

An aerial photograph of a vast, rolling landscape of green hills. The terrain is covered in lush vegetation, with a network of dirt roads winding through the valleys. A small, simple building with a blue roof is visible in the lower right quadrant. The overall scene is bright and vibrant, suggesting a healthy, rural environment.

Safaricom Ltd

H1 FY13 Presentation



Disclaimer

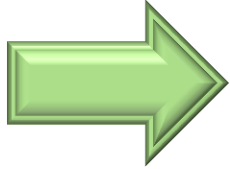
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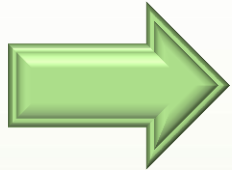
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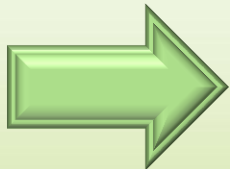
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H1 FY13 Highlights



H1 FY13 Financial Review



Strategic Focus and Guidance

H1 FY13 highlights

- Good recovery from damaging price wars
- Strong commercial and financial performance
- Continued investment and innovation in network and services
- Improved customer satisfaction levels through service delivery
- Great progress on our initiatives to transform lives, especially in financial inclusion

Improvement in H1 key financial metrics

TOTAL REVENUE



+19% to Kshs 59.1bn

VOICE REVENUE



+19% to Kshs 37.4bn

NON-VOICE REVENUE
(SMS, DATA and M-PESA)



+28% to Kshs 18.7bn

EBITDA



+51% to Kshs 22.3bn

NET PROFIT BEFORE TAX



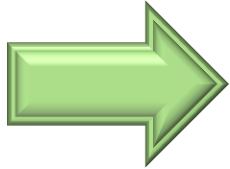
+113% to Kshs 11.5bn

FREE CASH FLOW

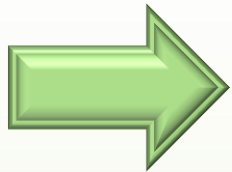


From Kshs (0.7bn) to Kshs 5.0bn

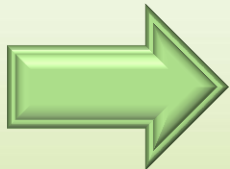
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H1 FY13 Highlights



