

Half-Year Results Presentation
Serena Hotel, Nairobi
4th November, 2009

Mr. Nicholas Nganga

Chairman

Michael Joseph
Chief Executive Officer

Half-year Highlights

Key initiatives in Data Products & Services

- Arrival and activation of the undersea cable links
- Acquisition of an additional WIMAX provider
- Strategic partnership with Jamii Telecom
- Launch of Safaricom Live and Mobile DSTV
- Innovative data products and services e.g Safaricom Business

M-PESA - still going strong

- Phenomenal growth of subscribers to 7.99 million as of September 2009
- Cumulative value of KShs. 253.1bn (\$3.37bn) transferred P2P from inception to September 2009
- International Money Transfer

Customer Loyalty

- Supa Ongea Tariff
- Okoa Jahazi and Activate your Drive promotions
- Continued improvement of Customer service

Kenya Communications (Amendment) Act 2008

- Establishment of a Universal Service Fund

Tax Incentives

- Mobile phones and wireless handsets are now VAT exempt
- Capex on the acquisition or an irrevocable right to use fibre optic cable by a telecommunication operator will have a 5% deduction on costs incurred spread over a 20yr period

Mobile Number Portability

- The CCK has set in motion a process that will allow subscribers to change between service providers without buying new SIM cards

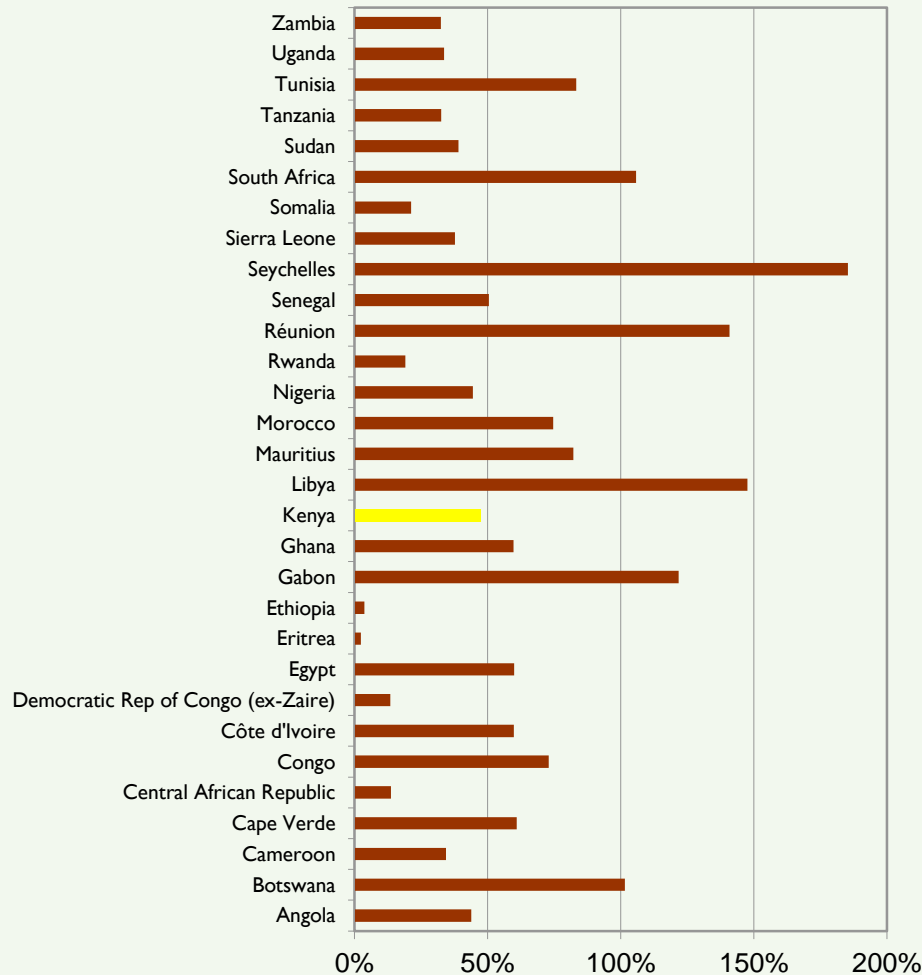
Subscriber Registration

- Presidential directive for mobile service operators to register their subscribers

Plenty of room to grow

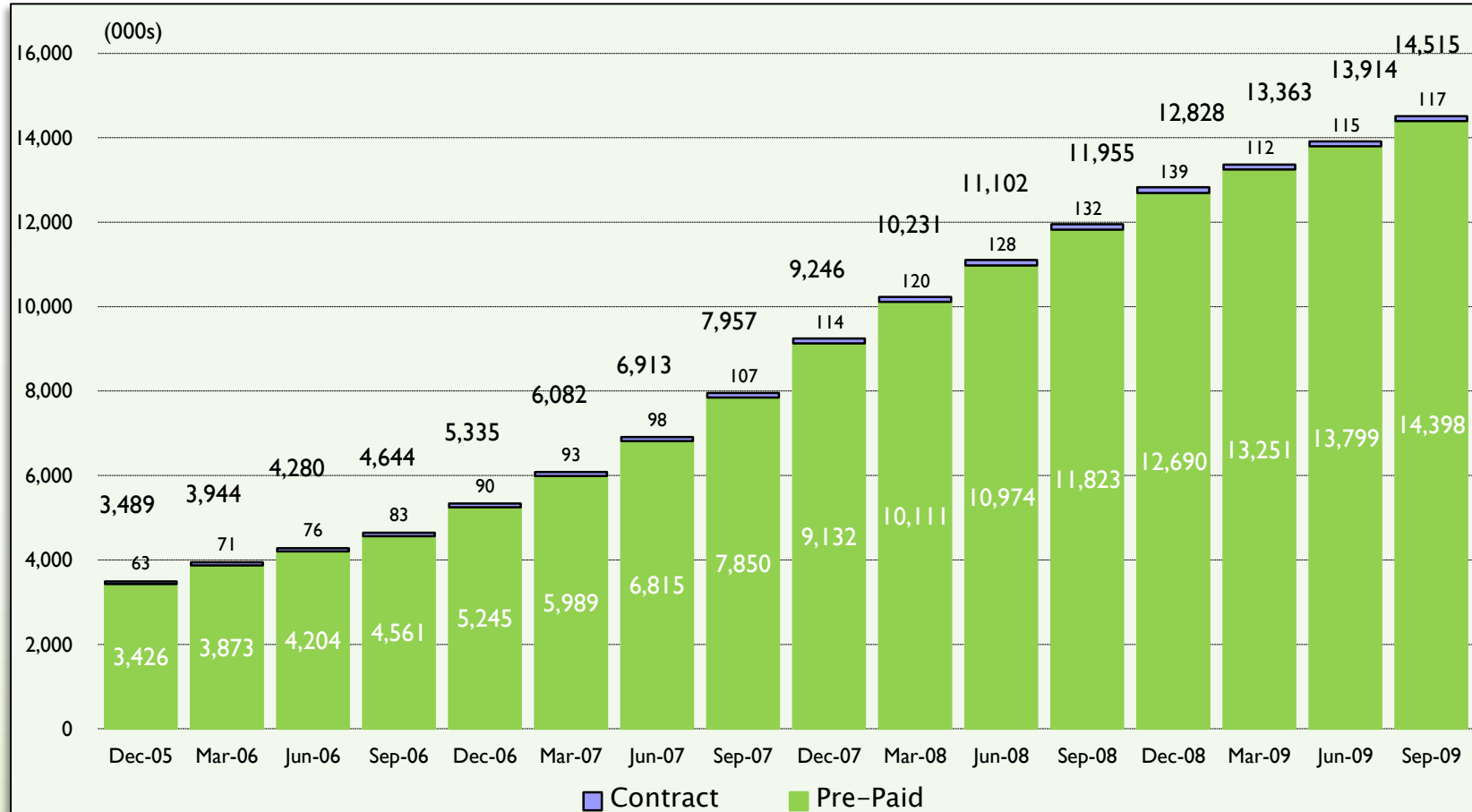
Mobile Penetration

Market Penetration Across Africa (September 09)



