

News Release



SAFARICOM LIMITED ANNOUNCES SIX MONTHS UN-AUDITED RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016.

KEY HIGHLIGHTS

Through delivering on our purpose and strategy the business continue to achieve good results

- Total customer base grew by 6% to 26.6m.
- Service revenue growth of 15.4% to Kshs 98.0bn.
- Voice service revenue grew by 1.1% to Kshs 45.7bn.
- Messaging revenue grew by 8.1% to Kshs 8.6bn.
- 12.2% increase in 30 day active M-PESA customers to 17.6m.
- M-PESA revenue increased by 33.7% to Kshs 25.9bn.
- 13.7% increase in 30 day active mobile data customers to 14.9m.
- 46.3% growth in mobile data revenue to Kshs 13.4bn.
- Fixed service revenue growth of 29.1% to Kshs 2.40bn.

Strong financial and commercial performance

- 30.8% growth in EBITDA to Kshs 50.8bn with an EBITDA margin of 49.8%¹, up 6.1ppts EBITDA includes a one off adjustment of Kshs 3.4bn, with underlying EBITDA margin at 46.5% , up 2.8ppts
- Net Income increased by 32.4% to Kshs 23.9bn. Excluding one off balance sheet adjustment of Kshs 3.4bn leaves Net Income growth of 13.8%
- Free Cash Flow up 111.6% to Kshs 20.1bn

Bob Collymore, Safaricom Limited CEO commented:

“Safaricom believes that the Sustainable Development Goals (SDGs) form the world's best opportunity to create a more inclusive society. Following the launch of the SDGs in 2015, the company has taken the time to deliberate on which Goals would match its corporate strategy and enable it to deliver services in line with its vision to transform lives sustainably.

We remain steadfast in delivering our corporate strategy, which is defined by three key pillars; putting our customers' first, providing relevant products and enhancing our operational excellence. This has continued to grow our loyal customer base and yield excellent results across our key financial and commercial performance indicators.

Service revenue grew by 15.4% to Kshs 98.0bn driven predominantly by growth in 30 day active users and increased usage of non-voice services mainly M-PESA and Mobile data. Non-voice service revenue accounted for 53.4% of service revenue, recording a growth of 31.7% to Kshs 52.3bn. Overall voice service revenue now stands at 46.6% of service revenue and remained resilient growing by 1.1% to Kshs 45.7bn.

¹ EBITDA margin is calculated on total revenue **excluding** construction revenue

News Release



Mobile penetration in Kenya stood at 90.0% as at 30 June 2016 with Safaricom recording a subscriber share of 65.2%². The customer base grew by 6% to 26.6m.

Messaging revenue grew by 8.1% to Kshs 8.6bn and represents 8.8% of service revenue. This was driven by an increase in the number of 30 day active SMS users, an increase in SMS bundle users and growth in Premium Rated SMS users.

M-PESA revenue recorded a growth of 33.7% to Kshs 25.9bn driven by 12.2% increase in 30 day active M-PESA customers to 17.6m and a 38.4% growth in monthly usage per customer to 9.3 transactions per month.

Our cashless platform, Lipa na M-PESA, has been well received among enterprises. We had over 50,000 merchants who were active on a 30 day basis as at end of September 2016.

Mobile data revenue, which accounts for 13.7% of our service revenue, grew at 46.3% to Kshs 13.4bn. This was driven by a 13.7% growth in 30 day active mobile data customers to 14.9m, increased bundle users and smartphone penetration. We introduced 'My Data Manager' functionality which gives customers control to in-bundle browsing. This has seen bundle users grow by 38.5% to 7.4m. By 30 September 2016 we had 10.5m customers on 3G and 4G enabled devices. Our Fixed data revenue increased by 29.1% to Kshs 2.4bn on the back of 21.6% growth in fixed service customers.

Improving our network quality remains key and we continue with our efforts to increase network coverage and capacity to ensure excellent performance and superior customer experience. In the six months to 30 September 2016, we invested Kshs 18.9bn on capital expenditure.

We remain focused on delivering efficiencies in our processes. In the period, our operating expenses as a percentage of total revenue declined to 20.6% compared to 22.5% in a similar period last financial year.

The business delivered good results and has continued to create value for our shareholders, supported by growth across all our revenue streams and focus on cost efficiency. This has resulted to an underlying EBITDA margin of 46.5%³, being a 2.8ppt improvement over the same period in the last financial year.

During the six months under review, Free Cash Flow grew by 111.6% to Kshs 20.1bn on improved trading results and completion of the National Police Security(NPS) Network Project (we spent Kshs 8.44bn on NPS by 30 September 2015)

² CA JUNE 2016 Sector Statistics Report

³ For year on year comparative purposes: all Margins are calculated on total revenue **excluding** construction revenue

News Release



FY17 Guidance

Our first half year performance has driven an upgrade in our guidance for the full year. We currently expect our EBITDA, including the one off adjustment, to be in the range of Kshs 94bn to Kshs 97bn (from Kshs 89 – 92bn) and our Capex to be in the range of Kshs 34bn to Kshs 35bn (from Kshs 32 – 33bn).

Strategic Priorities

We will continue to create value for our stakeholders through executing our strategy by putting our customers' first, providing relevant products and enhancing excellence in our operations. This requires that we continue investing in our network to enhance its capacity, coverage and quality.

We shall continue to improve our customer experience with initiatives such as expanding the capacity of the call center to handle more calls and offering customers more self-help options.

We shall continue to embed segment marketing approach in the business and offer segment specific propositions to our customers.

Mobile data is our fastest growing revenue stream, and we will focus on increasing the numbers of 3G and 4G smartphones on our network through launching more 4G (LTE) sites and offering affordable smart devices. We will continue with our fibre rollout to homes that will enable us to offer high speed internet and data.