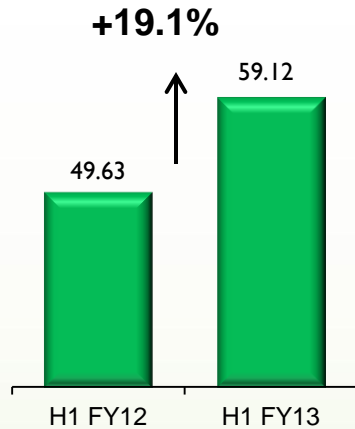
H1 FY13 Financial Review



Strategic Focus and Guidance

Delivering on strategy: Strong financial results

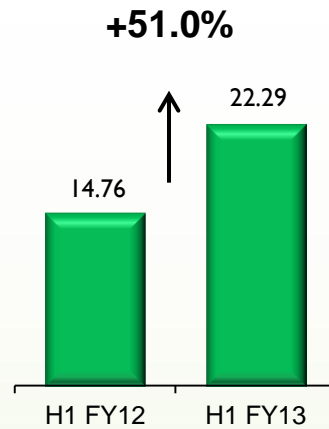
Total Revenue
Kshs. Billion



Good customer growth

Increasing ARPUs across voice, messaging and M-PESA

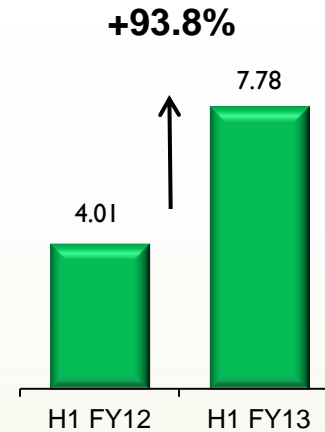
EBITDA
Kshs. Billion



19% growth in revenue with cost growth held to 5.6%

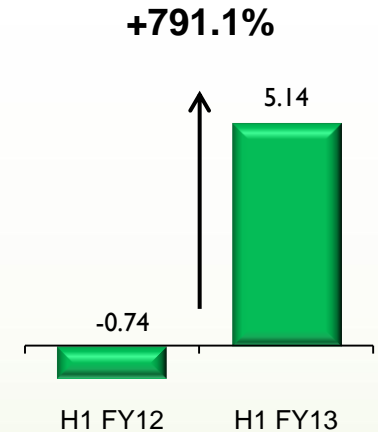
Robust EBITDA margin at 37.7% - up 8ppt

Net Income
Kshs. Billion



Driven by strong growth in revenues and EBITDA

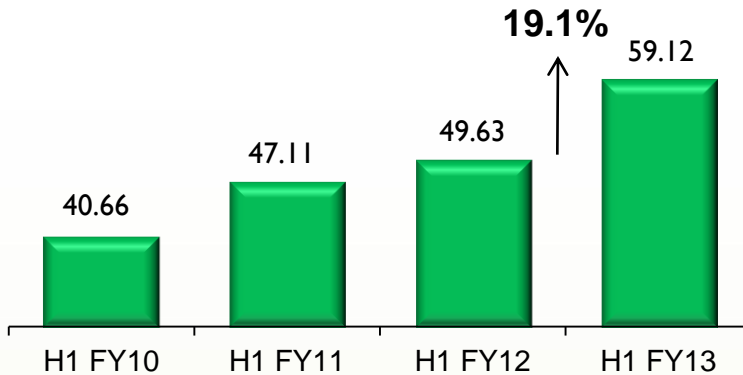
Free Cash Flow
Kshs. Billion



Positive impact of EBITDA increase and CAPEX phasing

Strong revenue growth in the year

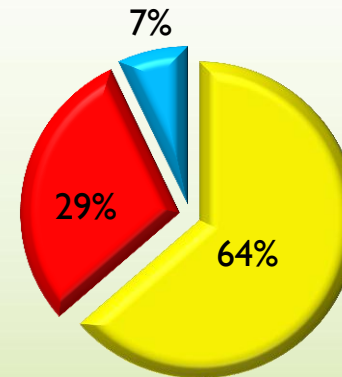
H1 Revenue Kshs. Billion



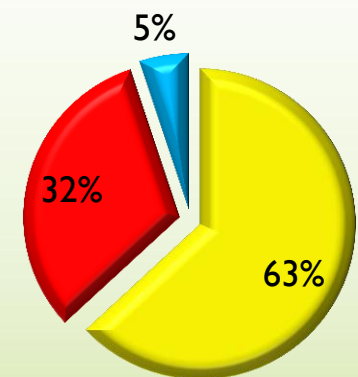
- 19% growth in total revenue
- Customer base now 19.2m customers - up 7%
- Successfully growing all service revenue streams

