



SAFARICOM PLC

RESULTS BOOKLET

**SAFARICOM PLC ANNOUNCES UNAUDITED RESULTS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2022**



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Key Highlights

Solid Performance in H1 FY23



Service Revenue



+4.6% YoY to
KShs 144,825.4Mn



Voice Revenue



-3.8% YoY to
KShs 39,881.4Mn



Mobile Data Revenue



+11.3% YoY to
KShs 26,296.6Mn



M-PESA Revenue



+8.7% YoY to
KShs 56,863.2Mn



Total Subscribers



+2.9% YoY to 43.17Mn



Active M-PESA Customers



One month active
M-PESA customers
+8.6% YoY to 31.17Mn



Mobile Data Customers



One month active
mobile data customers
+4.8% YoY to 25.20Mn

Ethiopia | Commercial Operations Launched on 6th October 2022

16 cities launched



7.5%,
+8.5Mn

Population covered so far

Targeting
25%

Coverage by April 2023



What we launched

- Prepay products- Data, Voice, SMS
- Digital E-KYC process
- State of the art outsourced call centre
- Branded range of Safaricom devices; 2G, 4G Feature phone, 4G Smartphones
- PostPay, VAS products and Digital products in the roadmap

Customers

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

561

Active 2G/3G/4G sites

2

Live data centers

931

More sites under
construction

61

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

Network roll out





Resilience in a Tough Operating Environment

Peter Ndegwa, Safaricom PLC CEO commented:



Purpose

The period under review was challenging for the company and the country. Economic growth slowed down largely due to the impact of the war in Ukraine, the associated impact on commodity prices and global-wide inflation, which has resulted to an increase in import costs. In addition, prolonged drought due to failed rains 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 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.

People

Our move to Agile ways of working is now bearing fruits with noted faster cycles on consumer offerings. Our focus on the customer is showing positive impact with enhanced customer engagement via personalized relevant propositions using our CVM tools.

In mid-April 2022, Safaricom, through Safaricom Foundation kicked off a food distribution initiative, dubbed Pamoja Tuungane, aimed at supporting the Government of Kenya (GoK) to respond to the prolonged drought situation in Kenya. Safaricom rallies the public and private sector to support the campaign in complementing the Government's initiatives by providing emergency food relief aim to over 4 million Kenyans facing drought in 23 counties. Through our two foundations we have donated over 100 million shillings relief food which we distributed in Marsabit and Isiolo counties. In addition, we raised an additional 8 million shillings through Bonga Points redemption and 21.1 million shillings donations in kind from various other corporates.

Performance

Our mission in FY23 is to Accelerate New Growth Areas delivering superior customer experience in order to be a purpose-led technology company by the end of 2025.

I am pleased that our robust strategy has helped us to report a solid performance with significant commercial momentum. During this reporting period, we officially launched our Safaricom Telecommunications Ethiopia a momentous occasion of which we are immensely proud of.

Safaricom Ethiopia 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 March 2023.

We continue accelerating revenue from new growth areas. This is now contributing over 50% of new growth in line with our mission with M-PESA and Fixed business majorly supporting the growth. While economic, regulatory and tax headwinds will continue impacting H2 revenue performance, we anticipate increased usage and customer growth to drive H2 momentum.

We have ensured compliance with Communications Authority of Kenya (CA) initiative on Subscriber registration which enables us to know our customers better while managing risks prudently that might occur via customer related fraud incidences. 93% of our customers had been registered as of 15 October 2022, the deadline set by the regulator. We are now cleaning up the data including vetting of the submitted customer information over the next two months to ensure that we have 100% conformity as directed by CA.

Our consistent delivery of sound returns to our shareholders, and strong financial and Environment Social & Governance (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. Repeatedly 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.



Management is pleased with execution of its business plan as per the approved 5-year strategy despite the heavy headwinds faced during the period under review. Going into H2, we will continue to combine the power of technology and our innovative spirit to solve customer and societal challenges and deepen digital and financial inclusion in Kenya.

Operating Review

Resilient performance despite tough operating environment

We are pleased with our performance in first six months of FY23 despite the challenging operating environment characterised by heightened regulatory risk in our industry, geopolitical tensions, and elevated inflationary pressures negatively impacting consumer wallets and effectively lowering consumer spending power. Service revenue grew 4.6% to KShs 144.8Bn YoY in HY23, supported by M-PESA, Mobile Data and Fixed Data growth. 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.

Service Revenue in H1 FY2 includes KShs 9.1Mn from Ethiopia, generated in the first one month since the beginning of a phased network roll out plan in Ethiopia on 29 August 2022. Overall customers grew 2.9% YoY to 43.17Mn while one month active customers grew 2.3% YoY to 32.47Mn.

Voice and Messaging

Voice revenue declined by 3.8% YoY to KShs 39.88Bn while messaging revenue decreased 7.7% YoY to KShs 5.42Bn in line with global industry trends. We continue to drive value propositions and personalized offers to our customers through the Customer Value Management (CVM) initiatives. Industry statistics from the Communications Authority for Q4 2021/22 shows our voice traffic and SMS market share at 66.1% and 90.3% respectively as at June 2022. Voice and messaging revenue account for 31.3% of service revenue.

M-PESA

M-PESA revenue grew by 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.

One-month active M-PESA ARPU grew 2.1% YoY to KShs 307.06. 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.

M-PESA one month active customers grew by 2.48 million active M-PESA customers to 31.17Mn. M-PESA is now a universal payments network with full Merchant and Pay Bill interoperability. M-PESA agents grew 2.0% to 263k while Lipa Na M-PESA active merchants grew 39.0% to 539k. M-PESA now accounts for 39.3% of service revenue, further complementing traditional voice and messaging services.

Mobile Data

Mobile data revenue grew 11.3% YoY to KShs 26.30Bn returning to double digit growth. Our 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 stations on our network. Smart phones on our network grew by 10.7% to 19.18Mn of which 12.11 Mn (+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

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 attributed to growth in Enterprise revenue which grew 26.8% to KShs 4.42Bn as well as growth in consumer revenue by 16.2% to KShs 2.34Bn.

FTTH customers grew 13.0% YoY to 173.24k as at 30 September 2022. As at HY23 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 Enterprise customers. Fixed service now accounts 4.7% of Service revenue.

Outlook and FY23 Revised Guidance

We are pleased with the results delivered for HY23 and remain committed in protecting shareholder wealth and putting our customers first by continuously innovating to offer relevant products, services and solutions to meet their needs. We remain mindful of the sustained consumer wallet pressure with rising inflation, the highest in five years at 9.2% in September 2022 and high commodity prices. With this in mind, we launched “Tuiuane” campaign aimed at uplifting our customers during these difficult times.

