

This is for
growing together,
now and forever.



Safaricom Limited

H1 FY16 Presentation



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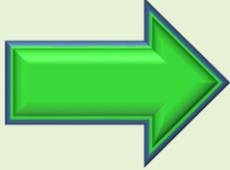
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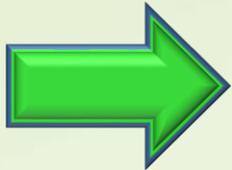
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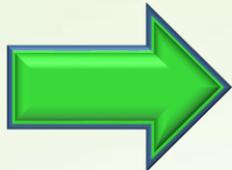
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H1 FY16 Highlights



H1 FY16 Financial Review



Strategic Focus and Guidance

H1 FY16 Highlights

- 15% growth in total customer base to 25.1m
- Continued strong growth of non-voice service revenue
- Regionalization of the sales and operations functions in line with our customer first strategy
- Continued investment and innovation
- Significant improvements in voice and data service quality
 - Continued roll out of 2G, 3G & 4G sites
 - Launched a new M-PESA platform in Kenya
 - Growth of Lipa na MPESA and regional cross border MPESA transfers
 - Rolled out an additional 620km of fibre and connected an additional 300 buildings
 - Fibre connectivity to Ethiopia
- Maintained position as Kenya's most admired brand, with an overall brand equity score of 91%* and a Net Promoter Score of 63%**

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



What we have achieved

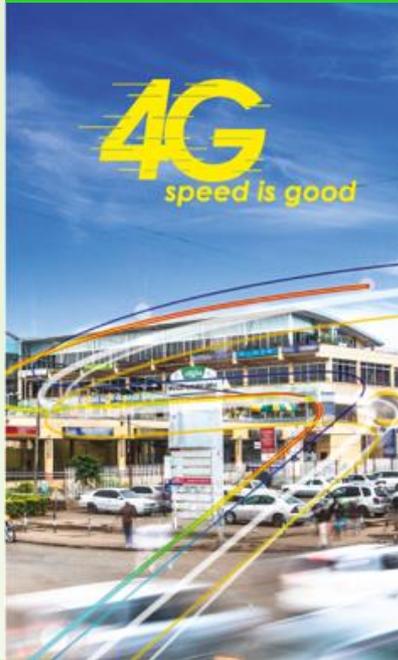
We continue to execute our strategy driven by:

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

What we have achieved...Cont'd

Best Network for
You

- Rolled out 833 3G sites and 236 2G sites
- 3G now covers 73% of the population
- 4G - Rolled out 379 sites to date in major cities and towns in 14 counties
- Rolled out 2,328Km of fiber to date reaching 10 towns
- Connected 1,002 buildings and 6,047 homes
- Fibre connectivity to Ethiopia completed
- Modernization of 62% of our WiMax base stations
- National Police Security project on schedule
- 30% of our national fibre upgraded to 100 Gbps



What we have achieved...Cont'd

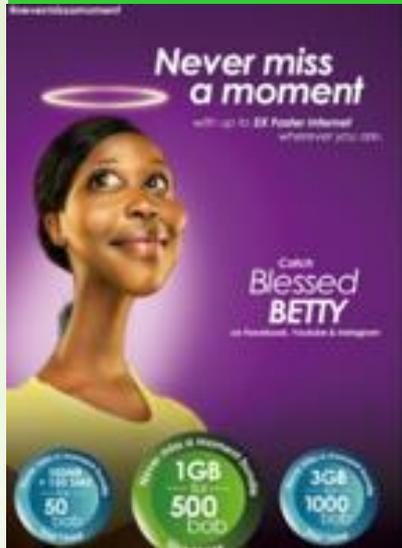
Growing mobile data

- Grew 30 day active data users to 13.1m up 25%
- Mobile data penetration at 76% of 30 day active base
- Usage up 78%
- Smartphone users grew to 4.1m up 33%.



Recruiting, Retaining, and Rewarding Customers

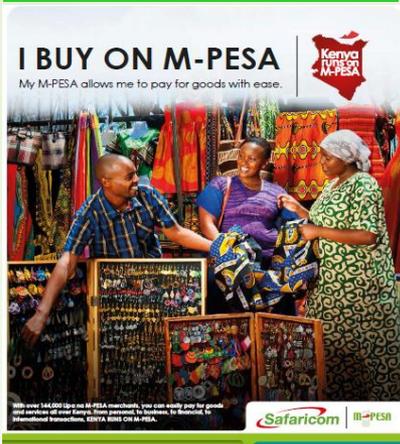
- Continued customer growth, now at 25.1m up 15%
- Customer loyalty: churn at 14.3% down 6ppt
- SMS penetration at 74%
- Increased web self care users to over 5.2m
- Partnership with dealers to offer extended customer service



What we have achieved...Cont'd

Deepening financial inclusion

- M-PESA penetration at 88% of total customer base
- Continued growth with 30 day active users at 15.7m, up 23%
- Introduced real-time settlements for Lipa na M-PESA merchants
- Lipa na M-PESA merchants now at 36k. Payments in Sept 2015 Kshs 15bn
- Expanded regional International Money Transfer to Uganda and Rwanda
- Continued growth in M-shwari and KCB-MPESA savings and loans products

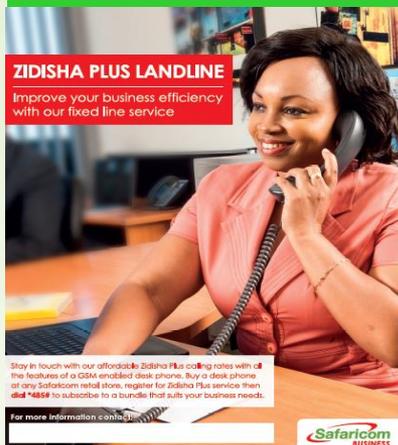


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What we have achieved...Cont'd

Partner of choice
for business

- ❖ Revised SME operating model aligned to regions
- ❖ SME customers at 64k up 72%
- ❖ Corporate
 - Corporate customers now at 3,846
 - Increased product penetration with YoY growth of 20% to Kshs 6bn
 - Grown our business with the Public sector, with 60% county penetration
- ❖ Managed services and Fibre to the Buildings (FTTB)
 - 1,002 active buildings on FTTB
 - 1,842 customers connected
 - 30 active customers on managed services solution



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What we have achieved...Cont'd

Supporting Innovation

- M-AKIBA to enable customers invest in GoK bonds via M-PESA
- Building Capacity within the external ecosystem – provided a testing portal for developers
- Safaricom US\$1m Spark Venture Fund operationalized
- Startup partnerships and alliances
 - UBER Cash: UBER customers can now pay via M-PESA
 - Waze: a traffic solution application by Google
- Farmers E-Subsidy
- New M-PESA API released

APP WIZ
THE SAFARICOM BUSINESS CHALLENGE

GREAT INNOVATIONS CHANGE LIVES
Kick-start your Start-App at the 2015 Safaricom App Wiz Challenge.

GRAND WINNER
KShs. 1.5M TO FUND YOUR BUSINESS

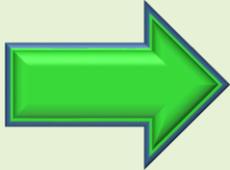
MENTORSHIP
PARTNERSHIP
TRAINING
REVENUE

Have a Mobile Solution? Put your team together, develop the solution and we'll take it from a prototype to a market ready product in just 3 short months through mentorship, training and business development. Take advantage of this fine opportunity to start your tech business today. For more information, visit <http://developer.safaricom.co.ke>

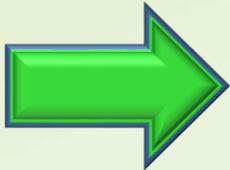
Strong financial performance

SERVICE REVENUE		+12% to Kshs 84.9bn
NON-VOICE SERVICE REVENUE		+24% to Kshs 39.7bn
EBITDA		+16% to Kshs 38.8bn
NET INCOME		+23% to Kshs 18.1bn
FREE CASH FLOW		-38% to Kshs 9.5bn

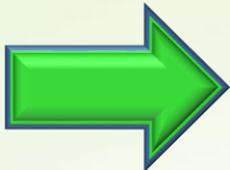
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H1 FY15 Highlights

