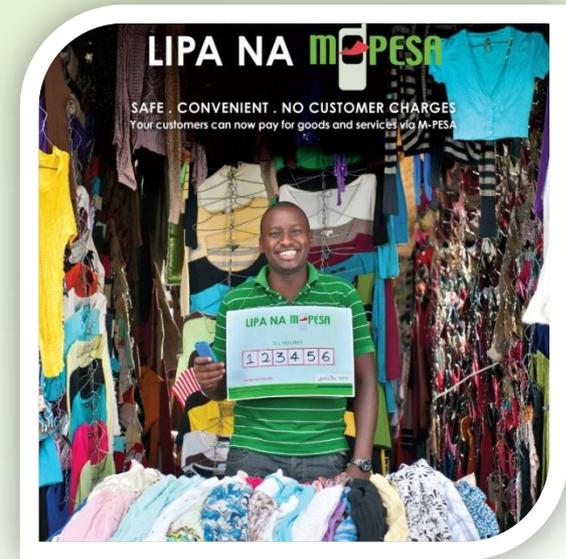
Automated salary processing including PAYE, NHIF & NSSF deductions. No software or hardware purchase required

Free 30 day trial

Deepen financial inclusion using M-PESA

What we have achieved:

- Increased M-PESA outlets by 33,316 in the year, now at 78,856
- Launched Lipa na M-PESA: 36,749 merchants acquired
- Signed up 142 distributors for cashless payments
- M-Shwari: 2.4m active customers, Kshs 1.8bn on deposit, Kshs 0.8bn on loan with NPLs at 3.8%



Top priority items in pipeline:

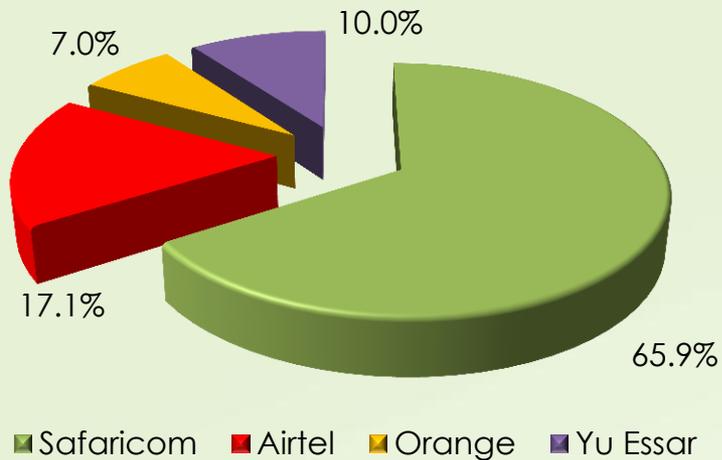
- Grow Lipa na M-PESA and cashless distribution
- Grow e-commerce & transport payments
- Grow Bank to M-PESA
- Drive uptake of savings and loans

M-SHWARI Performance

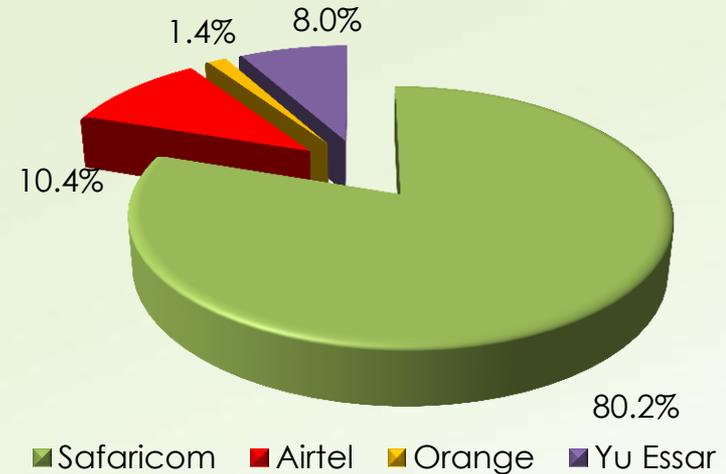
	March	September
Customers	2.5 million	4.8 million
Active Customers	1.1 million	2.3 million
Loan Balance	0.3 billion	0.7 billion
Non Performing Loans	4.0%	3.7%
Net Deposits	0.9 billion	1.7 billion