Revenue Breakdown Kshs. Billion

H1 FY12

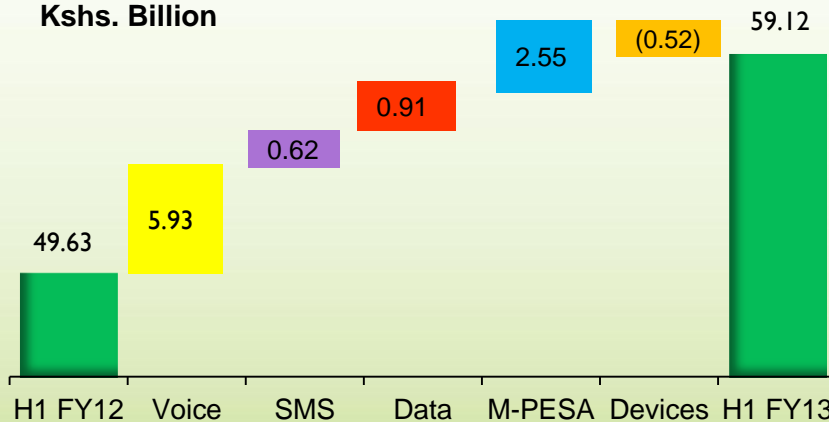


H1 FY13



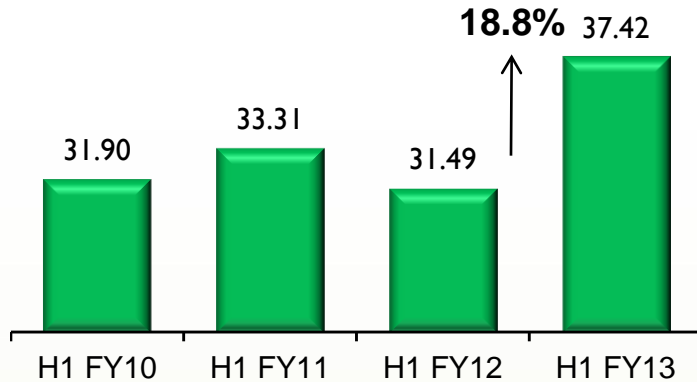
■ Voice ■ Non-Voice ■ Devices

Revenue Growth Kshs. Billion

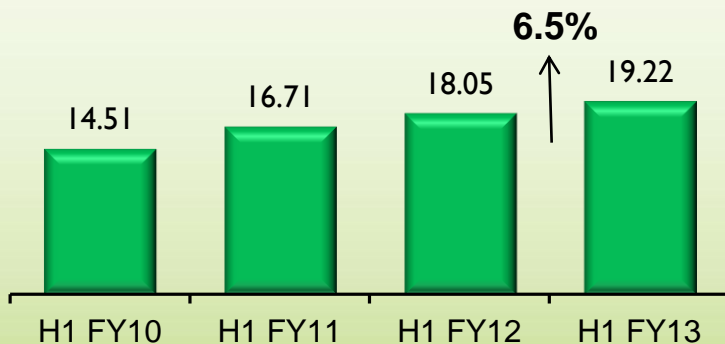


Voice: Good recovery from damaging price wars

H1 Voice Revenue
Kshs. Billion



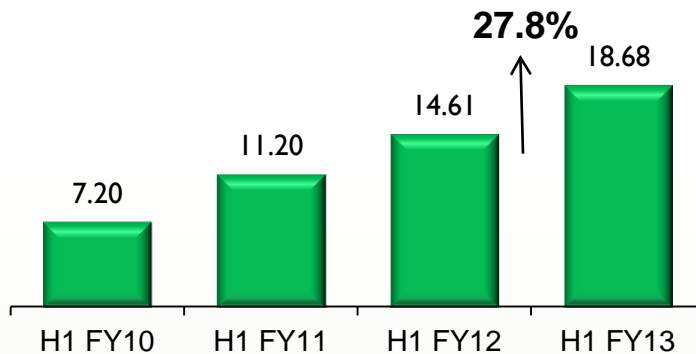
H1 Customers
Million



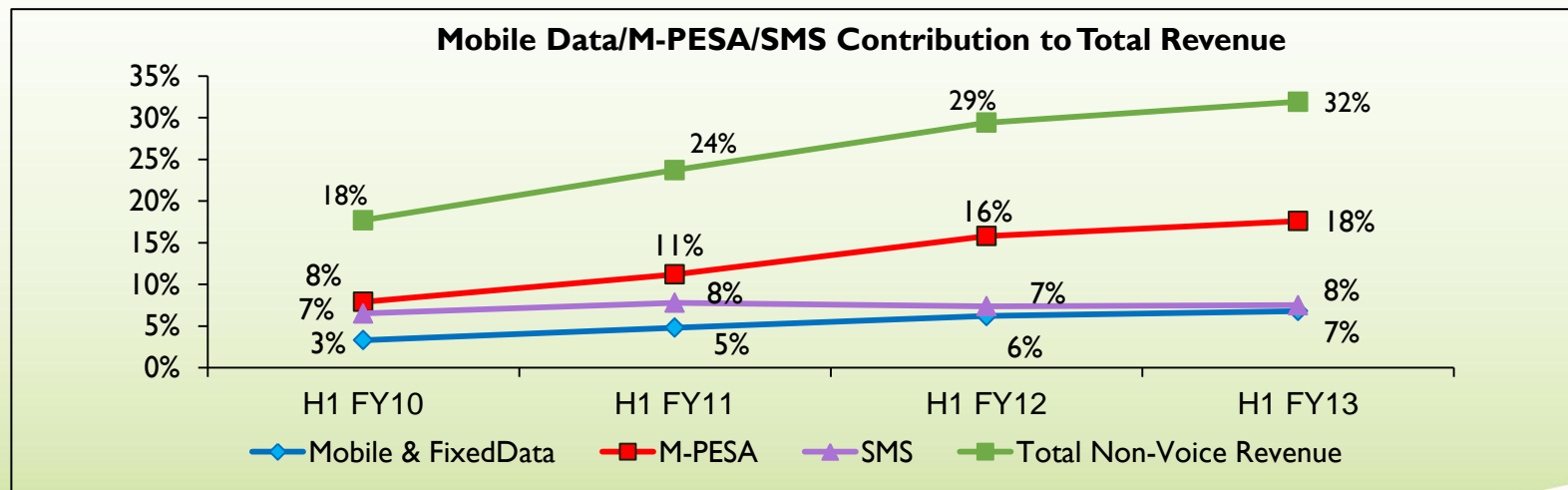
- 19% growth in voice revenue
- Pursuing sustainable pricing strategy
 - Off-net tariff lowered to match on-net tariff
 - Variety of promotions to ensure retention
- Improved distribution
 - Airtime distribution across 230,000 retail outlets
 - 32% of airtime top-ups directly through M-PESA
- MTR price determination still pending
- Significant investment in network has reduced dropped calls and improved quality

Non-Voice service revenues grow in significance

H1 Non-Voice Revenue
Kshs. Billion

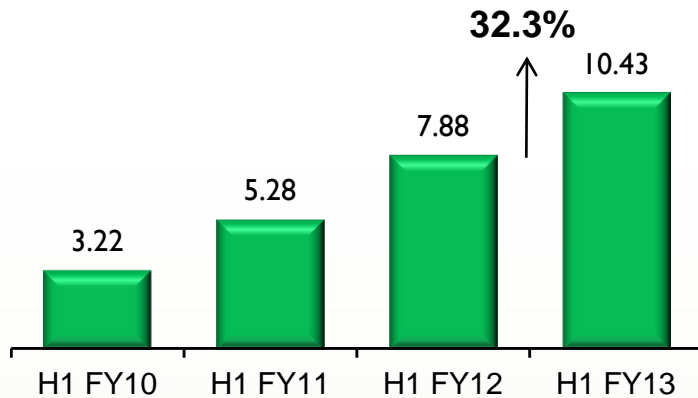


- Non-Voice revenue grew 28% - now 32% of total revenue
- Driven by increased customers and increased usage
 - M-PESA +32%
 - SMS +17%
 - Mobile data +22%
 - Fixed data +60%

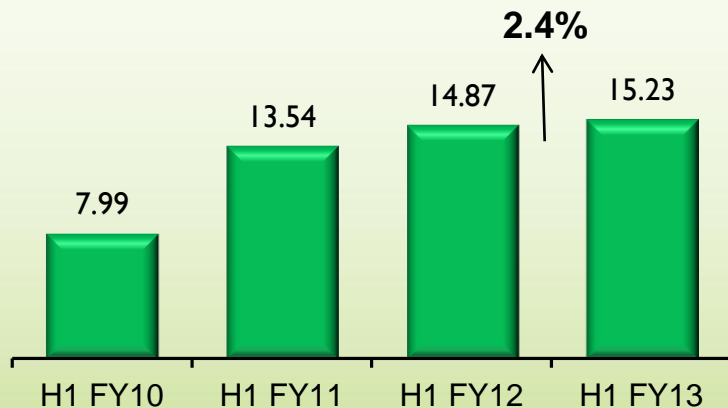


M-PESA: Integral to society

H1 M-PESA Revenue
Kshs. Billion

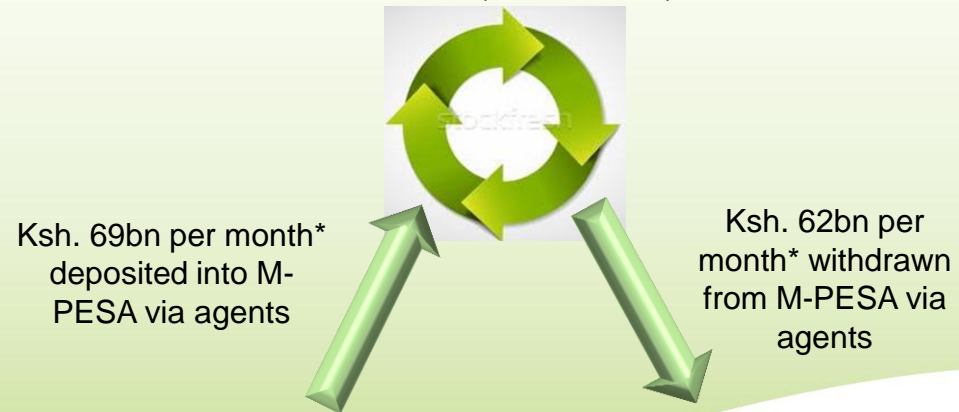


H1 M-PESA Customers
Million



- 32% growth in M-PESA revenue, driven by
 - Increase in 30 day active users
 - Increase in number of transactions
- Contributes 18% of total revenue
- M-PESA agents grew by 40% (6,000 new agents) to 45,540
- 10% excise duty a threat to deepening inclusion