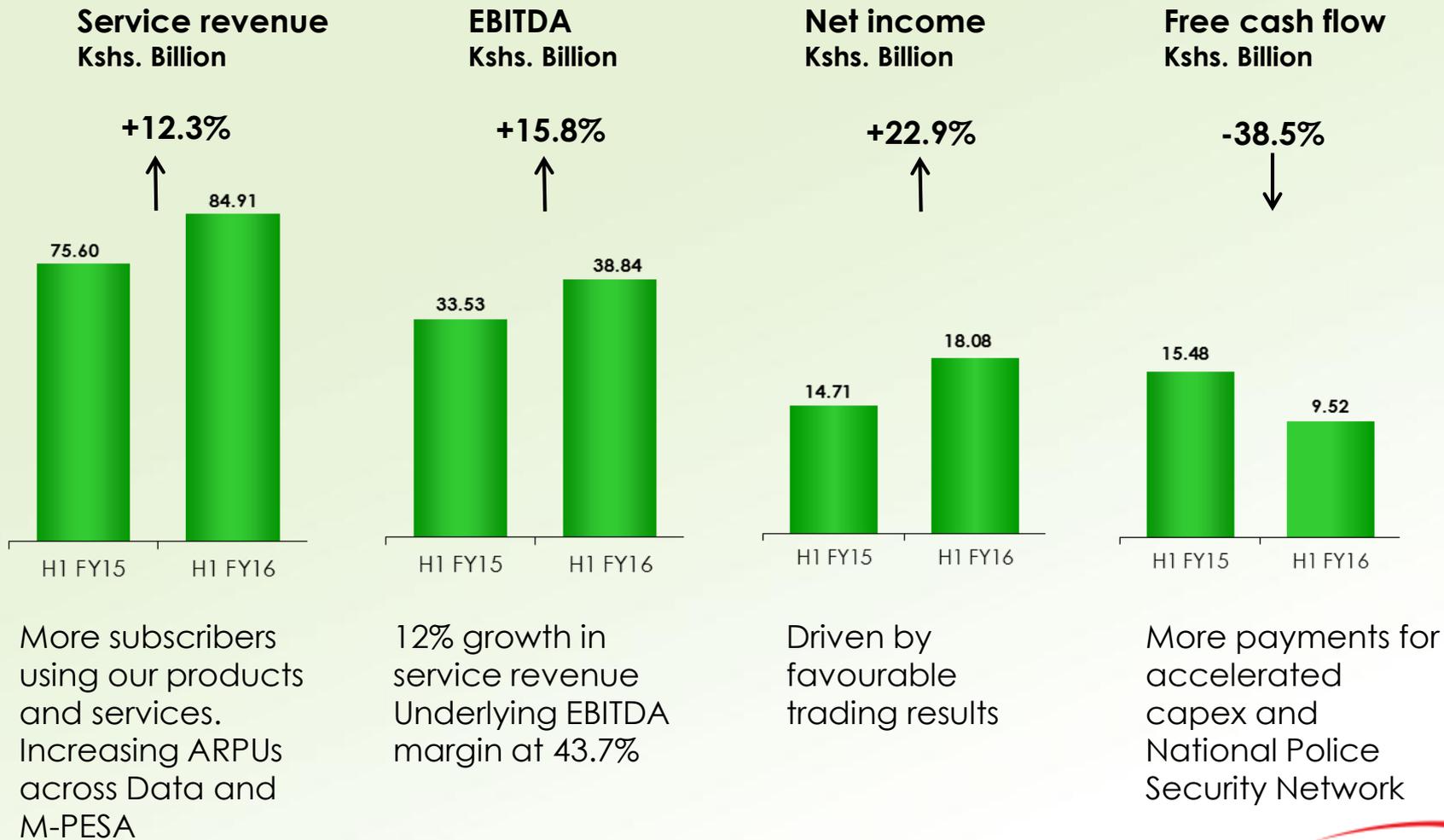


H1 FY15 Financial Review



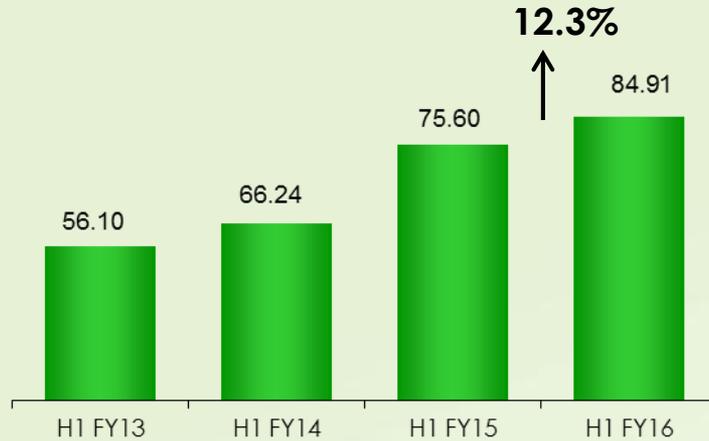
Strategic Focus and Guidance

Delivering on strategy: Strong financial results



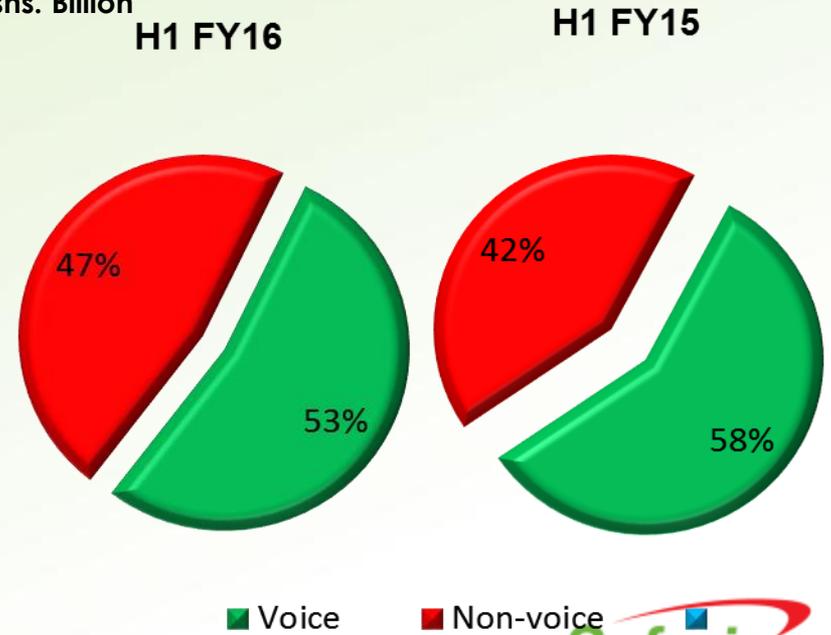
Strong service revenue growth

H1 FY16 Service revenue
Kshs. Billion

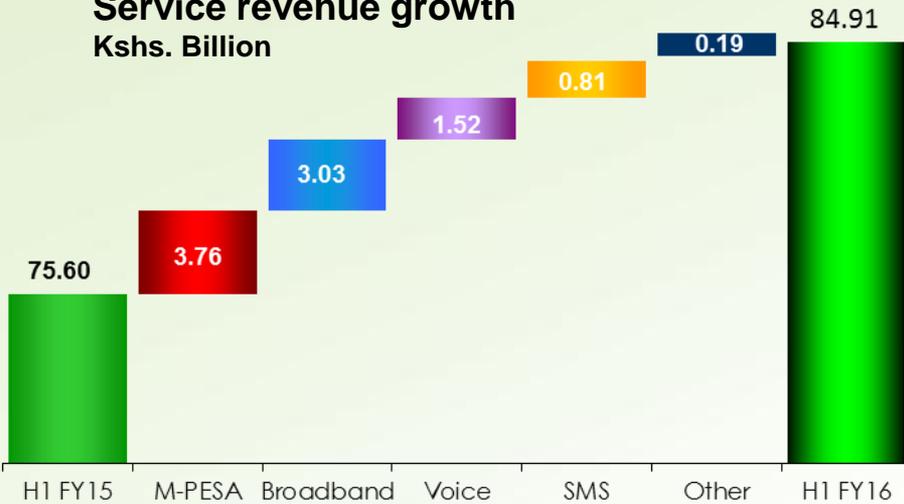


- 12% growth in service revenue
- 15% growth in customer base to 25.10m customers (21.85m in H1 FY15)
- Voice service revenue growth of 4% and non-voice service revenue growth of 24%

