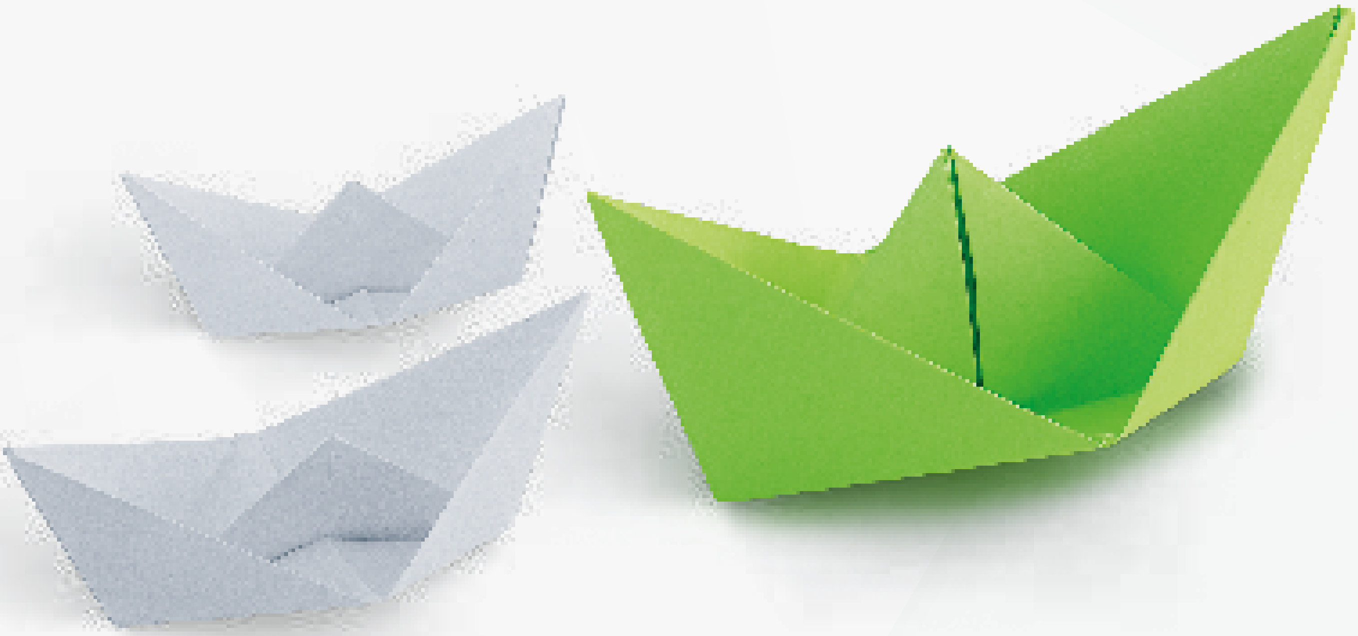

SAFARICOM PLC

RESULTS BOOKLET

FOR THE YEAR ENDED 31 MARCH 2020

Simple • Transparent • Honest

FOR YOU

Safaricom

Highlights[i]

Steady service revenue growth on an underlying basis

Service revenue growth of **4.8%** to **KShs 251.22bn**

Service revenue growth of **5.9%** on an underlying basis [ii]

Voice (incoming and outgoing) revenue declined **1.4%** to **KShs 94.45bn**

M-PESA **M-PESA revenue grew** by **12.6%** to **KShs 84.44bn**

Mobile data revenue increased by **12.1%** to **KShs 40.67bn**

Messaging revenue declined by **12.3%** to **KShs 17.19bn**

Fixed service revenue increased by **10.7%** to **KShs 8.97bn**

One month active overall customers increased by **9.5%** to **28.63mn**

M-PESA **One month active M-PESA customers increased** by **10.0%** to **24.91mn**

One month active chargeable mobile data customers increased by **10.2%** to **19.62mn**