We look forward to launching new products and services under M-PESA, including the M-PESA Go product to enhance child safety and sound financial knowledge to children below 18 years as well as return to charging on banking transactions. We have also been awarded the mobile money license in Ethiopia which will boost our commercial efforts there, with a greater focus of driving financial inclusion digital acceleration for the people of Ethiopia.

Our focus in FY23 remains to accelerate new growth areas by developing scalable businesses in these areas and accelerate network roll out in Ethiopia, targeting over 25% coverage by the end of FY23. In line with our expectations, the Safaricom Ethiopia requires significant investment in the initial years of operations before turning profitable.

In view of these factors, we expect FY23 Safaricom Group EBIT to be in the range of KShs 87-93Bn and KShs 100-108Bn for Capex. Excluding Ethiopia, EBIT guidance for Safaricom Kenya is expected to be in the range of KShs 112-115Bn and KShs 40-43Bn for Capex. EBIT guidance for Safaricom Ethiopia is expected to be in the range of KShs (25-22)Bn while Capex is expected to be within the range of KShs 60-65Bn.



1. Key Performance Indicators

	HY23	HY22	% YoY
Total customers (Mn)	43.17	41.95	2.9%
90-day active total customer ARPU	565.51	559.66	1.0%
One month active customers (Mn)	32.47	31.75	2.3%
One month active customer ARPU*	738.82	711.67	3.8%
Churn (%)	36.37%	32.17%	(4.2ppt)
Voice			
One month active voice customers (Mn)	26.71	27.14	(1.6%)
One month active voice customer ARPU*	241.52	247.60	(2.5%)
M-PESA			
Number of M-PESA agents	262,978	257,840	2.0%
One month active M-PESA customers (Mn)	31.17	28.69	8.6%
One month active M-PESA ARPU*	307.06	300.71	2.1%
Chargeable Transaction per One Month active Customers	22.45	19.30	16.3%
Mobile Data			
One month active mobile data customers (Mn)	25.20	24.05	4.8%
Distinct Bundle Users (Mn)	16.58	16.95	(2.2%)
One month active chargeable mobile data customers (Mn)	18.30	19.10	(4.2%)
One month active chargeable data ARPU*	230.15	198.32	16.0%
Messaging			
One month active Messaging customers (Mn)	21.25	20.81	2.1%
One month active Messaging customer ARPU*	41.41	44.68	(7.3%)
Fixed Service			
FTTH Home Customers	173,239	153,371	13.0%
FTTH ARPU**	2,320	2,308	0.5%
Activity rate (active customers/homes connected)	76.6%	66.5%	10.0ppt
Fixed Enterprise customers	52,349	44,893	16.6%
of which LTE	31,641	26,108	21.2%
Fixed Enterprise ARPU**	12,305	11,629	5.8%
of which LTE	3,560	3,681	(3.3%)
Base Stations			
2G base stations	6,203	5,790	7.1%
3G base stations	6,190	5,769	7.3%
4G base stations	6,088	5,675	7.3%

*Average Revenue Per User (ARPU) is in KShs.

The summary of Key Performance Indicators above represents Safaricom Group numbers excluding Ethiopia performance.



Summary Financial Information

2. Group Condensed Consolidated Statement of Comprehensive Income

KShs Mns		HY23	HY22	% YoY
Voice Revenue		39,881.4	41,460.8	(3.8%)
Messaging Revenue		5,422.4	5,873.3	(7.7%)
Mobile Data Revenue		26,296.6	23,627.6	11.3%
M-PESA Revenue		56,863.2	52,327.1	8.7%
Mobile Incoming Revenue		4,420.4	4,971.9	(11.1%)
Other Mobile Service Revenue		5,184.8	4,677.9	10.8%
Mobile Service Revenue		138,068.8	132,938.6	3.9%
Fixed Line and Wholesale Transit Revenue		6,756.6	5,495.0	23.0%
Service Revenue		144,825.4	138,433.6	4.6%
Handset revenue 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	5(a)	(46,812.2)	(44,536.6)	5.1%
Expected credit losses on financial assets		(1,611.8)	(1,012.9)	59.1%
Contribution margin		105,006.3	100,818.8	4.2%
Contribution margin %		68.4%	68.9%	(0.5ppt)
Total operating costs	5(b)	(30,964.1)	(23,414.0)	32.2%
Operating costs- % of total revenue		20.2%	16.0%	4.2ppt
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)		74,042.2	77,404.9	(4.3%)
EBITDA margin %		48.3%	52.9%	(4.6ppt)
Depreciation, impairment & amortisation		(22,796.3)	(19,492.8)	16.9%
Earnings before Interest and Tax (EBIT)		51,245.9	57,912.1	(11.5%)
EBIT Margin %		33.4%	39.6%	(6.2ppt)
Net finance cost		(2,932.3)	(2,982.8)	(1.7%)
Share of loss of Associate & 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	37,172.2	(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%)
Profit and 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%)

*EPS is calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of ordinary shares issued in the year



Summary Financial Information

3. Group Condensed consolidated statement of financial position KShs Mns

As at	30-Sep-22 Reviewed	31-Mar-22 Audited	% 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	2,003.3	2,003.3	0.0%
Share premium	2,200.0	2,200.0	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			
Borrowings	44,162.6	44,910.8	(1.7%)
Contract liabilities	1,888.0	1,937.5	(2.6%)
Provision for liabilities	3,365.3	3,183.3	5.7%
Payables and accrued expenses	13,513.5	4,330.6	>100.0%
Lease liability	17,490.8	14,584.9	19.9%
	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%)
Provision 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%



Summary Financial Information

4. Group Interim Condensed Consolidated Statement of Cash Flows

KShs Mns	HY23	HY22	% Change
Cash flows from 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%)
Cash flows from investing activities			
Purchase of property and equipment	(23,298.7)	(19,901.0)	17.1%
Proceeds from disposal of property and equipment	44.0	0.8	>100.0%
Acquisition of intangible assets	(4,139.5)	(95,398.2)	(95.7%)
Movement in restricted cash	(1,844.1)	199.1	(>100.0%)
Net cash used in investing activities	(29,238.3)	(115,099.3)	(74.6%)
Cash flows from financing activities			
Dividends paid	(40,688.0)	(44,177.2)	(7.9%)
Repayment of lease liabilities	(5,356.4)	(2,350.7)	>100.0%
Proceeds from borrowings	38,953.8	75,876.0	(48.7%)
Repayment of borrowings	(21,148.2)	(13,650.0)	54.9%
Issue of shares to non-controlling shareholders	5,226.2	43,627.3	(88.0%)
Interest paid on borrowings	(3,083.6)	(1,407.5)	>100.0%
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%)

* Included in this balance are the effects of exchange rates changes on cash and cash equivalents.



