News Release

Safaricom

SAFARICOM LIMITED ANNOUNCES UNAUDITED RESULTS FOR THE SIX MONTH PERIOD ENDED 30th SEPTEMBER 2012

Key Highlights

Strong financial results driving investment and shareholder returns

- Profit before tax increased by 113% to Kshs 11.5bn
- Profit after tax increased by 94% to Kshs 7.8bn
- 51% growth in EBITDA to Kshs 22.3bn with an EBITDA margin of 37.7%
- Free cash flow improved 791% to Kshs 5.0bn

Good revenue recovery from damaging price wars

- Total revenue grew by 19% to Kshs 59.1bn
- Voice revenues grew by 19% to Kshs 37.4bn
- Non-Voice service revenues grew by 28% to Kshs 18.7bn

Continued growth in significance of Non-Voice service revenue (M-PESA/SMS/Data)

- Non-voice service revenue now represents 32% of total revenues
- Mobile and fixed data revenue increased by 30% to Kshs 4.0bn
- M-PESA revenue increased by 32% to Kshs 10.4bn

Improved guidance for the full year

- Forecasting low double digit growth in total revenue
- Expect to maintain the current EBITDA margin

Bob Collymore, Safaricom Limited CEO, commented:

The results for the Group have yet again demonstrated Safaricom's strength and depth of services. They are a testament to prudent commercial management and our loyal customer base.

We have continued to pursue our strategies of providing quality services, investing to deliver the best network in Kenya, driving M-PESA to grow financial inclusion, democratising the Internet, and progressively improving our cost efficiency. This has delivered very strong growth and helped us register an excellent financial performance.

Recognising that voice remains a major revenue generator, we embarked on a number of promotions to maintain customer loyalty and grow revenue. In July 2012 we reduced our off-net call rate to the same rate as our on-net. Our commitment to offer quality services at an affordable price has paid off as demonstrated by the 19% growth in voice revenues.

Non-voice revenue (M-PESA/SMS/Data) continues to grow in significance having increased by 28% and now contributes 32% of total revenues.

M-PESA has shown significant growth with an increase in registered customers to 15.2m; 9.7m of whom actively use M-PESA at least once every 30 days. This growth in active customers, coupled with an increased number of transactions per active customer, led to a 32% increase in revenue to Kshs 10.4bn. M-PESA now makes up 18% of total revenues. We have actively increased our number of M-PESA agents by 6,000 over the last few months, closing at 45,540 agents nationwide.

As a business, we consider broadband to be one of our next frontiers for growth and therefore have invested in the underlying 3G, fibre and Wimax networks and ensured data handsets are affordable. We have discontinued unlimited mobile data bundles, and instead have developed new data bundle offerings which meet the needs of the various segments. This saw the number of active mobile data customers increase by 30% to 5.59m and a 9% increase in fixed data customers to 6,718. This growth in customers coupled with increased data usage has resulted in a 30% growth in data revenues to Kshs 4.0bn.

Our focus on building the best network in Kenya led to investment in more 2G and 3G cell sites, network modernization and optimization in the core and the radio access, transmission improvements and energy efficiency programmes. In the period under review, total sites have increased to 2,815 of which 1,545 are 3G enabled, giving Safaricom the most extensive coverage in the country, and access to 87% of Kenya's population.

During the period under review the CCK implemented a campaign to curtail the use of counterfeit handsets with the disconnection of these handsets commencing on the 1st of October 2012. Safaricom disconnected 640,000 handsets, and by the end of the first day, 100% of the active customers were reconnected on an original handset.

The cost initiatives we have implemented are bearing fruit, evidenced by holding our cost growth to 6% whilst revenue grew by 19%. We continue to drive cost initiatives to combat inflationary pressures and to improve our working capital optimisation.

Based on our financial results in the first six months of the year, we have upgraded our full year guidance. We expect low double digit growth in total revenue, up from our previous guidance of low to mid-single digit growth. We are also guiding that we can maintain our current EBITDA margin of 37.7%, up from our previous guidance of 35%.

STRATEGIC PRIORITIES

Our strong financial results allow us to continue to invest in all aspects of our network, our goal being to have the best network in Kenya upon which our customers can always confidentially rely. To this end we have commenced a 5 year program to build our fibre network. This will augment the current fibre we lease from various providers, and will connect 60% of our base stations and most of the commercial buildings in the various CBD's in Kenya. This will position us as the provider of choice as an integrated solutions provider for our enterprise customers.

Mobile and fixed broadband are key drivers of future growth. We will invest in all aspects to drive greater digital inclusion.

Financial inclusion through mobile payments continues to deepen. Five years after our M-PESA launch, the real time payments between customers have reached an equivalent of 31% of Kenya's GDP. We believe we can make an even bigger contribution to the lives of our customers through the addition of micro savings, micro credit and micro insurance.

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Our people are at the core of everything we do and we continue to invest in the development of staff skills with a focus on ensuring we have an agile organisation which can meet changing customer needs.

Our cost efficiency is constantly being improved in order to mitigate inflationary pressures and to achieve best in class cost ratios. Key focus areas include process re-engineering, reduction of transmission costs and reducing the diesel costs in the network.

We will continue in our mission to transform lives in Kenya by delivering on our corporate social responsibility programs, our sustainability reporting, and our digital and financial inclusion agenda's.