- Sub-Saharan Africa remains the fastest growing mobile market in the world with penetration in Kenya rising from below 5% in 2002 to 47% in September 2009
- Internet penetration still lower than for voice with less than 10% of population using internet services
- Mobile operators with data/internet broadband infrastructure expected to benefit from new acquisitions of data subscribers
- Analysts opinion is that Safaricom is best positioned to reap these rewards

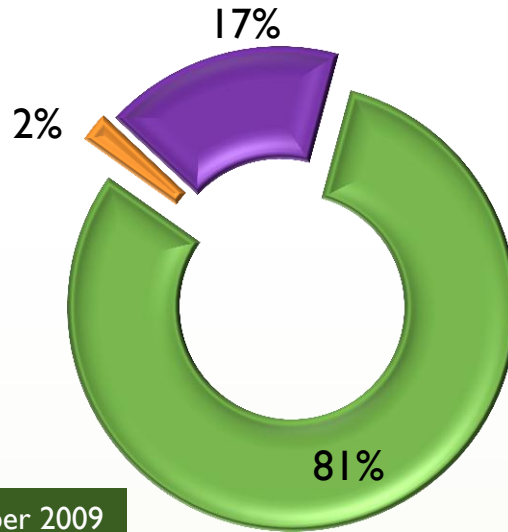
Strong Subscriber growth



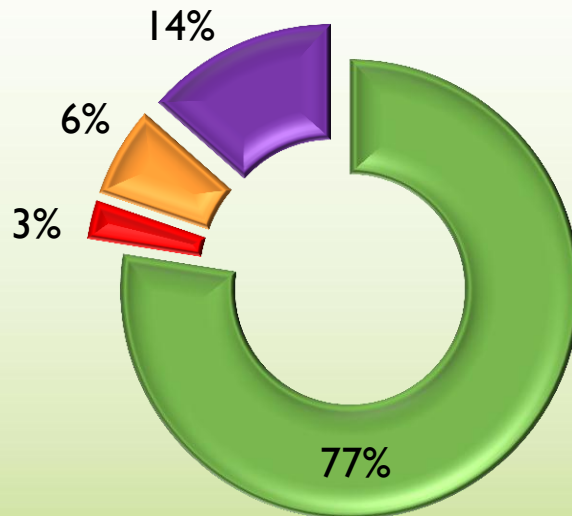
The subscriber base continues to grow with 14.51 million subscribers by September 2009 (11.95 million in September 2008)

Subscribers

September 2008



September 2009



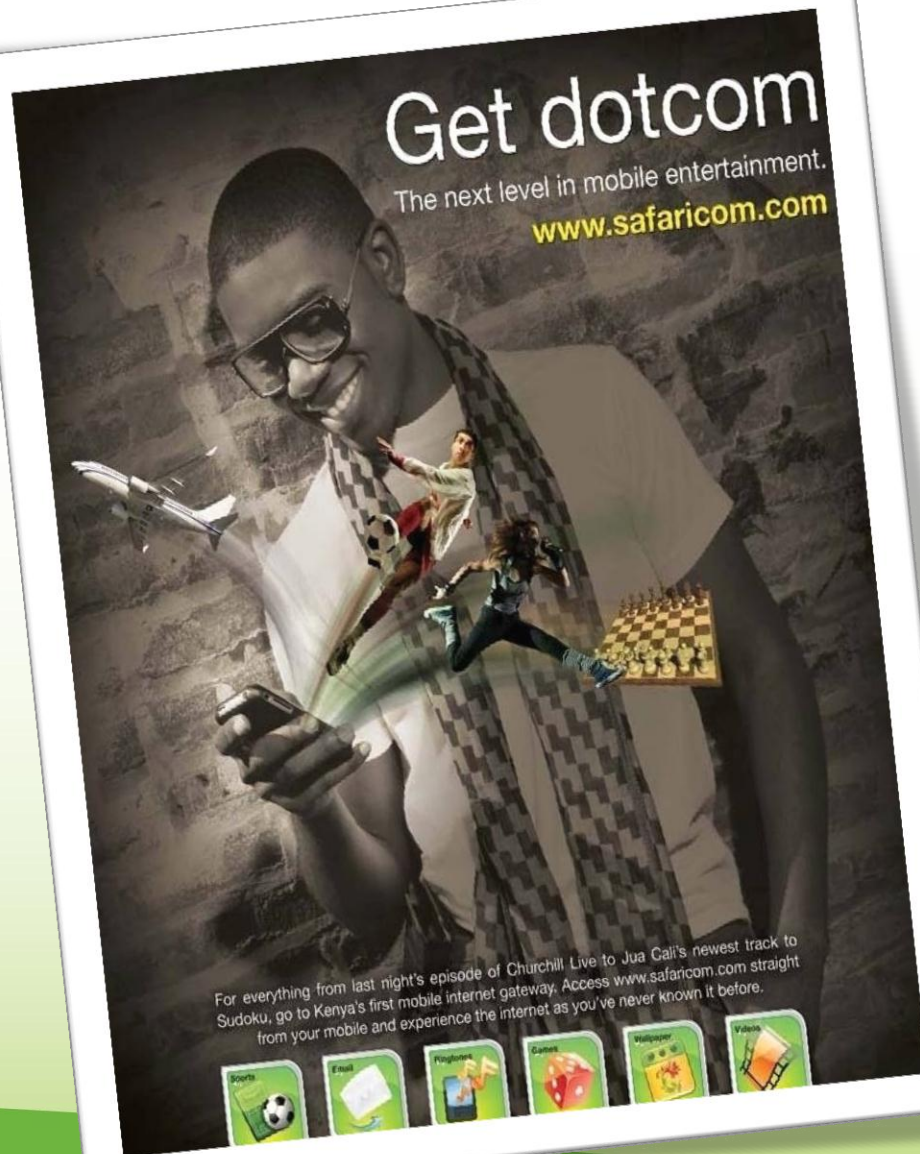
■ Safaricom ■ YU ■ Orange ■ Zain Kenya

Continued Market Leadership

- No.1 Mobile Service provider in Kenya with the largest and most advanced network coverage
- 1.15 million Net new subscribers between March-September 2009
- Estimated 83 % of revenue market share