Service revenue breakdown
Kshs. Billion

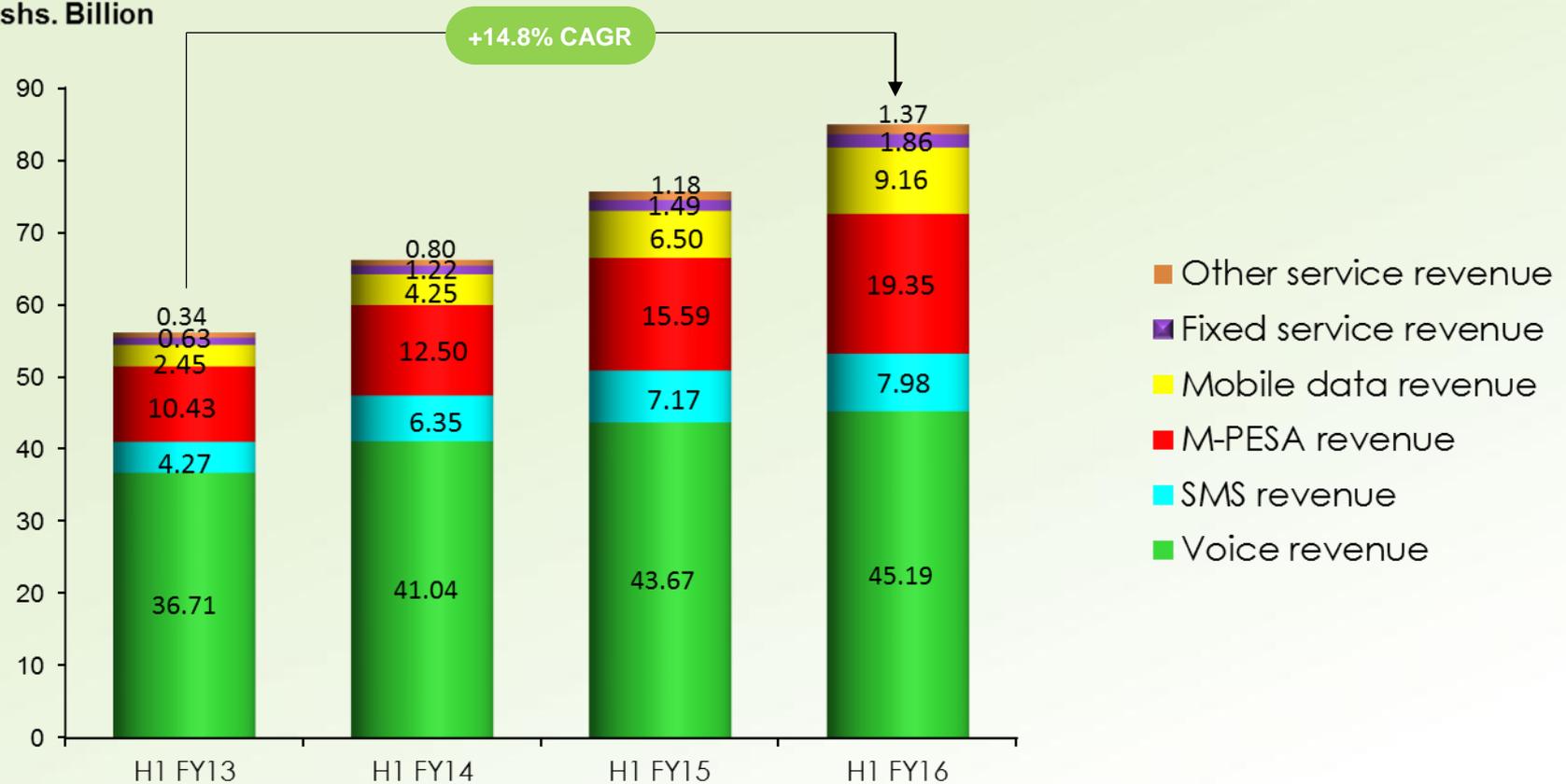


Service revenue growth
Kshs. Billion



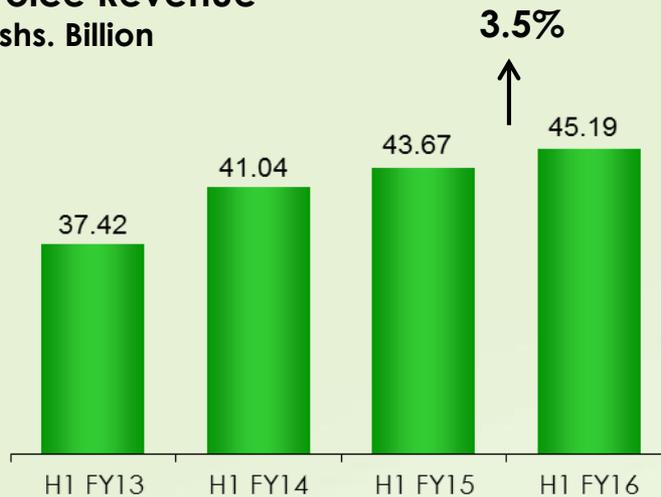
Service revenue: Growth across all segments

Kshs. Billion

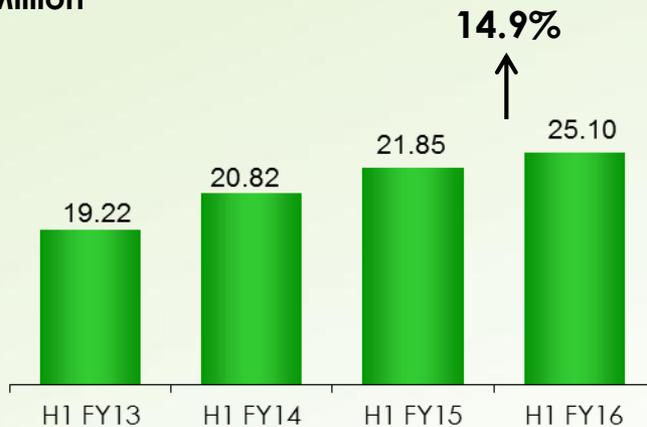


Voice: Sustained growth

Voice Revenue
Kshs. Billion



Total customers
Million

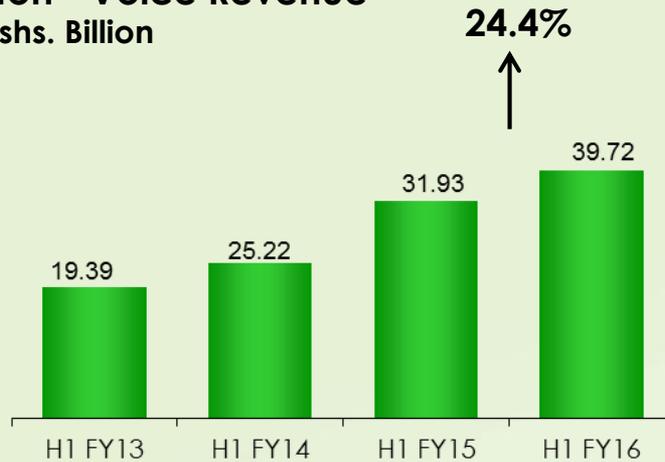


- 3.5% growth in voice service revenue
- 15% growth in total customers
- Improved prepay airtime distribution
 - Top-up cards distributed in over 284,000 retail outlets and 44 own retail shops
 - 41.0% of airtime top-ups directly through M-PESA
- 21% increase in emergency top ups (Okoa Jahazi)
- Average blended rate per minute is Kshs 2.56* for national outgoing calls

*on top of which VAT of 16% and excise tax 10% is loaded

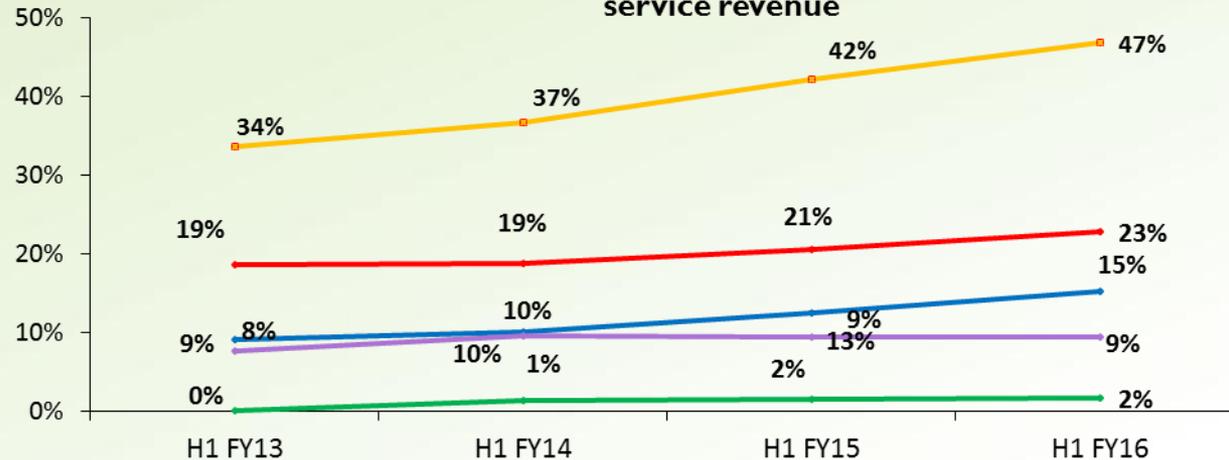
Strong growth in non-voice service revenue

Non - Voice Revenue Kshs. Billion



- Non-voice service revenue grew 24%, now 47% of service revenue
- Revenue growth of:
 - M-PESA +24%
 - Mobile data +41%
 - SMS +11%
 - Fixed service +25%
 - Other service revenue +16% (*Okoa Jahazi*)

