

News Release



SAFARICOM PLC ANNOUNCES UNAUDITED RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018.

KEY HIGHLIGHTS ⁱ

Full-Year Guidance Maintained

- Service revenue growth of 7.7% to KES 118.2bn.
- Voice service (incoming and outgoing) revenue grew by 1.4% to KES 48.0bn.
- M-PESA revenue growth of 18.2% to KES 35.5bn.
- Mobile data revenue increased by 10.8% to KES 19.5bn.
- Messaging revenue declined by 1.2% to KES 8.8bn.
- Fixed service revenue increased by 21.0% to KES 3.9bn.
- Customer numbers increased by 1.5% to 29.9m.
- 30-day active M-PESA customer growth of 8.8% to 21.0m.
- 30-day active mobile data customer growth of 3.8% to 17.6m.

Strong financial performance

- 18.7% growth in EBIT to KES 44.6bn with an EBIT margin of 36.3%, up 3.5ppts YoY.
- Net Income increased by 20.2% to KES 31.5bn.
- Free Cash Flow up 18.8% to KES 38.5bn.

Bob Collymore, Safaricom PLC CEO commented:

I'm pleased with the progress we made on a number of fronts in the first half of the year. We achieved solid results driven by strong M-PESA gains, further diversification of our revenue mix to tap into new growth areas and investment in new revenue streams, which contributed to a double digit increase in Earnings Per Share (EPS), and free cash flow.

We accomplished all this while sustaining investment in our network, which saw us invest KES 17 billion in the first half of the year driven by increased network roll out and acceleration of broadband and fibre deployment.

As part of our 18th anniversary celebrations we unveiled a new brand campaign aimed at reinforcing our commitment to customers. The campaign, dubbed "Nawe Kila Wakati", is expected to deepen customer engagement by giving access to more affordable voice, data and messaging services.

News Release



In so doing, Safaricom hopes to endear itself to Kenyans as an enabler, a brand that allows customers to communicate, socialize and do business in line with our strategy of putting the customer first and delivering relevant products and services.

To deliver on this strategy and ensure that Safaricom is fit for the future, we have embraced the agile way of working. This approach is helping us enhance efficiencies and innovate faster in order to meet rapidly changing customer needs.

The agile approach is also enabling our business to adapt to a dynamic operating environment, which is at the moment characterised by increased taxation, increased competition and continued uncertainty in the regulatory space, therefore allowing us to identify sustainable growth opportunities and maintain our full-year guidance.

Guided by our brand purpose of Transforming Lives, we have continued to strengthen our support for community projects and invest in shared value propositions with the potential to resolve some of Kenya's most pressing challenges.

We are leveraging the power of mobile technology to develop, take to market and scale propositions in health, agriculture and education, impacting livelihoods positively through products such as: M-TIBA (the mobile health wallet), DigiFarm (our mobile-based agri-business solution) and Shupavu291, a learning tool that is giving millions of young learners in Kenya access to curriculum-approved educational content via the mobile phone.

We also recently officially opened the M-PESA Foundation Academy, which is moulding close to 500 bright young children from disadvantaged backgrounds into future leaders.

Looking ahead, Safaricom is well positioned to sustain growth through continued investment in priority areas such as our E-Commerce platform, Masoko, regional expansion of M-PESA, DigiFarm and Home and Enterprise solutions.

Operating review

Strategic progress

We continue to invest heavily in our network, enhancing our quality and coverage, with 4G now extending to 53%, up 21ppts YoY. We continue to leverage the power of mobile technology and diversify our sales mix with M-PESA now accounting for 30% of total service revenue, up 3ppts YoY, and are excited about the future prospects of portfolio expansion and diversification.

News Release



Voice and messaging

In line with management expectation voice revenue eased to 1.4% yoy contributing 41% of service revenue while messaging declined by 1.2% and contributed 7.5% of service revenue.

M-PESA, Mobile Data and Fixed Services

These three growth drivers contributed 95% of total service revenue growth. During the first six months of the year, M-PESA was the main driver of growth, contributing 64% of service revenue growth, further accelerating displacement of traditional voice and messaging services.

Mobile data and fixed data contributed 30% of total service revenue growth.

i. M-PESA

We are encouraged by the significant commercial recovery that has taken place within M-PESA, growing at 18.2% YoY. While growth in withdrawal revenue continues to slow down, we can see an acceleration in growth of both P2P and new business, with new business now accounting for 27% of total M-PESA revenue.

ii. Mobile Data

Growth in mobile data revenue eased to 10.8% in the period. Despite the softer revenue growth recorded, we are encouraged by the strong increase in usage, with average usage per subscriber growing 67% YoY to 640MBs. This growth reflects the success of our more-for-more plans and personalised offers as we continue to push a worry free experience for our customers. During the period, we reduced the effective rate per MB by 36% YoY.

iii. Fixed Data

We maintained great momentum in our fixed service business, connecting an additional 30k homes in H1 and more than doubling our coverage YoY.