Summary Financial Information

5 (a) Direct cost

KShs Mns	HY23	HY22	% Change YoY
M-PESA commissions	(17,930.8)	(15,802.4)	13.5%
Airtime commissions	(4,202.7)	(4,822.3)	(12.9%)
License fees	(5,239.0)	(5,438.7)	(3.7%)
Interconnect and roaming costs	(3,770.7)	(4,294.4)	(12.2%)
Handset costs	(7,054.9)	(5,867.9)	20.2%
Customer acquisition and retention	(4,784.8)	(4,759.5)	0.5%
Promotions and Value Added Services costs (Voice & SMS)	(2,680.2)	(2,633.9)	1.8%
Other direct costs	(1,149.1)	(917.5)	25.2%
Totals	(46,812.2)	(44,536.6)	5.1%

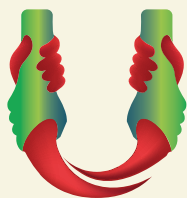
5 (b) Operating cost

KShs Mns	HY23	HY22	% Change YoY
Non-lease cost - buildings*	(23.3)	(22.8)	2.2%
Non-lease cost - sites*	(469.6)	(218.2)	>100.0%
Auditors remuneration	(34.8)	(28.3)	23.0%
Computer maintenance	(1,377.2)	(1,310.8)	5.1%
Consultancy	(514.9)	(408.0)	26.2%
Employee benefits expense	(13,602.2)	(10,140.0)	34.1%
Net foreign exchange gains, other than on borrowings and cash and cash equivalent	701.2	96.0	>100.0%
Office administration	(332.9)	(180.0)	84.9%
Other operating expenses**	(3,843.5)	(2,153.0)	78.5%
Repairs and maintenance expenditure on property, plant and equipment	(151.9)	(99.6)	52.5%
Sales and advertising	(2,076.9)	(1,799.4)	15.4%
Network operating costs	(8,507.9)	(6,734.4)	26.3%
Travel and accommodation***	(598.6)	(256.6)	>100.0%
Inventory storage costs	(131.6)	(158.9)	(17.2%)
Totals	(30,964.1)	(23,414.0)	32.2%

* Relates to non-lease components of the lease e.g. service charges, VAT disallowed on payments of leases. The cost is excluded from the measurement of the lease liability as provided for in IFRS 16.

** Other operating expenses includes Vodafone procurement fees, fleet management costs, general staff expenses including training and welfare costs and innovation costs.

*** Travel and accommodation costs rose as a result of increased fuel costs with the rise of global oil prices as well as resumption to travels following the lifting of COVID-19 mobility restrictions.

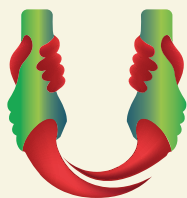


Summary Financial Information

6. Safaricom Plc Group & Safaricom Telecommunications Ethiopia (STE) financial performance

i) Condensed Consolidated Statement of Comprehensive Income

KShs Mns	Safaricom Kenya	Safaricom Ethiopia	Safaricom Plc Group	Safaricom Kenya % YoY	Safaricom Plc Group % YoY
Service Revenue	144,816.3	9.1	144,825.4	4.6%	4.6%
Total Revenue	153,332.0	98.3	153,430.3	4.8%	4.8%
Direct Costs	(46,614.5)	(197.7)	(46,812.2)	4.7%	5.1%
Expected credit losses on financial assets	(1,604.2)	(7.6)	(1,1611.8)	58.4%	59.1%
Contribution margin	105,113.3	(107.0)	105,006.3	4.3%	4.2%
Contribution margin %	68.6%	-108.9%	68.4%	(0.3ppt)	(0.5ppt)
Operating costs	(25,004.5)	(5,959.6)	(30,964.1)	8.2%	32.2%
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	80,108.8	(6,066.6)	74,042.2	3.1%	(4.3%)
EBITDA margin %	52.2%	-6171.5%	48.3%	(0.9ppt)	(4.6ppt)
Depreciation, impairment & amortisation	(21,708.7)	(1,087.7)	(22,796.3)	11.4%	16.9%
Earnings before Interest and Tax (EBIT)	58,400.2	(7,154.3)	51,245.9	0.3%	(11.5%)
EBIT Margin %	38.1%	-7277.9%	33.4%	(1.7ppt)	(6.2ppt)
Net finance cost	(2,764.4)	(167.9)	(2,932.3)	(8.3%)	(1.7%)
Share of loss of Associate & Joint Venture	(62.6)	0.0	(62.6)	(74.4%)	(74.4%)
Profit/(loss) before income tax	55,573.2	(7,322.2)	48,251.0	1.1%	(11.8%)
Income tax expense	(18,021.8)	0.0	(18,021.8)	2.2%	2.2%
Profit/(loss) after Tax	37,551.4	(7,322.2)	30,229.2	0.6%	(18.4%)



Summary Financial Information

ii. Safaricom Telecommunications Ethiopia (STE) Plc Operating Costs

KShs Mns	HY23	HY22	HY23 % Change YoY
Non-lease cost - buildings*	(4.8)	(11.4)	(57.9%)
Non-lease cost - sites*	(20.2)	0.0	0.0%
Auditors remuneration	(35.7)	0.0	0.0%
Computer maintenance	(144.3)	0.0	0.0%
Consultancy	(243.6)	(32.1)	>100.0%
Employee benefits expense	(3,066.4)	(26.6)	11,427.8%
Net foreign exchange gains, other than on borrowings and cash and cash equivalent	813.4	0.0	0.0%
Office administration	(95.1)	(1.8)	>100.0%
Other operating expenses	(883.5)	(87.2)	>100.0%
Repairs and maintenance expenditure on property, plant and equipment	(4.4)	0.0	0.0%
Sales and advertising	(316.3)	(59.0)	>100.0%
Network operating costs	(1,630.7)	0.0	>100.0%
Travel and accommodation***	(323.2)	(78.0)	>100.0%
Inventory storage costs	(4.9)	0.0	0.0%
Totals	(5,959.7)	(296.1)	>100.0%

* Relates to non-lease components of the lease e.g. service charges, VAT disallowed on payments of leases. The cost is excluded from the measurement of the lease liability as provided for in IFRS 16.

