Safaricom Ltd

FY 2011 Results Announcement

18th May 2011

Niko na Safaricom

Company Strategy

- **Growth towards Total Communications**
- **Sustain Voice Revenue**
- **Efficient Operational Performance**

- Maintain market leadership in subscriber & revenue market share
- Grow all Revenue streams through value addition
- Capitalize on the Data Opportunity
- Increase penetration and product offering under M-PESA
- Drive organizational performance & Generate returns
- Continued Cost reduction programs

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Delivering on Strategy

We have achieved

- Growth in Revenues
- Maintained Market Leadership
- Increased penetration of innovative products

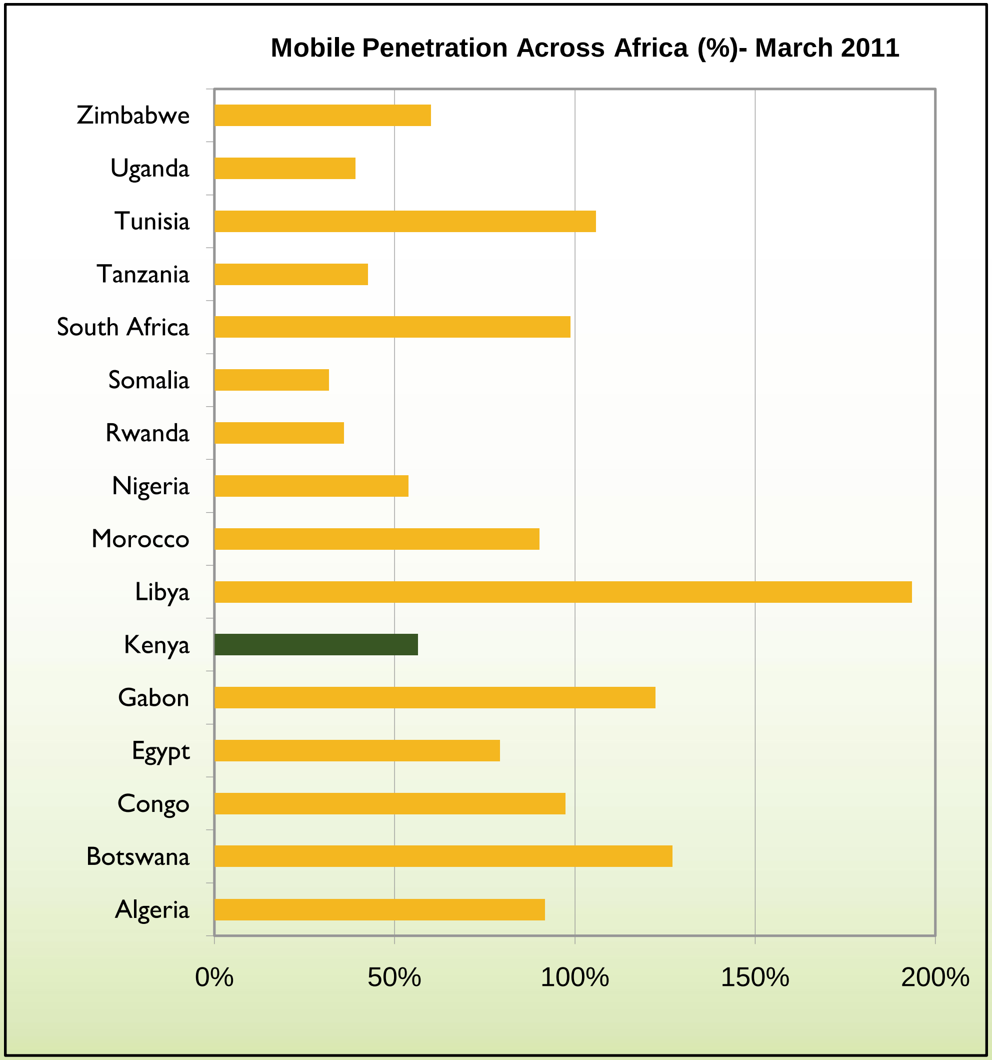
through well aligned actions

- Increased focus on Data, M-PESA and Value Added services to fuel Revenue growth
- Investment in Infrastructure to support the quality & capacity of our Network and Services
- Passionately focused on the customer while strengthening our brand presence

operating in a highly competitive market

- Aggressive competition in mobile tariffs
- Increased regulatory activity
- Economy impacted by inflationary pressure, high fuel prices & lower disposable incomes

Market Dynamics



- Mobile phones now the primary communication tool for most Kenyans
- SIM penetration over 60%
- M-PESA is the preferred money transfer service globally
- Most Kenyans have their first internet experience via their mobile phone
- Internet penetration still low at less than 15% in 2010
- Mobile Data & Mobile Money is the next milestone for the Telecoms Industry in Africa

Source: WCIS & ITU

COMPANY PERFORMANCE

Revenue Growth

12.9% growth in Turnover to Ksh. **94.83 bn**

9.8% growth in Ongoing Revenue to Ksh. **88.20 bn**

	Voice Revenue	SMS Revenue	M-PESA Revenue	Mobile & Fixed Data Revenue	Acquisition Revenue
	Ksh. 63.5bn	Ksh. 7.54bn	Ksh. 11.78bn	Ksh. 5.37bn	Ksh. 6.64bn
	(1.7%)	45.3%	56.0%	80.3%	81.2.%
% of Total Revenue	66.9%	8.0%	12.4%	5.7%	7.0%

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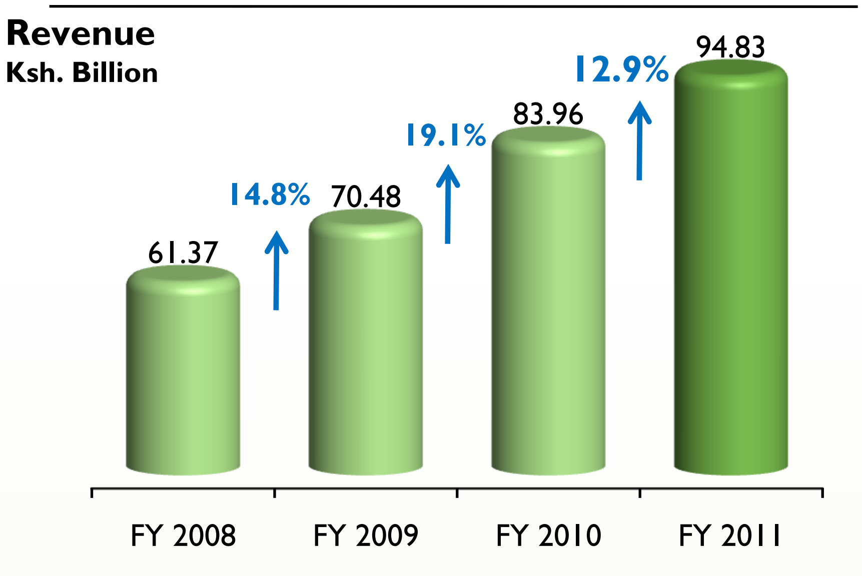
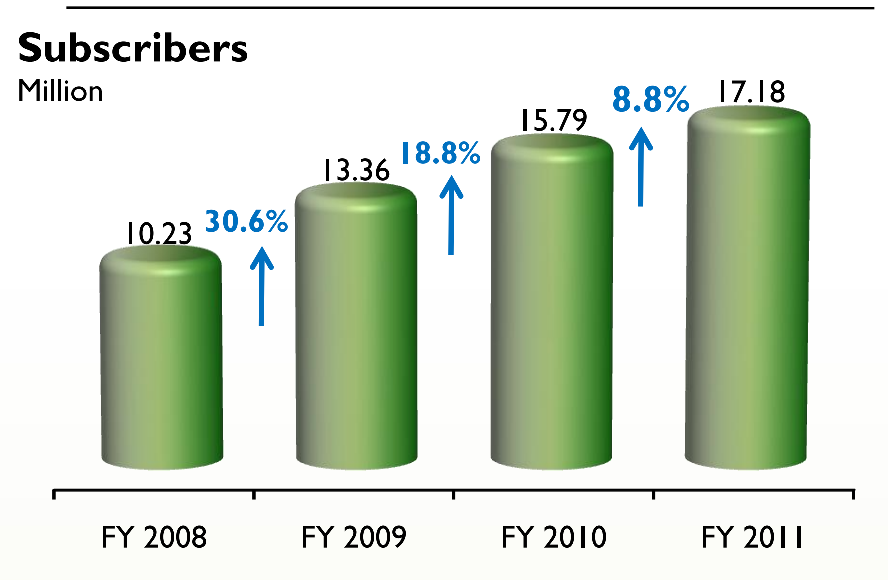
Revenue Growth Beats Expectations