Earnings outperforms guidance generating solid shareholder returns

13.5% growth in **EBIT**, or **Profit before interest and tax**, to **KShs 101.01bn** with an **EBIT margin of 38.6%**, up **3.0ppts YoY**

HEPS* KShs. 1.78 up **14.3% YoY**

Free cash flow increased **11.4%** to **KShs 70.27bn**

* Headline Earnings per share (HEPS) calculated excluding the gain on acquisition of the M-PESA brand (KShs 3.3bn) divided by number of issued share capital

Safaricom

Michael Joseph, outgoing Safaricom PLC CEO commented:

Our focus for FY20 was to regain customer trust and market share. In line with this we launched the "For You" Customer proposition renewing our commitment to customers to be Simple, Transparent and Honest across all of our products and operations. This has led to improved customer sentiment, brand consideration and market share gain for the first time since 2017.

We are keen on giving our customers flexibility and a more agile network. In FY20 we continued on our journey of digital transformation, automating across both our internal and customer facing operations and enhancing the use of artificial intelligence to inform products and processes. We ramped up our investment in IT capabilities, with an objective of mapping a monetization path in critical verticals such as agriculture, health, education and ecommerce.

We completed the acquisition of the M-PESA brand, product development and support services from Vodafone Plc through a newly-created joint venture between ourselves and Vodacom. This initiative will enhance M-PESA's growth in Africa by giving us both full control of the M-PESA brand, product development and support services as well as the opportunity to expand M-PESA into new African markets.

We continue to be guided by the Sustainable Development Goals, which are not only influencing a more sustainable approach to business, but also strengthening our commitment to ensuring that we leave no-one behind. We continue to support the economy, from job creation to the taxes and duties we pay, and now source 74% of our procurement needs from local suppliers. We continue to support the communities we operate in, impacting millions of Kenyans each year and disbursing support on many projects from both our Safaricom and M-PESA foundations. And we do this while being environmentally conscious, we are targeting to become carbon neutral by 2050, and to support this have an ambitious target of planting 5 million trees in the next 5 years.

Operating review

We are very pleased about our performance for FY20, outperforming our EBIT guidance despite some top line challenge in the year. Service Revenue increased 4.8% driven by sustained customer acquisition, recovery of mobile data growth which is now back to double digit, along with sustained M-PESA and fixed data growth. The growth was partially offset by contraction of the betting industry and the free transaction fees associated with our Covid 19 response. On an underlying basis Service Revenue increased 5.9%.

Voice and messaging

In line with global industry trends, voice and messaging revenue recorded a blended decline of 3.3%. This decline was partly driven by competitive pressures and migration to newer technologies, and partly by the impact of corrective actions taken last year to make it easier for our customers to manage their premium rate subscriptions, opt out of them and regain customer trust. Voice and messaging are now 44.4% of service revenue.

M-PESA

M-PESA grew 12.6% YoY in the period. On an underlying basis, excluding the impact of betting and our COVID-19 response, M-PESA grew 17.2%. This growth was driven by savings and lending and P2P which make up two thirds of the total growth. However, we have seen a slowdown in the growth rates across withdrawals and payments, partly driven by a general economic slowdown, and this is likely to get worse as we face the coronavirus pandemic in FY21. While we are facing some short term headwinds, there is still a lot of opportunity to grow and we are excited about M-PESA's future.

Mobile data

We are pleased to report that on average our customers are now using more than 1GB per month and that mobile data achieved double digit revenue growth of 12.1% for the year. Mobile data now accounts for 16.2% of Service Revenue and grew 21.1% 2H20. Growth in mobile data was driven by increased smartphone penetration and usage and a 28.3% reduction in effective rate per MB. The launch of "For You" structure in October 2019 enhanced affordability and gave customers more control and worry-free experience when using mobile data.

Fixed data

In the period, fixed service revenue registered a growth of 10.7% and contributes 3.6% of total service revenue in the period. Fixed revenue is driven by increased activity and penetration for FTTH.