Key Developments: Data

DATA: Embracing New Technology



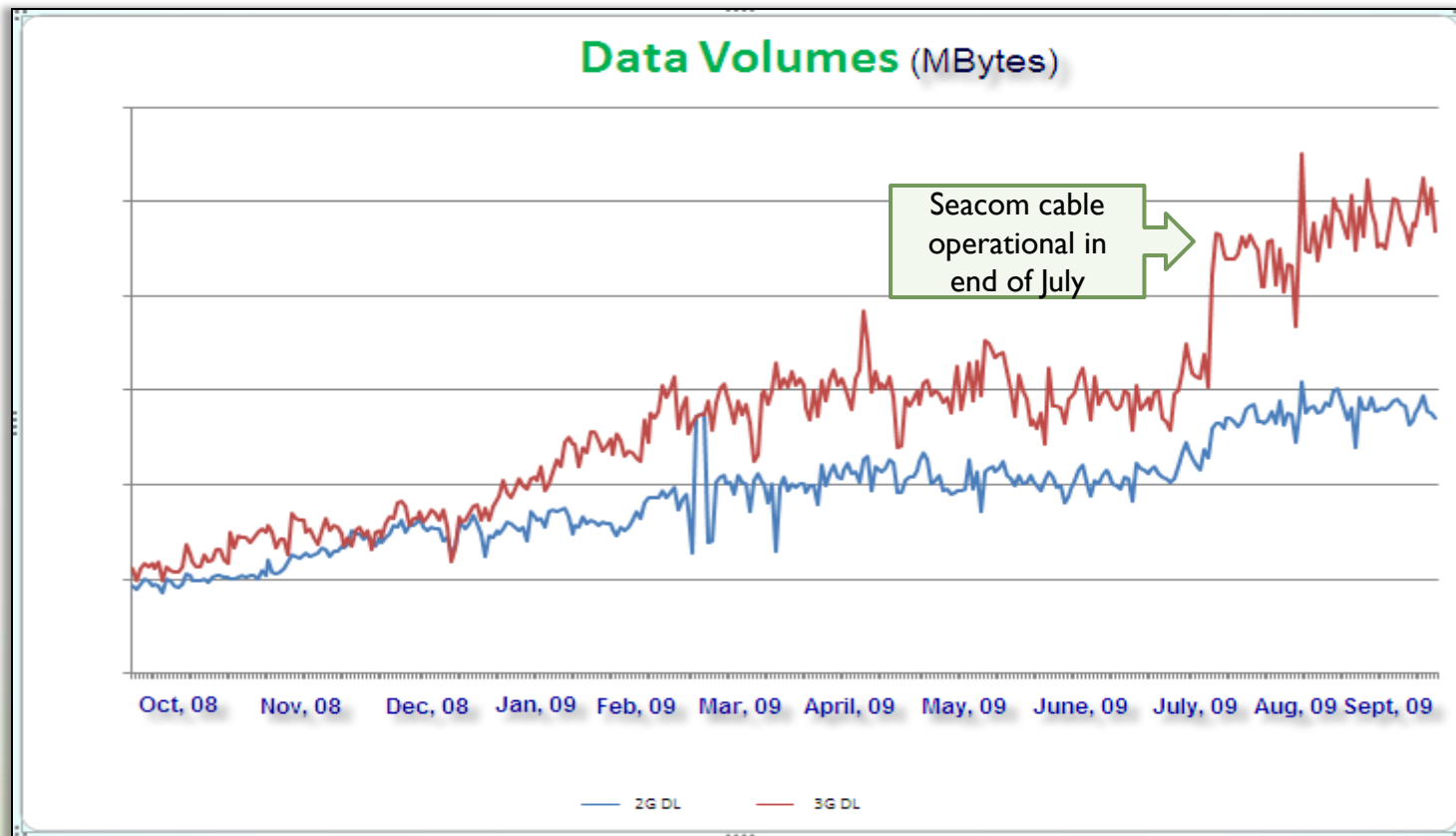
- The only telecoms operator in Kenya that can deliver data, voice and video, whether fixed or mobile, through a multiplicity of platforms: Fibre, Wimax and 3G
- SEACOM cable came into operation in end of July increasing our data capacity. TEAMS cable undergoing tests and expected to be operational soon
- Wimax rollout ongoing with focus on corporates' branch networks, SOHO's and SMEs
- Over 384 sites upgraded to 3G across the country plus acquisitions to facilitate our expansion in the data market

DATA: The world just got smaller



- Becoming the ISP of choice for Kenyans, in line with global trends that show most citizens of the developing world will most likely have their first cyber-experience through a mobile handset
- Huge savings for firms SMEs, homes and individuals from fast and efficient Internet access
- The country is poised to benefit from new economy business like business process outsourcing and the generation of local content for the widening cyber-space.

The Next Frontier



- Growth in distinct data users to 1.8 million users in September 2009
- 180 dealers with a national distribution footprint of 500 retail shops for mobile data services (Modems)

Innovation:

Super Ongea tariff

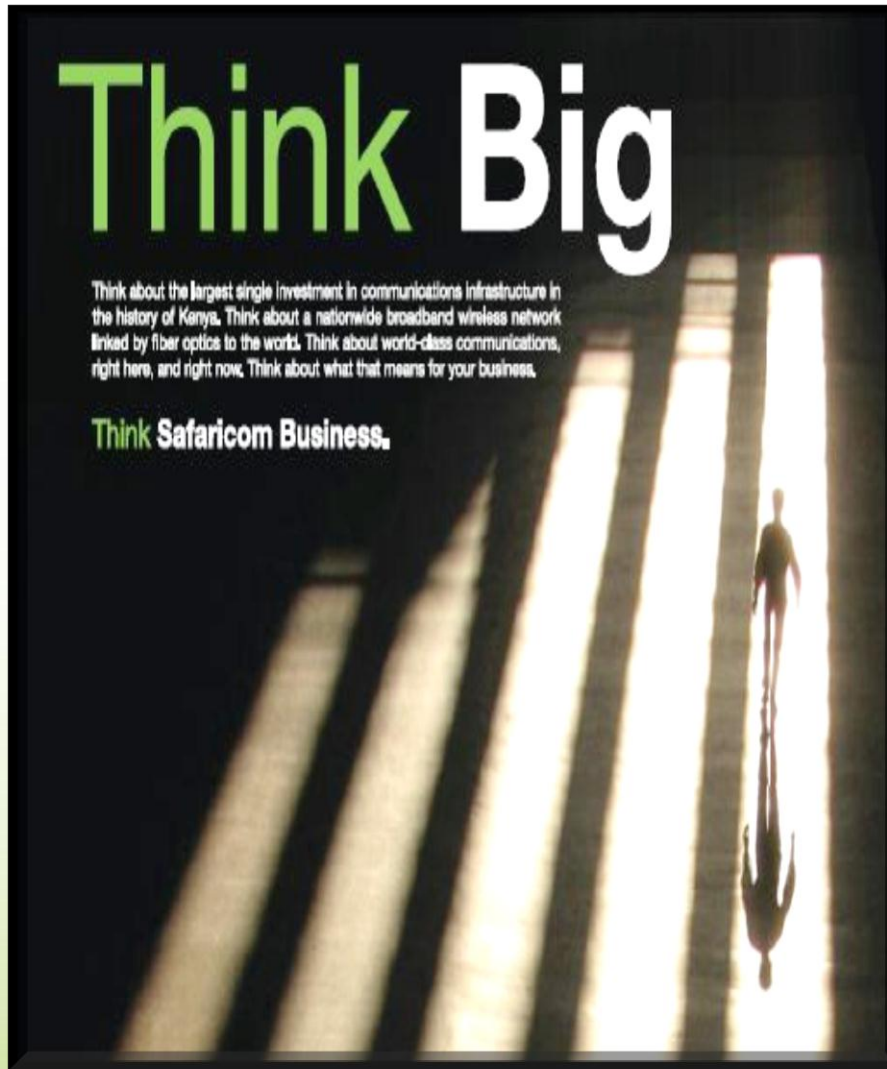


Supa Ongea is Safaricom's new revolutionary tariff that dynamically gives subscribers discounts based on the **time** and their **location** at the time of making a call.