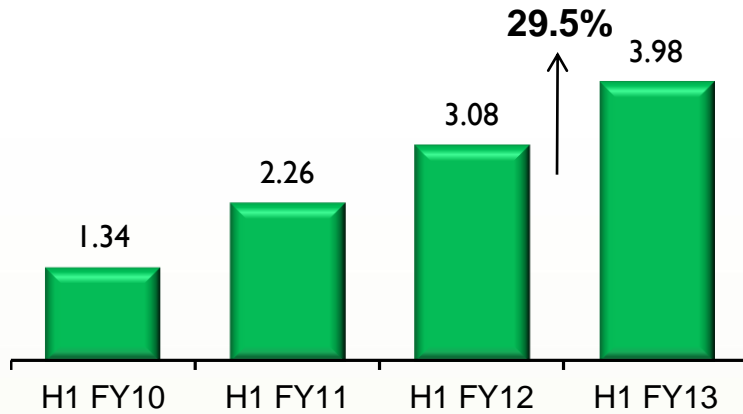
Ksh. 80bn payments per month*
transacted between customers within
M-PESA (31% of GDP)



* September 2012

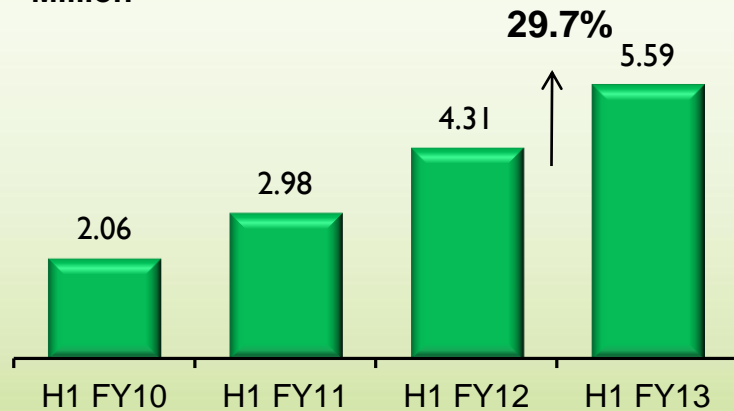
Data growth remains strong with significant further potential

H1 Mobile & Fixed Data Revenue
Kshs. Billion



- 30% growth in mobile and fixed data revenue
- 30 day active mobile data users grew 30% to 5.6m – now 29% of our customer base
- 9% increase in fixed data customers to 6,718
- Sustainable pricing to deliver superb service and ensure continued investment
- Refreshed data bundles and promotions

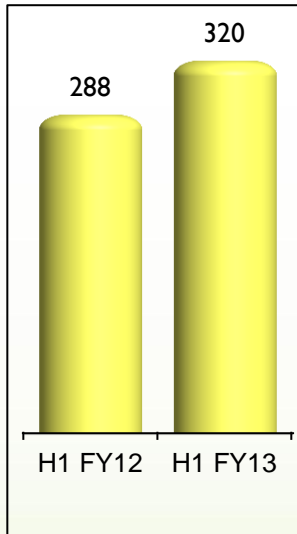
H1 Mobile & Fixed Data Customers
Million



Value Focus supports ARPU growth, despite intense competition

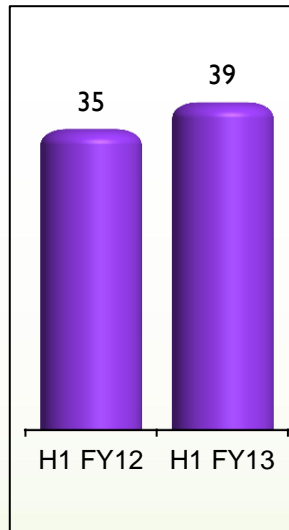
Voice

Kshs.



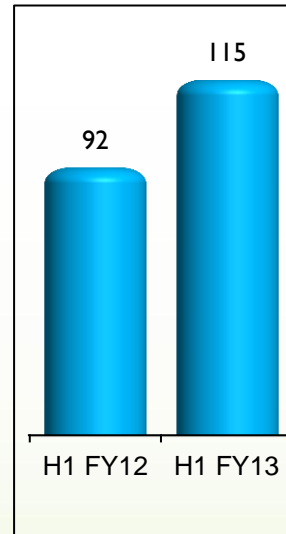
SMS

Kshs.



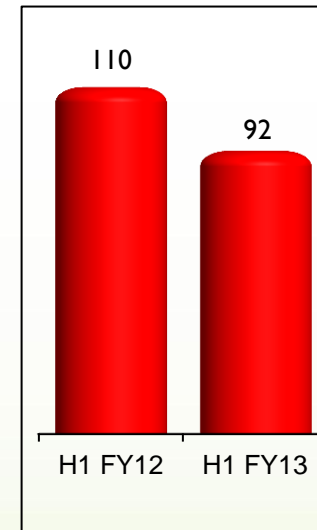
M-PESA

Kshs.



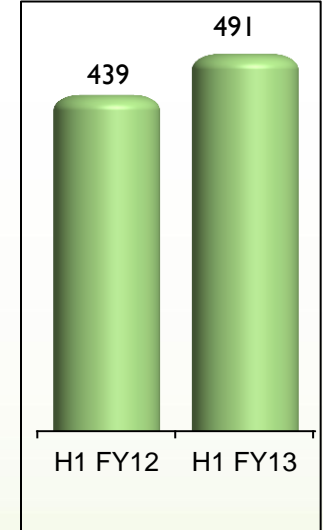
Mobile Broadband

Kshs.



Service ARPU

Kshs.