Capex

We sustained strong investment in FY20. Our capital additions amounted to KShs 36.10bn for the period. Capex intensity has reduced 1.1ppts YoY to 13.8% as we continue to focus on enhancing monetization and cost savings opportunities upon deployment.

Dividend

The Board remains committed to investing in the business and continuing our strong record for paying progressive dividends each year. The proposed dividend for FY20 is KShs 56.09bn. The proposed dividend per share (DPS) of KShs 1.40 has been computed at 80% of the profit and total comprehensive income for the year excluding the one-off exceptional item of share of profit of joint venture of KShs 3.3bn, divided by number of issued share capital on IFRS 15/16 basis.

Summary and outlook

Peter Ndegwa, Safaricom PLC CEO commented:

I have joined Safaricom at a time when humanity is facing its' biggest challenge in modern history. The past one month of my time in Safaricom has been spent interacting with both staff and customers and I am pleased to say that I am filled with admiration for the resilience our staff are showing, by ensuring that in unprecedented times, our customers continue to interact with our products and services with ease.

Never has our purpose of transforming lives been more present and relevant. We continue to implement measures to cushion customers and Kenyans at large from the negative impact of the pandemic. Our current support which extends to 30 June 2020, is valued at KShs 6.5bn, this includes:

- Zero-rating of the following transactions until 30 June 2020 to reduce the risk of handling cash, the transactions include:
  - Person to Person and Lipa na M-PESA transactions below KShs 1,000
  - Bank to M-PESA wallet and M-PESA wallet to bank transactions
- Zero-rated paybill tills for government hospitals and dispensaries.
- Daily M-PESA transaction limits increased to KShs 150,000 to support SMEs and daily M-PESA wallet limit increased to KShs 300,000 to further support reduction of risk in handling cash.
- Double bandwidth offered on our fiber connections to home for 90 days, giving customers an opportunity to work and learn from home.
- Provision of concessional rates for data access to specific educational content for various universities and other learning institutions.
- Safaricom Foundation donation of thermal cameras worth KShs 10mn to the Ministry of Health installed in various entry points to our country, as well as a KShs 200mn food donation.
- Safaricom has further supported the government in the establishment and operation of a 24-7 COVID-19 Information Centre, leveraging the capabilities of our Customer Contact Centre. We are also hosting over 300 doctors to support the frontline staff in educating, informing and managing the spread of COVID-19.
- Customers are allowed to use Bonga points at any outlets with Lipa na M-PESA tills to buy food and basic necessities.
- Over KShs 331mn set aside to help in education, health and empowerement to drive community support.

It is important to point out that our most critical support to the country remains ensuring network stability to support the usage in M-PESA, voice, SMS and data. We have the responsibility to keep the country connected.

Safaricom has always been the pioneer in many ground-breaking innovations, and I am committed to continuing this path with a focus to tap into the vast opportunity in the Agriculture, Health, Education, and Public sectors. Leveraging the power or partnerships, and the digital platforms we operate, I aim to drive affordable and innovative products in mobile communication, financial services and enterprise solutions whilst maintaining leadership in the best network quality.

I have a clear ambition to strengthen our differentiation and to lead the company in capturing the continued opportunities of digital.

FY21 Guidance

Due to the uncertainty emanating from the COVID-19 pandemic, many parameters that would normally be factored in for a prudent guidance are unclear, and changing by the day. As a result, we have decided to postpone giving guidance until Q2 of FY21 when we hope visibility on the situation improves. Whilst things will remain challenging in the short term, we believe we are well placed to weather this storm. We will leverage the strength of our balance sheet and our resilient business model to ensure we continue to innovate and generate efficiencies for our customers and shareholders alike thus safeguarding our performance for the future.