*** Travel and accommodation costs rose as a result of increased fuel costs with the rise of global oil prices as well as resumption to travels following the lifting of COVID-19 mobility restrictions.

iii) Safaricom Ethiopia Financing costs

KShs Mn	HY23	HY22	% Change
Financing costs	0.8	(446.3)	(100.0%)
Interest costs	(2,375.0)	(342.4)	>100.0%
Forex & Hedge costs	(653.4)	(1,100)	(40.6%)
Total	(3,027.6)	(1,888.7)	60.3%



Summary Financial Information

7. Net Debt

KShs Mns As at	30-Sep-22	31-Mar-22	% Change
Cash and cash equivalents	15,967.9	30,779.6	(48.1%)
Borrowings			
Short term borrowings	(39,005.0)	(20,400.0)	91.2%
Long term borrowings	(44,162.6)	(44,910.8)	(1.7%)
Total Net Debt	(67,199.7)	(34,531.2)	94.6%

8. Group Free cash flow

KShs Mns	HY23	HY22	% Change
EBITDA	74,042.2	77,404.9	(4.3%)
Net Working Capital Changes	5,751.5	155.0	>100.0%
Movement in;			
RoU assets and lease liabilities	(5,011.5)	(2,309.0)	>100.0%
Gain on lease terminations	(0.9)	(7.3)	(87.7%)
Gain (Loss) on PPE disposal	(43.7)	1.3	<100.0%
Operating cash flow	74,737.7	75,244.9	(0.7%)
Capital Additions	(37,502.7)	(22,817.6)	64.4%
Proceeds from disposal of Property, Plant & Equipment	44.0	0.8	>100.0%
Operating free cash flow	37,279.0	52,428.1	(28.9%)
Net Interest paid/received	(2,429.0)	(1,292.4)	87.9%
Net taxation payable	(27,202.5)	(16,715.9)	62.7%
Free cash flow	7,647.5	34,419.8	(77.8%)



9. Supplementary Information

The foregoing information was extracted from the Group's financial statements for the six months ended 30 September 2022.

a) Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 September 2022 do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2022.

The preparation of the financial statements in conformity with International Financial Reporting Standards (IFRSs) requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the Group's accounting policies.

Measurement basis

The measurement basis used is the historical cost basis except for investment property that has been measured at fair value.

Under the historical cost basis, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or, in some cases, at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

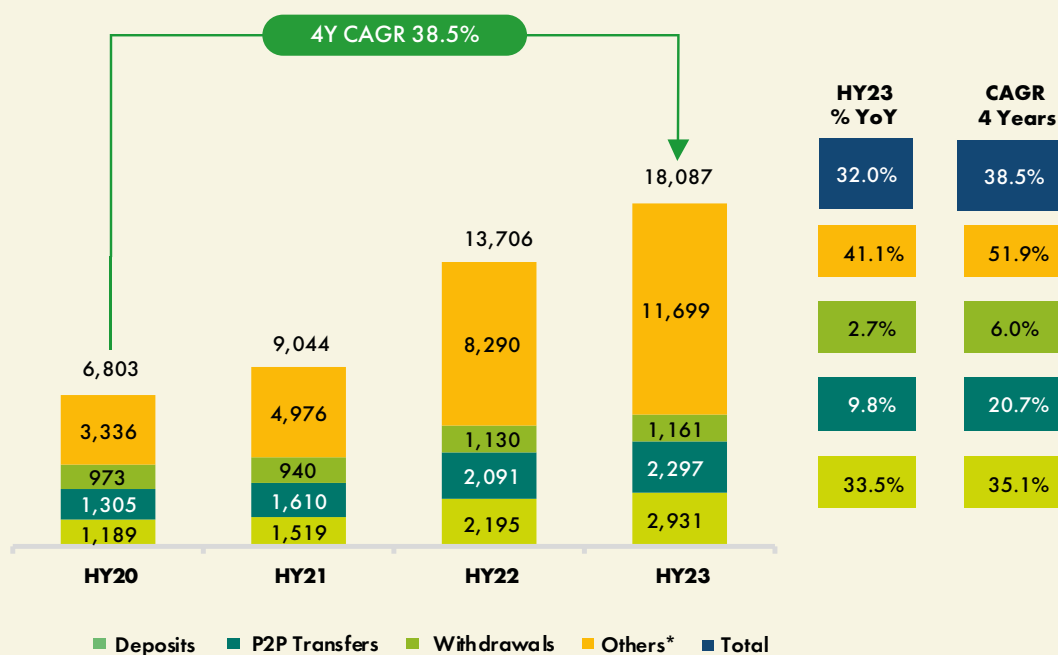


Summary Financial Information

b) M-PESA

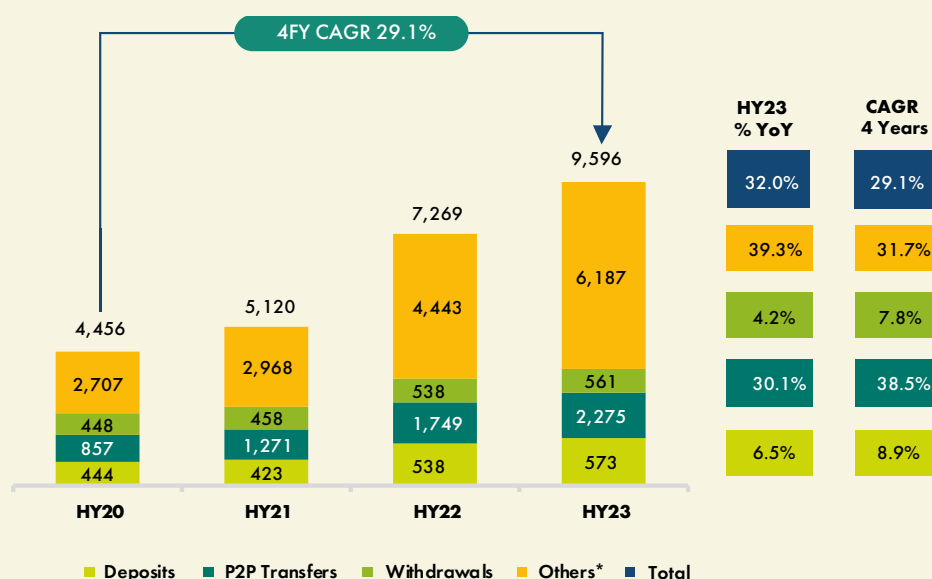
Additional M-PESA KPIs

i. M-PESA Value of Transactions (KShs Bn)



* B2C, C2B, B2B, Fuliza, Lipa Na M-PESA, M-Kesho, M-Shwari, KCB M-PESA, IMT, Airtime

ii. M-PESA Volume of transactions (Mn)



