

SAFARICOM LIMITED NOTICE OF THE ANNUAL GENERAL MEETING

TO ALL SHAREHOLDERS

NOTICE is hereby given that the Annual General Meeting of Safaricom Limited for the year 2017 will be held at Bomas of Kenya, Langata / Forest Edge Road, Nairobi on Friday, 15 September 2017 at 11:00 a.m. to conduct the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Financial Statements for the year ended 31 March 2017 together with the Chairman's, Directors' and Auditors' reports thereon.
2. Dividend
To approve a final dividend of Kshs 0.97 per share for the Financial Year ended 31 March 2017 as recommended by the Directors. The dividend will be payable on or before 1 December 2017 to the Shareholders on the Register of Members as at the close of business on 15 September 2017.
3. Directors
 - a) To re-appoint Mrs Susan Mudhune who retires at this meeting in accordance with the provisions of Articles 90 and 91 of the Company's Articles of Association, and, being eligible, offers herself for re-election.
 - b) Dr Bitange Ndemo who retires at this meeting having been appointed in the course of the financial year, and, being eligible, offers himself for re-election.
4. In accordance with the provisions of Section 769 of the Companies Act, 2015, the following Directors, being members of the Board Audit Committee be elected to continue to serve as members of the said Committee:-

- Mrs Susan Mudhune
- Mrs Esther Koimett
- Mr John Otty
- Dr Bitange Ndemo

5. To approve the remuneration of the Directors for the year ended 31 March 2017.
6. To note that Messrs PricewaterhouseCoopers continue in office as Auditors by virtue of Section 721 (2) of the Companies Act, 2015 and to authorize the Directors to fix the Auditors' remuneration for the ensuing financial year.
7. Any other business of which due notice has been given.

SPECIAL BUSINESS

8. Change of Company Name
To consider and if thought fit to pass the following resolution as a special resolution, as recommended by the Directors:-
"That the name of the Company be and is hereby changed from "Safaricom Limited" to "Safaricom Plc" in compliance with Section 53 of the Companies Act, 2015 and with effect

from the date set out in the Certificate of Change of Name issued in that regards by the Registrar of Companies".

9. Changes to the Company's Articles of Association
To consider and if thought fit to pass the following resolutions as special resolutions, as recommended by the Directors:-

- 1) Article 1 - Preliminary
To expound the definition of VKL to include the underlined section:
"VKL - Vodafone Kenya Limited its subsidiary or its holding company or any subsidiary of such holding Company from time to time which definition shall attach to the legal entity incorporated in Kenya under certificate of incorporation number C79550 notwithstanding that VKL may change its name from time to time."
- 2) Article 89 (a) - to add the underlined section so that Article 89 (a) will read as follows:-
"Unless and until otherwise from time to time determined by a special resolution of the Company, the number of Directors (excluding alternates) shall not be less than seven (7) nor more than ten (10) in number and shall include independent non-executive directors who shall be of Kenyan citizenship."
- 3) Article 102 - To delete the proviso in Article 102 and replace it with the following proviso:-
"... PROVIDED ALWAYS THAT any resolution relating to the following matters shall not be deemed to have been passed unless at least seventy-five percent (75%) of the directors vote in favor of the resolution:
 - a) The approval of any business plan or the material modification of any existing business plan; or
 - b) The approval of the annual budget or the material modification to any part of an approved annual budget; or
 - c) The appointment of the Managing Director/Chief Executive Officer; or
 - d) The appointment of the Financial Director/Chief Financial Officer; or
 - e) Any material change to the Company's brand."
- 4) Article 103 - To add the underlined section so that the Article will read as follows:-
"The Directors may subject to the provisions of Article 102 from time to time appoint one or more of their body to the office of Managing Director or Manager for such period and on such terms and with such powers, and at such remuneration (whether by way of salary, or commission, or participation in profits, or partly in one way, and partly in another), as they may think fit and, subject to the terms

of any agreement entered into in any particular case, may revoke any such appointment. Without prejudice to any right to treat such determination as a breach of any such agreement as aforesaid the appointment of such a Director to office as aforesaid shall be subject to determination ipso facto if he ceases from any cause to be a Director, or if the Company in general meeting resolves that his tenure of the office of Managing Director or Manager be determined. The Directors shall encourage the retention of a predominantly Kenyan character in the senior management and Executive Committee of the company."

