



“ The Board is encouraged by Management’s efforts to steer the business as per the approved 5-year strategy despite the heavy headwinds faced during the period under review. This strategy will unlock opportunities, especially for micro, small and medium enterprises (MSMEs) that lie at the heart of Kenya’s and Africa’s economy. We continue to offer oversight and guidance to the business as it combines the power of technology and our innovative spirit to solve customer and societal challenges, and deepen digital and financial inclusion in Kenya.

Our consistent delivery of sound returns to our shareholders, and strong financial and ESG performance over the last year are the result of placing our customers at the heart of our business priorities. They are also due, in no small part, to the commitment of our employees, ably led by our Chief Executive Officer, Peter Ndegwa and the entire Executive team. Time and time again we have shown that our purpose is not just about profits and that we are not just a utility, but that we are a sustainable business focused on Transforming Lives.

John Ngumi, Board Chairman

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“ The period under review was challenging for us as a company and the country in general. Economic growth slowed down, due in large part to the impact of the war in Ukraine, the associated impact on commodity prices, global-wide inflation, which has resulted to an increase in import costs. In addition, another failed rain season and drought in Kenya hampered crop production, further compounding the economic situation.

Despite these challenges, I am encouraged by the resilience, commitment, and empathy my colleagues, our foundations and partners showed as they stood with fellow Kenyans. All the while upholding efforts to be more customer-obsessed, purpose-led, innovative, and collaborative organization. A reflection that we are a purpose-led sustainable business committed to Transforming Lives in all that we do.

I am pleased that our robust strategy has helped us to report a strong performance in the first half of the financial year with significant commercial momentum. During this reporting period, we also officially launched our Safaricom Telecommunications Ethiopia a momentous occasion that we are very proud of.

Peter Ndegwa, Chief Executive Officer

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Condensed consolidated statement of profit or loss and other comprehensive income for the six months ended: KShs Millions	30-Sep-22	30-Sep-21	% Change
Service revenue	144,825.4	138,433.6	4.6%
Handsets and other revenue	8,440.0	7,841.5	7.6%
Other income	164.9	93.2	76.9%
Total revenue	153,430.3	146,368.4	4.8%
Direct costs	(46,812.2)	(44,536.6)	5.1%
Expected credit losses on financial assets	(1,611.8)	(1,012.9)	59.1%
Operating expenses	(30,964.1)	(23,414.0)	32.2%
Earnings before interest, taxes, depreciation & amortisation (EBITDA)	74,042.2	77,404.9	(4.3%)
Depreciation and amortisation	(22,796.3)	(19,492.8)	16.9%
Earnings Before Interest and Taxes (EBIT)	51,245.9	57,912.1	(11.5%)
Net finance cost	(2,932.3)	(2,982.8)	(1.7%)
Share of loss of Associates & Joint Venture	(62.6)	(244.9)	(74.4%)
Profit before income tax	48,251.0	54,684.4	(11.8%)
Income tax expense	(18,021.8)	(17,628.8)	2.2%
Profit after Tax	30,229.2	37,055.6	(18.4%)
Attributable to:			
Equity holders of the parent	33,472.2	37,172.1	(10.0%)
Non-controlling interests	(3,243.0)	(116.5)	>100.0%
Other comprehensive income			
Exchange differences on translation of foreign operations	1,679.7	(2,661.4)	<(100.0%)
Total comprehensive income for the year	31,908.9	34,394.2	(7.2%)
Attributable to:			
Equity holders of the parent	34,408.0	35,689.7	(3.6%)
Non-controlling interests	(2,499.1)	(1,295.5)	92.9%
	31,908.9	34,394.2	(7.2%)
Basic and diluted earnings per share (EPS)	0.84	0.92	(10.0%)

