

SAFARICOM PLC

SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED March 31, 2018

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

NOTICE OF THE ANNUAL GENERAL MEETING

SAFARICOM PLC

TO ALL SHAREHOLDERS

NOTICE is hereby given that the Annual General Meeting of Safaricom PLC for the year 2018 will be held at Bomas of Kenya, Nairobi on Friday, 31 August 2018 at 11:00 a.m. to conduct the following business:-

- To receive, consider and adopt the audited Financial Statements for the year ended 31 March 2018 together with the Chairman's, Directors' and Auditors' reports thereon.
- Dividend
To approve a final dividend of Kshs 1.10 per share for the Financial Year ended 31 March 2018 as recommended by the Directors. The dividend will be payable on or before 30 November 2018 to the Shareholders on the Register of Members as at the close of business on 31 August 2018.
- Directors
To re-appoint Dr Bitange Ndemo 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 himself for re-election.
- 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:-
 - Dr Bitange Ndemo
 - Mrs Esther Koimett
 - Mr Mohamed Joosub
 - Mr Till Streichert
- To approve the Directors' Remuneration Policy contained in the Directors' Remuneration Report for the year ended 31 March 2018.
 - To approve the Directors' Remuneration Report for the year ended 31 March 2018 (other than the part relating to the Directors' Remuneration Policy).
- 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.
- Any other business of which due notice has been given.

BY ORDER OF THE BOARD



KATHRYNE MAUNDU (MS)
COMPANY SECRETARY
Date: 7 August 2018

NOTES:

- Shareholders are urged to carry their mobile devices which will be used to carry out the voting of various resolutions included in this notice.
- 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.
- 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.
- 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.
- 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 7 August 2018 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 2018 has been published with this notice.
- Registration of members and proxies attending the Annual General Meeting will commence at 7.00 a.m. on 31 August 2018. 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.
- The preferred method of paying dividends which are below Shs 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.
- Transport will be provided to Shareholders on the day of the meeting from the Kenyatta International Conference Centre (KICC) parking bay to the Bomas of Kenya



CHAIRMAN'S ABRIDGED STATEMENT

Last year was a difficult period for businesses all over the country. According to official reports, Kenya's economic growth slowed to 4.9 per cent, fuelled by political uncertainty as the country dealt with the effects of a prolonged electioneering period.

During this period the credit market also recorded its slowest growth in 14 years, attributed to the interest rate capping and reduced economic activity. In addition to that, consumers bore the brunt of high food prices occasioned by persistent drought, which negatively affected agricultural production and strained household budgets.

However, despite the depressed economic performance, Government reports show that the Information and Communication sector expanded by 11 per cent in 2017, supported mainly by growth in the digital economy, mobile telephony, e-commerce, and online trading, among others.

On the competition front, we continue to see a lot of changes expected to generate excitement in market in coming months. We have seen the entrance of new telco and non-telco players into the industry.

These developments present evidence of a dynamic market, whose biggest beneficiary is undoubtedly the consumer.

Looking at industry regulation, we are following with great interest changes in the regulatory environment, which will continue to be an area of focus for us as we evaluate our position in light of recommendations put forward in a draft industry study commissioned by the Communications Authority.

The draft competition study proposes a number of interventions that are of serious concern to us. These include attempts to change the rules of the game by introducing price controls and regulated infrastructure sharing.

Our position is that the market should be allowed the freedom to regulate itself, and infrastructure-sharing agreements negotiated

between operators on commercial terms, as is happening already.

Introduction of price controls not only runs the risk of players abandoning investment in their own networks as they wait to be hosted, they will also eventually hurt customers and the country's standing as a leader in innovation.

Looking ahead however, we remain steadfast in delivering on this strategy and growing our shareholders' wealth, while at the same time remaining committed to the Safaricom Way of being a purpose-led, customer-obsessed, insights-driven business.

It is a long-term strategy that is already paying off, and one that we believe is integral to the growth of our business.

During the year, there were changes to the board. Mohamed Joosub, Till Streichert and Linda Muriuki were appointed to the board. I welcome the new directors and wish to sincerely thank John Otty and Nancy Macharia for their contribution during their tenure on the Board.

I am also pleased to welcome our CEO, Bob Collymore, back to work following his medical leave of absence. During his time away, he continued to provide valuable leadership to the business and worked closely with our Board of Directors and Executive Committee, which contributed greatly to the strong performance we enjoyed last year.

We look forward to another great year of transforming lives and partnering for success, for when we come together, great things happen.

Twaweza!



Nicholas Nganga
Chairman

SAFARICOM PLC

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CEO'S ABRIDGED STATEMENT

Purpose, people and profit

Safaricom exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on three pillars: putting the customer first, delivering relevant products and services, and enhancing operational excellence.

In the last year, we showcased our commitment to implementing this strategy, overcoming economic and regulatory headwinds to post a strong financial performance, create great value for our shareholders and transform the lives of millions of Kenyans every day.

Within the same year I also took some much-needed time off to receive specialised medical treatment.

While I continued working closely with my Executive Team, I also had time to reflect on a subject that has become very dear to me: our company culture.

Safaricom is a high performing organisation powered by over 6,000 men and women dedicated to ensuring that we achieve our brand purpose of transforming lives.

