News Release

SAFARICOM LIMITED ANNOUNCES AUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 2014.

KEY HIGHLIGHTS

Solid growth in all revenue streams with continued significance of non-voice revenue in revenue generation

- Total revenue increased by 16% to Kshs 144.7bn.
- Service revenue growth of 17% to Kshs 138.4bn of which – Voice service revenue grew by 12% to Kshs 86.3bn and Non-voice service revenue increased by 28% to Kshs 52.1bn.
- Customer base grew by 11% to 21.6m.
- SMS revenue grew by 34% to Kshs 13.6bn.
- M-PESA revenue increased by 22% to Kshs 26.6bn.
- 15% increase in 30 day active M-PESA customers to 12.2m – 56% of our total customer base.
- Mobile data revenue grew by 41% to Kshs 9.3bn.
- 34% increase in 30 day active mobile data customers to 9.6m – 44% of our total customer base.
- Fixed data revenue growth by 22% to Kshs 2.6bn.

Strong financial and commercial performance

- 24% growth in EBITDA to Kshs 60.9bn with an EBITDA margin of 42.1% - up 2.5ppt.
- Profit after tax increased by 31% to Kshs 23.0bn.
- Free cash flow has improved by 56% to Kshs 22.7bn.
- Capital expenditure for the period increased by 12% to Kshs 27.8bn.

Bob Collymore, Safaricom Limited CEO commented:

"Once again we have demonstrated our relentless dedication to growing shareholder returns through superior commercial performance across our entire service portfolio as evidenced by our strong financial results. We continued to deliver on our goal to transform lives by providing unmatched services; we made huge improvements in our network quality; and we deepened financial inclusion with the introduction of Lipa na M-PESA on the M-PESA platform.

We have grown our total revenue by 16% to Kshs 144.7bn through focusing on providing quality services that resulted in double digit growth across all our service revenue streams. Voice service revenue which now stands at 60% of total revenue grew at 12% while non-voice service revenue which accounts for 36% of total revenue, sustained its growth trajectory with a 28% increase to Kshs 52.1bn driven mainly by Data and M-PESA. Devices and other revenue contributes 4% of total revenue.

Mobile penetration in Kenya stood at 76.9%* with Safaricom recording the largest subscriber share of 67.9%*. Our customer base has grown by 11% to 21.6m while churn rate dropped to 19% as a result of efforts centered on retaining and rewarding our loyal customers.

Voice service revenue grew to Kshs 86.3bn and accounted for 62% of our service revenue (down from 66% in the previous year). This growth was supported by our loyal customer base attracted by a superior network experience, convenient airtime distribution and attractive consumer propositions and promotions such as the '*Tetemesha'* campaign.

Messaging revenue once again posted an impressive performance having increased by 34% to Kshs 13.6bn which represents 10% of our service revenue. This was driven by increased usage from affordable SMS bundles and SMS based promotions such as'*Bonyeza Ushinde'*.

M-PESA, now contributing 18% of total revenue, continues to be a significant driving force for our growth. This was driven by a 15% increase in 30 day active M-PESA customers to 12.2m as well as an increase in the average number of transactions per customer. In the year, we expanded our M-PESA agent outlets to 81,025 thereby promoting accessability of the service to our customers. With its launch, the Lipa na M-PESA service has enabled cashless merchant payments and facilitated trade between businesses and their customers while improving business efficiency. As at 31 March 2014 the service had 122,000 registered merchants, of which 20% (24,137) were active on a 30 day basis.

Mobile data revenue grew at an impressive 41% driven by an increased uptake of affordable data bundles and a 34% growth in 30 day active mobile data customers to 9.6m. 3.1m customers are on 3G enabled devices of whom 1.9m are on smartphones. Fixed data revenue increased by 22% to Kshs 2.6bn on the back of 4% growth in fixed data customers, and a 16% increase in fixed service ARPU.

We continue to focus on our 'Best Network in Kenya' program with Kshs 27.8bn invested in the network during the year, our goal being to provide the best customer experience through improving our network quality, capacity and coverage. We have increased the population coverage of our 2G and 3G networks, completed network modernization in six key cities and rolled out fibre to 50% of our base stations in Nairobi. In October 2013, we commissioned independent drive tests to measure key quality metrics such as dropped calls, voice quality and data speeds, these tests show that our network delivers the best data services and comparative voice services.