Uncertainty for FY21

- Very early in the cycle for Kenya
- Local response – curfew vs lock down
- Containment vs resurgence worldwide
- Economic impact to Kenya

Postponing guidance to enable;

- A clearer picture of the curve
- Better visibility on economic outlook
- Better view of impacts and opportunities
- More accurate forecast for FY21

[i] Following the adoption of IFRS 16 - Leases on 1 April 2019, the Group's results for the year ended 31 March 2020 are on an IFRS 15/IFRS 16 basis, , whereas the results for the year to 31 March 2019 are (as previously reported) on an IFRS 15/IAS 17 basis. To ensure appropriate disclosure during the period of transition onto IFRS 16, numbers for the year ended 31 March 2020 have been disclosed on both an IFRS 16 and IAS 17 basis and our commentary describing our operating performance has been provided solely on an IFRS 15/IAS 17 basis.

[ii] Excluding the impact of betting and free M-PESA transactions in response to COVID-19.

1. Key performance indicators

Key Performance Indicators	FY20 IFRS 15 Reported	FY19 IFRS 15 Restated	FY19 IFRS 15 Reported	% Change IFRS15/IAS17
Total customers	35.61	31.73	31.85	12.2%
90-day active total customer ARPU	614.58	659.34	658.30	(6.8%)
One month active customers (m)	28.63	26.15	26.73	9.5%
One month active customer ARPU	758.70	788.94	773.00	(3.8%)
Churn (%)	25.22%	23.54%	23.45%	(1.7ppts)
Voice				
One month active voice customers (m)	25.75	24.16	24.24	6.6%
One month active voice customer ARPU	313.46	340.26	339.58	(7.9%)
M-PESA				
Number of M-PESA agents	173,259	167,083	167,083	3.7%
One month active M-PESA customers (m)	24.91	22.64	22.64	10.0%
One month active M-PESA ARPU	294.68	289.95	289.95	1.6%
Mobile Data				
One month active mobile data customers (m)	21.99	19.26	18.83	14.2%
One month active chargeable mobile data customers (m)	19.62	17.81	15.92	10.2%
One month active chargeable mobile data ARPU	179.70	170.98	175.66	5.1%
Messaging				
One month active messaging customers (m)	21.40	20.34	17.92	5.2%
One month active messaging customer ARPU	67.80	80.83	81.67	(16.1%)
Base Stations				
2G base stations	5,314	4,949	4,949	7.4%
3G base stations	5,275	4,907	4,907	7.5%
4G base stations	4,342	2,791	2,791	55.6%

ARPU in KShs
All KPI's are on an IFRS 15 basis
FY19 customer numbers and corresponding ARPU's have been restated to align to Vodafone Group definitions and IFRS 15