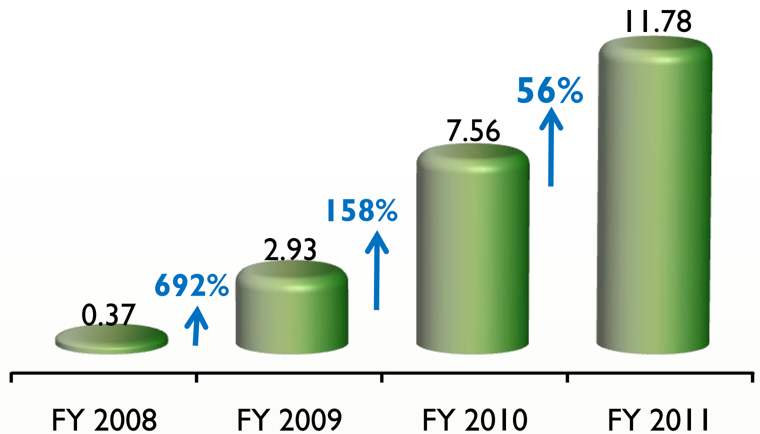


Revenues grew at a faster rate than subscriber growth as we continue to maintain market leadership

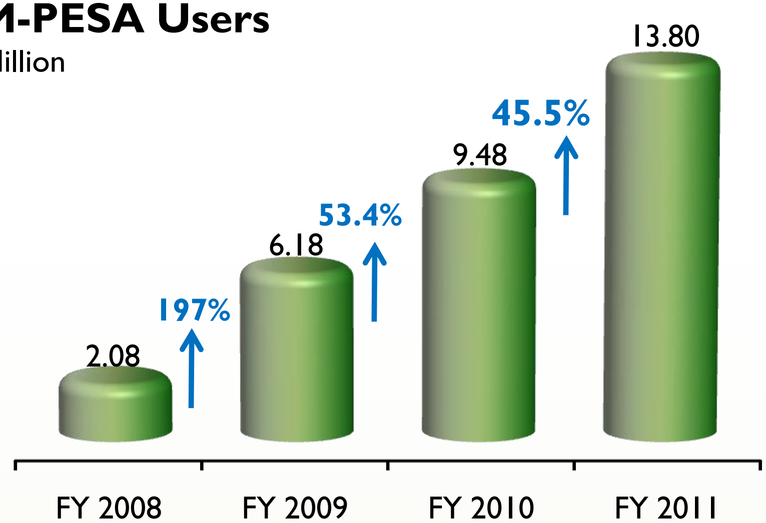
Minutes of Use per subscriber also increased significantly from 60.6 minutes to 96.0 minutes