This first of a kind tariff allows subscribers to enjoy discounts of up to 90% with Supa Ongea.

With on-net call charges ranging from as low as 80cts to Ksh. 8 per minute.

Safaricom Business



Safaricom launched the **Think Safaricom Business** marketing campaign to position **Safaricom Business** as the preferred business communication partner.

Through this campaign, we are looking beyond the obvious communication needs of businesses and encouraging them, as partners, to embrace the communication solutions that Safaricom has to offer in driving their businesses to exceed expectations.

Safaricom Live: Connect, Imagine , Discover

SafaricomLIVE
Connect, Imagine, Discover.

Choose the **fastest** internet service...
available All Over Kenya.
Connect on your phone or any
computer through a modem.

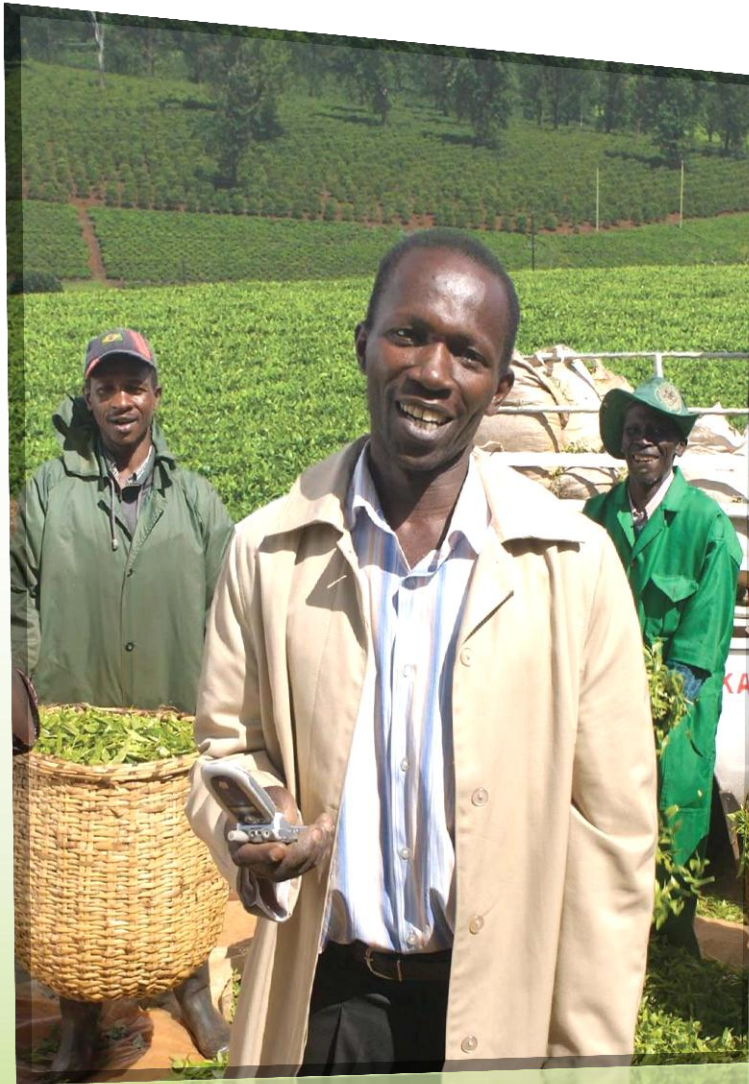
Safaricom

Safaricom high speed broadband
Powered by 3G

- Launch of Safaricom Live: one-stop shop for Music, videos, games, classifieds, sports and much more
- Fast internet browsing speeds in real-time

Safaricom

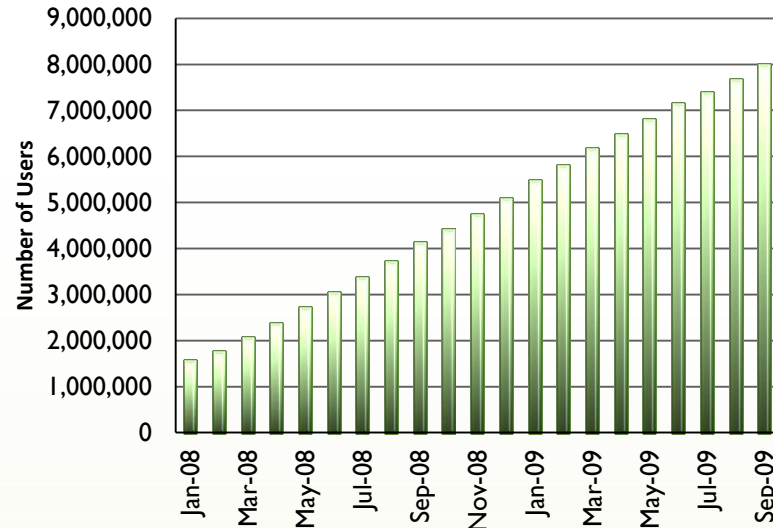
M-PESA: Success through partnerships



- Partnerships with Banks, ATM service providers, Saccos and MFIs to extend the reach, accessibility and convenience of using M-PESA
- Over 27 bulk payment partners who benefit from easy and cheap payments for services, salary, promotions and CSR funds collection
- Over 75 organization under our Paybill option providing a convenient way to bay bill anywhere, anytime.
- Over 12,000 Kenyans employed in M-PESA service provision
- Introduction of International Money Transfer

M-PESA: Continued Growth

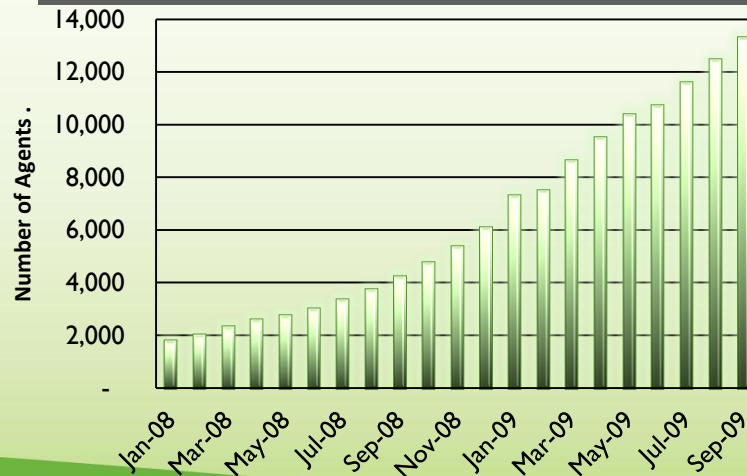
Cumulative Number of MPESA Users



From inception our M-PESA customer base has grown to 7.9 Million users as at September 2009 (20% of the population)