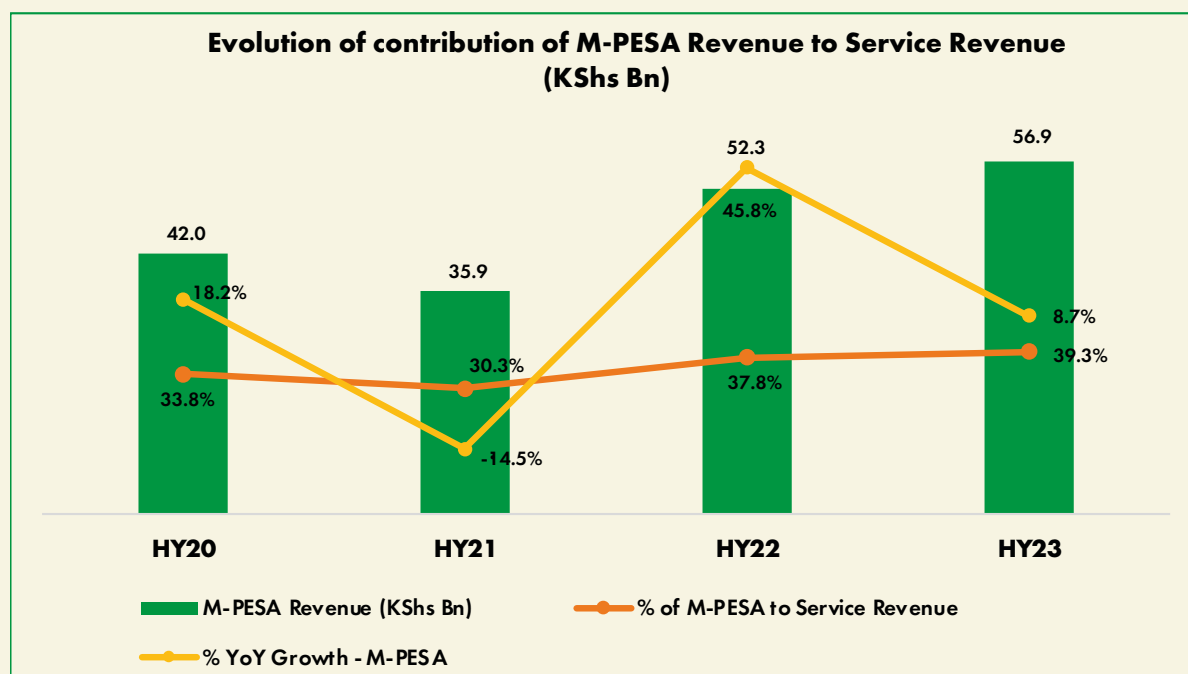
* B2C, C2B, B2B, Fuliza, Lipa Na M-PESA, M-Kesho, M-Shwari, KCB M-PESA, IMT, Airtime



Summary Financial Information

iii. M-PESA Revenue contribution, profile mix and customer evolution

KShs Bn	HY20	HY21	HY22	HY23	% Change YoY HY23	% Contribution to Growth HY23
Personal Payments (Transfers & Withdrawals)	29.22	24.17	35.50	37.87	6.7%	4.5%
Business Payments (C2B, B2C, B2B, LNM)	9.33	6.93	11.18	12.56	12.3%	2.6%
Global Payments (Remittances, AliExpress)	0.53	0.93	1.14	1.41	23.2%	0.5%
Financial Services (Lending and Savings)	2.88	3.85	4.51	5.03	11.5%	1.0%
Total	41.97	35.89	52.33	56.86	8.7%	8.7%



M-PESA usage continues to grow as we accelerate new growth areas

M-PESA usage continues to grow driven by our FinTech solutions including payments, lending and savings and international remittances. In HY23, the total value of M-PESA transactions grew 32.0% YoY to KShs 18.09Trn while total volume of M-PESA transactions grew 32.0% YoY to 9.60Bn. The dip in HY21 in the above chart is due to the introduction of zero rated P2P and LNM transactions below KShs 1,000 as guided by the Central Bank of Kenya as well as decreased business activity in the period owing to the impact of COVID-19 pandemic.

The M-PESA Super App continues to enhance our customers' experience, providing them with a simple, fun, secure and convenient digital solution. We now have 6.3 million Consumer App downloads, 1 million Active Consumers and over 500k downloads on the businesses App. M-PESA wallet to Bank and Bank to M-PESA wallet transactions are still zero rated and make up 20.6% of the total value of M-PESA transactions.



Summary Financial Information

iv. Lending value and revenue trends

Fuliza	HY23	HY22	% Change YoY
Value of disbursements (KShs Bn)	315.6	242.6	30.1%
Value of Repayment (KShs Bn)	304.6	240.2	26.8%
Repayment vs Disbursal rate *	96.5%	99.0%	(2.5ppt)
Average Ticket Size (KShs)	320.9	375.8	(14.6%)
Revenue (KShs Bn)	3.4	2.8	19.2%
Distinct Customers (Mn)	7.4	6.4	14.2%
KCB M-PESA			
Value of disbursements (KShs Bn)	21.7	22.9	(5.5%)
Value of Repayment (KShs Bn)	21.3	22.6	(5.9%)
Repayment vs Disbursal rate	98.1%	98.6%	(0.5ppt)
Average Loan (KShs)	5,033	9,070	(44.5%)
Revenue (KShs Bn)	0.3	0.3	(5.4%)
One month active KCB M-PESA customers (Mn)	3.6	3.1	15.4%
M-Shwari			
Value of disbursements (KShs Bn)	43.4	43.4	0.1%
Value of Repayment (KShs Bn)	24.1	27.6	(12.7%)
Repayment vs Disbursal rate	55.5%	63.5%	(8.1ppt)
Average Loan (KShs)	7,260	6,047	20.1%
Revenue (KShs Bn)	1.0	0.9	10.1%
One month active M-Shwari customers (Mn)	4.4	4.0	11.1%

Fuliza

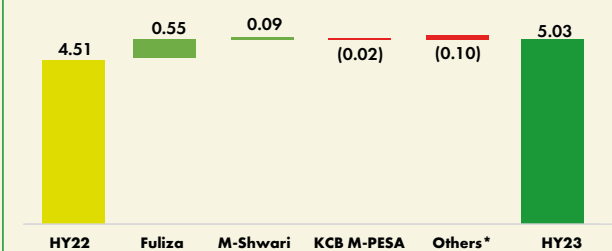
In partnership with Kenya lenders, NCBA and KCB Bank, the Group operates Overdraft (OD) facility dubbed "Fuliza", a product that enables customers to access unsecured line of credit by overdrawing on M-PESA to cover short-term cash-flow shortfalls subject to an applicable pre-determined limit. Fuliza is underwritten by Kenyan lenders, NCBA and KCB Bank.