Exceptional Performance from Data & M-PESA

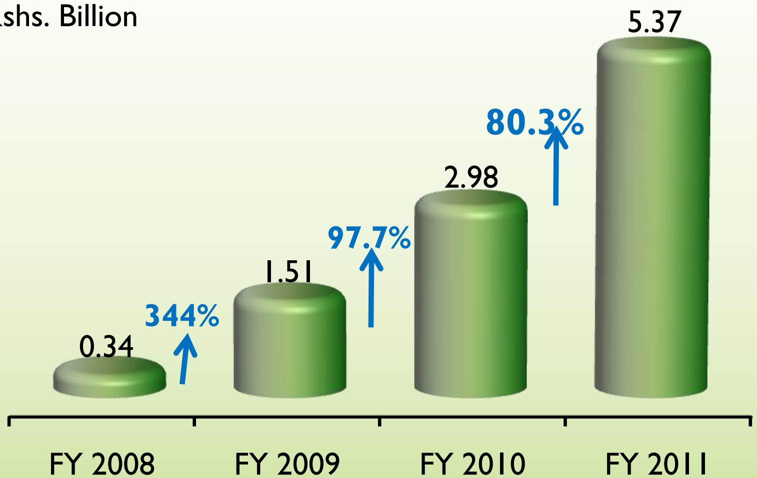
M-PESA Revenue
Kshs. Billion



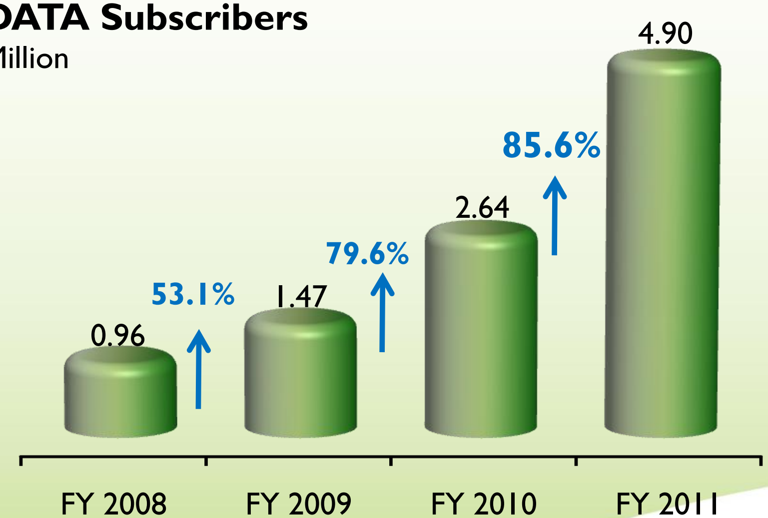
M-PESA Users
Million



Mobile& Fixed Data Revenue
Kshs. Billion



DATA Subscribers
Million



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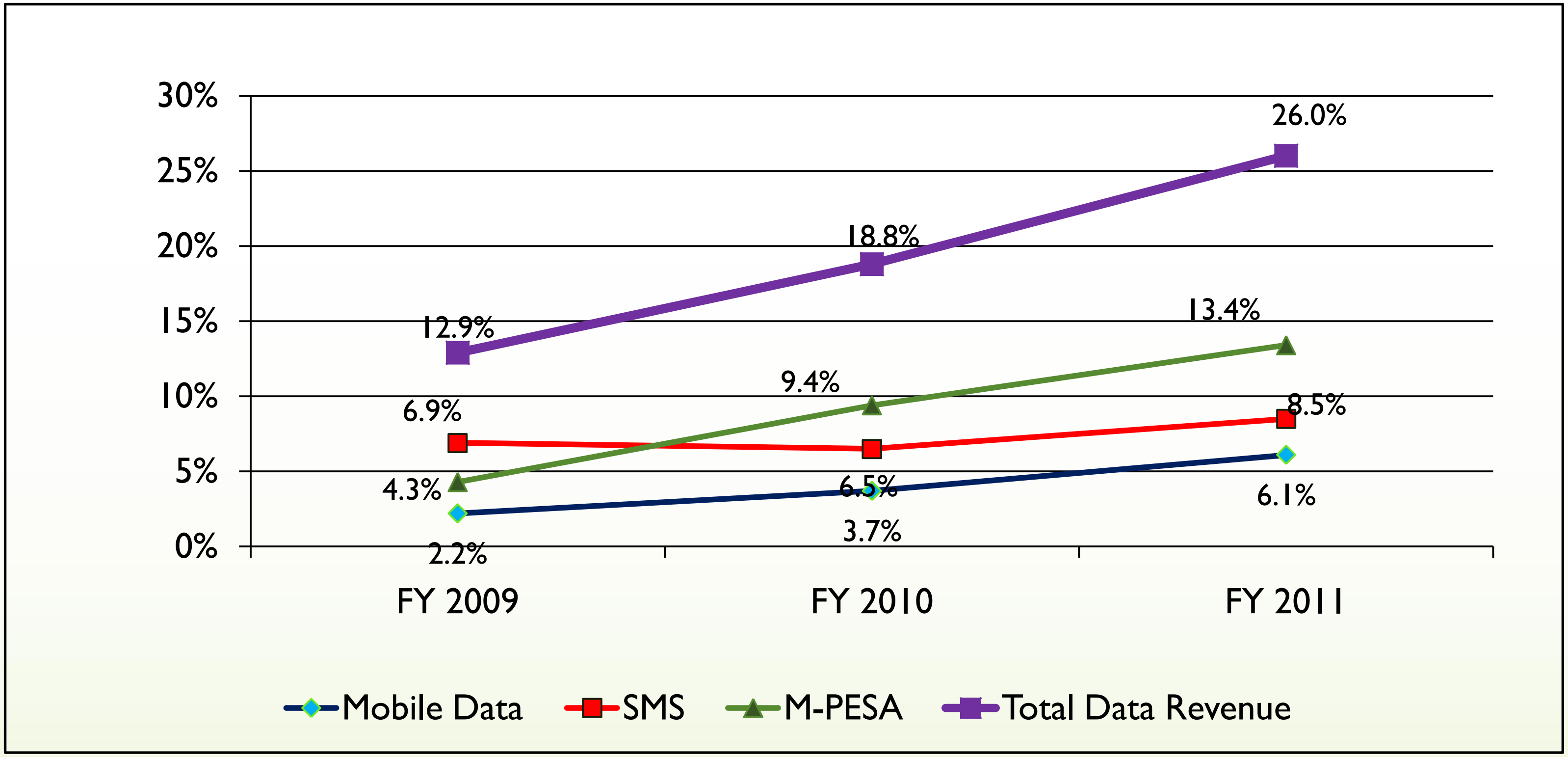
Phenomenal Growth

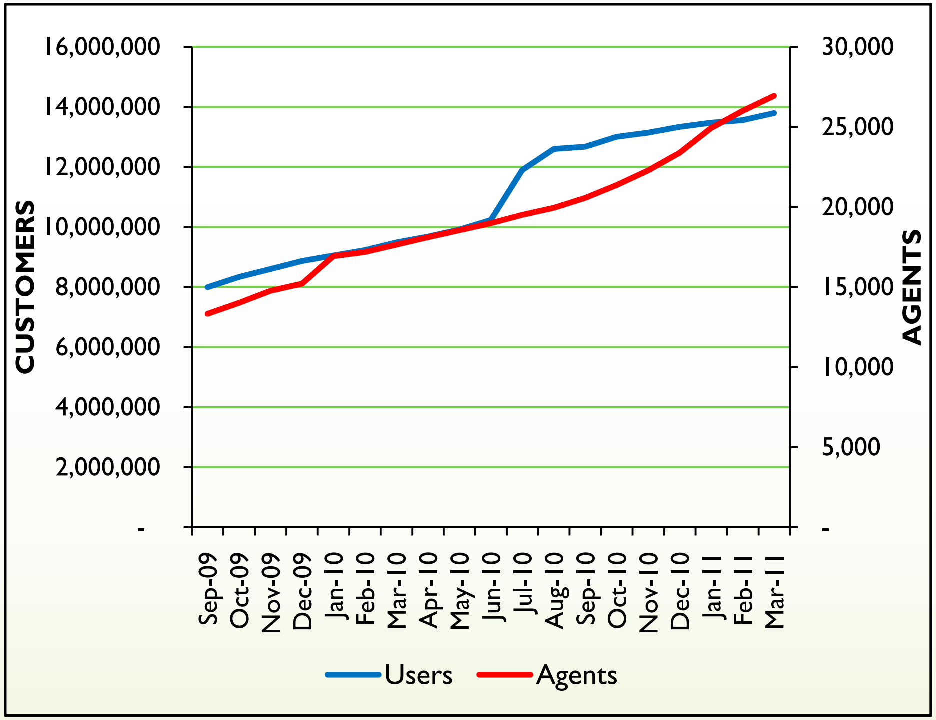
Mobile Data/SMS/M-PESA Contribution to Ongoing Revenue



The 3 revenue channels now contribute over a quarter of revenues and are gradually offsetting the decline in Voice revenues

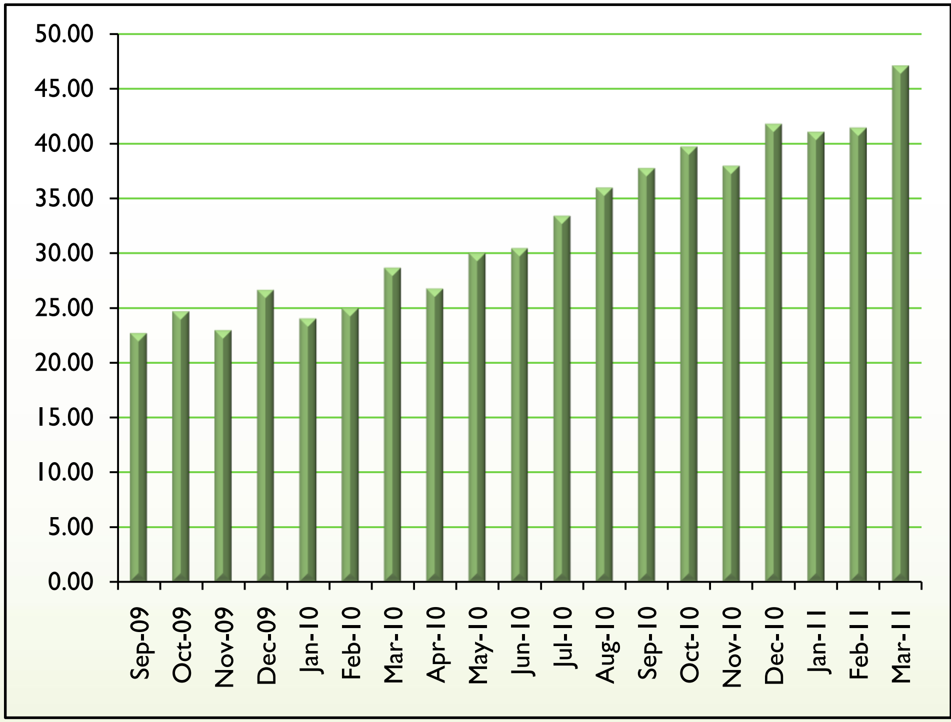
M-PESA: Expanding Further

M-PESA Customers/Agents



Monthly P2P Transactions

Ksh. Billion



M-PESA continues to experience strong growth in users to13.8 million in March 2011

The Agent network has expanded further to a total of 26,948 agents countrywide

Person-to-Person transactions for March 2011 stood at Kshs. 47 billion ($ 0.57 billion)

Cumulative value of transactions from inception is Kshs. 828 billion ($ 9.98 billion) as at end of the period