M-PESA is becoming increasingly popular and this trend is expected to continue in future

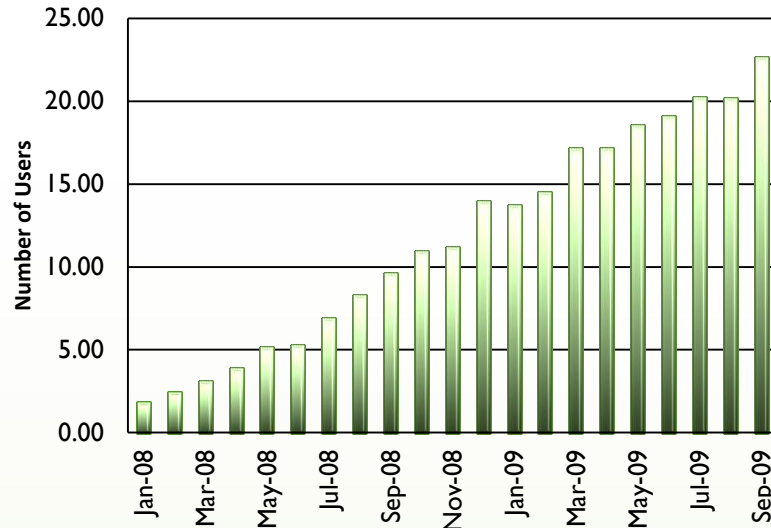
Number of Agents



Distributed through 13,326 agents countrywide (4,230 Sept 08)

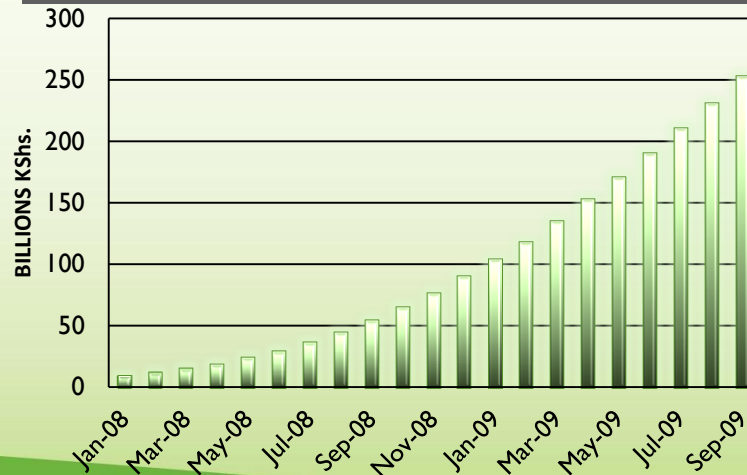
M-PESA: Continued Growth

Monthly Value of P2P Transactions



Person-to-Person transactions for September 2009 at Ksh. 22.65 Bn (\$ 302 Million)

Cumulative Value of P2P transactions



By September 2009 the total value of Person-to-Person transactions stood at Ksh. 253.10 Billion (\$3.37 Billion)

Financial Highlights

Turnover



17.8% to Ksh. 40.66 bn

EBITDA



10.1% to Ksh. 16.52 bn

Shareholders Funds



14.8% to Ksh. 53.78 bn

Subscribers



21.4% to 14.51 mn

EPS



8.1% to Ksh. 0.168

Chris Tiffin

Chief Financial Officer

Key Financials:

Strong results against adverse economic conditions

INCOME STATEMENT

KSH. BILLIONS

Sep-09

Sep-08

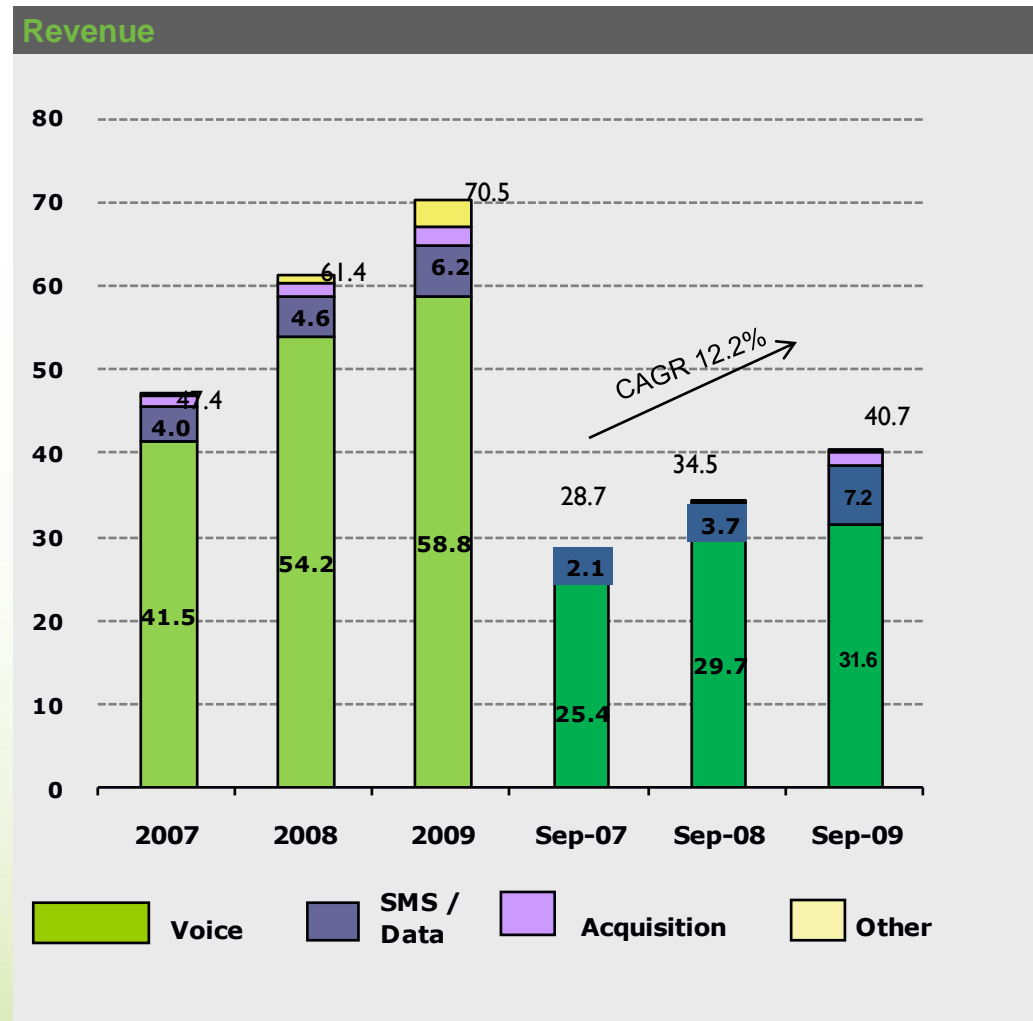
% CHANGE

Revenue	40.661	34.508	17.8%
EBITDA	16.517	15.005	10.1%
% of Revenue	40.6%	43.5%	
Depreciation & Amortization	(6.655)	(5.432)	22.5%
Operating Profit	9.898	9.573	3.4%
Financing Costs	(0.764)	(0.597)	28.0%
Profit Before Tax	9.134	8.976	1.7%
Taxation	(2.502)	(2.759)	(9.3%)
Net Income	6.632	6.217	6.7%
 Basic EPS	 0.168	 0.155	 8.1%