- 5) Article 108 - To include the following immediately after Article 108 section (b):-
"Notwithstanding the provisions of this Article:
 - a) Directors that are appointed by VKL shall be excluded from voting on agreements directly related to M-PESA and the mobile money platform, to which a Vodafone group member and the Company are parties.
 - b) Directors that are appointed by VKL shall, in consideration of expansion and investment decisions of the Company whose effect is to put the company directly or indirectly in competition with VKL Director's interest, vote in the best interest of the Company with due regard to their fiduciary duties to the Company."
- 6) Article 119
 - a) To delete the words 'Deputy Chairman' and all references of the term 'Deputy Chairman' as contained in the Articles of Association of the Company.
 - b) Article 119 - To add the underlined section so that the Article will read as follows:-
"The Directors may elect a Chairman for their meetings, who shall be a Kenyan citizen, and determine the period for which they are to hold office but if no such Chairman is elected, or if at any meeting the Chairman is not present within fifteen minutes after the time appointed for holding the same, the Directors present may choose one of their number to be Chairman of the meeting."

BY ORDER OF THE BOARD



KATHRYNE MAUNDU (MS)
COMPANY SECRETARY
Date: 23 August 2017

NOTES:

- (i) A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his stead and a proxy need not be a member of the Company. A form of proxy may be obtained from the Company's website www.safaricom.co.ke, or at Safaricom House, Waiyaki Way, Westlands, Nairobi, or from any of the Safaricom Shops countrywide.
- (ii) In the case of a member being a corporate, the proxy form must be completed under its common seal or under the hand of an officer or attorney duly authorised in writing.
- (iii) All proxy forms should be sent by post to Image Registrars, P O Box 9287, 00100 Nairobi. Alternatively, duly signed proxy forms can be scanned and emailed to info@image.

co.ke in PDF format. Proxy forms must be in the hands of the Secretary not later than 48 hours before the time of holding the meeting.

- (iv) In accordance with Article 145 of the Company's Articles of Association, a copy of the entire Annual Report and Accounts may be viewed on and obtained from the Company's website (www.safaricom.co.ke) from 24 August 2017 or from the Registered Office of the Company i.e. Safaricom House, Waiyaki Way, Westlands, Nairobi. An abridged version of the Financial Statements for year ended 31 March 2017 has been published with this notice.
- (v) Registration of members and proxies attending the Annual General Meeting will commence at 7.00 a.m. on 15 September 2017. Production of a National Identity Card, a passport, a current Central Depository Statement of Account

for shares held in the Company, or other acceptable means of identification will be required.

- (vi) The preferred method of paying dividends which are below Kshs 70,000/- is through M-PESA. Shareholders who wish to receive their dividend through M-PESA and who have not registered for this mode of payment should contact Image Registrars (Tel: +254 724 699 667/ +254 735 565 666/ +254 770 052 116, Email: info@image.co.ke) or Safaricom Limited's Investor Relations Team Mobile: +254 722 004233/4746 Email: investorrelations@safaricom.co.ke).
- (vii) Transport will be provided to Shareholders on the day of the meeting from the Kenyatta International Conference Centre (KICC) parking bay to Bomas of Kenya from 7.00 a.m. to 10.00 a.m. and back to KICC parking bay after the close of the meeting.

SAFARICOM LIMITED
SUMMARY OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED March 31, 2017

Abridged and Published in Accordance with Article 145
of the Company's Articles Of Association

CHAIRMAN'S ABRIDGED STATEMENT



TRANSFORMING LIVES THE SAFARICOM WAY

Despite some macro-economic uncertainties during the year, the Business remained resilient and delivered solid results. Of concern were the drought that affected parts of the country, creeping inflation, election year disruptions as well as regulatory pressure. I am however happy to report that despite these concerns, we are confident that we are well placed to weather any storm.

The regulatory environment remains an area of utmost importance to our operations. In the second half of the financial year, we witnessed heightened concerns by investors on

the likely impact of regulatory interventions in the telecommunications sub-sector. This followed a report that the Communications Authority of Kenya (CA) had commissioned a study on competition within the sub sector.

We continue to engage the authorities and especially the CA prior to the finalisation of the report and its recommendations.

Shifts in the competitive landscape, with new forms of competition emerging even from non-telco players, means that we have to continuously innovate and stay ahead of the curve. Competition from other industry players also means we must continue differentiating our products, and delivering solutions to our customers that gives us an edge.