2. Condensed consolidated statement of profit or loss and other comprehensive income

KShs Bn	FY20 IFRS 15/16	FY20 IFRS15/IAS17	FY19 IFRS15/IAS17	% Change IFRS15/IAS17	IFRS 16 Impact
Voice revenue	94.45	94.45	95.80	(1.4%)	0.00
M-PESA revenue	84.44	84.44	74.99	12.6%	0.00
Messaging revenue	17.19	17.19	19.61	(12.3%)	0.00
Mobile data revenue	40.67	40.67	36.27	12.1%	0.00
Fixed service revenue	8.97	8.97	8.10	10.7%	0.00
Other service revenue	5.50	5.50	5.00	10.0%	0.00
Service Revenue	**251.22**	**251.22**	**239.77**	**4.8%**	**0.00**
Handset revenue and other revenue	10.48	10.48	9.45	10.9%	0.00
Construction revenue	0.58	0.58	0.60	(3.3%)	0.00
Other Income	0.28	0.28	0.46	(39.1%)	0.00
Total Revenue	**262.56**	**262.56**	**250.28**	**4.9%**	**0.00**
Direct Costs	(74.70)	(74.70)	(71.80)	4.0%	0.00
Provision for expected credit loss (ECL) on receivables	(1.67)	(1.67)	0.01	<100.0%	0.00
Construction costs	(0.58)	(0.58)	(0.60)	(3.3%)	0.00
Contribution margin	**185.61**	**185.61**	**177.89**	**4.3%**	**0.00**
Contribution margin %	*70.8%*	*70.8%*	*71.2%*	*(0.4ppts)*	*0.0ppts*
Operating costs	(47.56)	(50.97)	(53.59)	(4.9%)	3.41
Operating costs % total revenue	*18.2%*	*19.5%*	*21.5%*	*(2.0ppts)*	*(1.3ppts)*
EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation)	**138.04**	**134.63**	**124.30**	**8.3%**	**3.41**
EBITDA margin %	*52.7%*	*51.4%*	*49.8%*	*1.6ppts*	*1.3ppts*
Depreciation, impairment & amortisation	(36.55)	(33.62)	(35.33)	(4.8%)	(2.92)
EBIT (Earnings before Interest and Tax)	**101.49**	**101.01**	**88.97**	**13.5%**	**0.48**
EBIT Margin %	*38.7%*	*38.6%*	*35.6%*	*3.0ppts*	*0.1%*
Net finance income	0.92	2.56	2.24	14.3%	(1.64)
Share of associate profit/(loss)	0.06	0.06	0.01	>100.0%	0.00
Share of profit of Joint Venture (M-PESA Global Services Limited)	3.30	3.30	0.00	>100.0%	0.00
Profit before income tax	**105.77**	**106.93**	**91.22**	**17.2%**	**(1.15)**
Income tax expense	(32.12)	(32.23)	(28.73)	12.2%	0.11
Profit after tax	**73.66**	**74.70**	**62.49**	**19.5%**	**(1.04)**
Other comprehensive income	0.00	0.00	0.00	0.00%	0.00
Profit and total comprehensive income for the year*	**73.66**	**74.70**	**62.49**	**19.5%**	**(1.04)**
Profit and total comprehensive income for the year %	**28.1%**	**28.5%**	**25.0%**	**3.5ppts**	**(0.4ppts)**
Basic and diluted earnings per share (EPS)*	**1.84**	**1.86**	**1.56**	**19.5%**	**(0.02)**

*The share of profit of joint venture, KShs 3.30bn relates to the purchase of the M-PESA brand, with the gain being attributed to the intrinsic value of the M-PESA brand previously unrecognizable due to the ownership structure. As this is exceptional in nature, the normalized profit and total comprehensive income for the year grew at 14.3%, and headline earnings per share (HEPS) amounted to KShs 1.78, an increase of 14.3% year on year.

IFRS 16 impact - The Group has recognised amortisation of ROU asset of KShs 2.92bn and interest on lease liability of KShs 1.64bn compared to operating lease expenses of KShs 3.41billion that would have been recognised under IAS 17. The net impact to FY20 is KShs 1.04bn.

All margins are calculated on total revenue excluding construction revenue.

a. Direct costs

KShs Bn	FY20 IFRS 15/16	FY20 IFRS 15/IAS17	FY19 IFRS15/IAS17	%Change IFRS15/IAS17	IFRS 16 Impact
M-PESA Commissions	(23.82)	(23.82)	(22.26)	7.0%	0.00
Airtime Commissions	(10.96)	(10.96)	(11.01)	(0.5%)	0.00
Licence Fees	(9.79)	(9.79)	(10.08)	(2.9%)	0.00
Interconnect & Roaming	(7.60)	(7.60)	(7.55)	0.7%	0.00
Handset costs	(7.58)	(7.58)	(6.09)	24.5%	0.00
Customer Acquisition and Retention	(8.51)	(8.51)	(7.80)	9.1%	0.00
Value Added Services costs (Voice & SMS)	(5.79)	(5.79)	(6.31)	(8.2%)	0.00
Other	(0.64)	(0.64)	(0.70)	(8.6%)	0.00
Total direct costs	**(74.70)**	**(74.70)**	**(71.80)**	**4.0%**	**0.00**