Key Performance Indicators: Revenue

Continued Growth

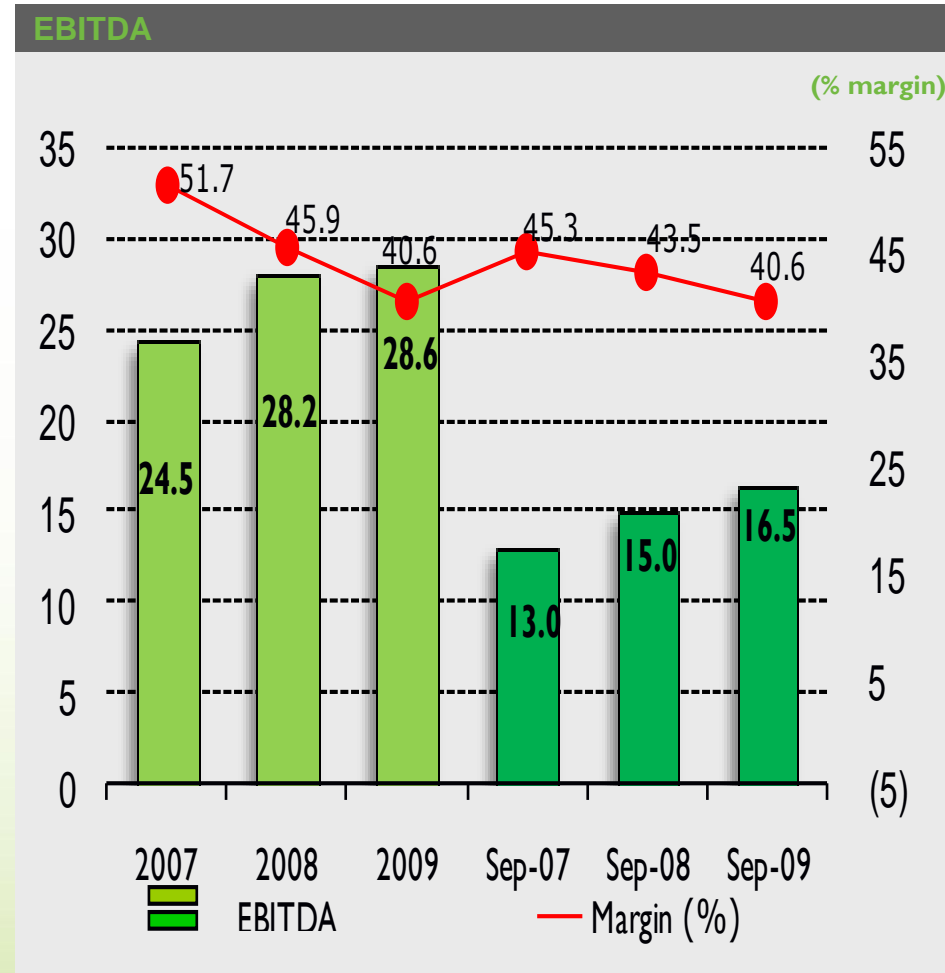
- Double-digit growth of 17.8% to Ksh. 40.66 bn
- Voice revenue increased by 6.2% to 77.6% of Revenue (86.1% Sept 08)
- Data revenue increased by 93.6% - representing 17.7% of revenue (10.8% Sept. 08)
- This growth was driven by the combined effect of both mobile broadband services (159.8% increase) and M-PESA (247.5% increase)



Key Performance Indicators: EBITDA

Expanding Margins

- Strong EBITDA of Ksh. 16.52 bn which was 10.1% higher than the previous year
- Attributable to improved revenue growth and a more stable cost structure
- EBITDA margin declines to 40.6% compared to 43.5% in the same period in 2008 – however, in line with March 2009

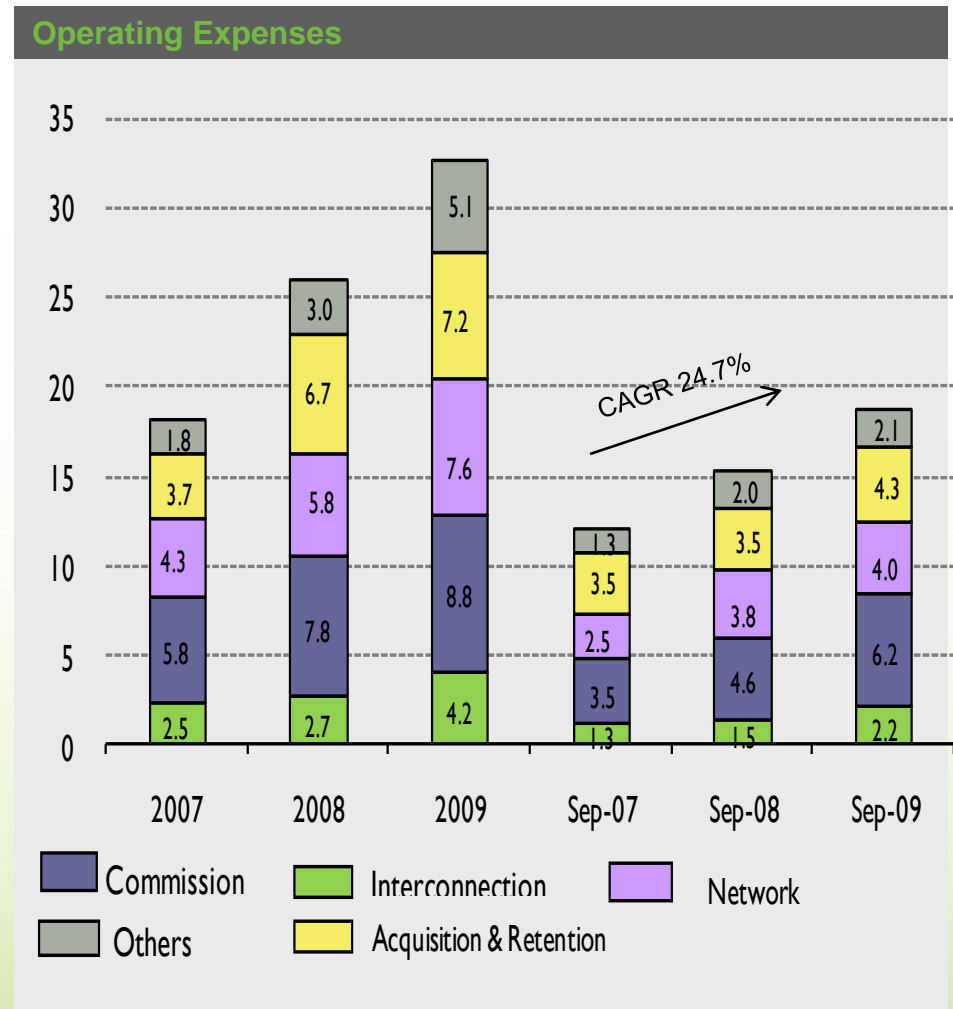


Key Performance Indicators: OPEX

Stable Cost Control

Operating Expenses

- Commissions (Trade & MPESA)
- Interconnection Costs – traffic increases
- Acquisition & Retention costs based on our growth strategy