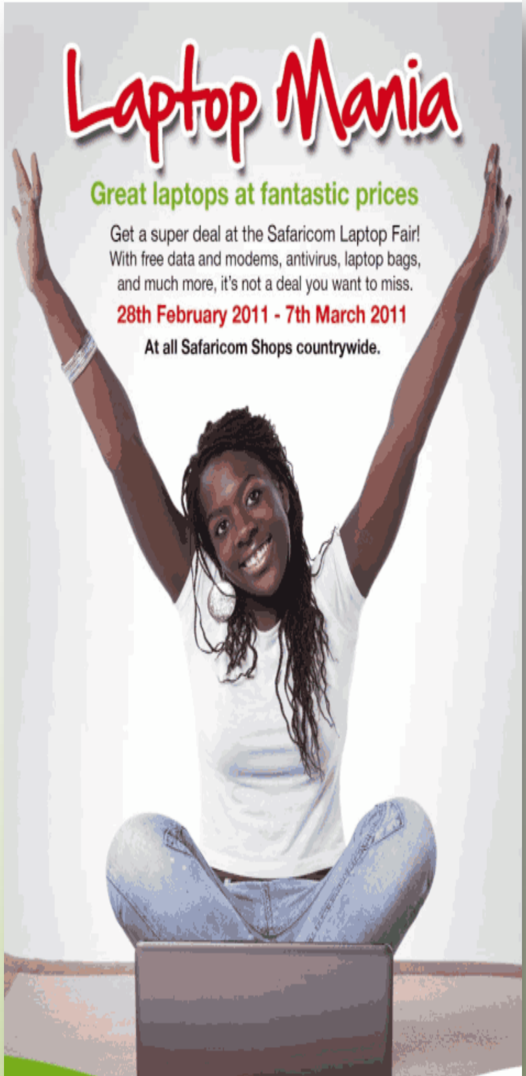
Sustained Voice

- Voice remain the biggest revenue stream with Ksh. 63.5 bn generated by March 2011
- Declining prices and potential further reductions in mobile termination rates
- Declining Voice ARPU

Firming up Voice Revenues

- Continued focus on the Customer to understand and satisfy their needs
- Attractive pricing
- Easy access to airtime for our customers by expanding our distribution channels
- Promotional activities aimed at stimulating usage and spending
- Further investment in the network to guarantee quality and reach
- Building on brand awareness and loyalty

Acquisition



- Relative high cost of handsets and data enabled the main inhibitor to Data penetration in Kenya

- Over 500, 000 data enabled handsets and laptops sold within the financial year

- Acquisition revenues increased by 81.2% to Ksh. 6.64 bn (Ksh.3.66 bn in March'10)

- Growing demand for Smart devices and faster internet speeds

- 35 retail shops countrywide and an expansive dealer network with over 230,000 touch-points

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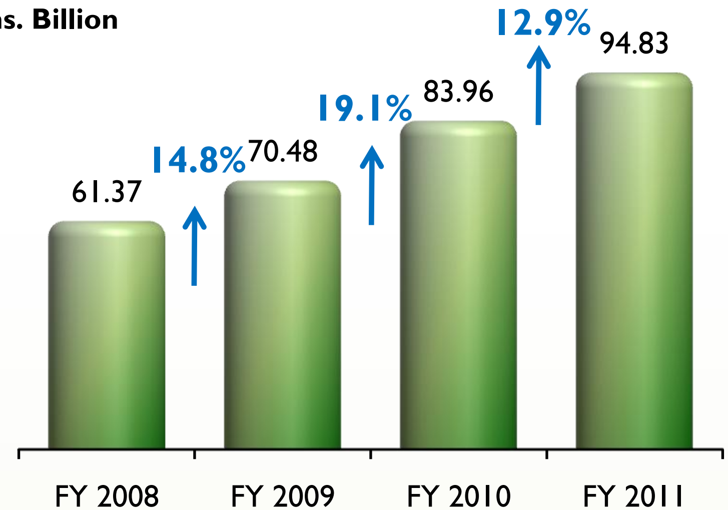
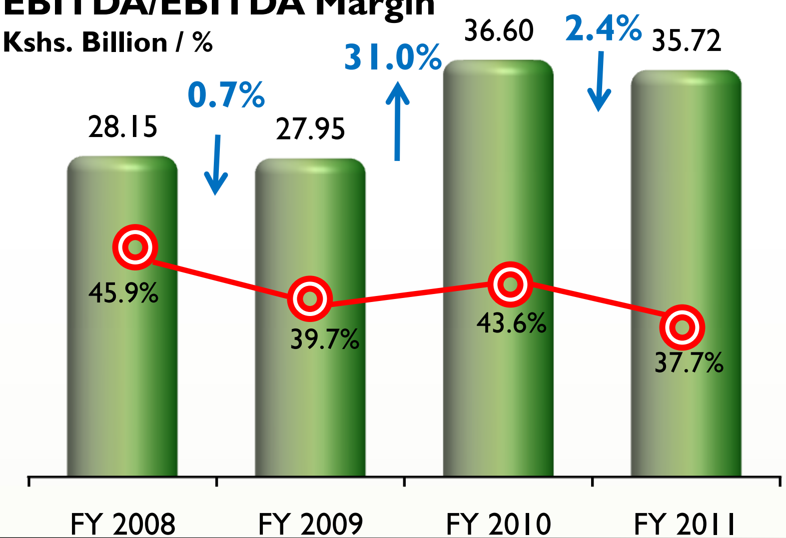
FINANCIALS

Strong Operational Performance

Revenue
Kshs. Billion

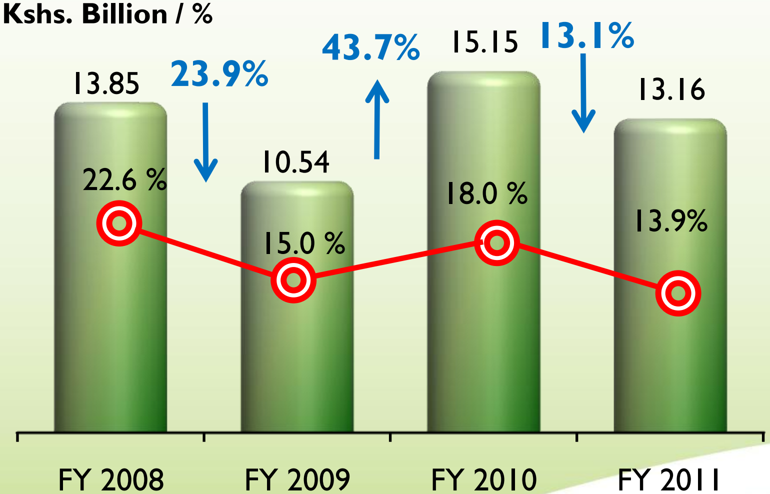


EBITDA/EBITDA Margin
Kshs. Billion / %



Profit Before Tax
Kshs. Billion

Net Income/ Margin
Kshs. Billion / %



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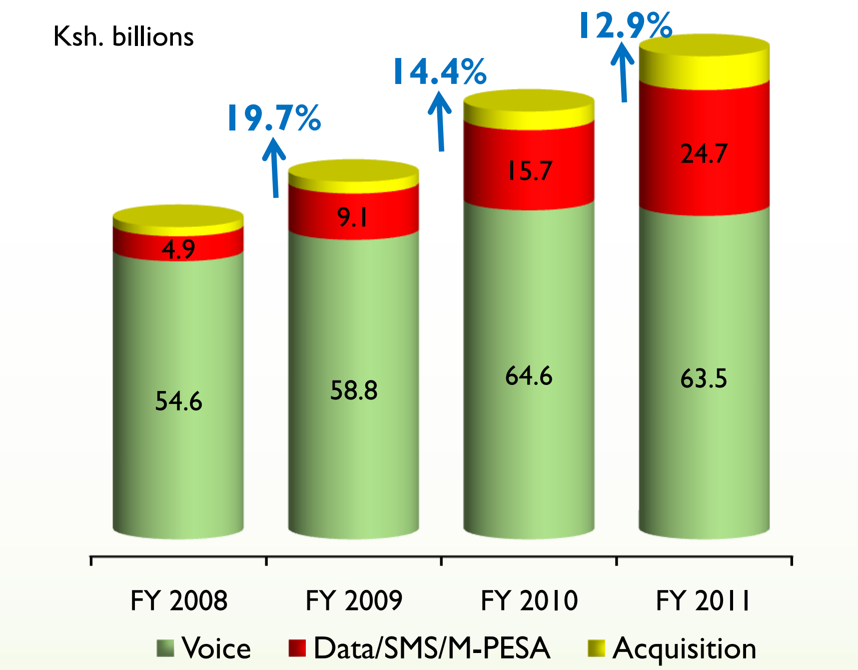
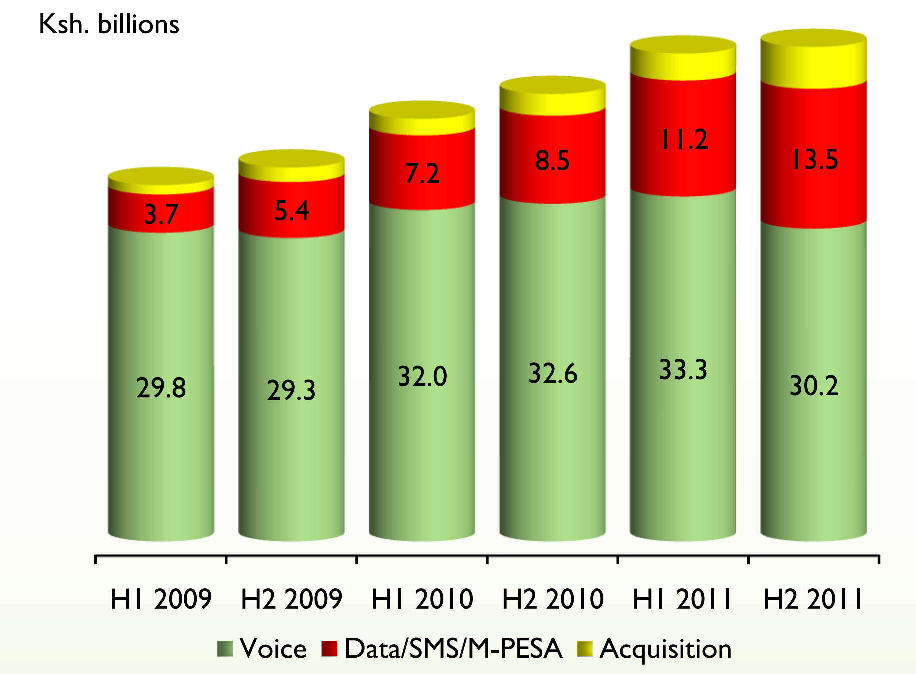
KPIs: Continued Revenue Growth