M-Shwari and KCB M-PESA

Safaricom partnered with NCBA and KCB Bank Kenya Limited to offer Mshwari and KCB-M-PESA micro lending services respectively. These services enable customers to save as little as KShs 1 (USD 0.01) and get loans from KShs 50 to KShs 1 million.

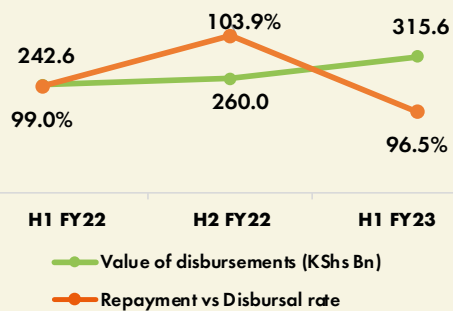


Contribution to Savings and Lending Revenue (KShs Bn)

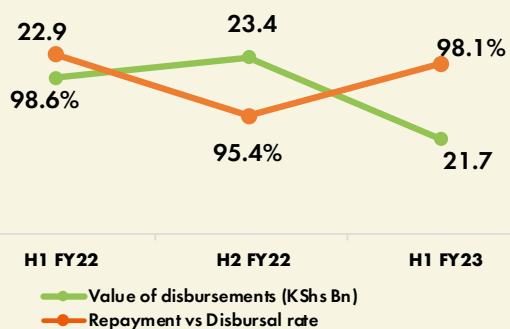


*M-Kesho, M-Kopa, Savings

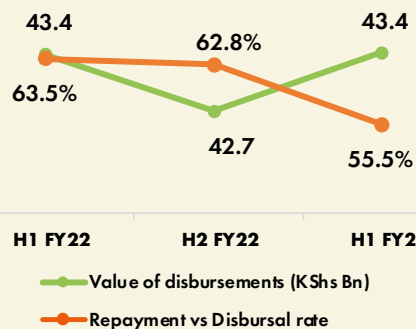
Fuliza



KCB M - PESA



M - Shwari



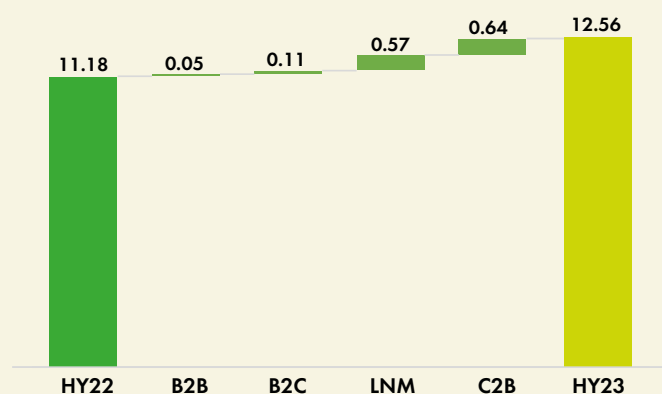


Summary Financial Information

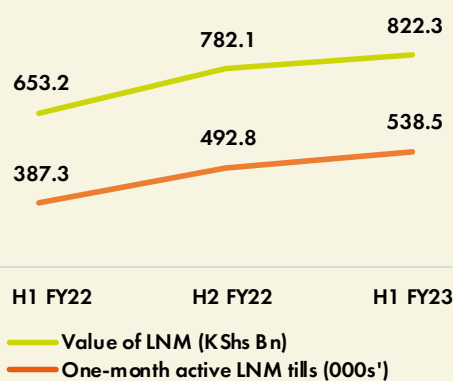
iv. Payments performance

	Value (Bn)			Volume (Mn)			Revenue (KShs Bn)			% Contribution to growth
Payments	HY23	HY22	%YoY	HY23	HY22	%YoY	HY23	HY22	%YoY	
B2C	2,115.64	1,538.80	37.5%	325.94	227.46	43.3%	1.12	1.02	10.7%	1.0%
C2B	3,363.41	2,181.83	54.2%	1,705.14	1,181.12	44.4%	8.78	8.14	7.9%	5.8%
B2B	84.07	50.47	66.6%	4.78	2.96	61.4%	0.10	0.05	109.1%	0.5%
LNМ	822.26	653.19	25.9%	893.74	569.93	56.8%	2.56	1.98	28.9%	5.1%
Totals	6,385.38	4,424.29	44.3%	2,929.60	1,981.47	47.8%	12.56	11.18	12.3%	12.3%

Contribution to Payments Revenue (KShs Bn)



Lipa Na M-PESA (LNМ)



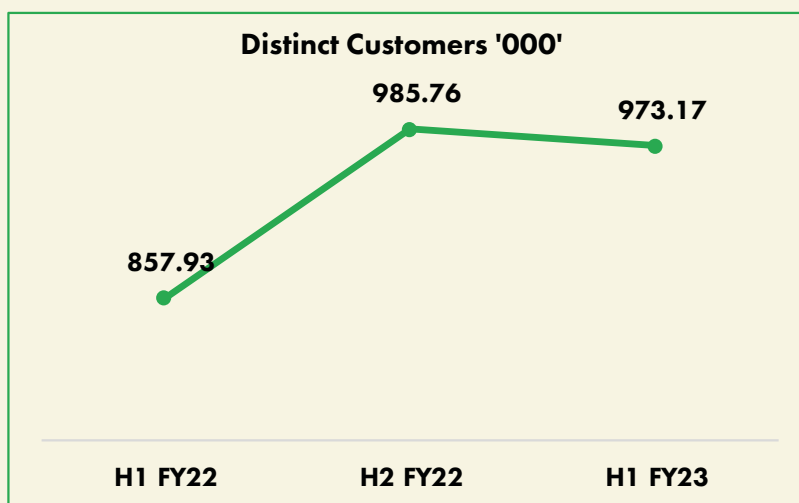


Summary Financial Information

iv. M-PESA Global

Launched in FY19, M-PESA Global service enables M-PESA registered customers to send and receive money from countries across the world. M-PESA Global service remittance partnerships include: Western Union, MoneyGram, Ria, WorldRemit, Wave, Remitly among others.