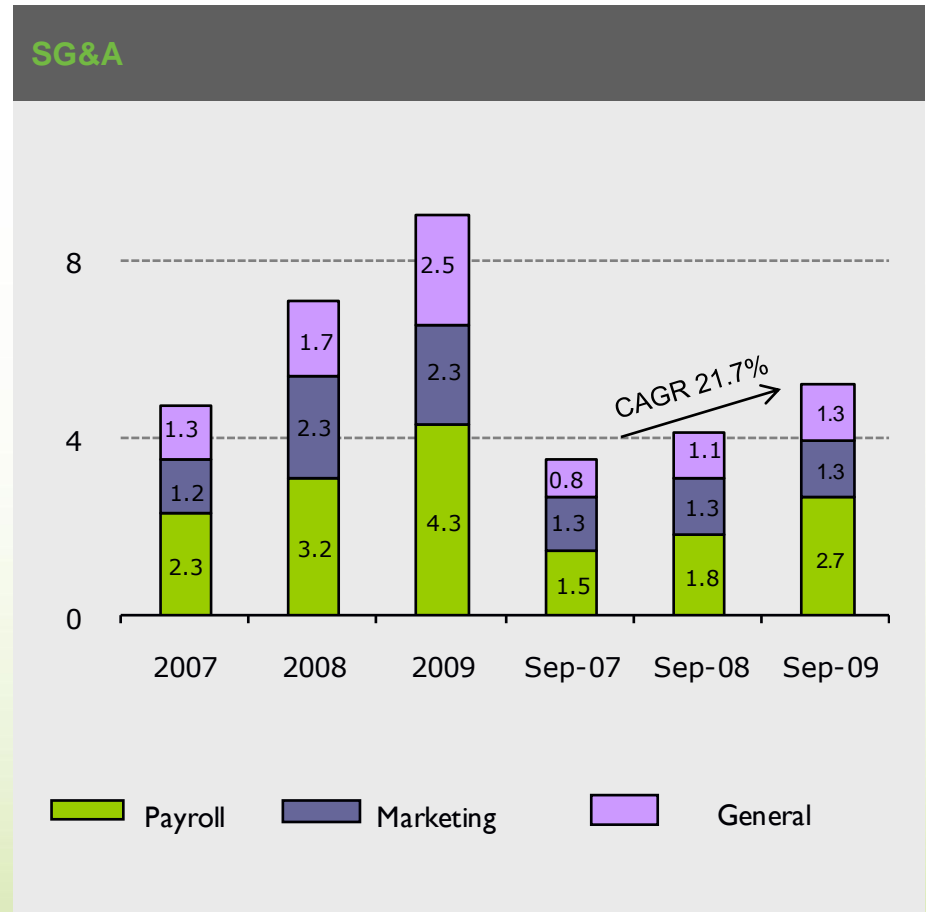


Key Performance Indicators: SG&A

Stable Cost Control

Selling, General & Administrative Expenses

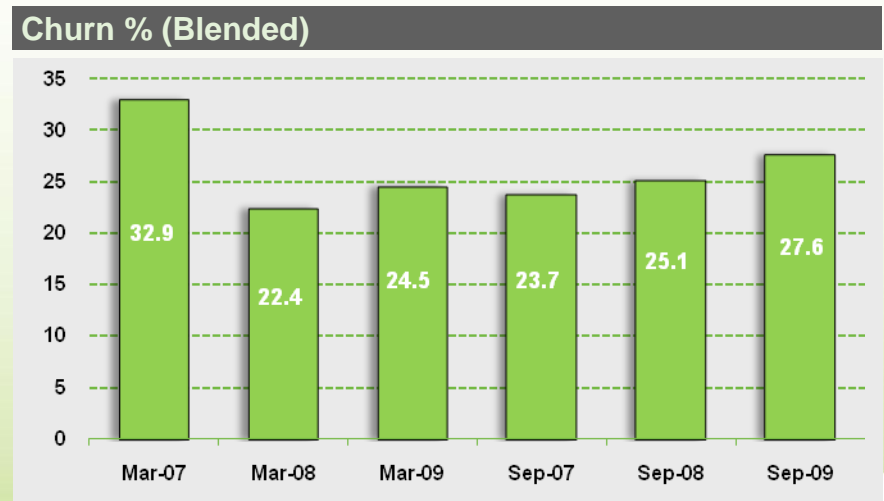
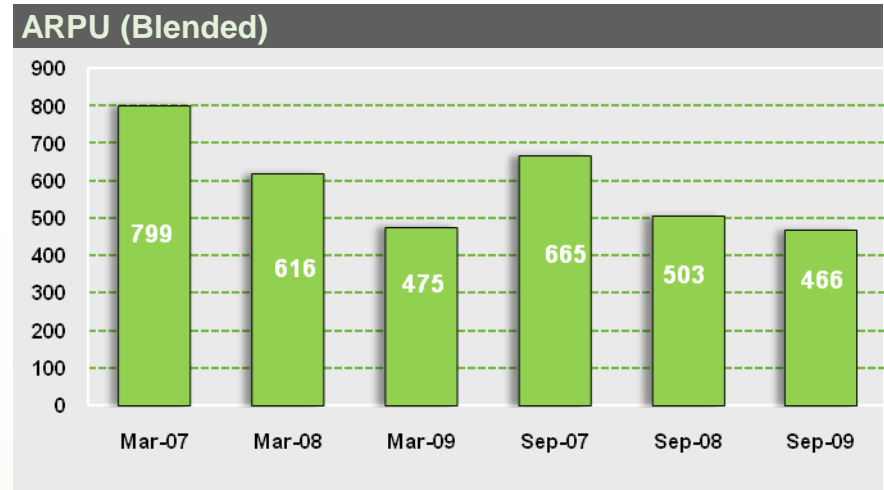
- Payroll and personnel costs 44.4% increase
- Marketing maintained
- Retail shop expansion up 79% from 14 to 25 shops



Key Performance indicators: ARPU & CHURN

Robust

- Blended ARPU declined 7.3% to Ksh. 466.5 with increased penetration into rural areas and lower average tariffs.
- Marginal reduction of 1.9% from March 2009, with an 8.6% increase in Subscribers over the same period
- Churn of 27.6%, low in comparison to emerging market peers
- Continued positive impact of M-PESA and Bonga Loyalty Scheme