YoY Revenues Analysis



H1/H2 Revenue breakdown

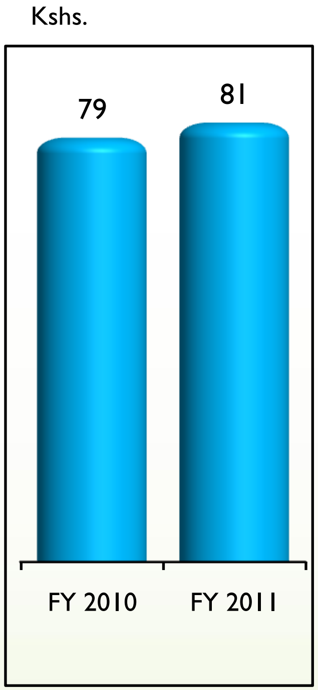


Total Revenues still growing with a 12.9% increase to Ksh. 94.83bn

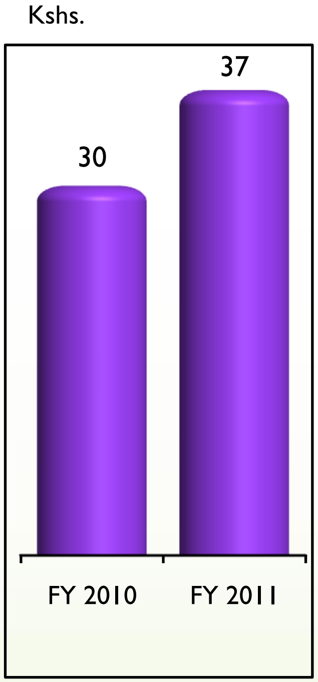
- Voice Revenue with the largest contribution of Ksh. 63.50 bn
- Data revenue increased by 57.1% to Ksh. 24.70 bn accounting for 28.0% of ongoing revenues (19.6% Mar 10)
- Acquisition revenue increased by 81.2% representing 7% of revenues (2% Mar 10)