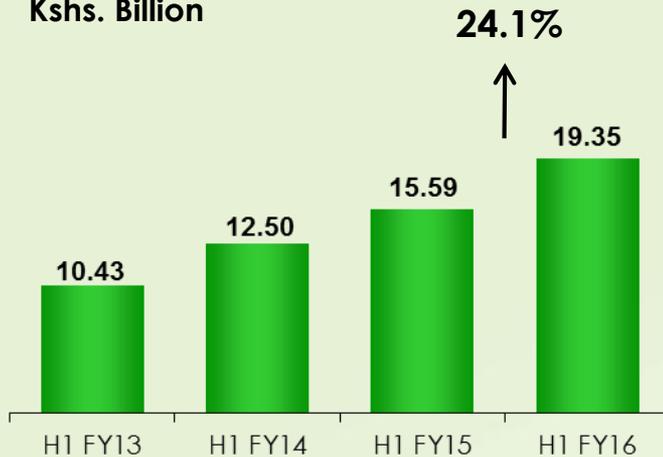
Non Voice(Data/M-PESA/SMS/Other service revenue) contribution to service revenue



— Mobile & Fixed Data
 — M-PESA
 — SMS
 — Other service
 — Total non-voice service

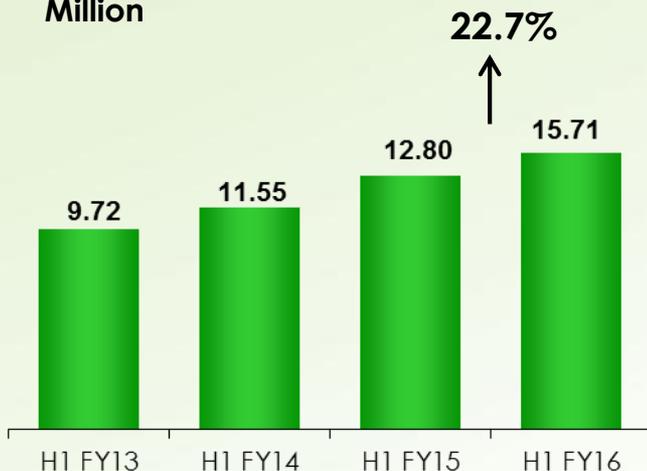
M-PESA: Driving financial inclusion

M-PESA Revenue Kshs. Billion



- 24% growth in M-PESA revenue, driven by:
 - 23% increase in 30 day active users to 15.7m
 - 6.72 chargeable transactions per month per 30 day active users (13% growth)
- Kshs 160.2bn of real time payments per month*
 - Person to Person: Kshs 107.4bn per month (16% growth)
 - Person to Business: Kshs 24.1bn per month (65% growth)
 - Business to Person: Kshs 28.7bn per month (106% growth)

30-day Active M-PESA Customers Million

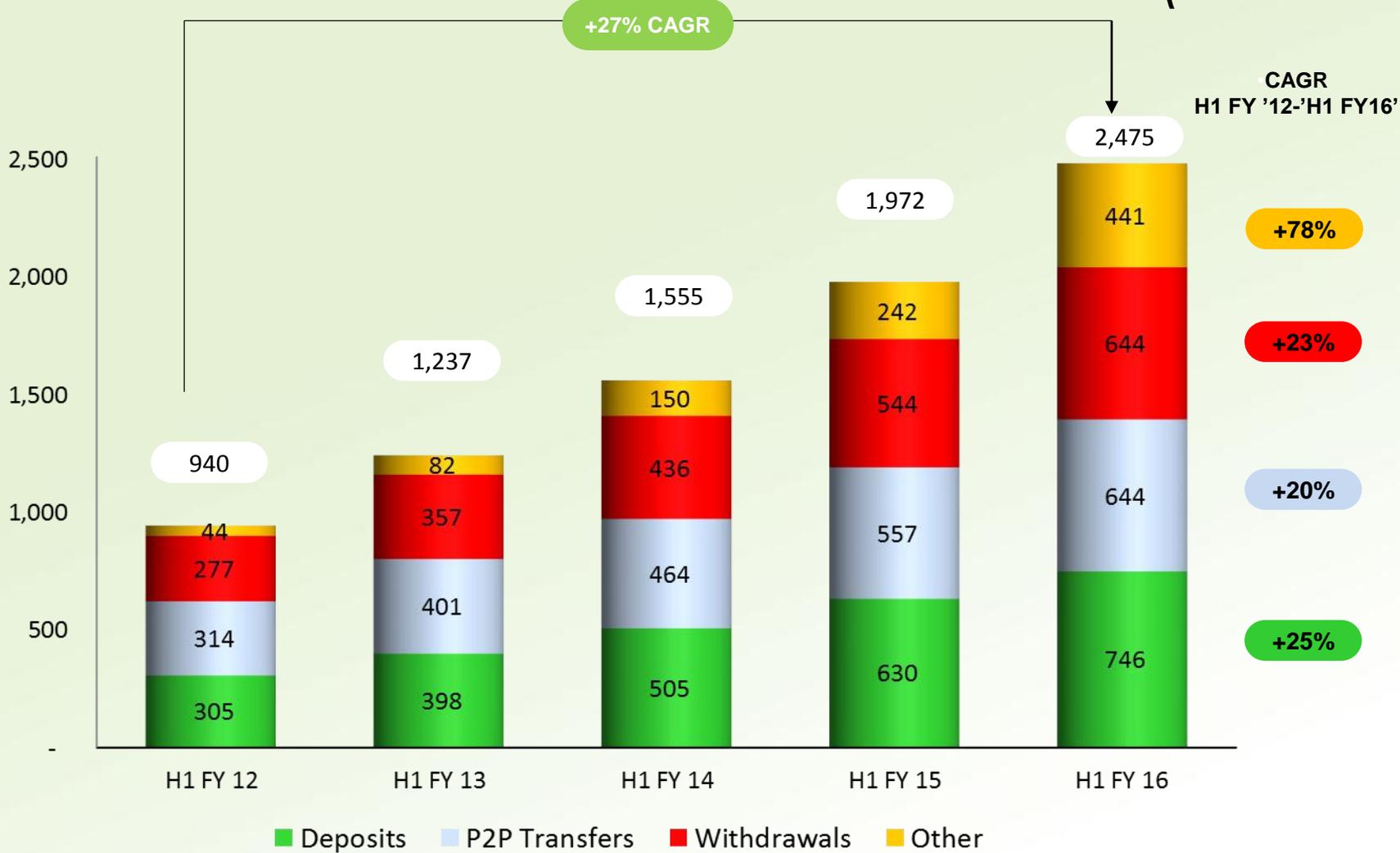


- 14% growth in M-PESA agents compared to a similar period last financial year; now at 91,249
- M-Shwari: Increased active customers to 7.1m, 30 day active customer to 3.3m, Kshs 6.9bn on deposit and Kshs 5.0bn on loan with NPLs at 1.6%
- KCB - MPESA: Active customers at 2.7m, 30 day active customers at 1.6m, Kshs 0.5bn on deposit and Kshs 1.2bn on loans

*Monthly average for the last six months

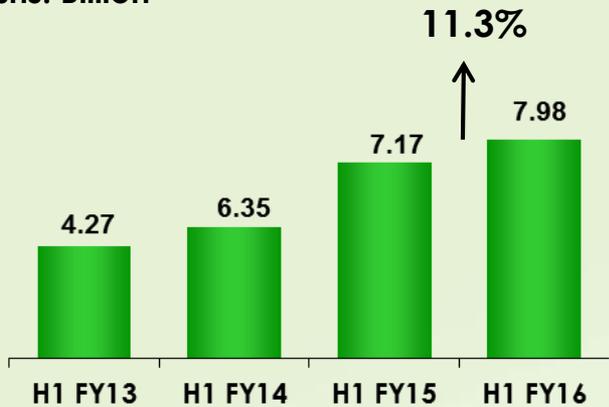


M-PESA: Value transacted in 6 months (Kshs bn)



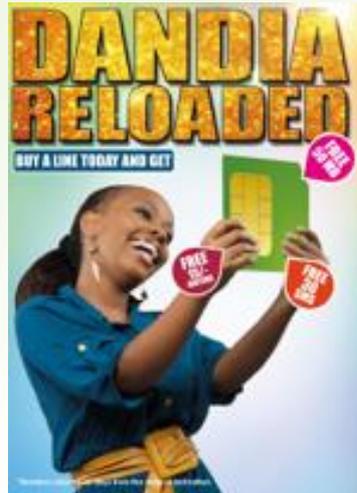
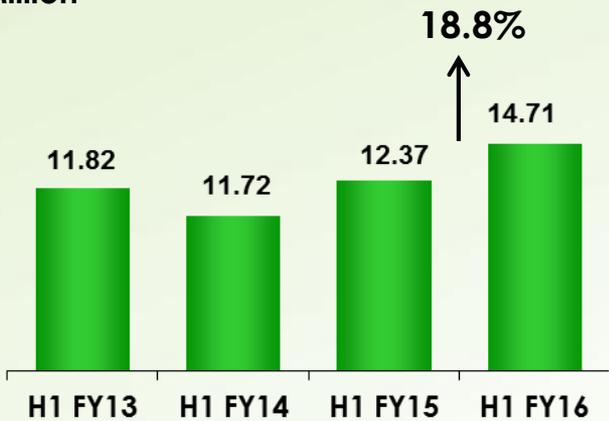
SMS: Active users, attractive bundles driving growth