	Value (KShs Bn)			Volume (Mn)			Revenue (KShs Bn)		
	HY23	HY22	% YoY	HY23	HY22	% YoY	HY23	HY22	% YoY
M-PESA Global	205.38	180.92	13.5%	16.03	14.83	8.1%	1.41	1.14	23.2%



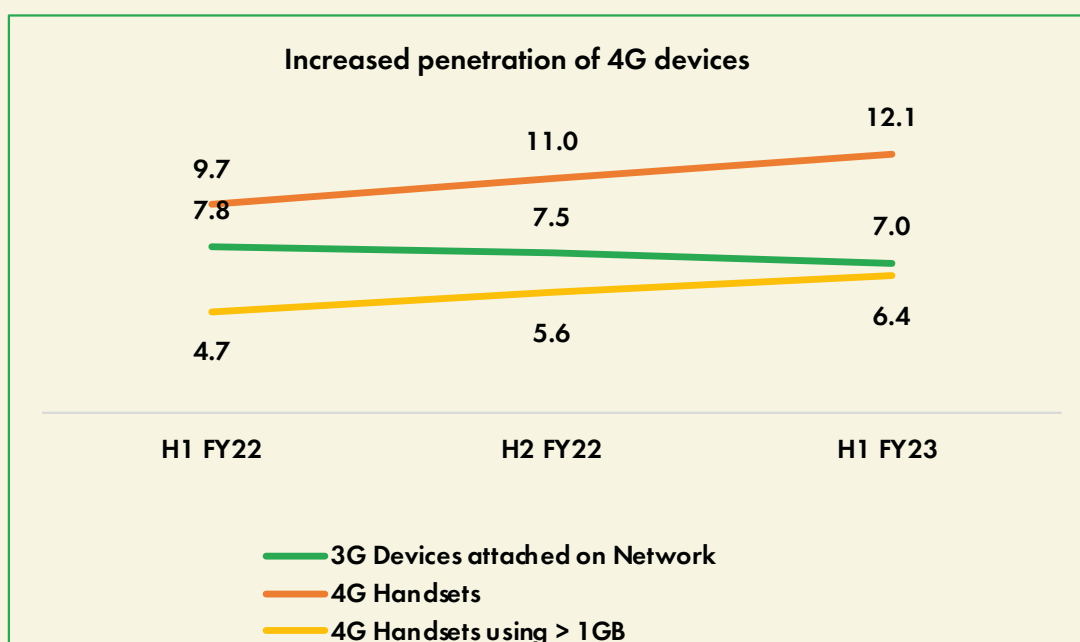
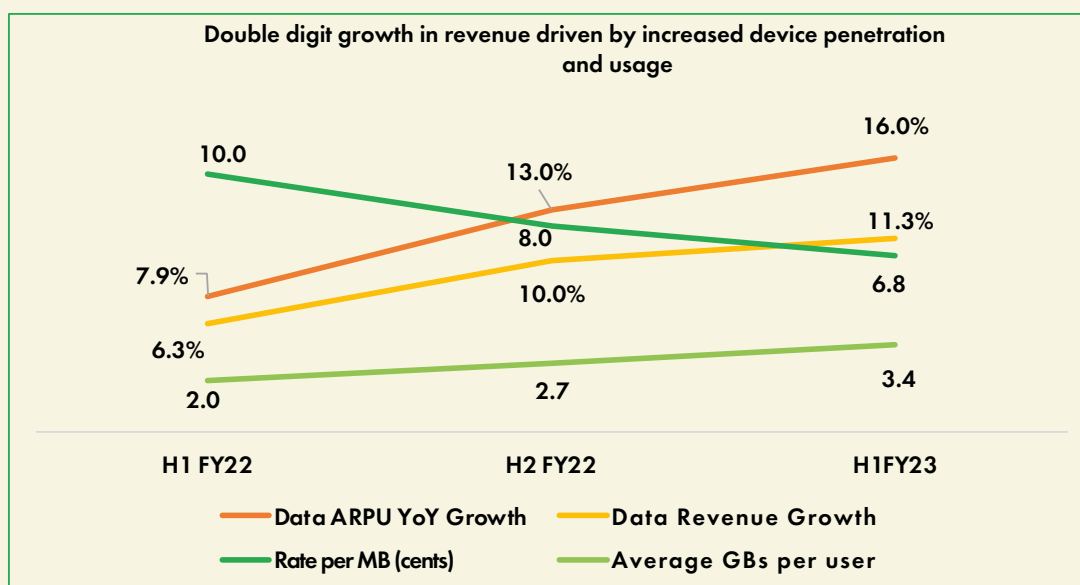


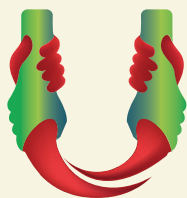
Summary Financial Information

c) Mobile Data

Additional Mobile Data KPIs

Smart Phone Devices (Mn)			Mobile Data ARPU (KShs)			Mobile Data Revenue (KShs Bn)		
HY23	HY22	% YoY	HY23	HY22	% YoY	HY23	HY22	% YoY
19.18	17.32	10.7%	230.15	198.32	16.0%	26.30	23.63	11.3%





Glossary

i. Description of M-PESA Profile

Item	Description
Transfers/ P2P/W2W	This represents customer deposits in the M-PESA e-wallet that can be funded by direct cash deposits at agent level or through person to person (P2P) transfers.
M-PESA Agents	M-PESA Agents include Safaricom authorized dealers, operating one or more outlets around Kenya, retailers with a substantial distribution network like petrol stations, distributors, supermarkets, registered SMEs and selected Banks and Micro-Finance Institutions. Their key tasks include; registering M-PESA customers, depositing cash into registered customers' M-PESA wallets, processing cash withdrawals for registered and non-registered M-PESA customers and compliance with Safaricom AML & KYC Policy and business practices.
Withdrawals/ Cash out	Withdrawal is the removal of e-money from M-PESA e-wallet to cash through M-PESA agents.
Deposits/ Cash in	Customers fund their M-PESA e-wallet through M-PESA agents or directly from their bank accounts through a short code.
Payments	
C2B/W2B, B2C/B2W and B2B.	Customer to Business (C2B) or Business to Customer (B2C) are mainly bank transfers while Business to Business (B2B) is for business transactions. These together with LNM and revenue from betting transactions form the payments channels in the M-PESA ecosystem.
Lipa Na M-PESA (LNM)	LNM is a platform that enables merchants to transact using a till number to collect payments from customers. LNM has two major use cases; <ul style="list-style-type: none"> • Buy Goods - mainly used for one-off payments to merchants, this is done 'on the go', mainly face to face but can also be done remotely. • Billers - This is the paybill option/C2B of LNM which mostly happens remotely/online and is mainly used for repetitive transactions done on utility payments to government agencies, SACCOs, electricity & water providers and hospitals.
Savings and Lending	
M-Shwari	M-Shwari is a micro-lending/savings product in partnership with NCBA (a tier 1 Kenyan Bank). <p>The M-Shwari Loan Account is a micro-credit product which allows customers to borrow money or to complement their savings towards an investment or enterprise.</p> <p>The M-Shwari Deposit Account is a micro-savings product which allows customers to securely store their money for a specific purpose or for unexpected events.</p>
KCB-M-PESA	KCB M-PESA is a savings and loan service in partnership with KCB Bank (a tier 1 Kenyan bank) that enables M-PESA customers to save as little as KShs 1, and access credit from KShs 1,000. <p>The KCB M-PESA loan account is a micro-credit product which gives customers access to loans for an emergency or to fund a project or an enterprise.</p>