Balance Sheet

Strong Fundamentals

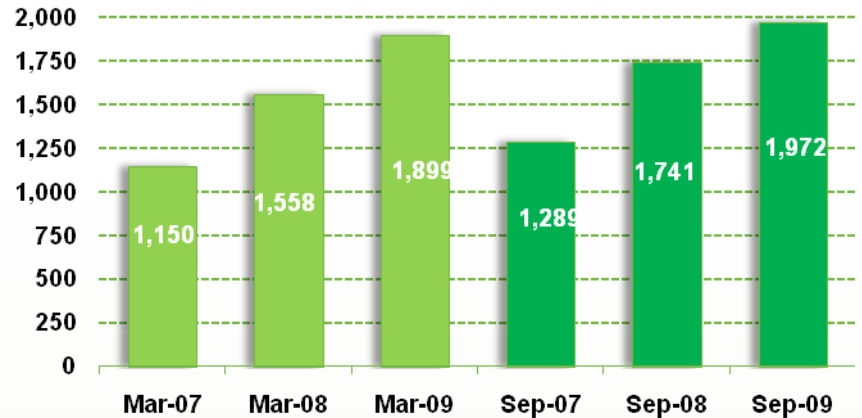
BALANCE SHEET KSHS (MILLIONS)	Sep-09	Sep-08	% Change
Non-current Assets	76,475	66,455	15.1%
Current Assets	20,600	13,465	53.0%
Total Assets	97,076	79,921	21.5%
Share Capital	2,000	2,000	0.0%
Share Premium	1,850	1,850	0.0%
Retained Earnings	50,121	43,009	16.5%
Non-controlling interest	(192)	-	
Shareholders Funds	53,779	46,859	14.8%
Current and non-current liabilities	27,384	24,157	13.4%
Borrowings	15,913	8,905	78.7%
Total Shareholders Funds and Liabilities	97,076	79,921	21.5%
Gearing (gross borrowing incl cash)	14.9%	12.9%	1.9%
Gearing (gross borrowing excl cash)	29.6%	19.0%	10.6%

Capital Expenditure

Investing for the Future

- Capex investment for the period was Ksh. 8.5 bn increasing total capital investment since inception to Ksh. 128.3 bn
- 2G sites increased to 1,972 from 1,741 of which 384 sites upgraded to 3G
- Capital expenditure expected to continue at a high level as we invest for the future in line with our growth strategy

Base Stations



Capital Expenditure (Ksh Bn)



Cash Flow Statement

Positive

CASH FLOW STATEMENT KSHS (MILLIONS)	Sep-09	Sep-08	% Change
Cash from Operating Activities	7,493	9,648	(22.3%)
Investing Activities	(8,532)	(10,044)	(15.1%)
Financing Activities and Dividend	4,602	(2,294)	(300.6%)
Increase/(Decrease) in cash	3,563	(2,690)	(232.5%)
Movement in cash:			
As start of year	4,362	5,535	(21.2%)
Increase/(Decrease)	3,563	(2,690)	(232.5%)
As end of period	7,925	2,845	178.6%

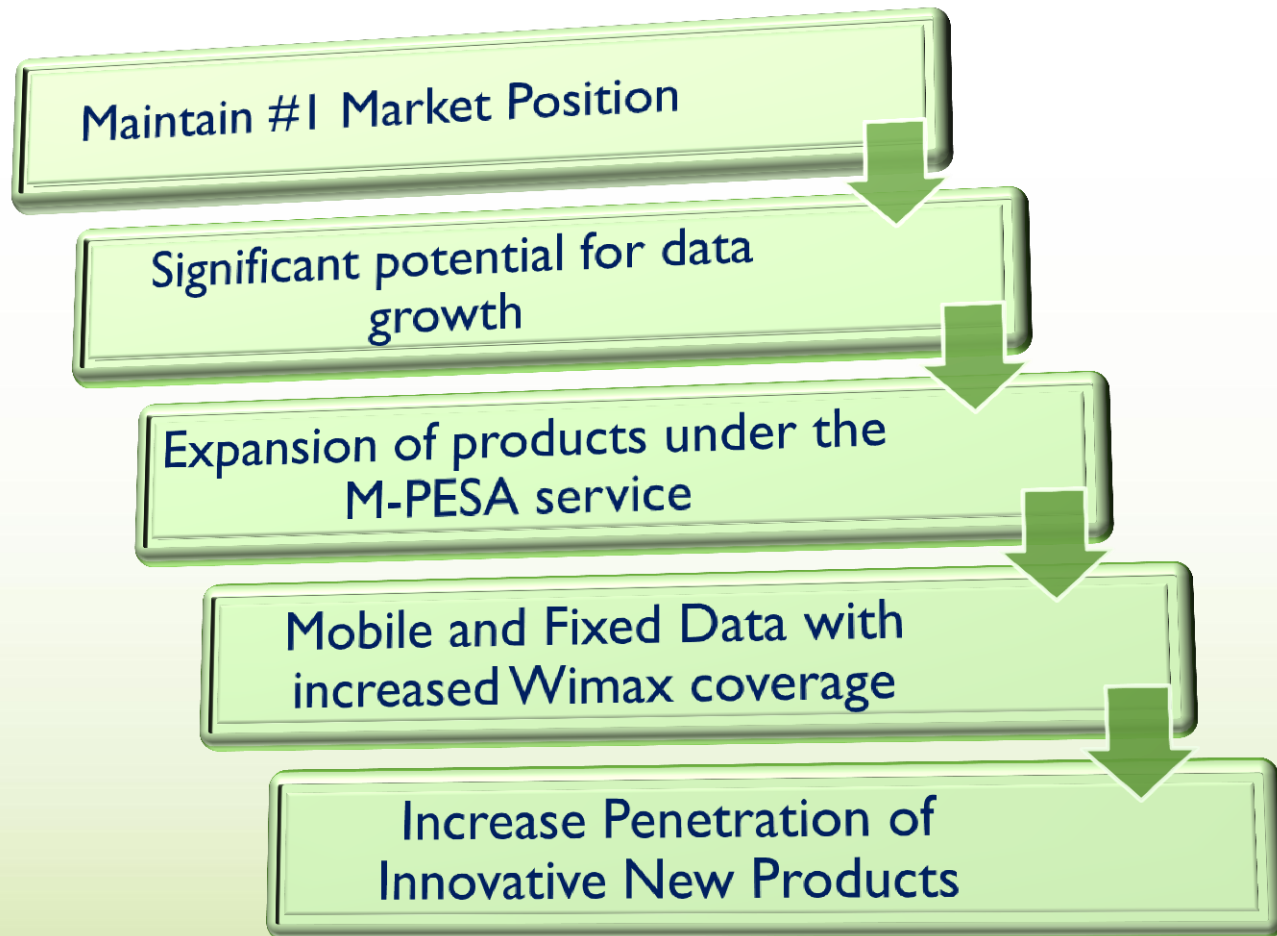
The Future: Challenges

Constraints across the Sector

- Competition – 4 players in the mobile telephone market
& numerous others in the data market
- Regulatory Environment
- Inflation and general economic environment: customers' disposable incomes
- Power/Energy costs increasing Network running costs
- Declining Voice ARPUs
- High cost of Funding

The Future: Initiatives

Our Future: Building on our Strengths



Q & A

A wide-angle photograph of a lush green hillside under a blue sky with white clouds. Two people are riding bicycles along the crest of the hill. A large, stylized red swoosh graphic arches over the cyclists. The text 'THANK YOU' is centered in the middle of the image.

THANK YOU

Niko na  **Safaricom**