Quality customer base

Tariff adjustment

Positive promotions

Increased usage of SMS bundles

Increased number of active customers

Increased transactions per active customer

New tariff plan

Reduced pricing of our data offering

New data users enter at lower ARPUs

12% increase

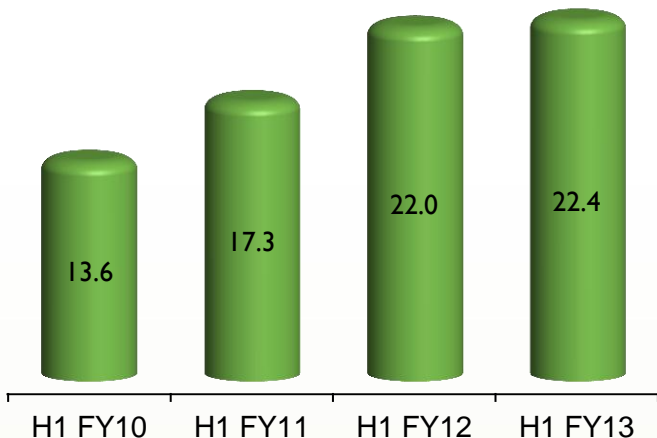
*Voice, SMS and Service ARPU are calculated based on total customers

* M-PESA and Mobile Broadband ARPUs are calculated based on total M-PESA and Mobile Broadband customers respectively

Direct cost controls improve contribution margin

H1 Direct Costs

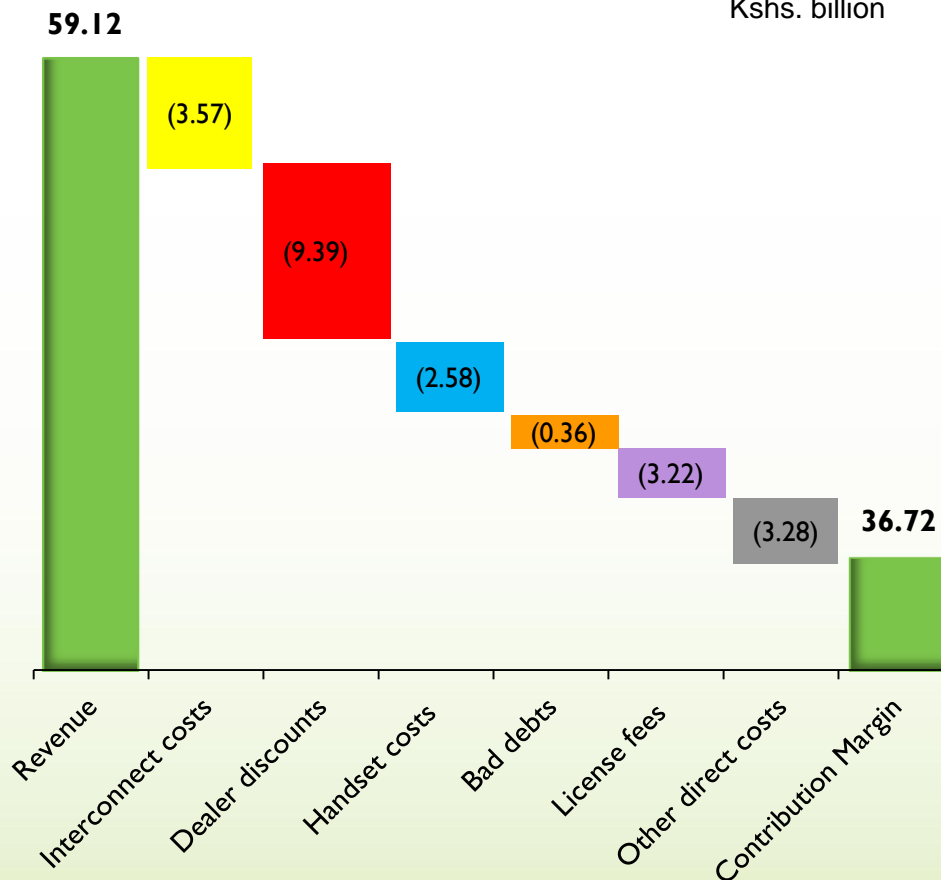
Kshs. billion



- Contribution margin increase of 33%
- 2% increase in direct costs , despite 19% increase in total revenue
- Cost savings in dealer discounts, license fees, and top-up card production costs
- Lower handset costs in-line with lower handset revenues

H1 Direct Costs Breakdown

Kshs. billion

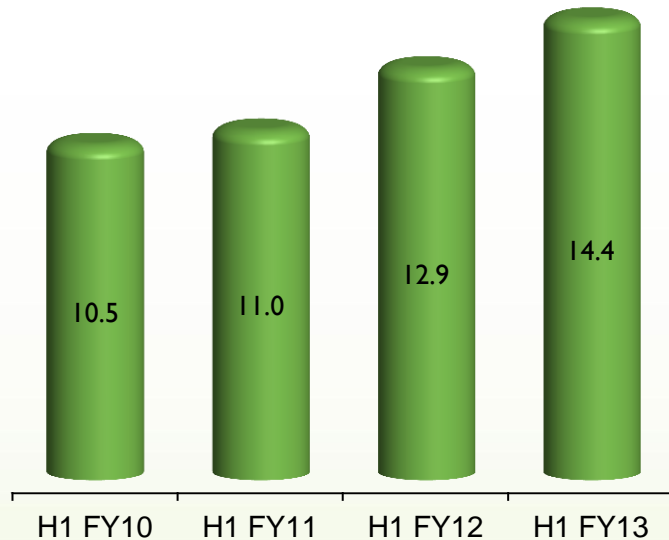


* Other costs relate to SIM cards, top-up cards, VAS billing, Acquisition and Retention costs