Glossary

Fuliza	<p>In partnership with Kenyan lenders, NCBA and KCB Bank, the Group operates an Overdraft (OD) facility dubbed 'Fuliza', a product that enables customers to access unsecured line of credit by overdrawing on M-PESA to cover short-term cash-flow shortfalls subject to an applicable pre-determined limit. Fuliza is available to all M-PESA customers, however the awarding of limits will depend on the customer's credit scoring and how long they have been using M-PESA.</p> <p>Customers who 'opt in' on Fuliza are charged a one-off access fee and daily maintenance fees on unpaid loan amounts based on a pre-determined matrix.</p>
M-Kesho	<p>In partnership with Equity Bank, M-Kesho Bank Account was launched to enable Safaricom's mobile money clients to directly access their Equity bank accounts. Registration is free and the account has no charges, ledger fees nor minimum account balance requirement.</p>
M-Kopa	<p>M-KOPA provides solar home systems that innovatively integrate machine-to-machine technology (M2M) with a micro-payment solution. The system includes embedded GSM technology for monitoring and metering usage, while its pay-as-you-go service carries the advantage of no large initial cash outlay.</p> <p>After an initial deposit, customers pay daily instalments via a mobile money service (M-PESA) until paying off the balance. Once this repayment is complete, customers own the unit outright. Importantly, this solution is cheaper and healthier than the alternative, kerosene lamps for rural households with no electricity.</p> <p>M-KOPA solar is currently available in 750 outlets nationwide in Kenya through the Safaricom distribution network.</p>
IMT	
International Money Transfer (IMT)	<p>M-PESA Global Safaricom Plc through its fully owned subsidiary, Safaricom Money Transfer Services Limited (SMTSL), operates remittance services that allows customers to send and receive money to a beneficiary through registered mobile phone numbers in partnership with third party International Money Remittance (IMT) providers. Revenue is earned from transaction fees charged to customers for international money transfers (inbound and outbound).</p> <p>M-PESA global enables M-PESA registered customers to send and receive money:</p> <ol style="list-style-type: none"> 1. To East Africa: Rwanda, Tanzania & Uganda. 2. Globally: To millions of Bank accounts and over 500,000 Western Union locations globally. 3. Through PayPal: Access funds quickly and shop around the world with PayPal mobile money service with M-PESA.
AliPay Partnership	<p>Safaricom partnered with AliPay to integrate M-PESA as a payment method on AliExpress e-commerce.</p>
E-Commerce	
Paypal Partnership	<p>Safaricom, PayPal and TransferTo announced a collaboration on 9 April 2018 for a new service that allows movement of funds between M-PESA and PayPal accounts.</p> <p>Qualifying M-PESA customers in Kenya can link their PayPal accounts to their M-PESA wallets, enabling them to easily and securely buy goods and services from merchants around the globe.</p>



Glossary

Smart Lifestyle Channels	
M-PESA Consumer App	<p>The M-PESA App for consumers delivers the suite of M-PESA solutions to our consumers in a customer centric approach. This has redesigned the M-PESA customer experience journey to reduce demand in Call Centre and simplify multiple payments.</p> <p>It serves as a one stop shop for all SMEs needs including instant Lipa Na M-PESA sign up through the Merchant App, increased access to market to achieve scale through SME Marketplace and integration of third party services through Mini Apps.</p>
M-PESA Business/ Merchants Transacting Till (Buy Goods)	<p>The M-PESA Business till is an enhancement of the existing Lipa Na M-PESA Buy Goods till that enables business owners to collect payments on the till and use the money collected to make other transactions directly from their till.</p> <p>The M-PESA for Business till is ideal for businesses in retail, such as supermarkets, restaurants, hardware, pharmacies, boutiques, salons etc. that collect money from customers regularly as part of their business. The product can be accessed via USSD *234*2# or via app M-PESA for Business App.</p>
M-PESA Business App	<p>M-PESA for Business App allows merchants and businesses to better visualize their payment collections and spend, see full statements and transact directly from their M-PESA Business till using the App. The App provides users a faster and simpler payment experience. Its an alternative to the USSD service *234# Option 2.</p>
M-PESA Bill Manager	<p>This is a service that allows customers to save and pay bills in one transaction, memorizing all paybills and account numbers and better still, a way for them to be reminded of the bill payment due dates. The service is available to all M-PESA registered customers and can be accessed by dialling *234# then selecting M-PESA Products followed by Bill Manager.</p>
Pochi la Biashara	<p>Pochi La Biashara, translated to 'Business Wallet' in English, is a product that allows M-PESA registered customers who own informal businesses such as; food vendors, kiosk owners, boda-boda operators, second hand clothes dealers, etc. to receive and separate business funds from personal funds on their M-PESA line.</p>



Abbreviations

ARPU	Average revenue per user
Churn	Total gross customer disconnections in the period divided by the average total customers in the period
CVM	Customer Value Management
2G	Second-generation Technology
3G	Third-generation Technology
4G	Fourth-generation Technology
FTTH	Fibre to the Home
Bn	Billion
LNm	Lipa na M-PESA
LTE	Long-Term Evolution
Mn	Million
MSMEs	Micro Small and Medium Enterprises
IFRS	International Financial Reporting Standards
IoT	Internet of Things
MB	Megabyte
Ppt	Percentage points
SMS	Short Message Service
ROU	Rights of Use
Trn	Trillion
AML	Anti-money Laundering
KYC	Know Your Customer



Corporate Information

Safaricom PLC

(Incorporated in the Republic of Kenya)

Registered office

Safaricom House, Waiyaki Way, Westlands
P.O. Box 66827-00800, Nairobi
Telephone: +254 722 00 3272
Website: www.safaricom.co.ke

Registrars

Image Registrars Limited
5th Floor, Absa Plaza, Loita Street
P.O. Box 928-00100, Nairobi
Telephone: +254 709 170 000
Email: Info@image.co.ke
Website: www.image.co.ke

Auditors

Ernst & Young
Kenya Re Towers, Off Ragati Road
P.O. Box 44286-00100, Nairobi
Telephone: +254 20 2886000

Investor Relations

Safaricom House, Waiyaki Way, Westlands
P.O. Box 66827-00800, Nairobi
Telephone: +254 722 00 6218/4233/4746
Email: investorrelations@safaricom.co.ke
Website: www.safaricom.co.ke/investor-relations

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