SMS Revenue
Kshs. Billion



- 11% growth in SMS revenue, driven by:
 - 19% growth in 30 day active SMS users to 14.7m
 - 36% increase in active SMS bundle users to 4.73m

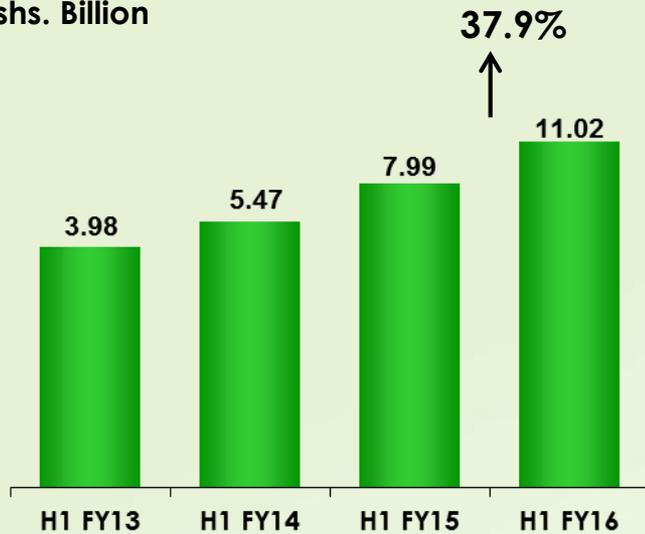
SMS Customers
Million



Data: Customers, usage & devices driving growth

Mobile Data & Fixed Service Revenue

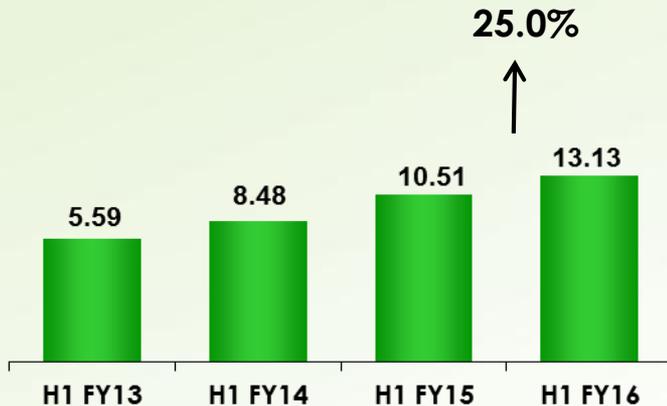
Kshs. Billion



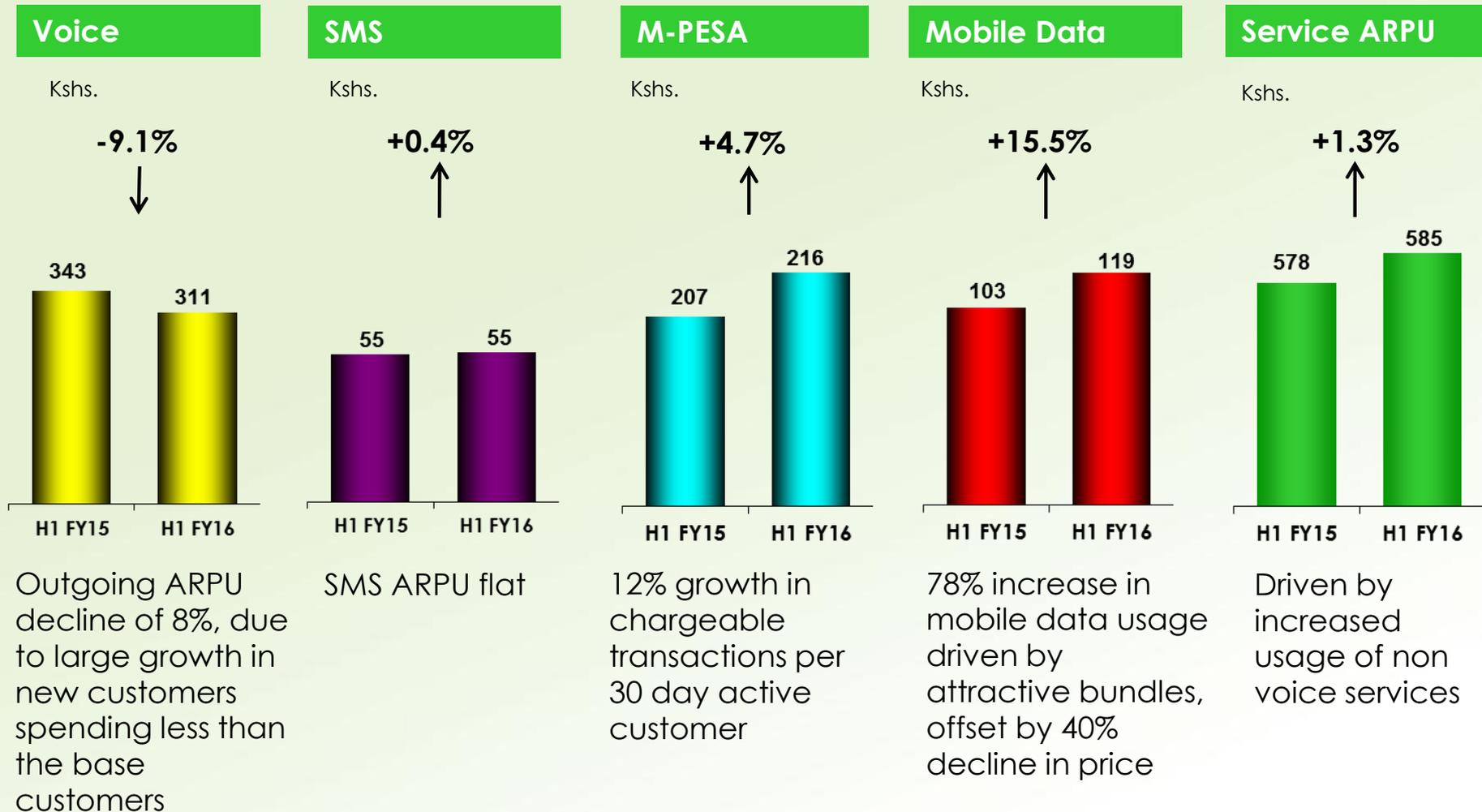
- Mobile data revenue growth of 41% driven by:
 - 25% growth in 30 day active mobile data users to 13.1m – now 52% of our customer base
 - 78% increase in mobile data usage per customer while average price per MB declined by 35%
 - 33% growth in smartphone users to 4.1m
- Fixed service revenue growth of 25% driven by an 24% increase in customers to 9,313