Focus on operating cost initiatives continues

H1 OPEX

Kshs. billion



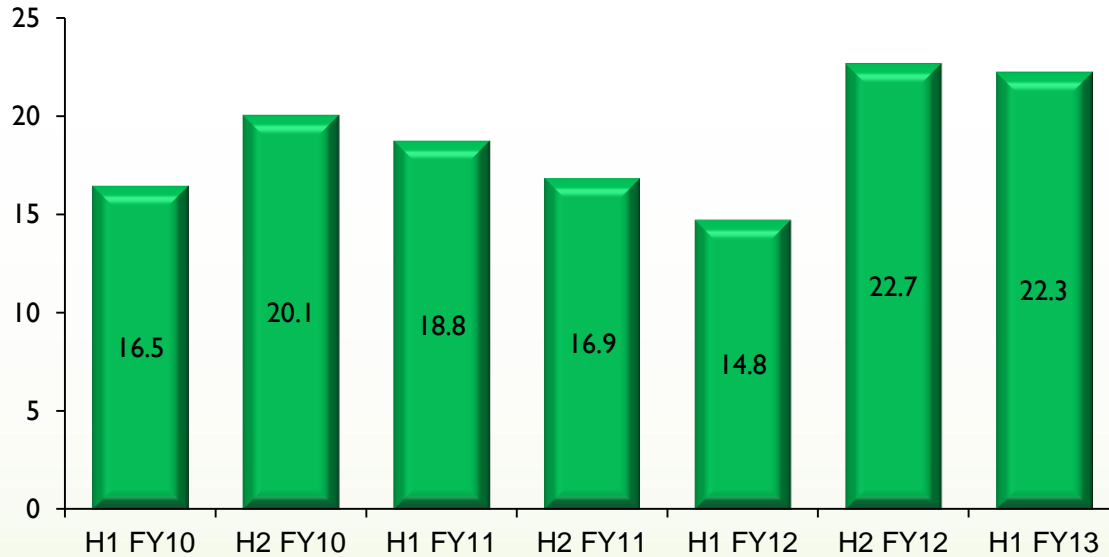
- 12% increase in operating costs versus a 19% increase in revenue
- Operating costs as a % of revenue held constant at 24.6% of total revenue
- Operating cost saving initiatives focus on
 - Transmission costs
 - Inventory costs
 - Network operating costs (including fuel)
 - IT operational costs
 - Headcount control
 - Insurance

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

Robust growth in EBITDA

H1/H2 EBITDA

Kshs. Billion

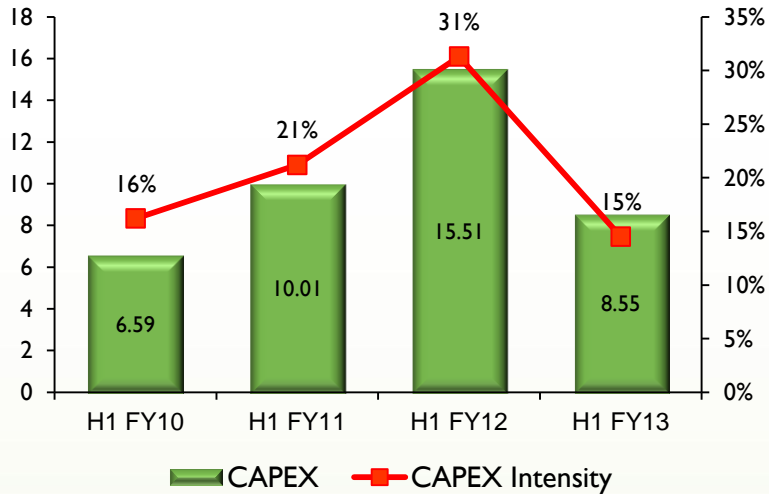


- Solid EBITDA of Kshs. 22.3bn and EBITDA margin of 37.7%
- H1 FY12 had the effect of the price war plus Kshs 1bn forex loss within EBITDA
- H2 FY12 had Kshs 1bn forex gain within EBITDA

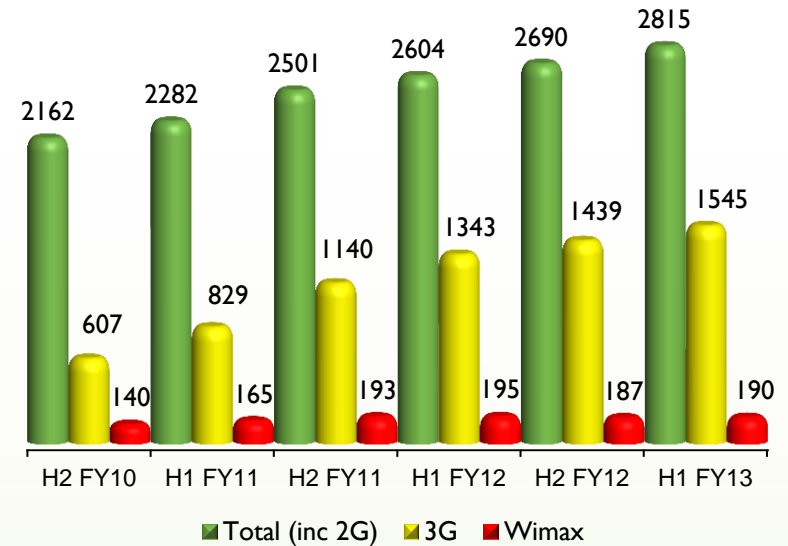
Largest & Fastest Network in Kenya

CAPEX

Kshs. Billion



Base Stations



Capital expenditure of Kshs 8.55bn invested in:

- Site roll out
- RAN modernization and Radio optimization
- Transmission improvements
- Energy efficiency