Condensed consolidated statement of financial position as at: KShs Millions	30-Sep-22	31-Mar-22	% Change
Non-current assets	311,329.8	281,548.6	10.6%
Current assets			
Net cash and cash equivalents	15,967.9	30,779.6	(48.1%)
Receivables and prepayments	35,983.9	25,919.2	38.8%
Inventories	7,278.4	4,306.8	69.0%
Current income tax	1,803.3	7.9	>100.0%
Loans receivable from related parties	1,283.6	1,285.0	(0.1%)
Restricted cash _ Letter of Credit	2,080.5	-	100.0%
Contract Costs	3,704.7	2,951.5	25.5%
	68,102.3	65,250.0	4.4%
Total assets	379,432.1	346,798.6	9.4%
Equity			
Share capital (including share premium)	4,203.3	4,203.3	0.0%
Retained earnings	144,001.1	110,528.9	30.3%
Translation reserve	(4,376.9)	(5,312.7)	(17.6%)
Proposed dividend	-	30,049.1	(100.0%)
Equity attributable to equity holders of the parent	143,827.5	139,468.6	3.1%
Non-controlling interests	42,959.4	40,232.3	6.8%
Total equity	186,786.9	179,700.9	3.9%
Non current liabilities	80,420.2	68,947.1	16.6%
Current liabilities			
Payables and accrued expenses	52,108.3	41,312.6	26.1%
Current income tax	581.0	5,291.2	(89.0%)
Borrowings	39,005.0	20,400.0	91.2%
Dividend payable	1,414.9	12,053.9	(88.3%)
Lease liability	5,107.7	5,508.5	(7.3%)
Provisions for liabilities	3,358.2	3,373.8	(0.5%)
Contract liabilities	10,649.9	10,210.6	4.3%
	112,225.0	98,150.6	14.3%
Total liabilities	192,645.2	167,097.7	15.3%
Total equity and liabilities	379,432.1	346,798.6	9.4%

Condensed consolidated statement of cash flows for the six months ended: KShs Millions	30-Sep-22	30-Sep-21	% Change
Operating activities			
Cash generated from operations	67,027.7	73,065.8	(8.3%)
Interest received	654.0	572.3	14.3%
Income tax paid	(27,202.5)	(16,715.9)	62.7%
Net cash generated from operating activities	40,479.2	56,922.2	(28.9%)
Net cash used in investing activities	(29,238.3)	(115,099.3)	(74.6%)
Cash flows from financing activities			
Dividend paid	(40,688.0)	(44,177.2)	(7.9%)
Interest paid on borrowings	(3,083.6)	(1,407.5)	>100.0%
Other financing activities	17,675.4	103,502.6	(82.9%)
Net cash generated from/(used in) financing activities	(26,096.2)	57,917.9	<(100.0%)
Net decrease in cash and cash equivalents	(14,855.3)	(259.2)	>100.0%
Movement in cash and cash equivalents			
Cash and cash equivalents as at 1 April	30,794.2	26,736.1	15.2%
Net foreign exchange difference	43.5	(26.4)	>(100.0%)
Net decrease in cash and cash equivalents	(14,855.3)	(259.2)	>100.0%
Closing cash and cash equivalents	15,982.4	26,450.5	(39.6%)

Commentary on results

The Board of Directors is pleased to release unaudited results for the six months ended 30 September 2022. The same accounting policies and methods of computation have been used as were in the last financial statements.

Business review

We are pleased with the results delivered in the period attributed to strong execution of our five-year strategy. Service revenue grew 4.6% to KShs 144.8Bn YoY in HY23, supported by M-PESA, Mobile Data and Fixed Data growth. This includes KShs 9.1Mn Service revenue from Ethiopia, generated in the first one month since the beginning of a phased network roll out plan in Ethiopia on 29 August 2022. The revised Mobile Termination Rates (MTR) from KShs 0.99 to KShs 0.58 impacted our performance in the period. Adjusted for this, Service Revenue grew 5.0% YoY. Overall customers grew 2.9% YoY to 43.17Mn while one month active customers grew 2.3% YoY to 32.47Mn.

M-PESA revenue grew 8.7% to KShs 56.86Bn supported by increased usage and growth of chargeable transactions per customer growing 16.3% YoY. We witnessed a slowdown in business activity from the macroeconomic effects and exasperated by the election period impacting our revenues in the period.