30-day Active Mobile Data Customers

Million



Growth: Driven by MPESA and Data

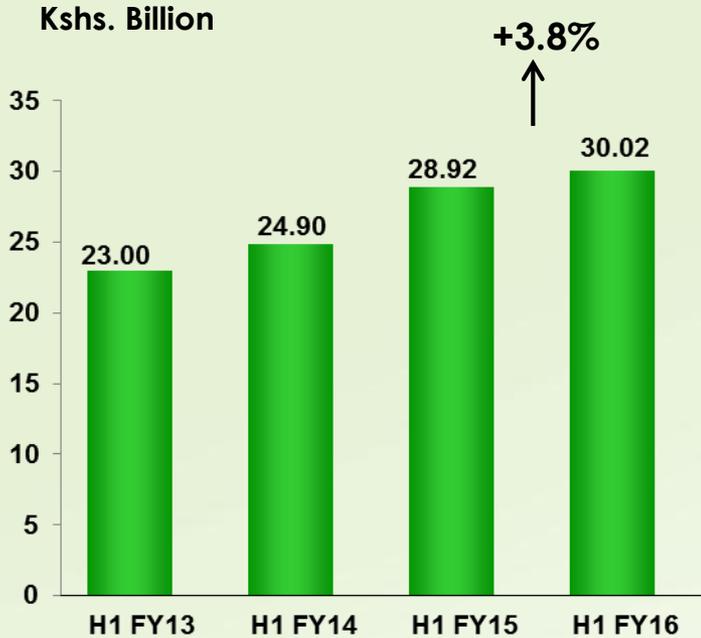


* Voice, SMS and Service ARPU are calculated based on total mobile customers

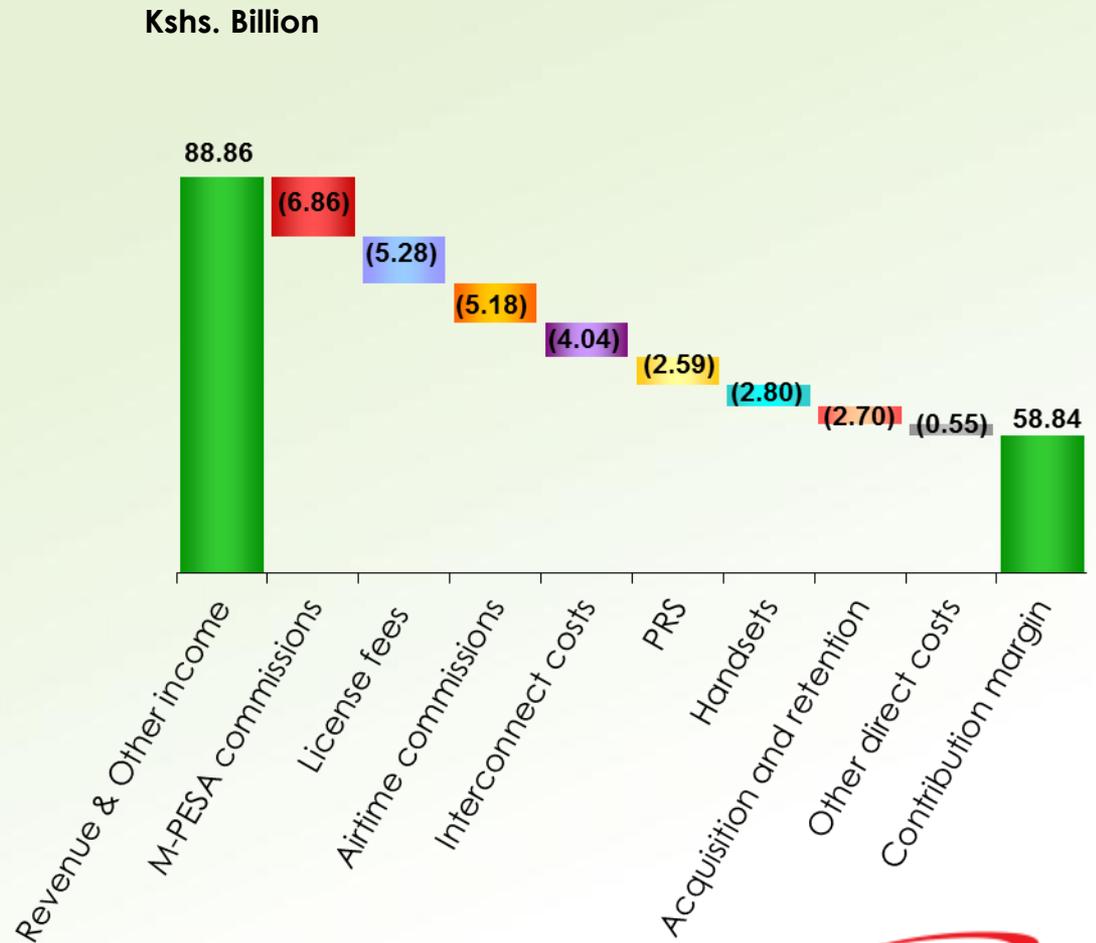
* M-PESA and Mobile Data ARPUs are calculated based on respective 30 day active customers

Direct costs control improves contribution margin

H1 FY16 Direct costs



H1 FY16 Direct costs breakdown

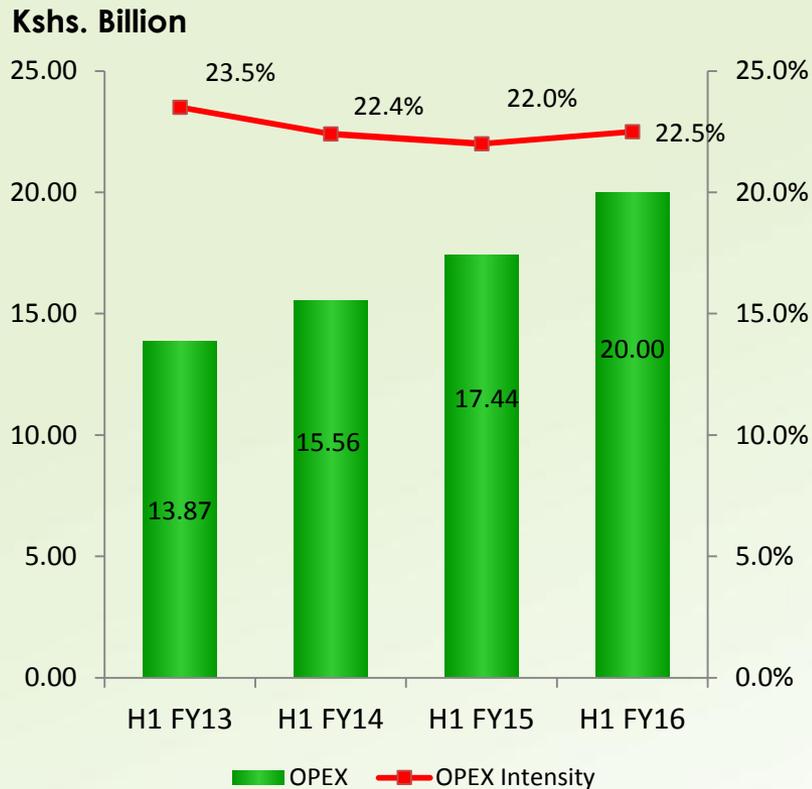


- 3.8% growth in direct costs compared to 12% growth in service revenue
- Contribution margin increased to 66.3% up 2.3ppt



Cost control through operational excellence

H1 FY16 OPEX

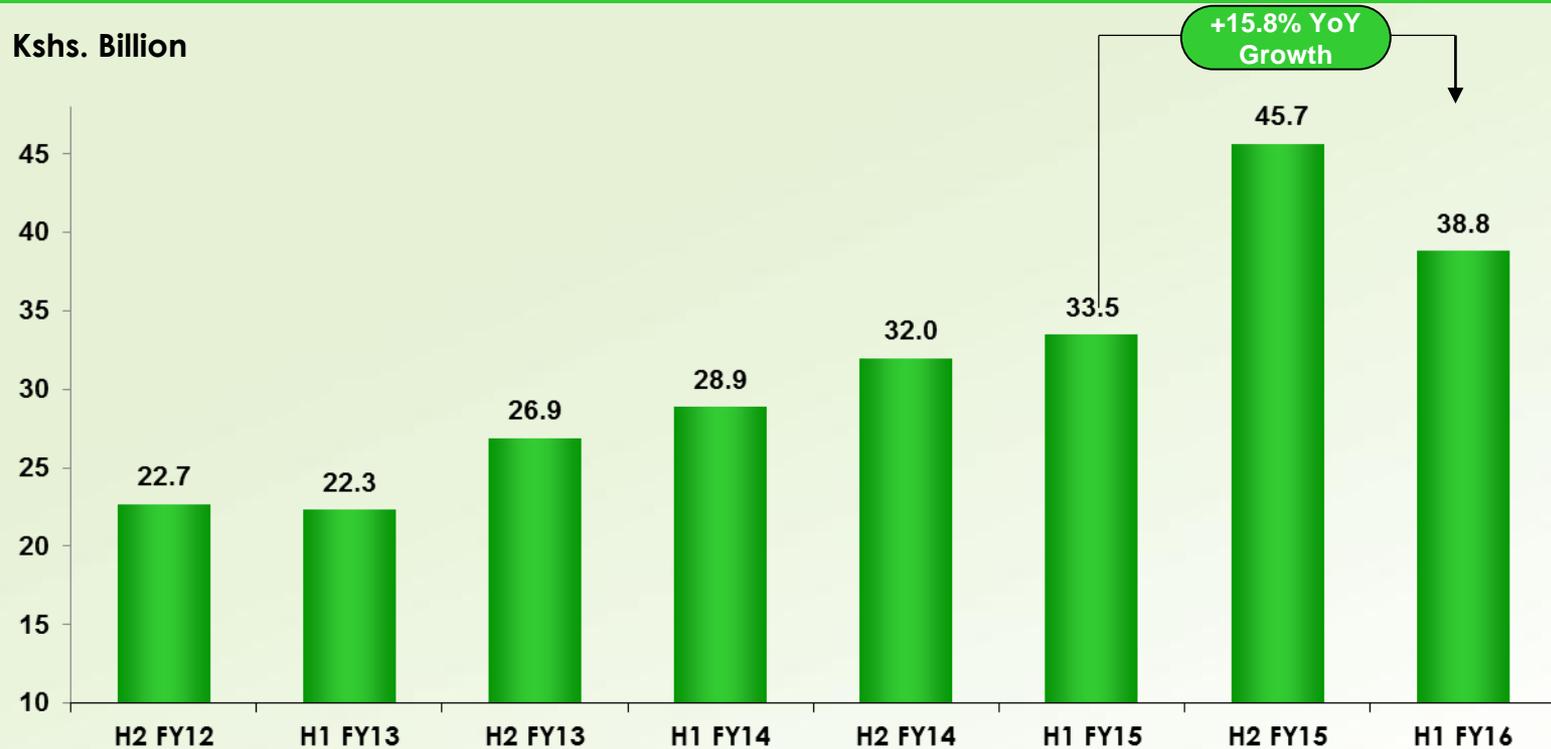


- Slight increase in opex as a % of revenue despite 18% depreciation of the Kenya shilling
- We recognized a fx loss in the year of Kshs 780m in operating expenses. Our opex cost as a % of service revenue would have been 21.8% if that fx loss had not occurred. We did earn a fx hedge gain of Kshs 690m to offset the loss, but this is reported below EBITDA.