Retain market leadership

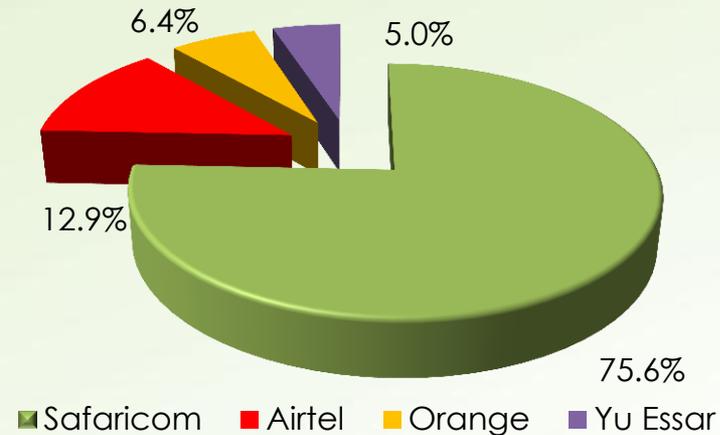
Subscriber market share-Jun 2013



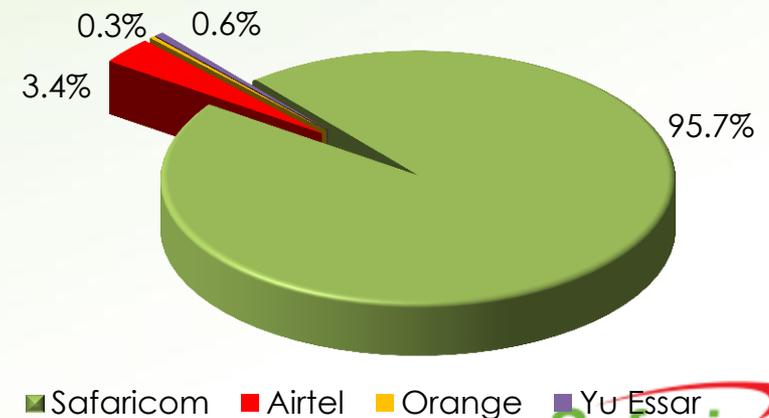
Voice traffic market share-Jun 2013



Mobile Data market share-Jun 2013



SMS market share-Jun 2013



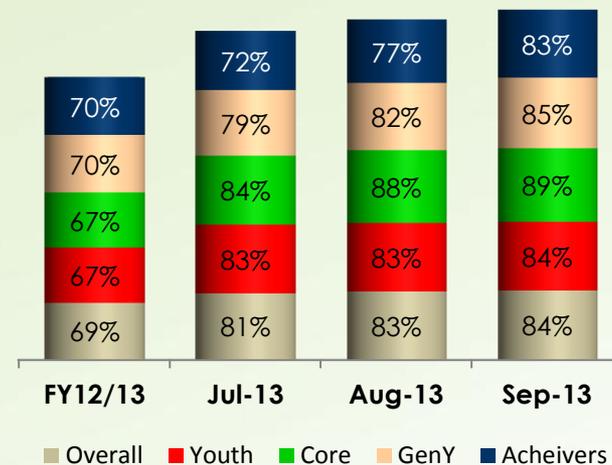
Source: Communication Commission of Kenya (CCK)

Grow youth appeal

What we have achieved:

- Increase in youth appeal with overall brand youthfulness growing to 84% from 69% since March 2013.
- Engagement with youth through activities and propositions
 - Vuma online
 - Affordable bundles of data & SMS
 - Kaa social na chattitude
 - Niko na Safaricom live
 - Safaricom 7s
 - Groove awards

Youthfulness Attribute – By Segment



Encourage further innovation

What we have launched in the last 6 months:

- Lipa na M-PESA (merchant pays the txn fee)
- Cashless FMCG distribution using M-PESA
- Lipa Kodi (rental payments to landlords)
- *Chattitude* and *10+10 for 10*
- *Vuma Online*
- The Safaricom Appstore
- The Safaricom Appstar competition
- And building a telecoms lab at JKUAT university



ARE YOU THE SAFARICOM AppStar?

Join the Safaricom AppStar Challenge and discover the Star in you!

Runners Up
Ksh 500,000

**Grand Prize
Ksh 1,000,000**

Category Winners
Ksh 100,000 per category



LIPA KODI NA M-PESA

THE CONVENIENT, EFFICIENT AND AFFORDABLE WAY TO RECEIVE RENT FROM TENANTS.

Apply for your **LIPA KODI** account and make it easy for your tenants to pay your rent anytime, anywhere via **M-PESA**.

WHY YOU SHOULD SIGN UP

1. No charges to your organisation
2. Tenants can pay their rent day or night from the comfort of their homes. Convenience for your tenants means timely rent payment for you
3. You can receive up to KSh 70,000 per transaction, and up to KSh 140, 000 from each tenant, per day
4. Comprehensive payment reports are available for payment reconciliation

SMS **KODI to 21366** or email lipakodi@safaricom.co.ke and we will contact you.

For more information, visit www.safaricom.co.ke/personal/m-pesa/lipa-kodi/lipa-kodi-faqs

Safaricom | M-PESA



FY 2014 Guidance

Free Cash Flow:

Expected to be in the range of Kshs 20bn to Kshs 21bn

H1 FY14 Highlights

- Strong commercial and financial performance across all segments and metrics
- Continued investment and innovation in network and services
 - Significant improvements in voice and data service quality
 - Phase 1 of nationwide metro fibre build completed, accelerated phase 2
 - Lipa na M-PESA launched to enable cashless merchant payments
- Strong growth in Non-Voice service revenue
- Reinforced position as Kenya's most admired brand, with an overall equity score of 83% and a Kenyan resonance score of 94%
- Great progress on our initiatives to transform lives, especially in financial inclusion

LIPA NA M-PESA

SAFE . CONVENIENT . NO CUSTOMER CHARGES



Q & A