Capex intensity declined to 15% due to phasing

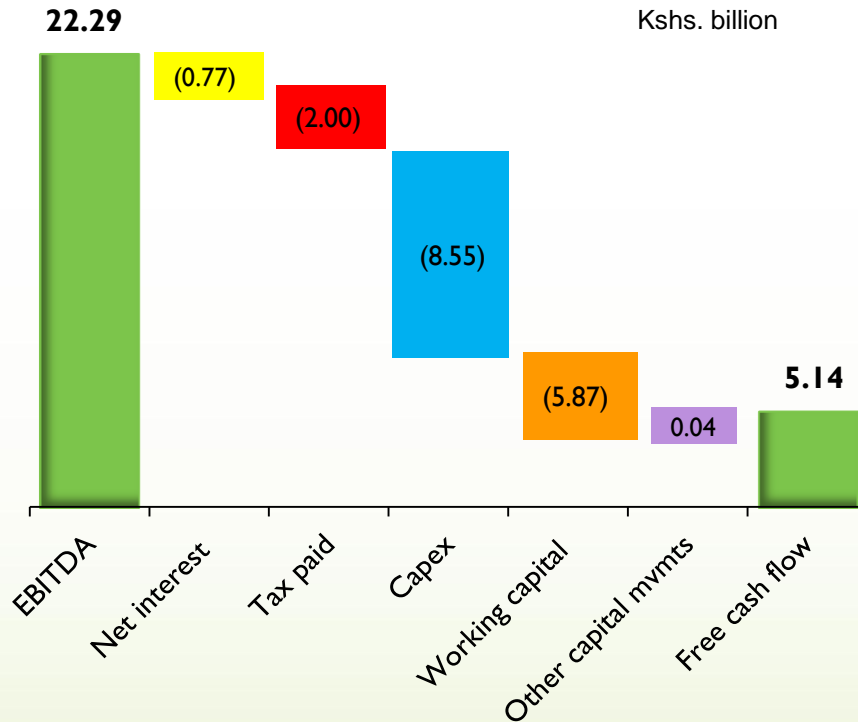
Higher capex spend planned for H2 FY13

Largest 2G and 3G network:

- 2,815 2G enabled base stations (2.3x more than nearest competitor)
- 1,545 3G enabled base stations (4.6x more than nearest competitor)
- Enabled to deliver fastest speeds (21 & 42 mbps)

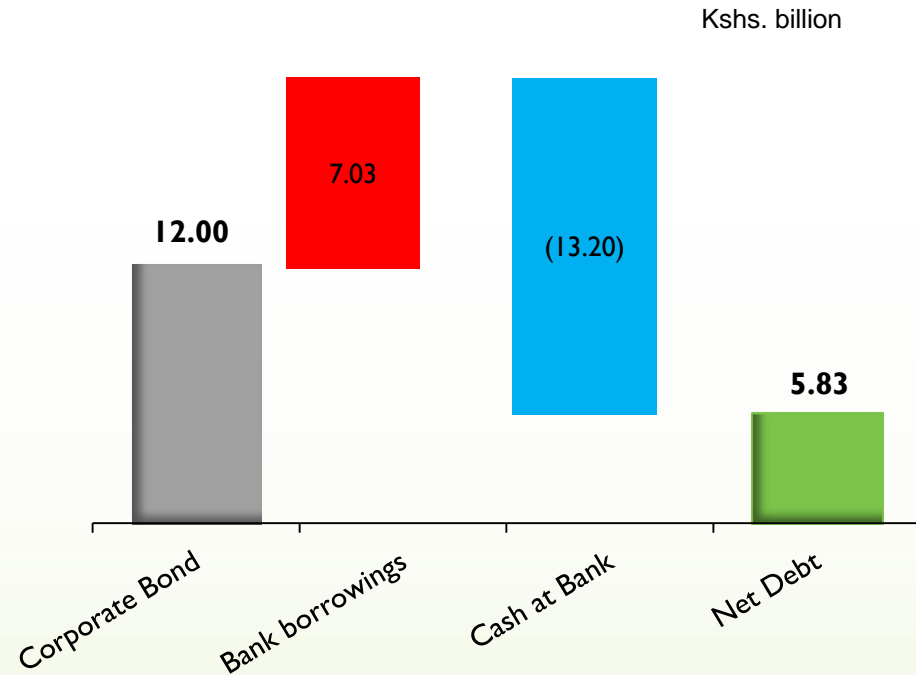
Cash & Debt Overview

H1 Free Cash Flow



- Large increase in Free Cash Flow : from Kshs(0.7bn) in H1 FY12 to Kshs 5bn.
- Driven by improved EBITDA and capex phasing

H1 Net Debt

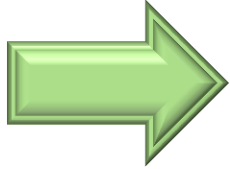


- Kshs. 8.0bn corporate bond at 12.25%
- Kshs. 4.0bn corporate bond at 7.75%
- Bank borrowing average between 1%-1.5% above 182 day T-bill rate
- Cash at bank average interest rate at 80%-120% of 91 day T-bill rate

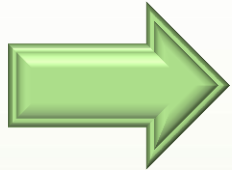
Key Financials:

| | H1 FY13 | H1 FY12 | Variance |
|-------------------------------|--------------|--------------|--------------|
| Voice revenue | 37.42 | 31.49 | 18.8% |
| Messaging revenue | 4.27 | 3.65 | 17.0% |
| Mobile data revenue | 2.97 | 2.44 | 21.7% |
| Fixed data revenue | 1.01 | 0.63 | 60.3% |
| M-Pesa revenue | 10.43 | 7.88 | 32.4% |
| Service Revenue | 56.10 | 46.09 | 21.7% |
| Handset revenue | 2.43 | 3.11 | (21.9%) |
| Acquisition and other revenue | 0.59 | 0.42 | 40.5% |
| Total Revenue | 59.12 | 49.63 | 19.1% |
| Direct costs | (22.40) | (21.97) | (2.0%) |
| Contribution margin | 36.72 | 27.66 | 32.8% |
| <i>Contribution margin %</i> | <i>62.1%</i> | <i>55.7%</i> | <i>6.4%</i> |
| Operating costs | (14.43) | (12.90) | (11.9%) |
| <i>Operating costs %</i> | <i>24.4%</i> | <i>26.0%</i> | <i>1.6%</i> |
| EBITDA | 22.29 | 14.76 | 51.0% |
| <i>EBITDA margin %</i> | <i>37.7%</i> | <i>29.7%</i> | <i>8.0%</i> |
| Depreciation & amortisation | (9.91) | (8.72) | (13.6%) |
| Financing cost | (0.87) | (0.65) | (33.8%) |
| Taxation | (3.74) | (1.38) | (171.0%) |
| Net Income | 7.77 | 4.01 | 93.8% |
| Earnings per share | 0.19 | 0.10 | 90.0% |
| Free Cash Flow | 5.14 | (0.74) | 791.1% |