Though a relatively new line of business, fixed data now contributes 3.3% to total service revenue and grew at 21% YoY in the period.

Summary and outlook

We are pleased with the strong results for the first half of this year and remain confident that we will meet our full year guidance, building on our track record of consistent delivery, protecting shareholder wealth and putting the customer first.

News Release



ⁱ Following the modified retrospective adoption of IFRS 15 - Revenue from Contracts with Customers on 1 April 2018, the Group's results for the six months ended 30 September 2018 are on an IFRS 15 basis, whereas the results for the six months ended 30 September 2017 are (as previously reported) on an IAS 18 basis. To ensure appropriate disclosure during the period of transition onto IFRS 15, numbers for the six months ended 30 September 2018 have been disclosed on both an IFRS 15 and IAS 18 basis and our commentary describing our operating performance has been provided solely on an IAS 18 basis

News Release



1. Key Performance Indicators

| Key Performance Indicators | HY19 | HY18 | % Increase/ (Decrease) |
|---|---------|---------|---------------------------|
| Total customers (m) | 29.94 | 29.49 | 1.5% |
| Total customer ARPU* | 662.51 | 628.45 | 5.4% |
| 30 day active customers (m) | 25.20 | 24.17 | 4.3% |
| 30 day active customer ARPU* | 782.90 | 749.18 | 4.5% |
| Churn (%) | 24.89% | 25.58% | (0.7ppt) |
| Voice | | | |
| 30 day active voice customers (m) | 23.17 | 22.23 | 4.2% |
| 30 day active voice customer ARPU* | 350.01 | 351.54 | (0.4%) |
| M-PESA | | | |
| Number of M-PESA agents | 162,800 | 148,107 | 9.9% |
| 30 day active M-PESA customers (m) | 21.01 | 19.31 | 8.8% |
| 30 day active M-PESA ARPU* | 284.24 | 257.88 | 10.2% |
| Mobile Data | | | |
| 30 day active mobile data customers (m) | 17.59 | 16.95 | 3.8% |
| 30 day active mobile data ARPU* | 183.22 | 169.77 | 7.9% |
| Messaging | | | |
| 30 day active messaging customers (m) | 17.17 | 16.76 | 2.5% |
| 30 day active messaging customer ARPU* | 84.42 | 86.16 | (2.0%) |
| Fixed Service* | | | |
| 30 day active Fixed data customers | 18,474 | 14,142 | 30.6% |
| 30 day active Fixed data ARPU (FTTB) | 24,577 | 28,796 | (14.7%) |
| 30 day active Fixed data ARPU (FTTH) | 2,774 | 2,927 | (5.2%) |
| Base Stations | | | |
| 2G base stations | 4,839 | 4,435 | 9.1% |
| 3G base stations | 4,737 | 3,913 | 21.1% |
| 4G base stations | 2,353 | 1,454 | 61.8% |

*ARPU is in KShs

**All KPIs based on IAS18

News Release



1. Condensed consolidated statement of comprehensive income

| KShs Bn | IFRS 15 HY19 | IAS 18 HY19 | IAS 18 HY18 | IAS 18 Change% |
|--|-----------------|----------------|---------------|-------------------|
| Voice revenue | 47.53 | 48.03 | 47.35 | 1.4% |
| M-PESA revenue | 35.52 | 35.52 | 30.05 | 18.2% |
| Messaging revenue | 9.67 | 8.81 | 8.92 | (1.2%) |
| Mobile data revenue | 19.01 | 19.45 | 17.55 | 10.8% |
| Fixed service revenue | 3.84 | 3.91 | 3.23 | 21.0% |
| Other service revenue | 2.49 | 2.49 | 2.63 | (5.3%) |
| Service Revenue | 118.05 | 118.21 | 109.73 | 7.7% |
| Handset revenue and other revenue | 4.31 | 4.33 | 4.49 | (3.5%) |
| Construction revenue | 0.30 | 0.30 | 0.20 | 48.7% |
| Total Revenue | 122.66 | 122.84 | 114.43 | 7.4% |
| Other Income | 0.17 | 0.17 | 0.32 | (47.8%) |
| Direct costs | (34.96) | (34.81) | (36.07) | (3.5%) |
| Construction costs | (0.30) | (0.30) | (0.20) | 48.7% |
| Contribution margin | 87.57 | 87.90 | 78.47 | 12.0% |
| Contribution margin %* | 71.5% | 71.6% | 68.5% | 3.1ppt |
| Operating costs | (25.82) | (25.82) | (24.13) | 7.0% |
| Forex Loss on trading activities | 0.03 | 0.03 | (0.08) | <100.0% |
| Opex & forex loss % total revenue | 21.0% | 21.0% | 21.1% | (0.1ppt) |
| EBITDA | 61.79 | 62.12 | 54.27 | 14.5% |
| EBITDA margin %* | 50.4% | 50.6% | 47.4% | 3.2ppt |
| Depreciation & amortisation | (17.56) | (17.56) | (16.74) | 4.9% |
| EBIT | 44.22 | 44.56 | 37.53 | 18.7% |
| EBIT Margin %* | 36.1% | 36.3% | 32.8% | 3.5ppt |
| Net Financing, Forex and Fair Value Losses | 1.41 | 1.41 | 0.28 | >100.0% |
| Share of associate (loss)/profit | (0.01) | (0.01) | 0.01 | <100.0% |
| Earnings Before taxation | 45.63 | 45.96 | 37.82 | 21.5% |
| Taxation | (14.46) | (14.46) | (11.61) | 24.5% |
| Net Income | 31.17 | 31.50 | 26.20 | 20.2% |
| Net Income %* | 25.4% | 25.7% | 22.9% | 2.8ppt |
| Earnings per share | 0.78 | 0.79 | 0.65 | 20.2% |