Direct costs YoY growth attributed to an increase in handset costs driven by aggressive 4G penetration.

b. Operating costs

KShs Bn	FY20 FRS 15/16	FY20 IFRS 15/IAS17	FY19 IFRS15/IAS17	% Change IFRS15/IAS17	IFRS 16 Impact
Repairs and maintenance	(0.33)	(0.33)	(0.31)	6.5%	0.00
Operating lease rentals- Buildings	(0.05)	(1.15)	(1.21)	(5.0%)	1.10
Operating lease rentals- Sites	(0.35)	(2.60)	(2.56)	1.6%	2.26
Warehousing costs	(0.32)	(0.32)	(0.32)	0.0%	0.00
Employee benefits expense	(16.94)	(16.99)	(16.93)	0.4%	0.05
Auditor's remuneration	(0.06)	(0.06)	(0.05)	20.0%	0.00
Sales and advertising	(5.79)	(5.79)	(7.48)	(22.6%)	0.00
Consultancy	(1.43)	(1.43)	(0.04)	>100.0%	0.00
Site/facilities costs	(13.41)	(13.41)	(14.04)	(4.5%)	0.00
Travel and accommodation	(0.75)	(0.75)	(0.87)	(13.8%)	0.00
Computer maintenance	(2.09)	(2.09)	(2.22)	(5.9%)	0.00
Office administration	(1.02)	(1.02)	(1.33)	(23.3%)	0.00
Net foreign exchange gains, other than on borrowings and cash and cash equivalent	0.17	0.17	0.06	>100.0%	0.00
Other operating expenses	(5.19)	(5.19)	(6.29)	(17.5%)	(0.00)
Total operating costs	**(47.56)**	**(50.97)**	**(53.59)**	**(4.9%)**	**3.41**

Significant savings in operating cost YoY driven by operational and digital efficiencies across sales and advertising, and site/ facilities costs.

Consultancy costs increase YoY impacted by the one-off release of KShs 986mn legal fee accrual in FY19, offset by a saving in other operating expenses impacted by a one-off provision in FY19 relating to increased excise duty not passed on immediately to the customer.

Under IFRS16 The Group has recognized a KShs 3.41bn saving on rent that would have been recognised under IAS 17. The is offset by increased amoritsation and lease interest costs as indicated on page 6.

Safaricom

3. Condensed consolidated statement of financial position

KShs Bn	FY20 IFRS 15/16	FY20 IFRS 15/IAS17	FY19 IFRS15/IAS17	% Change IFRS15/IAS17	IFRS 16 Impact
Share Capital (including share premium)	4.20	4.20	4.20	0.0%	0.00
Retained earnings	82.79	83.83	65.22	28.5%	(1.04)
Proposed Dividends-Normal	56.09	56.09	50.08	12.0%	0.00
Proposed Dividends-Special	0.00	0.00	24.84	(100.0%)	0.00
Total equity	**143.08**	**144.12**	**144.35**	**(0.2%)**	**(1.04)**
Represented by					
Non-current liabilities	**13.64**	**1.97**	**1.87**	**5.3%**	**11.67**
Total equity and non-current liabilities	**156.72**	**146.09**	**146.22**	**(0.1%)**	**10.63**
Non-current assets	**164.40**	**149.17**	**142.52**	**4.7%**	**15.23**
Current assets					
Contract assets	2.56	2.56	1.99	28.6%	0.00
Inventories	1.86	1.86	1.78	4.5%	0.00
Receivables and prepayments	17.19	18.36	18.13	1.3%	(1.17)
Cash and cash equivalents	26.76	26.76	20.03	33.6%	0.00
Other Financial assets	0.19	0.19	8.04	(97.6%)	0.00
Current income tax	0.26	0.14	0.00	100.0%	0.12
	48.82	**49.87**	**49.96**	**(0.2%)**	**(1.06)**
Current liabilities					
Lease Liability	3.55	0.00	0.00	0.0%	3.55
Contract liabilities	9.41	9.41	9.28	1.4%	0.00
Dividends Payable	1.05	1.05	0.00	100.0%	0.00
Payables and accrued expenses	29.92	29.92	28.70	4.3%	0.00
Provision for other liabilities	4.46	4.46	3.89	14.7%	0.00
Income tax payable	0.11	0.11	0.35	(68.6%)	0.00
Borrowings	8.00	8.00	4.03	98.5%	0.00
	56.50	**52.95**	**46.26**	**14.5%**	**3.55**
Net current (liabilities)/assets	**(7.68)**	**(3.08)**	**3.70**	**(<100.0%)**	**(4.60)**
	156.72	**146.09**	**146.22**	**(0.1%)**	**10.63**