During the year, Vodafone, one of our key shareholders, made a decision to transfer a significant portion of its shareholding to Vodacom, its South African subsidiary. We see this as an opportunity for Safaricom to take services such as mobile payments into other African countries.

We remain steadfast in delivering on our strategy and growing shareholders' wealth as we pursue our purpose of transforming lives.



Nicholas Nganga
Chairman
3 August 2017

CEO'S ABRIDGED COMMENTARY



OUR COUNTRY, OUR STORY

Safaricom exists to fulfil a purpose. That purpose is to transform lives, and over the last year, we have continued to emphasise and implement transformative strategies that touch the lives of our shareholders, customers, staff members and other stakeholders. We believe this is what prompted over three million customers to join our network during the year.

Our strategic imperatives dictate that we align closely with our long-term objective of creating a more equitable society. We have linked our strategy to the UN's 17 Sustainable Development Goals (SDGs), of which we have adopted nine. This will help us in becoming a better company, make a meaningful impact on the communities that have given us a license to serve, and, most importantly re-focus our energies on things that really matter.

During the year, we refreshed our brand by integrating the mantra "TWaweza". We feel this encapsulates our core belief, "when we come together great things happen." We recognize the value of partnerships between Safaricom and our shareholders, customers, business partners, our staff members and the society.

Within our organization, creating value is grounded on our strategy, which is guided by three pillars; Customer First, Relevant Products, and Operational Excellence. We made considerable effort to fine tune our service delivery, by creating and launching new products that are transformative for our customers.

None of these achievements would be possible without sustained focus on building a future-proof network. Our core business remains to deliver first class connectivity for voice, SMS, data, M-PESA and deepen enterprise use of technology.

At Safaricom, we believe our Purpose is to empower Kenyans. We know that we have the right mix of talent and technology to provide transformative innovation, with one goal in mind: Transforming Lives.



Robert Collymore
Chief Executive Officer
3 August 2017

SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED March 31, 2017

Abridged and Published in Accordance with Article 145
of the Company's Articles Of Association

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF SAFARICOM LIMITED

Opinion

The summary financial statements, which comprise the summary consolidated statement of financial position at March 31, 2017 and the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended are derived from the audited financial statements of Safaricom Limited and its subsidiaries (together, the "Group") for the year ended March 31, 2017.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements in accordance with International Standards on Auditing.

Summary financial statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 9 May 2017. That report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period.

Directors' responsibility for the summary financial statements

The directors are responsible for the preparation of summary financial statements that are consistent with the audited financial statements for the year ended March 31, 2017.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to report on summary financial statements*

The engagement partner responsible for the audit resulting in this independent auditor's report is FCPA Anne Eriksson P/No. 772.

Priscilla Anne Eriksson



Certified Public Accountants

Nairobi
3 August 2017

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year Ended March 31	
	2017	2016
	Shs'000	Shs'000
Service revenue	204,109,166	177,784,089
Handset and other revenues	8,699,845	8,621,317
Construction revenue	76,183	9,279,818
Total revenue	212,885,194	195,685,224
Other income	2,510,905	231,823
Direct costs	(66,749,520)	(62,310,003)
Construction costs	(76,183)	(9,279,818)
Other expenses	(44,960,599)	(41,260,953)
Earnings before interest, taxes, depreciation and amortization (EBITDA)	103,609,797	83,066,273
Depreciation of property, plant and equipment	(29,215,294)	(24,662,315)
Impairment of property, plant and equipment	(2,331,357)	(1,790,267)
Amortization - Indefeasible Rights of Use (IRUs)	(345,258)	(348,171)
Amortization and impairment - intangible assets	(1,342,500)	(1,141,793)
Operating profit	70,375,388	55,123,727
Finance income	1,722,788	2,301,055
Finance cost	(1,484,860)	(1,399,507)
Fair value loss on investment property	-	(366,859)
Share of profit of associate	18,757	104,089
Profit before income tax	70,632,073	55,762,505
Income tax expense	(22,187,655)	(17,658,215)
Profit for the year	48,444,418	38,104,290
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	48,444,418	38,104,290
Earnings per share		
Basic and diluted (Shs per share)	1.21	0.95