Delivering our financial inclusion agenda remains at the core of our strategy to transform lives. To further deepen the financial inclusion and in response to our customers' feedback, we have reviewed charges for person-to-person and Lipa Na M-PESA transactions under Kshs100. Under the "M-PESA Kadogo" it will be free to send values of KShs100 and below.

We have done this to empower the people who support this company the most – *the mama mbogas*, the small businessmen and the micro agents who form our network. We shall continue to grow the adoption of savings and uptake of loans through M-PESA, and grow cashless business payments and transactions."

News Release



Key indicators and summary financial information

The following are the key highlights of the results compared to the prior period ended 30 September 2015:

Key Performance Indicators	30-Sep-16	30-Sep-15	% Increase / (Decrease)
Total customers (m)	26.6	25.1	6.0
Total customers ARPU	629.0	585.2	7.5
30 day active customers (m)	23.0	20.7	11.2
30 day active customer (ARPU)	731.5	706.7	3.5
Voice			
30 day active voice customers (m)	21.0	19.7	6.8
30 day active voice customer ARPU	365.3	397.9	(8.2)
Voice ARPU (based on total customers)	294.0	311.4	(5.6)
M-PESA			
M-PESA registered customers (m)	24.8	22.1	12.2
M-PESA 30 day active customers (m)	17.6	15.7	12.2
M-PESA 30 day active customer (ARPU)	247.7	216.1	14.6
Mobile Data			
Mobile data 30 day active customers (m)	14.9	13.1	13.7
Mobile data 30 day active customer ARPU	143.8	118.8	21.0
Base Stations			
2G base stations	4,061	3,562	14.0
3G base stations	3,221	2,281	41.2
4G base stations	635	379	67.5

News Release



Condensed consolidated statement of comprehensive income

Kshs Bn	30-Sep-16	30-Sep-15	% Increase/ (Decrease)
Voice revenue	45.70	45.19	1.13
Messaging revenue	8.63	7.98	8.15
Mobile data revenue	13.40	9.16	46.29
Fixed service revenue	2.40	1.86	29.03
M-PESA revenue	25.87	19.35	33.70
Other service revenue	2.01	1.37	46.72
Service Revenue	98.01	84.91	15.43
Handset and other revenue	4.01	3.87	3.62
Construction revenue	0.08	8.44	(99.05)
Total Revenue	102.10	97.22	5.02
Other Income	2.28	0.08	>100
Direct costs	(32.50)	(30.02)	8.26
Construction costs	(0.08)	(8.44)	(99.05)
Contribution margin	71.80	58.84	22.03
<i>Contribution margin %*</i>	70.38%	66.23%	4.15ppt
Operating costs	(21.00)	(19.22)	9.26
Forex loss on trading activities	0.01	(0.78)	<100
<i>Operating cost & Fx loss % total revenue*</i>	20.57%	22.53%	1.96ppt
EBITDA	50.81	38.84	30.82
<i>EBITDA margin %*</i>	49.80%	43.75%	6.05ppt
Depreciation, impairment & amortisation	(16.35)	(13.55)	20.66
Net financing income	0.03	0.33	(91.54)
Forex gain on cash and cash equivalents	(0.01)	0.69	<100
Share of associate profit/(loss)	0.01	0.09	(88.89)
Taxation	(10.56)	(8.32)	26.92
Net Income	23.93	18.08	32.36
Earnings per share	0.60	0.45	32.36

* For year on year comparative purposes: All margins are calculated on total revenue **excluding** construction revenue

- EBITDA includes a one off adjustment of Kshs 3.4bn, with underlying EBITDA margin at 46.5%

News Release



Condensed consolidated statement of financial position

Capital employed Kshs Bn	As at 30-Sep-16	As at 31-Mar-16	% Increase/ (Decrease)
Equity and non-controlling interest	82.94	116.74	(28.95)
Borrowings	-	-	-
Capital employed	82.94	116.74	(28.95)
Non-current assets	135.05	131.52	2.68
Current Assets			
Inventories	1.54	0.82	87.80
Receivables and prepayments	24.25	20.62	17.60
Cash and cash equivalents	43.03	6.22	>100
	68.82	27.66	>100
Current liabilities			
Payables and accrued expenses	104.36	42.44	>100
Borrowings	16.57	-	-
	120.93	42.44	>100
Net current liabilities	(52.11)	(14.78)	>100
Net assets	82.94	116.74	(28.95)
Gross gearing (gross borrowing) % capital employed	19.97%	-	-

- Receivables include Kshs 11.98bn relating to the construction of National Police Security Network.
- Included in payables is Kshs 57.73bn for dividends (Normal and Special) due for payment by 1 December 2016 leading to the increase in the net liability position.
- Higher gearing ratio after uptake of short term borrowings.

News Release



Net Cash

Kshs Bn	As at 30-Sep-16	As at 31-Mar-16	% Increase/ (Decrease)
Cash and cash equivalents	43.03	6.22	>100
Bank and other borrowings	(16.57)	-	-
	-	-	-
Total net cash	26.46	6.22	>100

Free Cash flow

Kshs Bn	As at 30-Sep-16	As at 30-Sep-15	% Increase/ (Decrease)
EBITDA	50.81	38.84	30.82
Working capital movement	(0.11)	(1.41)	(92.20)
Capital Additions	(18.95)	(20.00)	(5.25)
Operating free cash flow	31.75	17.43	82.16
Net Interest received	0.67	0.33	>100
Taxation paid	(12.27)	(8.24)	48.90
Free cash flow	20.15	9.52	111.60

- Increase in cash due to build up for dividend payment.
- Increase in tax paid in line with the improved trading results.