The unfavourable IFRS 16 impact at retained earnings of KShs 1.04bn is mainly due to front loading effect of interest on lease liability and amortisation of ROU asset. The favourable IFRS 16 impact at non current liabilities of KShs 11.67bn relates to non current lease liability recognised.

Net current liability position is attributed to increased borrowing, payables and accrued expenses in the year to be paid within the agreed contract terms. The dividend payable of KShs 1.05bn represents uncashed dividends by investors with a corresponding entry under receivables and prepayments. This is now disclosed in the balance sheet as a current liability as recommended by management and external auditors.

4. Net cash

KShs Bn	FY20 IFRS 15/16	FY20 IFRS 15/IAS17	FY19 IFRS15/IAS17	% Change IFRS15/IAS17
Cash and cash equivalents	26.76	26.76	20.03	33.6%
Bank borrowings	(8.00)	(8.00)	(4.03)	98.5%
Total net cash	**18.76**	**18.76**	**16.00**	**17.3%**

Net cash increased to KShs 18.76 bn driven by robust cash generated from operations. Total borrowings increased to KShs 8.00bn, in line with working capital requirements and is repayable by May 2020.

5. Free cash flow

KShs Bn	FY20 IFRS 15/16	FY20 IFRS 15/IAS17	FY19 IFRS15/IAS17	% Change IFRS15/IAS17	IFRS 16 Impact
EBITDA	**138.04**	**134.63**	**124.30**	**8.3%**	**3.41**
Net working capital changes	2.42	1.25	1.15	8.7%	1.17
Movement in;					
ROU assets and lease liabilities	(4.58)	0.00	0.00	0.0%	(4.58)
Gain (Loss) on PPE disposal	(0.06)	(0.06)	0.00	(<100.0%)	0.00
Operating cash flow	**135.82**	**135.82**	**125.45**	**8.3%**	**0.00**
Capital Additions	(36.10)	(36.10)	(37.25)	(3.1%)	0.00
Proceeds from PPE disposal	0.07	0.07	0.25	(72.0%)	0.00
Operating free cash flow	**99.80**	**99.80**	**88.45**	**12.8%**	**0.00**
Net Interest Received	2.59	2.59	2.12	22.2%	0.00
Taxation paid	(32.11)	(32.11)	(27.46)	16.9%	0.00
Free cash flow	**70.27**	**70.27**	**63.11**	**11.4%**	**0.00**

Capital expenditure comprises the purchase of property, plant and equipment and intangible assets, other than licence and spectrum payments. The Group's capital expenditure was KShs 36.10bn, representing 13.8% of total revenue. Capital expenditure was focused on improving the overall mobile network performance and customer experience with network modernization and capacity upgrades initiatives and strengthening our IT capabilities. 4G coverage achieved as at 31 March 2020 was 77%, 3G at 94% and 2G at 96% coverage.

Free cash flow increased 11.4%, driven by higher net income received from fixed deposits and T-Bills investments.

Additional information

6. Summary of significant accounting policies

The foregoing information was extracted from the Group's financial statements for the year ended 31 March 2020.

a. Basis of preparation

The financial statements have been prepared on a going concern basis and in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. The financial statements are presented in Kenya Shillings (KShs), which is also the functional currency, rounded to the nearest billion (KShs bn), except where otherwise stated.