KPIs: Robust ARPU

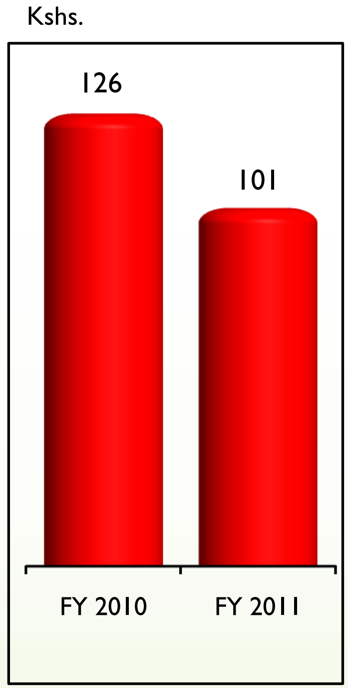
M-PESA



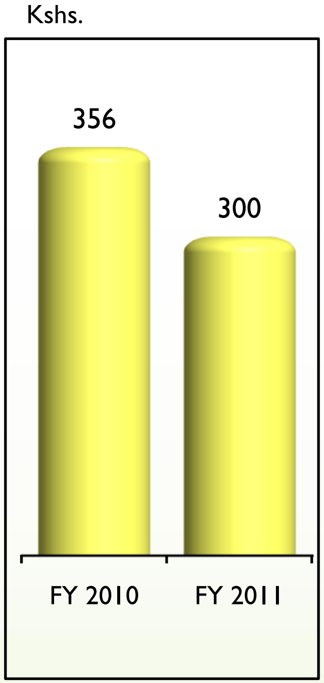
SMS



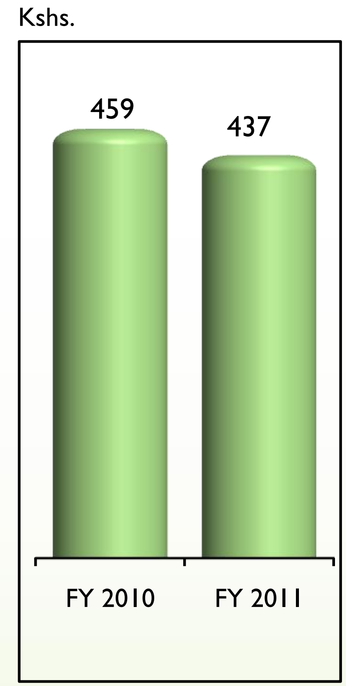
DATA



VOICE



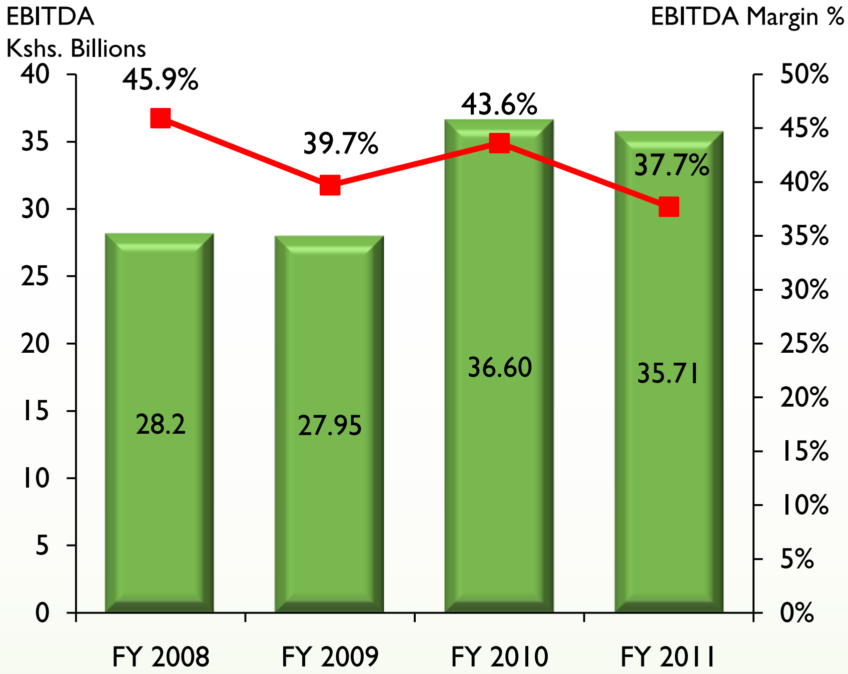
Blended ARPU



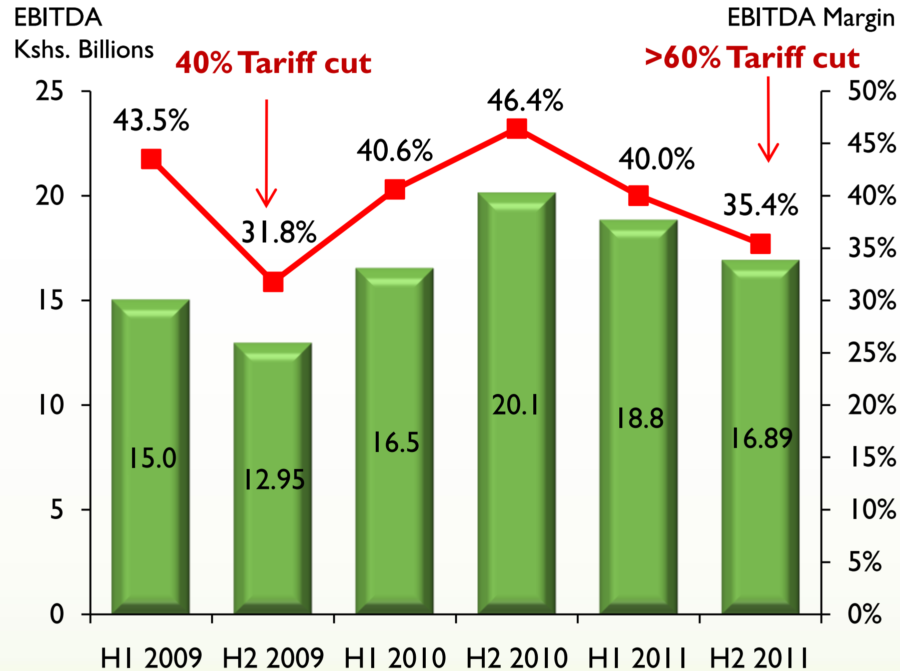
- Even with increase in M-PESA subscribers, M-PESA ARPU has increased by 2.7 %
- SMS ARPU grew by 23 % as a result of an intensified drive to grow SMS usage
- Voice ARPU declined as a result of tariff reduction and dilutive impact of new subscribers who tend to spend less

KPIs: Resilient EBITDA & Margins

YoY EBITDA



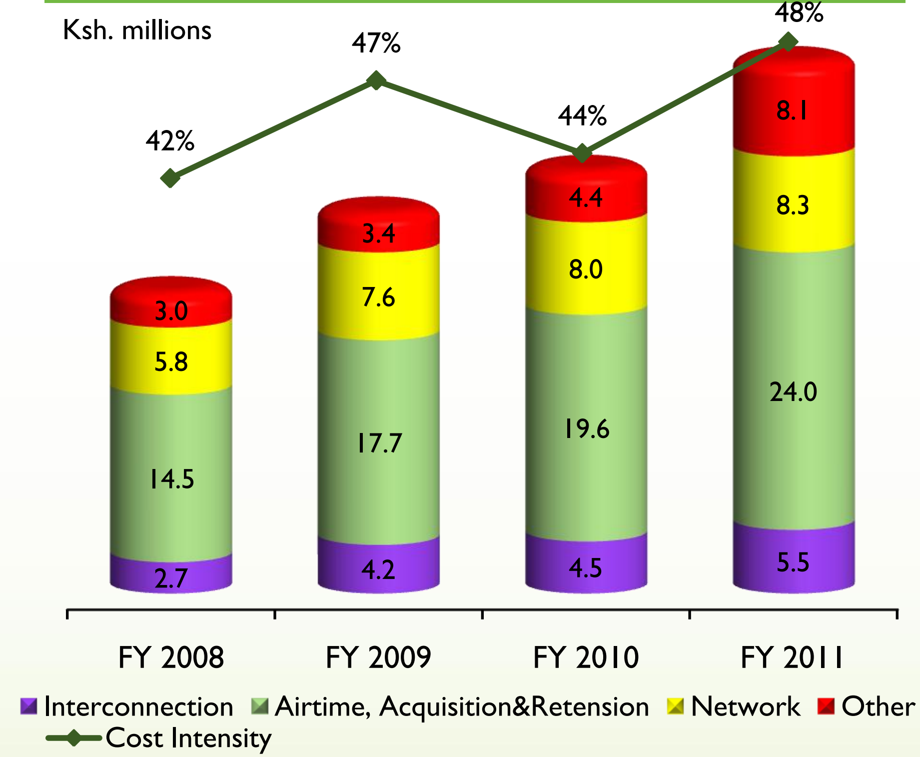
H1/H2 EBITDA



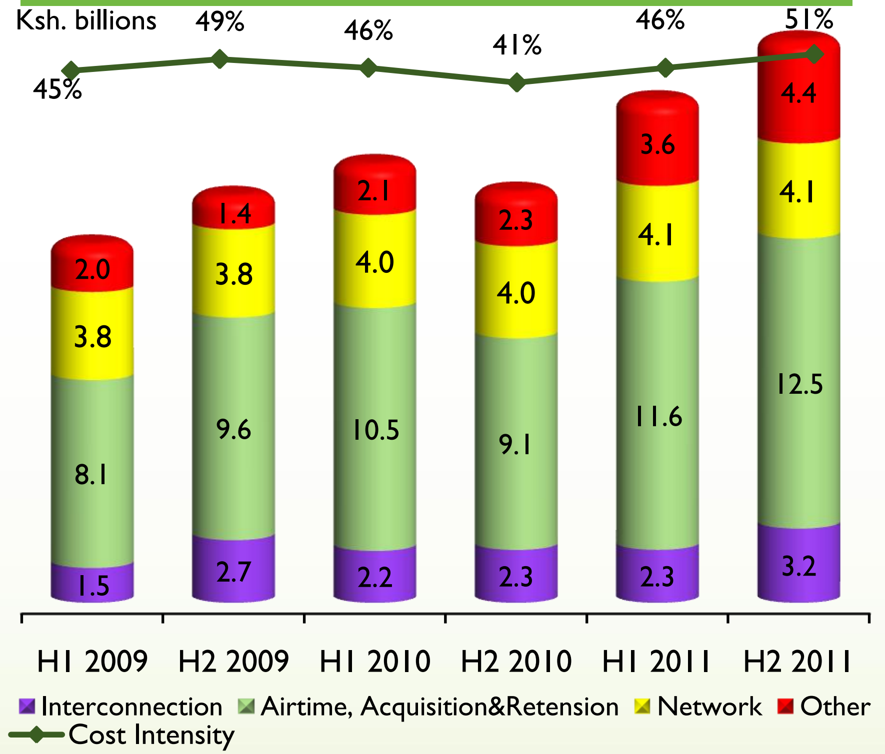
- Resilient EBITDA of Ksh. 35.72 billion and EBITDA margin of 37.7%
- EBITDA margin is above the average for our African peers