Direct costs grew at 10% but at a lower rate than the 16% growth in revenue. This in turn resulted in an improvement in the contribution margin to 64%.

Our operating costs stood at 22% of total revenue as we continue to explore further cost reduction initiatives focused on transmission costs, network operating costs (including fuel) and IT operational costs.

For another consecutive year, we have delivered robust results and ensured value for our shareholders supported by growth across all our revenue streams. This increase in revenue coupled with cost efficiency has driven the EBITDA margin to 42.1%, a 2.5ppt improvement.

Free cash flow has increased by 56% to Kshs 22.7bn as a result of the strong trading results and positive working capital.

In light of the strong financial performance in the past year, the Board recommends a dividend of Kshs 0.47 per share – an increase of 52%. Pending approval by shareholders we will pay out a dividend of Kshs 18.83bn, which represents 82% of our net income, for the year ended 31 March 2014; once again, the largest dividend in Kenyan history.

* Source: CCK December 2013

Strategic Priorities

M-PESA is at the forefront in deepening financial inclusion in Kenya. In the past year, we launched the revolutionary Lipa na M-PESA service that enables our customers to carry out day to day transactions on a cashless basis. Our priority this year is to commercialize this service by growing the number of active merchants and making Lipa na M-PESA the preferred electronic payment platform. This will make a significant contribution to the lives of our customers and accelerate Kenya towards a cash-lite economy.

We are focused on being the business partner of choice by empowering the growth of businesses through the provision of relevant and innovative ICT solutions. We will therefore focus on accelerating our fibre to the building, fixed calling, cloud services and managed services.

Mobile data is one of the key drivers of future growth. We will endeavour to continue increasing smartphone and 3G device penetration through partnerships with vendors to offer quality and cost effective devices. We are now ready to roll out LTE (4G), subject to availability of spectrum, to deliver super-fast broadband to Kenyans. This will extend the reach of data and the internet, including the provision of WiFi access to schools in support of the Government of Kenya's digital education programme.

We continue on our Best Network in Kenya journey, with a new set of goals to ensure world class quality of service. We remain steadfast in our goal to provide the best network experience supported by significant investments in fibre roll out, network modernization and LTE (4G) when the relevant spectrum becomes available."

Key indicators and summary financial information

The following are the key highlights of the results compared to the prior period ended 31 March 2013:

Key Performance Indicators	31-Mar-14	31-Mar-13	% Increase/ (Decrease)
Total customers (m)	21.57	19.42	11.07
M-PESA registered customers (m)	19.34	17.11	13.03
M-PESA - 30 day active customers (m)	12.16	10.54	15.37
Mobile data - 30 day active customers (m)	9.56	7.13	34.08
Fixed data customers	7,020	6,731	4.29
Churn (%)	19.33	30.54	(11.21)
Service revenue ARPU (Kshs)*	557.50	506.55	10.06
Voice ARPU (Kshs)*	347.72	336.57	3.31
SMS ARPU (Kshs)*	54.67	43.83	24.73
M-PESA ARPU (Kshs)**	190.76	184.33	3.49
Mobile data ARPU (Kshs)**	87.29	89.86	(2.86)
Fixed service ARPU (Kshs)**	30,844	26,584	16.02
Non-service revenue(M-PESA/SMS/Broadband) % total revenue	35.98	32.76	3.22
Number of M-PESA agents	81,025	65,547	23.61
2G base stations	3,140	2,905	8.09
3G base stations	1,847	1,604	15.15
Wimax sites	203	203	-