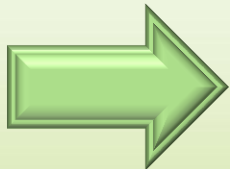
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H1 FY13 Highlights



H1 FY13 Financial Review



Strategic Focus and Guidance

Strategic Focus

- Continue strong commercial and financial results
- Deliver the best network in Kenya
- Grow mobile and fixed broadband
- Deepen financial inclusion using M-PESA
- Transform lives in Kenya through innovation and CSR programmes

Deliver the best network in Kenya

What we have achieved:

- Deployed 125 2G and 106 3G cell sites in last 6 months
- Modernised 410 sites (now have the radio on 1,856 out of 2,815 sites modernised)
- Recent independent tests show 8/8 CCK KPIs met in 3G and 7/8 in 2G

Top priority items in pipeline:

- Improve 2G performance in Nairobi
- Deploy 143 2G and 66 3G in next 6 months
- Modernise 233 sites in Eldoret, Eastern, Central Rift and South Nyanza
- Commit 500km of metro fibre for delivery
- Reduce network failures due to power issues and fibre cuts

Grow mobile and fixed broadband

What we have achieved:

- Increased data customers by 30% to 5.6m
- Increased the number of 3G handsets on the network to 1.8m
- Increased the number of smartphones on the network to 536k
- Increased the average usage to 60Mb per mobile data customer



Top priority items in pipeline:

- Reduce 3G congestion
- Launch lower priced 3G smartphones
- Encourage developers to create relevant local content



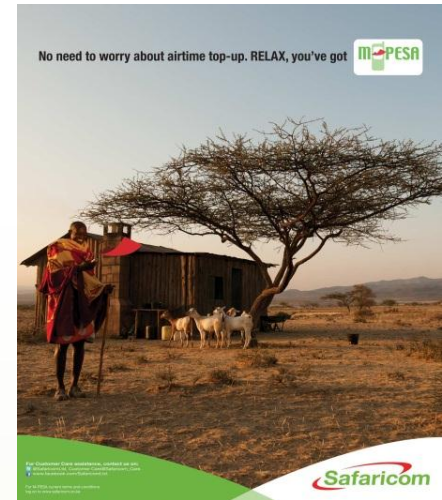
Deepen financial inclusion using M-PESA

What we have achieved:

- Recruited 6,000 new M-PESA agents in last 6 months
- Increased the 30 day active customer base by 14% to 9.7m
- Reduced system downtimes substantially over H2 FY12
- Grown person to person payments to 27% of GDP
- Grown person to business payments to 2.3% of GDP
- Grown business to person payments to 1.7% of GDP

Top priority items in pipeline:

- Further reduce M-PESA system downtimes
- System redundancy across geography
- Continue partnering to deepen financial inclusion



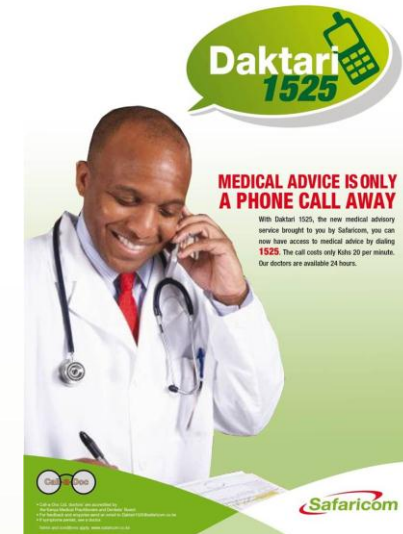
Transforming lives

What we have achieved:

- Launched m-health, e-learning and m-agriculture services
- Launched m-Kopa solar lighting : pay as you go
- Safaricom Foundation involved in Kshs 250m p.a. of initiatives
- M-PESA Foundation involved in Kshs 400m p.a. of initiatives
- Published 2012 sustainability report
- Launched online self care

Top priority items in pipeline:

- Phone book back-up
- Spearhead road safety
- Prepare for elections



FY13 guidance upgraded

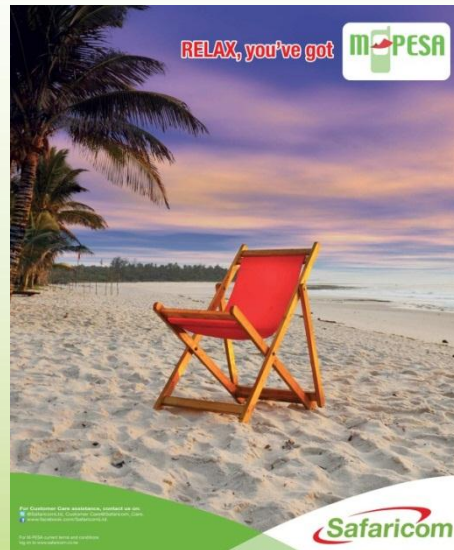
Revenue Upgrade: Low double digit growth in total revenue

EBITDA Upgrade: Maintain H1 FY13 margin through revenue growth and cost control

Capex Reaffirmed : Continued investment in the network, focused on voice quality and coverage, with capital intensity slowly reducing over a 3 year time horizon

H1 FY13 highlights

- Good recovery from damaging price wars
- Strong commercial and financial performance
- Continued investment and innovation in network and services
- Improved customer satisfaction levels through service delivery
- Great progress on our initiatives to transform lives, especially in financial inclusion



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Q&A

The Safaricom logo, featuring the word "Safaricom" in a bold, green, sans-serif font. A red swoosh underline is positioned beneath the letters "a" and "f", extending to the right and curving upwards.