Stable Cost Structure: OPEX

YoY Operating Expenses



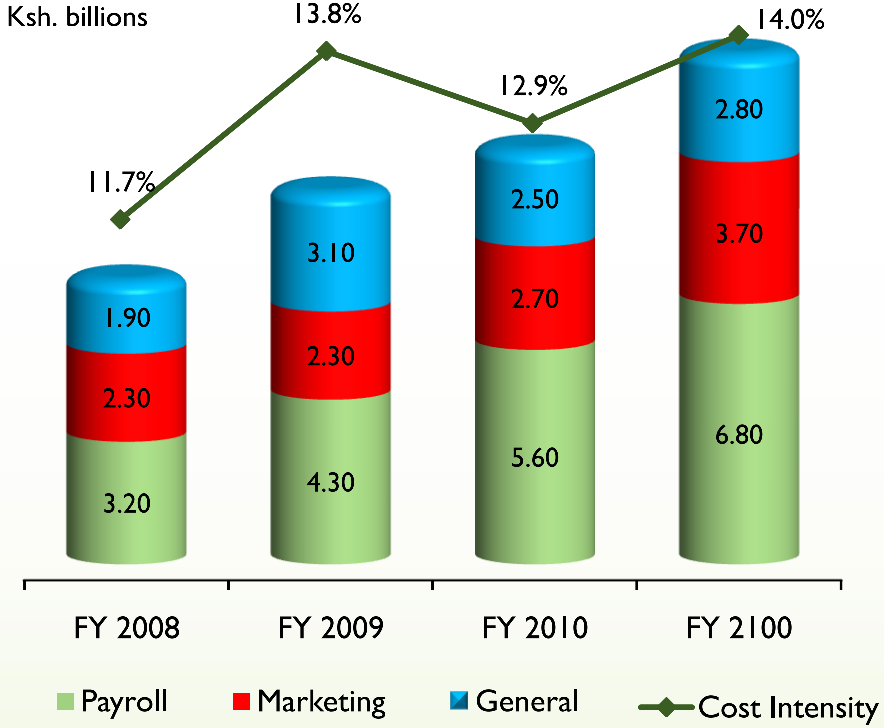
H1/H2 OPEX Breakdown



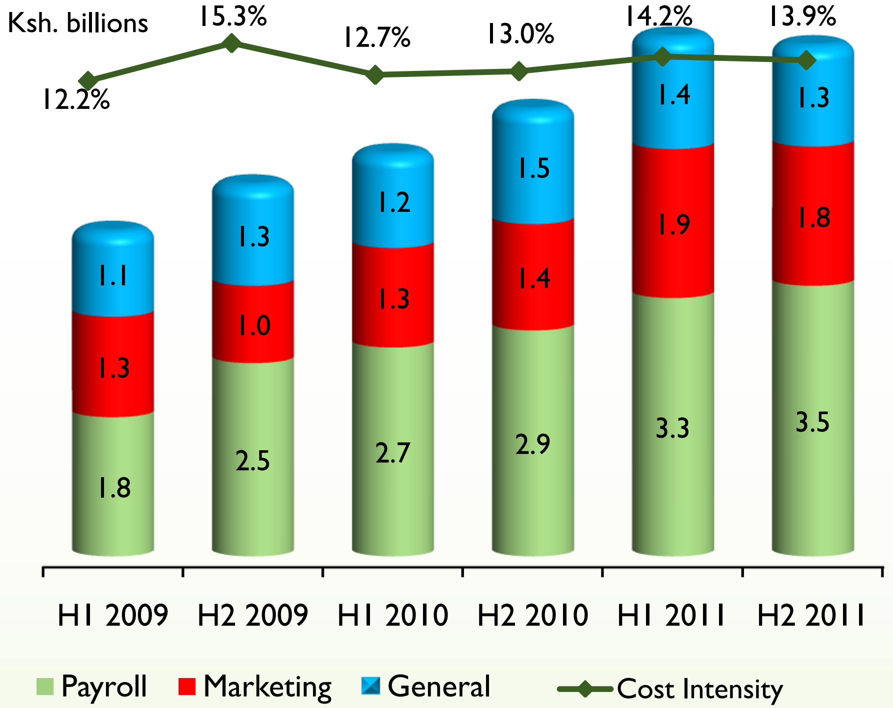
- Acquisition Costs grew in line with the customer acquisition strategy particularly for M-PESA and Data
- Other costs increased in License costs and Value Added Services costs in line with continued coverage and revenue growth
- Increase in interconnection expenses with the decline in off-net tariffs and termination rates
- Savings in airtime cost

Cost Structure: SG&A

YoY SG&A



H1/H2 SG&A Breakdown



- Marketing costs increased by 37% due to heightened market activity
- Yearly adjustments in pay and increase in head count
- Retail shops increased by 17% from 30 to 35 within the same period

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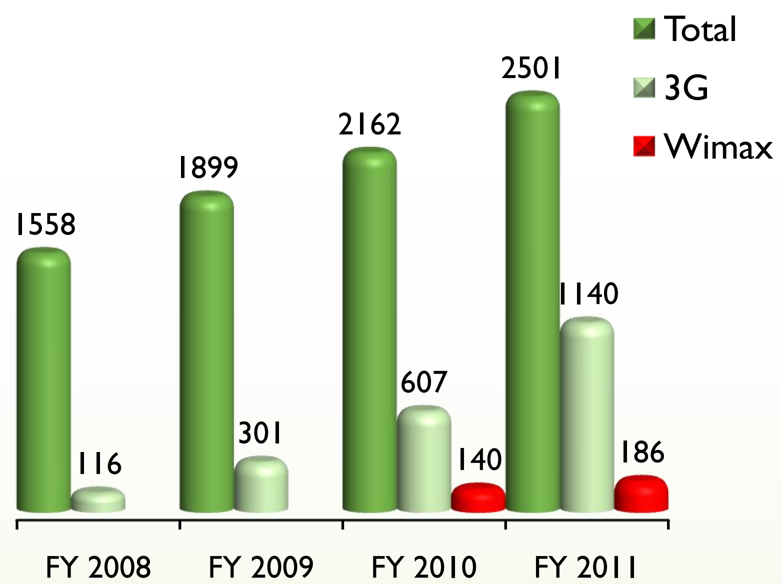
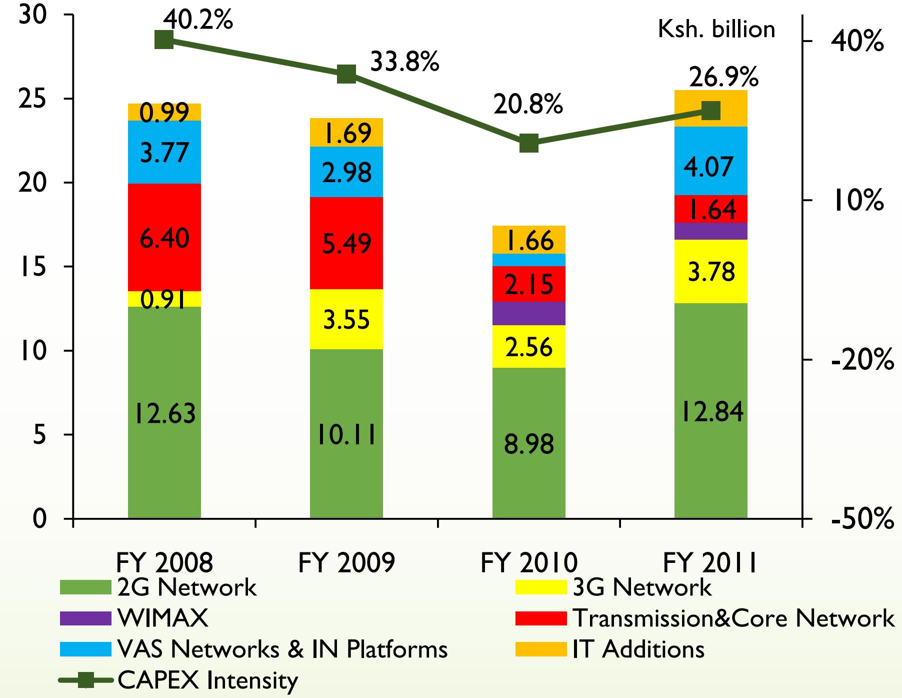
Capital Expenditure:-Investing for the Future

Base Stations



CAPEX



Network growth from 2,162 sites to 2,501 sites

Increase in Capex, for the period by 46.1% to Ksh.25.48bn.