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

** *M-PESA, Mobile data & Fixed service ARPUs are calculated based on respective 30 day active customers*

Condensed consolidated statement of comprehensive income

Kshs Bn	31-Mar-14	31-Mar-13	% Increase/ (Decrease)
Voice revenue	86.30	77.33	11.60
Messaging revenue	13.62	10.15	34.19
Mobile data revenue	9.31	6.62	40.63
Fixed service revenue	2.57	2.11	21.80
M-PESA revenue	26.56	21.84	21.61
Service Revenue	**138.36**	**118.05**	**17.20**
Handset revenue	4.95	4.93	0.41
Acquisition and other revenue	1.36	1.31	3.82
Total Revenue	**144.67**	**124.29**	**16.40**
Direct costs	(51.96)	(47.17)	10.15
Contribution margin	**92.71**	**77.12**	**20.22**
Contribution margin %	*64.08%*	*62.05%*	*2.03*
Net operating costs	(31.77)	(27.88)	13.95
Net operating costs % total revenue	*21.96%*	*22.43%*	*(0.47)*
EBITDA	**60.94**	**49.24**	**23.76**
EBITDA margin %	*42.12%*	*39.62%*	*2.50*
Depreciation, impairment & amortisation	(25.79)	(22.14)	16.49
Net financing costs	(0.16)	(1.65)	(90.30)
Taxation	(11.97)	(7.91)	51.33
Net Income	**23.02**	**17.54**	**31.24**
Earnings per share	0.57	0.44	29.55
Recommended dividend per share	0.47	0.31	51.61

- The increase in depreciation is attributed to accelerated depreciation of Kshs 4.1bn (2013: Kshs 1.2bn) due to network modernization in the year.
- Reduced financing costs are due to repayment of short-term borrowings of Kshs 8.23bn during the year.

Condensed consolidated statement of financial position

Kshs Bn	As at 31-Mar-14	As at 31-Mar-13	% Increase/ (Decrease)
Equity and non-controlling interest	91.24	80.27	13.67
Borrowings	5.10	12.00	(57.50)
Capital employed	**96.34**	**92.27**	**4.41**
Non-current assets	**106.28**	**103.50**	**2.69**
Inventories	2.95	2.23	32.29
Receivables and prepayments	7.75	8.13	(4.67)
Cash and cash equivalents	17.62	15.00	17.47
Current assets	**28.32**	**25.36**	**11.67**
Payables and accrued expenses	30.75	28.36	8.43
Borrowings	7.51	8.23	(8.75)
Current liabilities	**38.26**	**36.59**	**4.56**
Net current liabilities	(9.94)	(11.23)	(11.49)
Net assets	**96.34**	**92.27**	**4.41**
Net gearing (borrowing less cash) % Capital employed	-	5.67%	-
Gross gearing (gross borrowing) % Capital employed	13.09%	21.92%	(8.83)

- Equity and non-controlling interest increased as a result of favourable trading results.
- The reduction in long-term borrowings is as a result of reclassification of the current portion of the long-term borrowing (Kshs 7.5bn) that is due in November 2014.
- Current assets increased due to cash from favourable trading results.
- Reduced gross gearing ratio as a result of repayment of short-term borrowings earlier in the financial year.

Net cash

Kshs Bn	As at 31-Mar-14	As at 31-Mar-13	% Increase/ (Decrease)
Cash and cash equivalents	17.62	15.00	17.47
Bank and short term borrowings	(7.51)	(8.23)	(8.75)
Long term borrowings	(5.10)	(12.00)	(57.50)
Total net cash/(debt)	**5.01**	**(5.23)**	**195.79**
Net debt / EBITDA (times)	-	0.11	-

- The positive net cash position attributed to favourable trading results.

Free cash flow

Kshs Bn	31-Mar-14	31-Mar-13	% Increase/ (Decrease)
EBITDA	**60.94**	**49.24**	**23.76**
Working capital movement	1.13	(2.44)	146.31
Capital additions	(27.78)	(24.88)	11.66
Other capital movements	0.00	0.02	(100.00)
Operating free cash flow	**34.29**	**21.94**	**56.29**
Interest paid	(0.35)	(1.45)	(75.86)
Taxation paid	(11.25)	(5.98)	88.13
Free cash flow	**22.69**	**14.51**	**56.37**

- Increase in free cash flow due to favourable trading results, positive working capital and reduced interest costs following repayment of short-term borrowings.
- Increase in taxes paid is in line with improved trading results.