Velocity in the ecosystem continues to grow with total M-PESA transaction value and volume both growing at 32.0% YoY to KShs 18.09Trn and 9.60Bn respectively. M-PESA wallet to bank and bank to M-PESA wallet transactions continue to be free and accounted for 20.6% of the total value of M-PESA transactions and 4.0% of total volume in the period. One-month active M-PESA Average Revenue per User (ARPU) grew 2.1% YoY to KShs 307.06.

Mobile data revenue grew 11.3% YoY to KShs 26.30Bn returning to double digit growth. Our Customer Value Management (CVM) initiatives have enhanced affordability with average rate per MB declining 31.7% to 6.85 Cents. Usage per chargeable data subscriber grew 69.8% to 3.36GBs while mobile data ARPU increased 16.0% to KShs 230.15. We continue to deepen mobile internet penetration by enhancing our network coverage and driving smart phone penetration through ‘Lipa Mdogo Mdogo’. Our 4G coverage now stands at 97% across Kenya, with 6,088 4G sites. Smartphones on our network grew by 10.7% to 19.18Mn of which 12.11Mn (+24.8% YoY) are 4G devices with 52.8% (+35.3% YoY) of them using more than 1GB. Mobile data now accounts for 18.2% of Service Revenue.

Fixed service and wholesale transit revenue recorded a strong growth of 23.0% YoY to KShs 6.76Bn fueled by growth in connections. In line with our focus to accelerate new growth areas, growth in Fixed Service is driven by Enterprise revenue which grew 26.8% to KShs 4.42Bn as well as growth in consumer revenue by 16.2% to KShs 2.34Bn. Fibre to the Home (FTTH) customers grew 13.0% YoY to 173.24k. As at 30 Sep 2022, FTTH penetration stood at 55%, homes connected stood at 226.31k while homes passed were at 413.34k growing 14.5% YoY. Fixed Enterprise customers grew 16.6% YoY to 52.35k, of which 60.4% account for LTE customers and rose 21.2% YoY to 31.64k. Fixed Enterprise ARPU continued to recover growing 5.8% to KShs 12.31k driven by growth in Enterprise customers. Fixed service now accounts 4.7% of Service revenue.

Capital expenditure for the six months ended 30 September 2022 stood at KShs 37.50Bn with KShs 19.47Bn of the total being investment in rolling out operations in Ethiopia.

Taxation

The Group continues to be a major contributor to the revenues of the Government of Kenya and remitted KShs 69.55Bn in duties, taxes and license fees in the six months to 30 September 2022. This increased the total duties, taxes and fees paid since inception to KShs 1.11Trn.

Update on Ethiopia

Safaricom Ethiopia has commenced its phased commercial launch of its network and services, starting with city-by-city customer pilot phase (providing national and international voice, data, and internet services to customers) across the country to conduct rigorous tests to ensure the provision of quality services. The first city pilot was in the city of Dire Dawa on 29 August 2022. Including Addis Ababa which was officially launched on 6 Oct 2022, Safaricom is available in 16 cities as at 31 October 2022. We are commitment to providing commercial services in 25 cities and meeting Safaricom Ethiopia’s License network coverage obligations (25% population) required by April 2023.

By Order of the Board

John Ngumi
Chairman and Non-executive Director
10 November 2022

Simple • Transparent • Honest FOR YOU

Commitment to Our Purpose of Transforming Lives

We remain committed in creating shared value guided by...



Our Purpose
Transforming Lives



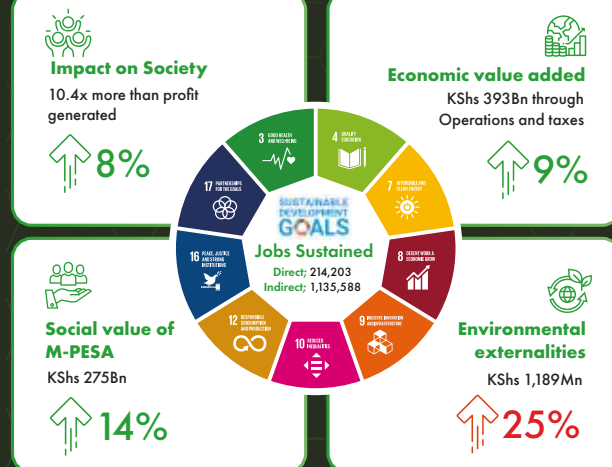
Our Vision
To be a purpose-led Technology company by 2025