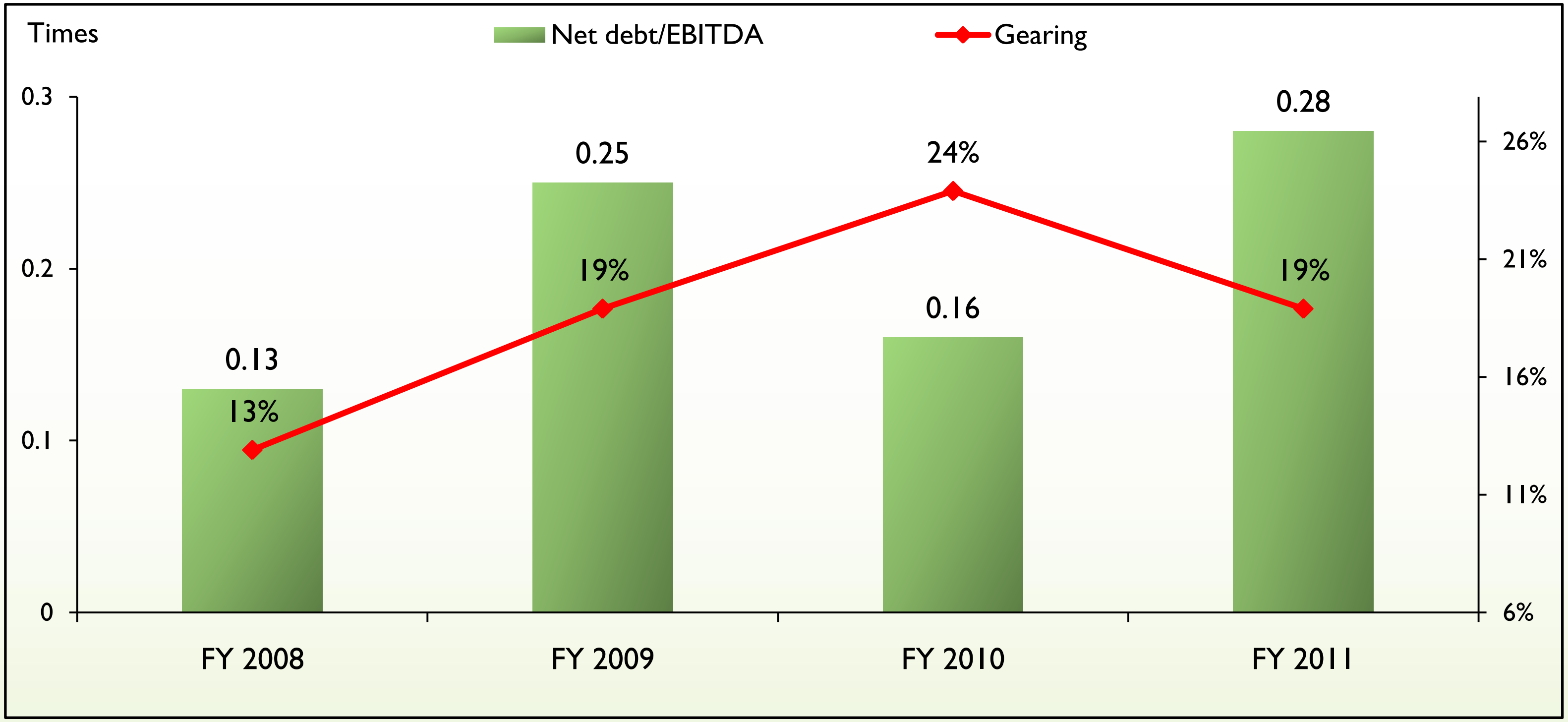
Capex intensity of 26.9%

Capital expenditure expected to continue at a high level in these key investment areas

- Fixed data infrastructure
- 3G Network equipment
- Upgrade of existing 2G equipment (Quality & Capacity)

Strong Operational Performance

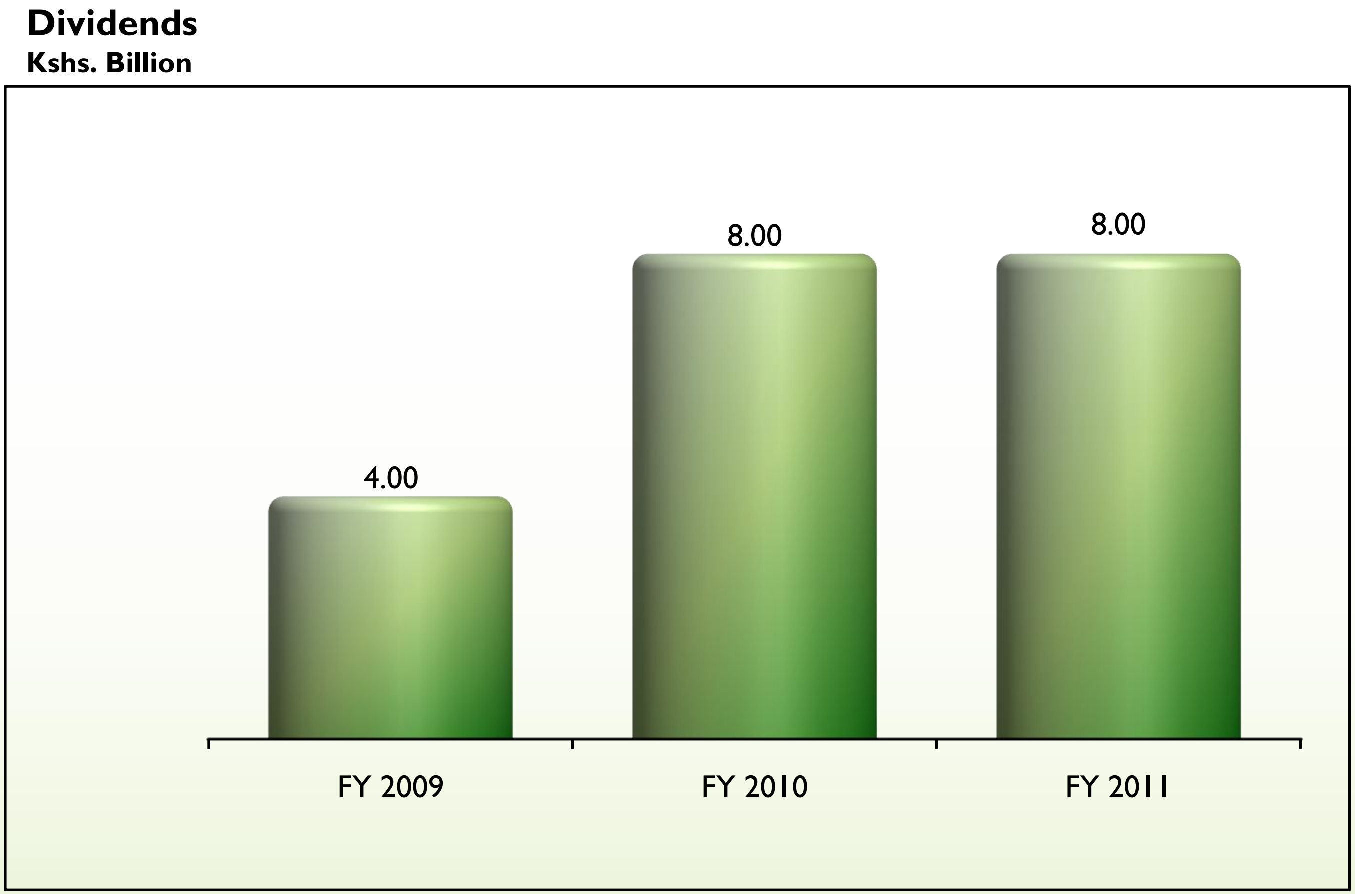
Gearing & Net/EBITDA



Highly under-leveraged

Significant capacity to gear further

Dividends



Consistent dividend payout despite lower earnings

Increased payout ratio from 53% to 61%

FUTURE OUTLOOK

Strategic Focus

Customer segmentation

Voice Revenue & ARPU

Realignment of Company Strategy - **SAFARICOM 2.0**

Company focus

Take ownership of the enterprise sector

Mobile Data and Mobile Money- continued market leadership

- M-PESA
- Mobile Data
- Fixed Data
- Value Added Services
- Network improvements
- Acquisition products- mobile handsets, data devices and accessories

We have the most extensive and advanced network and are well placed to take full advantage of the expansion in Mobile Money and Data

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