Key indicators and summary financial information

The following are the key highlights of the results compared to the prior six month period ending 30th September 2011:

Key Performance Indicators	30-Sep-12	30-Sep-11	% Increase/ (Decrease)
Total customers (m)	19.221	18.046	6.51
M-PESA registered customers (m)	15.230	14.872	2.41
Mobile Data - 30 day active customers (m)	5.586	4.307	29.70
Fixed data customers	6,718	6,177	8.76
Churn (%)	28.46	28.30	0.57
Service revenue ARPU	490.69	438.91	11.80
Voice ARPU	319.56	287.72	11.07
SMS ARPU	38.50	35.35	8.91
M-PESA ARPU	115.22	91.69	25.66
Mobile Broadband ARPU	91.72	110.18	(16.75)
Data (SMS/broadband/M-PESA) % total revenue	31.60	29.44	7.34
Number of M-PESA agents	45,540	32,480	40.21
2G base stations	2,815	2,604	8.10
3G base stations	1,545	1,343	15.04
Wimax Sites	190	195	(2.56)

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Condensed consolidated statement of comprehensive income

Kshs Bn	**30-Sep-12**	**30-Sep-11**	**% Increase/ (Decrease)**
Voice revenue	37.422	31.490	18.84
Messaging revenue	4.269	3.650	16.96
Mobile data revenue	2.972	2.440	21.80
Fixed data revenue	1.011	0.630	60.48
M-PESA revenue	10.427	7.880	32.32
Service Revenue	**56.101**	**46.090**	**21.72**
Handset revenue	2.428	3.110	(21.93)
Acquisition and other revenue	0.590	0.420	40.48
Total Revenue	**59.118**	**49.630**	**19.12**
Direct costs	(22.399)	(21.970)	1.95
Contribution margin	**36.719**	**27.660**	**32.75**
Contribution margin %	*62.11%*	*55.73%*	*11.45*
Operating costs	(14.427)	(12.898)	11.85
Operating cost % total revenue	*24.40%*	*25.99%*	*(6.12)*
EBITDA	**22.292**	**14.760**	**51.03**
EBITDA margin %	*37.71%*	*29.74%*	*26.80*
Depreciation & amortisation	(9.910)	(8.717)	13.69
Financing cost	(0.872)	(0.645)	35.19
Share of associate's loss	(0.000)	(0.002)	(100.00)
Taxation	(3.735)	(1.384)	169.87
Net Income	**7.775**	**4.013**	**93.75**
Earnings per share	0.190	0.100	90.00

SAFARICOM LIMITED ANNOUNCES UNAUDITED RESULTS FOR THE SIX MONTH PERIOD ENDED 30th SEPTEMBER 2012

Condensed consolidated statement of financial position

Kshs Bn	As at 30-Sep-12	As at 30-Sep-11	% Increase/ (Decrease)
Equity and non-controlling interest	70.500	63.467	11.1
Borrowings	12.000	12.125	(1.0)
Other liabilities	0.000	0.118	(100.0)
Capital employed	**82.500**	**75.710**	**9.0**
Non-current assets	**99.662**	**100.535**	**(0.9)**
Inventories	3.445	5.452	(36.8)
Receivables and prepayments	11.665	12.020	(3.0)
Cash and cash equivalents	13.202	6.526	102.3
Current assets	**28.312**	**23.998**	**18.0**
Payables and accrued expenses	38.447	43.293	(11.2)
Borrowings	7.027	5.530	27.1
Current liabilities	**45.474**	**48.823**	**(6.9)**
Net current liabilities	(17.162)	(24.825)	**(30.9)**
Net assets	**82.500**	**75.710**	**9.0**
Net gearing (borrowing less cash)	7%	15%	
Gross gearing (gross borrowing)	23%	28%	

- Capital employed increased in line with the strong growth in shareholder funds, from the favourable trading results
- Increase in borrowings was due a drawdown of a short term revolving credit facility.

Net Debt

Kshs Bn	**As at 30-Sep-12**	**As at 30-Sep-11**	**% Increase/ (Decrease)**
Cash and cash equivalents	(13.202)	(6.526)	102.30
Bank and other borrowings	7.027	5.655	24.26
Debt - corporate bond	12.000	12.000	-
Total net debt	**5.825**	**11.129**	**(47.66)**
Net debt/EBITDA (times)	0.26	0.75	(65.33)

- Net debt decreased in advance of dividend payments due in November and December 2012.

Free cash flow

Kshs Bn	**30-Sep-12**	**30-Sep-11**	**% Increase/ (Decrease)**
EBITDA	**22.292**	**14.760**	51.03
Working capital movement	(5.871)	2.796	(309.98)
Capital Additions	(8.551)	(15.513)	(44.88)
Other capital movements	0.039	0.008	387.50
Operating free cash flow	**7.909**	**2.051**	**285.62**
Interest paid	(0.765)	(0.787)	(2.80)
Taxation paid	(2.003)	(2.008)	(0.25)
Free cash flow	**5.142**	**(0.744)**	**(791.13)**
Capex intensity (%)	*14.5%*	*31.3%*	*(53.67)*

- Increase in free cash flow due to favourable trading results and timing of capital expenditure.