The preparation of the financial statements in conformity with IFRS 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. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements are disclosed in the detailed financial statements in Note 3.

Measurement basis

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies summarised below.

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.

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the annual reporting year commencing 1 April 2019:

- IFRS 16: Leases

i) Adoption of IFRS 16: Lease

The Group has adopted IFRS 16 leases retrospectively from 1 April 2019 but has not restated comparatives for the year ended 31 March 2019, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on1 April 2019.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019.

The observable incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 13.0% being the Central Bank of Kenya Rate (CBR) +400 basis points.

ii) The Group's leasing activities and significant accounting policies

The Group's leases include base transceiver stations (BTS) sites, collocation sites, retail stores spaces, administrative office spaces and residential facilities. Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions.

After the adoption of IFRS 16, Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

b. Change in accounting estimate for useful life for specific Property Plant and Equipment asset categories.

IAS 16.51 guides that the residual value and the useful life of an asset should be reviewed at least at each financial year-end and, if expectations differ from previous estimates, any change is accounted for prospectively as a change in estimate under IAS 8.

The Group has adopted IFRS 16 Leases retrospectively from 1 April 2019 and reviewed its accounting estimate for useful life for specific Property Plant and Equipment asset categories.

On an annual basis, the Group through its internal technology team conducts an extensive review of the useful life of its Property Plant and Equipment assets. This year the Group reviewed and subsequently changed the accounting estimate on useful life for network assets. Subsequently the Group adopted a revised depreciation policy effective 1 April 2019. In the period, underlying depreciation charge on the asset categories reduced by KShs 2.30bn.

7. Declaration of proposed dividend 14 payable from retained earnings

The directors recommend the approval of a final dividend in respect to the year ended March 31 2020 of KShs 1.40 (2019: KShs 1.25) of KShs 56.09 bn (2019: KShs 50.08 bn), to the shareholders on the register of members as at 31 July 2020 the dividends will be paid on or about 1 November 2020. Dividend is calculated as 80% of the profit and total comprehensive income for the year excluding the one-off exceptional item of share of profit of joint venture of KShs 3.3bn, divided by number of issued share capital on IFRS 15/16 basis.

8. Investment in subsidiaries, associates and joint ventures;

Circle Gas - Associate

In the year, Safaricom acquired 18.96% stake in Circle Gas. The primary goal of Circle Gas is to provide clean cooking to low-income earners through M-Gas.

Investments in Circle Gas has been treated as an investment in Associate as per IAS 28.7; the existence of significant influence by an investor is usually evidenced if one or more of the following exists;

- Representation on the board of directors or equivalent governing body of the investee
- Participation in the policy-making process and material transactions between the investor and the investee
- Interchange of managerial personnel
- Provision of essential technical information

DigiFarm - Subsidiary

In the year DigiFarm was set up as stand-alone entity. Safaricom has 100% ownership of this subsidiary. DigiFarm is an integrated, free-to-use mobile platform that offers smallholder farmers access to a suite of information and financial services, including discounted products, customized information on farming best practices, and access to credit and other financial facilities.

M-PESA Global Services Ltd - Joint Venture

In the year, Safaricom and Vodacom completed the acquisition of the M-PESA brand, product development and support services from Vodafone through a newly-created joint venture, with 50-50 share ownership. This initiative will enhance M-PESA's growth in Africa by giving both Vodacom and Safaricom full control of the M-PESA brand, product development and support services as well as the opportunity to expand M-PESA into new African markets. This transaction yielded a one off exceptional gain upon acquisition of the brand which is recognized as a share of profit worth KShs 3.30bn in our books.

SAFARICOM PLC

RESULTS BOOKLET

FOR THE YEAR ENDED 31 MARCH 2020

Simple • Transparent • Honest

FOR YOU

Safaricom