Our Brand Promise
Simple. Transparent. Honest.
FOR YOU

*For more information on our True Value Assessment, see our 2022 Sustainable Business Report on our website

True Value Assessment*



HY23 Group Performance

Service Revenue

+4.6% YoY
+5.0% YoY*

HY23
KShs 144.8Bn

EBIT

-11.5% YoY
-11.1% YoY *

HY23
KShs 51.2Bn

Net Income **

-10.0% YoY
-9.3% YoY *

HY23
KShs 33.5Bn

Active Customers

+2.3% YoY

HY23
32.47Mn

*YoY growth is calculated on an underlying basis- excluding impact of revision of Mobile Termination Rates (MTR) revised from KShs 0.99 to KShs 0.58 effective 1 Aug 2022

**Excludes Minority interest (loss) attributable to the other shareholders of Global Partnership for Ethiopia (GPE) the investment vehicle which owns Safaricom Telecommunications Ethiopia

Performance Against Our Strategy



Market shares

- 65.8% Market Share
- 66.1% Voice traffic
- 90.3% SMS share
- 34.3% Fixed Data (#1 out of 10 Industry providers)
- 77.4% Data Revenue share

*Source: Q4 CA Sector Statistics Report June 2022



Network

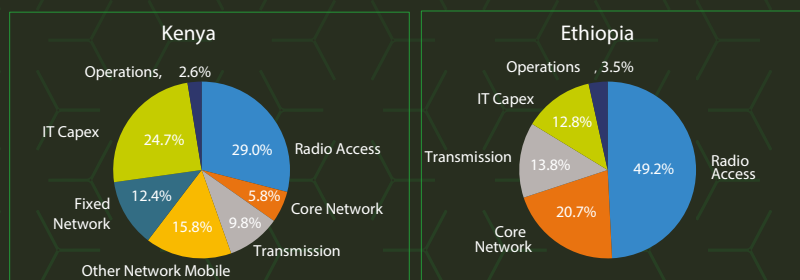
- 4G Everywhere- 97% Coverage
- Commercially launched 5G services with 35 sites
- M-PESA capacity upgraded to process 2600 Transactions per second up from 2000 in FY22
- 1.2Mn 4G devices added to our network in H1 FY23
- Upgrading 25% of all our sites to solar in FY23



M-PESA

- Reduced Fuliza pricing by upto 50%, with no daily fee upto 3 days
- Launched M-PESA Virtual Visa Card
- Launching M-PESA GO for children below 18 years
- Regulatory approval to launch Wealth Management product obtained

CAPEX Spend in HY23



Kenya
KShs 18.0Bn

+

Ethiopia
KShs 19.5Bn

=

Group
KShs 37.5Bn

Sites



Kenya

2G sites
+7.1% YoY
6,203



Ethiopia

2G/3G/4G Active Sites
561
931 sites under construction
As at 31 Oct 2022

Ethiopia | Transforming Lives for a Digital Future



Products launched

- Prepay products- Data, Voice, SMS
- Digital EKYC process
- State of the art outsourced call centre – over 500 agents
- Branded range of Safaricom devices – 2G, 4G Feature phone, 4G Smartphones
- PostPay, VAS products and Digital products in the roadmap



Network roll out

561
Active 2G/3G/4G Sites

2
Live Data centers

931
More sites under construction,
49 shared sites

61 of the total sites are shared,
All tower sharing agreements are signed

Customers 180k
as at 30 Sep 2022
740k as at 31 Oct 2022

655 Total Workforce
of which;

479
Ethiopians
(inc. 47 Graduate Trainees)

176
Expats

66
Distributor shops opened

2.0k
Sim Selling Outlets

652
Call centre staff



Sales and distribution

People



All Ethiopia numbers are reported as at 31 October 2022 unless stated otherwise