* 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



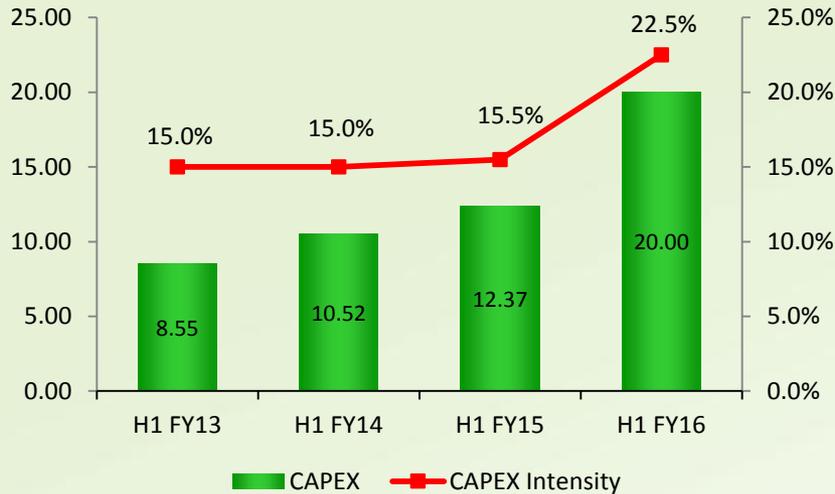
- 16% growth in H1 FY16 EBITDA to Kshs 38.8bn
- H1 FY16 underlying EBITDA margin improvement of 1.8 ppt to 43.7%*

* EBITDA margin is based on total revenue less construction revenue

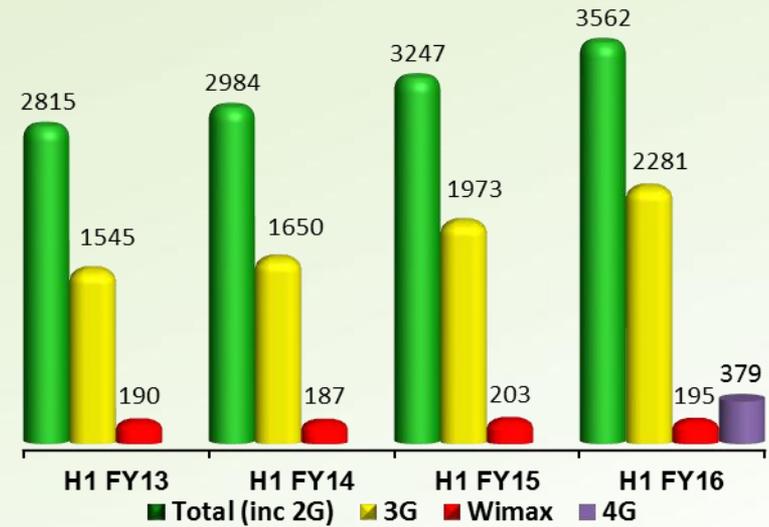
Largest & Fastest Network in Kenya

H1 FY16 CAPEX

Kshs. Billion



Base Stations



Accelerated capital expenditure of Kshs 20bn invested in:

- Accelerated expansion of 2G, 3G and 4G networks to support growth and network quality
- Fibre roll out, and
- Information System Upgrades

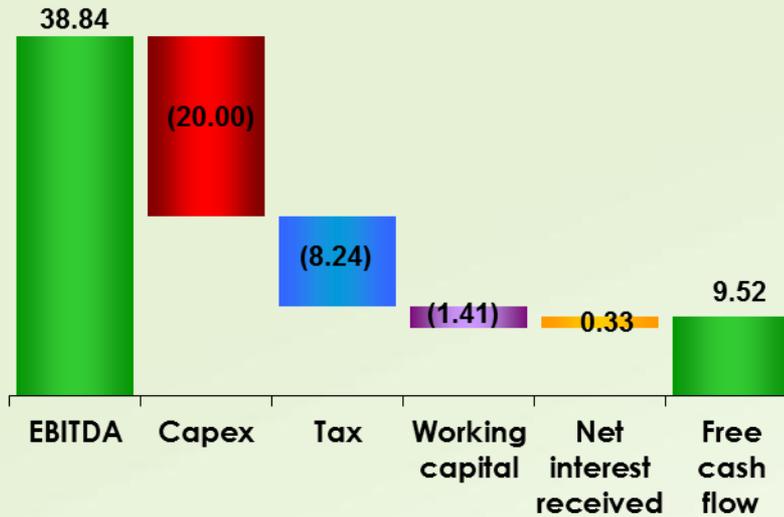
Largest 2G, 3G and 4G network:

- 3,562 2G enabled base stations of which 2,281 are also 3G enabled (64%)
- 379 4G sites

Improved cash generation

H1 FY16 Free Cash Flow

Kshs. Billion

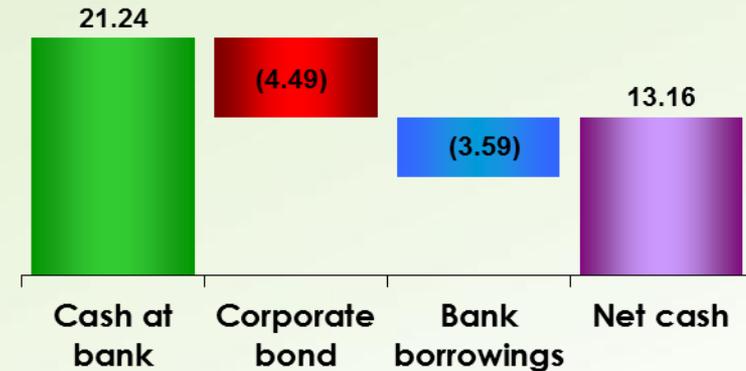


- 38.5% decrease in Free cash flow attributed to;
 - Payments for accelerated network roll out
 - The National Police Security Network

* Free Cash Flow excludes M&A and spectrum purchases

H1 FY16 Net Cash Position

Kshs. Billion



- Kshs 4.5bn corporate bond at 7.75%, matures Dec 2015
- Kshs 1.2bn two year term loan facility at 91 day TB rate minus 1%
- Kshs 2.4bn one year term loan facility at 91 day TB rate plus 0.45%, matures Dec 2015

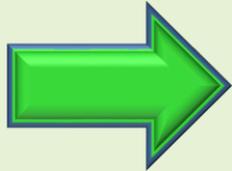
Key financials:

Voice revenue	45.19	43.67	3.5%
M-Pesa revenue	19.35	15.59	24.1%
SMS revenue	7.98	7.17	11.3%
Mobile data revenue	9.16	6.50	40.9%
Fixed service revenue	1.86	1.49	24.8%
Other Service Revenue	1.37	1.18	16.1%
Service revenue	84.91	75.60	12.3%
Handset and other revenue	3.87	3.74	3.5%
Construction revenue	8.44	-	-
Total revenue	97.22	79.34	22.5%
Other Income	0.08	0.55	-85.5%
Direct Costs	30.02	28.92	3.8%
Construction Costs	8.44	-	-
Contribution Margin	58.84	50.97	15.4%
<i>Contribution margin %</i>	<i>66.3%</i>	<i>64.0%</i>	<i>2.3ppt</i>
Operating expenses	19.22	17.36	10.7%
Forex loss on trading activities	0.78	0.08	>100%
<i>Opex cost & Fx loss % total revenue</i>	<i>22.5%</i>	<i>22.0%</i>	<i>0.5%</i>
EBITDA	38.84	33.53	15.8%
<i>EBITDA margin %</i>	<i>43.75%</i>	<i>41.97%</i>	<i>1.8ppt</i>
Depreciation & Amortisation	13.55	12.59	7.6%
Net Finance income	0.33	0.07	>100%
Forex gain on cash and cash equivs	0.69	0.09	>100%
Share of associate Profit / (loss)	0.09	(0.00)	>100%
EBT	26.40	21.10	25.1%
Tax	8.32	6.40	30.0%
Net Income	18.08	14.71	22.9%
Earnings per share	0.45	0.37	22.9%
Free Cash Flow	9.52	15.48	-38.5%

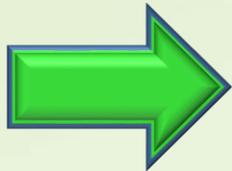
NB:
All margins are calculated as a % of total revenue excluding the NPS construction revenue



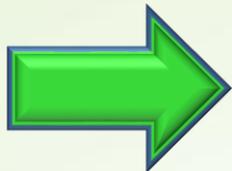
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H1 FY15 Highlights