*All margins are calculated on total revenue (excluding construction revenue) plus other income

News Release



2. Condensed consolidated statement of financial position

| KShs Bn | 30-Sep-18 IFRS15 | 30-Sep-18 IAS18 | 31-March-18 IAS18 | IAS 18 Change % |
|--|---------------------|--------------------|----------------------|--------------------|
| Share Capital (including share premium) | 4.20 | 4.20 | 4.20 | - |
| Retained earnings | 108.82 | 107.14 | 75.64 | 41.6% |
| Proposed Dividends | - | - | 44.07 | - |
| Capital Employed | 113.03 | 111.34 | 123.91 | (10.1%) |
| Non-Current Assets | 139.65 | 139.63 | 139.98 | (0.3%) |
| Current Assets | | | | |
| Contract assets | 2.69 | - | - | - |
| Inventories | 2.08 | 2.08 | 1.60 | 30.0% |
| Receivables and prepayments | 20.63 | 20.63 | 15.86 | 30.1% |
| Cash and cash equivalents | 36.67 | 36.67 | 9.50 | >100.0% |
| Tax recoverable | - | - | 0.50 | - |
| | 62.07 | 59.38 | 27.46 | >100.0% |
| Current Liabilities | | | | |
| Contract liabilities | 10.00 | 8.71 | 8.85 | (1.6%) |
| Payables and accrued expenses | 38.02 | 38.30 | 26.46 | 44.7% |
| Provisions | 3.10 | 3.10 | 4.03 | (23.0%) |
| Dividends Payable | 33.03 | 33.03 | - | - |
| Current income tax | 0.52 | 0.50 | 0.14 | >100.0% |
| Borrowings | 4.04 | 4.04 | 4.04 | (0.1%) |
| | 88.69 | 87.67 | 43.53 | >100.0% |
| Net Current Liabilities | (26.62) | (28.28) | (16.07) | 76.1% |
| Net Assets | 113.03 | 111.34 | 123.91 | (10.1%) |
| Gross gearing (gross borrowing) % Capital employed | 3.6% | 3.6% | 3.3% | 0.4ppt |

News Release



3. Net Cash

| KShs. Billion | 30-Sep-18 IFRS 15 | 30-Sep-18 IAS 18 | 31-March-18 IAS 18 | IAS 18 Change % |
|---------------------------|----------------------|---------------------|-----------------------|--------------------|
| Cash and cash equivalents | 36.67 | 36.67 | 9.50 | >100.0% |
| Bank borrowings | (4.04) | (4.04) | (4.04) | (0.1%) |
| Total net cash | 32.64 | 32.64 | 5.46 | >100.0% |

4. Free cash flow

| KShs. Billion | HY19 IFRS 15 | HY19 IAS 18 | HY18 IAS 18 | IAS 18 Change% |
|--|-----------------|----------------|----------------|-------------------|
| EBITDA | 61.79 | 62.12 | 54.27 | 14.5% |
| Working capital movement | 6.45 | 5.44 | 8.90 | (38.9%) |
| Capital Additions | (16.85) | (16.85) | (17.39) | (3.1%) |
| Movement in contract liabilities and provision for other liabilities | 0.22 | 0.22 | 0.00 | - |
| Operating free cash flow | 51.60 | 50.92 | 45.78 | 11.2% |
| Net Interest received | 1.28 | 1.28 | 0.33 | >100.0% |
| Taxation paid | (13.71) | (13.71) | (13.70) | 0.1% |
| Free cash flow | 39.18 | 38.50 | 32.40 | 18.8% |