**SUMMARY CONSOLIDATED
STATEMENT OF FINANCIAL POSITION**

	As at March 31	
	2017	2016
	Shs'000	Shs'000
Share capital	2,003,271	2,003,271
Share premium	2,200,040	2,200,040
Retained earnings	64,422,467	82,052,298
Proposed dividend	38,863,465	30,483,432
Total equity	107,489,243	116,739,041
Non-Current Assets		
Deferred income tax	1,946,433	1,420,309
Property, plant and equipment	117,199,063	113,419,398
Indefeasible rights of use (IRUs)	4,155,076	4,500,334
Investment property	845,000	845,000
Intangible assets - Licenses	10,114,950	8,721,561
Intangible assets - Goodwill	-	219,151
Investment in associate	134,665	115,908
Prepaid operating lease rentals	1,304	477
Restricted cash	1,337,626	2,281,051
Deferred restricted cash assets	793,056	-
	136,527,173	131,523,189
Current Assets		
Inventories	1,370,771	816,393
Receivables and prepayments	17,833,539	20,622,992
Cash and cash equivalents	5,955,513	6,220,005
	25,159,823	27,659,390
Current Liabilities		
Payables and accrued expenses	36,567,298	40,068,982
Current income tax	1,086,304	2,374,556
Borrowings	16,544,151	-
	54,197,753	42,443,538
Net current liabilities	(29,037,930)	(14,784,148)
	107,489,243	116,739,041

**SUMMARY CONSOLIDATED
STATEMENT OF CASH FLOWS**

	Year ended March 31	
	2017	2016
	Shs'000	Shs'000
Cash flows from operating activities		
Cash generated from operations	101,997,737	79,203,275
Movement in restricted cash	108,356	(286,760)
Interest received	1,423,076	1,341,725
Income tax paid	(24,002,031)	(15,654,767)
Net cash generated from operating activities	79,527,138	64,603,473
Cash flows from investing activities		
Purchase of property, plant and equipment	(35,334,333)	(33,337,423)
Proceeds from disposal of property, plant and equipment	124,498	37,948
Purchase of intangible assets	(2,516,738)	-
Net cash used in investing activities	(37,726,573)	(33,299,475)
Cash flows from financing activities		
Dividends paid	(57,694,216)	(25,641,874)
Interest paid	(914,992)	(838,157)
Proceeds from long-term borrowings	27,399,984	8,696,700
Repayments on long-term borrowings	(10,855,833)	(19,336,680)
Net cash used in financing activities	(42,065,057)	(37,120,011)
Net decrease in cash and cash equivalents	(264,492)	(5,816,013)
Movement in cash and cash equivalents		
At start of year	6,220,005	12,036,018
(Decrease)	(264,492)	(5,816,013)
At end of year	5,955,513	6,220,005



Nicholas Nganga
Director
3 August 2017



Robert Collymore
Director
3 August 2017

**SUMMARY CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY**

	Share capital Shs'000	Share premium Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total equity Shs'000
Year ended March 31, 2016					
At start of year	2,003,271	2,200,040	74,431,440	25,641,874	104,276,625
Profit and total comprehensive income for the year	-	-	38,104,290	-	38,104,290
Transactions with owners:					
Dividends:					
- Final for 2015	-	-	-	(25,641,874)	(25,641,874)
Proposed final for 2016	-	-	(30,483,432)	30,483,432	-
Total transactions with owners	-	-	(30,483,432)	4,841,558	(25,641,874)
At end of year	2,003,271	2,200,040	82,052,298	30,483,432	116,739,041
Year ended March 31, 2017					
At start of year	2,003,271	2,200,040	82,052,298	30,483,432	116,739,041
Profit and total comprehensive income for the year	-	-	48,444,418	-	48,444,418
Transactions with owners:					
Dividends:					
- Final for 2016	-	-	-	(30,483,432)	(30,483,432)
Rounding off adjustments for Prior year dividend	-	-	33,707	-	33,707
Special Dividend 2016	-	-	(27,244,491)	-	(27,244,491)
- Proposed final for 2017	-	-	(38,863,465)	38,863,465	-
Total transactions with owners	-	-	(66,074,249)	8,380,033	(57,694,216)
At end of year	2,003,271	2,200,040	64,422,467	38,863,465	107,489,243

WHERE WILL WE
GO NEXT?

Safaricom
Twaweza

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