H1 FY15 Financial Review



Strategic Focus and Guidance

Strategic priorities

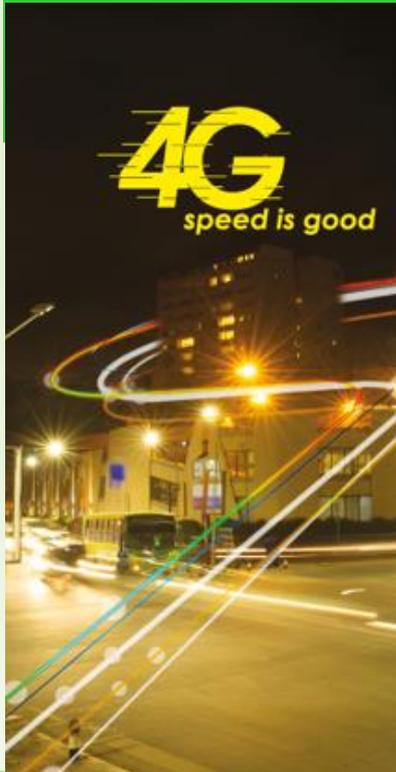
We continue to execute our strategy driven by:

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

Priorities going forward

Best Network for
You

- Increase 3G population coverage from 73% to 80%
- Complete the 4G deployment in 16 counties
- Complete fibre in 10 additional towns
- Fibre to the building(FTTB): reach 1018 commercial buildings
- Fibre to the homes(FTTH): reach 14,237 homes
- Complete the Wimax upgrade across the network
- Deliver full scope of the National Police Security Project
- Implement big data capability to improve customer experience



Priorities going forward...cont'd

Growing mobile data

- Increase 3G and 4G Smartphone to 6m
- Commercialize 4G in all the counties that have coverage
- Launch 4G Home Broadband Solution
- Continue pushing down the price of devices through partnerships



Priorities going forward...cont'd

Recruiting, Retaining, and Rewarding Customers

- Strengthen our regional operations
- Continue offering relevant products to our customers
- Launch a home entertainment proposition
- Continue with robust acquisition of subscribers
- Reduce calls to the call center



Deepening financial inclusion

- Enhance the Lipa na M-PESA merchant experience by growing real time settlement with the banks
- Increase uptake of savings and loans through M-Shwari and KCB – MPESA
- Grow Business to Business payments
- Launch government bond purchase through M-PESA
- Continue growing international transfers in the region

WE TRAVEL ON M-PESA

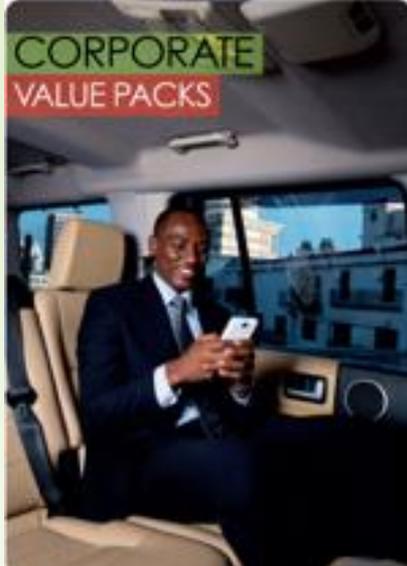
My M-PESA helps my family book for travel conveniently.



Priorities going forward...cont'd

Partner of choice
for business

- ❖ SME
 - Increase product penetration for customers
 - Focus sales efforts at a regional level
- ❖ Corporate
 - Offer end to end solutions for key segments
- ❖ FTTB and managed services
 - Revamp FTTB proposition to drive accelerate growth



Safaricom

Priorities going forward...cont'd

- Engage and support internal and external innovators
- Testing environment for developers to connect and use SMS & USSD
- Partnerships with the external innovation ecosystem to support life transforming innovations

Supporting
Innovation



Venture Capital

ARE YOU THE NEXT BIG TECHPRENEUR?

GET EVERYTHING YOU'VE DREAMED OF AND MORE FOR YOUR TECH STARTUP

- ACCESS TO TECHNICAL ASSISTANCE ALLOWING YOU TO KNOW AND UNDERSTAND THE MARKET WITH OTHER KEY PLAYERS IN THE INDUSTRY
- A WIDE NETWORK OF MENTORS WITH VALUABLE INDUSTRY KNOWLEDGE
- IN-HOUSE SUPPORT SERVICES SUCH AS SITE VISITS AND REGULATORY SERVICES, FUNDING OPTIONS AND PARTNERSHIP OPPORTUNITIES
- EXPOSURE TO SAFARICOM'S PARTNER NETWORK

Safaricom
spXrk
VENTURE FUND



FY16 Guidance

Net Income upgrade for FY16

Expected to be in the range of Kshs 35.5 - 36.5bn (from Kshs 32 - 34bn)

Free Cash Flow upgrade for FY16*

Expected to be in the range of Kshs 27.5 - 28.5bn (from Kshs 25 - 26bn). The FY 16 outcome is expected to be similar to FY15 due to payments for the construction 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



H1 FY16 Highlights

- 15% growth in total customer base to 25.1m
- Continued strong growth of non-voice service revenue
- Regionalization of the sales and operations functions in line with our customer first strategy
- Continued investment and innovation
- Significant improvements in voice and data service quality
 - Continued roll out of 2G, 3G & 4G sites
 - Launched a new M-PESA platform in Kenya
 - Growth of Lipa na MPESA and regional cross border MPESA transfers
 - Rolled out an additional 620km of fibre and connected an additional 300 buildings
 - Fibre connectivity to Ethiopia
- Maintained position as Kenya's most admired brand, with an overall brand equity score of 91%* and a Net Promoter Score of 63%**

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



Appendices



Summary - Industry Performance: Jun'2014 vs Jun' 2015

	Safaricom			Airtel and YU			Orange			Finserve
	Jun'2014	Jun'2015	%	Jun'2014	Jun'2015	%	Jun'2014	Jun'2015	%	Jun'2015
Market Share by Subscribers (%)	68.0	67.0	↓ -1ppt	23.70	19.40	↓ -4.3ppt	8.3	11.2	↑ 2.9ppt	2.1
Mobile Subscribers (Millions)	21.93	24.2	↑ 10.4%	7.68	7.00	↓ -8.9%	2.69	4.05	↑ 50.6%	0.87
Market Share by Voice Minutes (%)	78.1	68.8	↓ -9.3ppt	17.30	20.20	↑ 2.9ppt	4.0	10.8	↑ 6.8ppt	0.2
Total Minutes (Billions)	5.82	6.31	↑ 8.4%	1.27	1.86	↑ 46.5%	0.29	0.99	↑ 241.4%	0.02
SMS Market Share (%)	96.6	90.3	↓ -6.3ppt	3.10	8.00	↑ 4.9ppt	0.3	1.6	↑ 1.3ppt	0.1
Total SMS (Billions)	6.7	5.9	↓ -11.4%	0.21	0.53	↑ 152.4%	0.02	0.1	↑ 400.0%	0.06
Mobile Data market share (%)	71.6	63.0	↓ -8.6ppt	17.10	19.00	↑ 1.9ppt	11.3	14.0	↑ 2.7ppt	4
Total Mobile Data Subscriptions (Millions)	9.97	12.6	↑ 26.4%	2.38	3.79	↑ 59.2%	1.57	2.8	↑ 77.7%	0.79
Mobile Money Market Share (%)	0.7295	0.8	↑ 3.0ppt	0.20	0.11	↓ -9.0ppt	0.007	0.0	◆ 0%	0.03
Mobile Money Subscribers (millions)	19.78	21.34	↑ 7.9%	5.39	3.12	↓ -42.1%	0.19	0.2	◆ 0.0%	0.87

Key
 - Increase
 - Decrease
 - No Change

Source: Communications Authority of Kenya (CA) Sector Statistics reports



Update on accounting for the Police Network Project

STATEMENT OF INCOME & FREE CASH FLOW						
Statement of Income	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
Construction revenue		11,583				
Total revenue		12,136	665	665	665	775
Contribution margin		12,136	665	665	665	775
Network costs		(328)	(402)	(402)	(402)	(476)
Construction Cost	(214)	(11,583)	-	-	-	-
EBITDA	(214)	226	263	263	263	299
<i>EBITDA margin % on service revenue</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
Free Cash Flow	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Trading Cash Flow	(214)	226	263	263	263	299
Working Capital Changes	(903)	(6,170)	1,533	1,374	1,374	1,263
Movement in Stocks	(7,227)	7,227	0	0	0	0
Movement in Debtors	0	(7,073)	1,533	1,374	1,374	1,263
Movement in Creditors	6,324	(6,324)	0	0	0	0
Operating / Free Cash Flow	(1,117)	(5,944)	1,795	1,637	1,637	1,563

Our Forex Spend

12 MONTHS AVERAGE TOTAL FOREX SPEND PER CURRENCY			
Expenditure type	EUR	GBP	USD
Capex	45,349,418	625,138	184,374,285
Direct Costs	33,322,086		68,640,058
Handsets	50,493		55,353,096
Nopex	10,338,954		5,267,359
Opex	2,971,053	1,122,298	6,847,886
TOTAL	92,032,004	1,747,436	320,482,686