These men and women, majority of whom our shareholders and other stakeholders never get to interact with, are the secret ingredient to our success, and the engine behind our continued growth.

We are on a journey to creating a workplace that promotes productivity, beginning by taking care of the needs of people.

As a business, we have also committed to pursuing true diversity and inclusion, which means elevating more women to leadership positions and absorbing more people living with disabilities into our organisation.

At Safaricom, we like to speak about the 3P's that support our strategy: Purpose, People and

Profit – that when you put purpose and people first, then profit always follows.

It's a mind-set that has led us to achieve remarkable results each year, reminding us that our business exists to transform lives; from the communities we serve to the people who serve.

We have continued investment in the expansion of our 4G footprint; provision of fast, affordable Internet to retail and commercial customers through Safaricom Business and Safaricom Home fixed data propositions; and building partnerships that will enable us offer high quality, local and international content.

Also leading our growth is M-PESA, which has maintained a steady momentum to contribute 28 per cent of our service revenue.

Beyond our borders, we continue to monitor and explore new areas of opportunity in keeping with our strategy, which in 2016 we aligned with the Sustainable Development Goals (SDGs).

Aware of the reality that our business cannot thrive independent of the communities we operate in, we have adopted and began to pursue the achievement of nine of the 17 SDGs.

These goals represent our commitment to mobilizing global efforts towards realising shared prosperity for all, and present significant opportunities for our business to make a greater contribution to equal socio-economic growth.

Looking ahead, we see great opportunities for sustained growth. One of our goals is to transform Safaricom into a truly agile organisation, by creating an environment where decisions can be made quickly and mistakes viewed as opportunities to learn fast.

Twaweza!

Bob Collymore
Chief Executive Officer



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

Opinion

The summary financial statements, which comprise the summary consolidated statement of financial position at 31 March 2018 and the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended which are derived from the audited financial statements of Safaricom PLC and its subsidiaries (together, the "Group") for the year ended 31 March 2018.

In our opinion the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements of the Group.

The summary directors' remuneration report is derived from the directors' remuneration report for the year ended 31 March 2018.

Summary financial statements and directors' remuneration report

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. In addition, the summary directors' remuneration report does not contain all the disclosures required by the Companies Act 2015 (General) (Amendment) Regulation 2017.

Reading the summary financial statements, the summary directors' remuneration report and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements, the directors' remuneration report and the auditor's report thereon. The summary financial statements, the summary directors' remuneration report 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 audit report dated 8 May 2018 and also confirmed that the auditable part of the directors' remuneration report was prepared in accordance with the Kenyan Companies Act, 2015. That audit 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 the summary financial statements and the summary directors' remuneration report in accordance with the International Financial Reporting Standards and Kenyan Companies Act 2015.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary financial statements and the summary directors' remuneration report 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 CPA Peter Ngahu - Practising Certificate No.1458.

Certified Public Accountants Nairobi

6 August 2018

SAFARICOM PLC

SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED March 31, 2018

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SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME


	Year Ended 31 March	
	2018	2017
	Shs millions	Shs millions
Service Revenue	224,535	204,109
Handset and other Revenues	8,980	8,700
Construction Revenue	202	76
Total Revenue	233,717	212,885
Other income	510	2,509
Direct costs	(70,555)	(66,782)
Construction costs	(202)	(76)
Other expenses	(50,636)	(44,928)
Earnings before interest, taxes, depreciation and amortization (EBITDA)	112,834	103,608
Depreciation of property, plant and equipment	(31,908)	(31,546)
Amortization – Indefeasible Rights of Use (IRUs)	(301)	(345)
Amortization and impairment –intangible assets	(1,359)	(1,343)
Operating profit	79,266	70,374
Finance income	1,830	1,723
Finance cost	(1,197)	(1,484)
Share of profit of associate	10	19
Profit before income tax	79,909	70,632
Income tax expense	(24,620)	(22,188)
Profit for the year	55,289	48,444
Total comprehensive Income for the year	55,289	48,444
Earnings per share		
Basic and diluted (Shs per share)	1.38	1.21


SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 March	
	2018	2017
	Shs millions	Shs millions
Cash flows from operating activities		
Cash generated from operations	117,230	101,997
Movement in restricted cash	(390)	108
Interest received	1,400	1,423
Income tax paid	(26,280)	(24,000)
Net cash generated from operating activities	91,960	79,528
Cash flows from investing activities		
Purchase of property, plant and equipment	(36,422)	(35,334)
Proceeds from disposal of property, plant and equipment	23	124
Purchase of intangible Assets	-	(2,517)
Net cash used in investing activities	(36,399)	(37,727)
Cash flows from financing activities		
Dividends paid	(38,863)	(57,694)
Interest paid	(653)	(915)
Proceeds from short-term borrowings	18,606	27,400
Repayments on short-term borrowings	(31,110)	(10,856)
Net cash used in financing activities	(52,020)	(42,065)
Net increase/(decrease) in cash and cash equivalents	3,541	(264)
Movement in cash and cash equivalents		
At start of year	5,956	6,220
Increase/(decrease) in cash and cash equivalents	3,541	(264)
At end of year	9,497	5,956

Summary Directors remuneration report

In the financial year ended March 31 2018, the total directors' remuneration was Shs 328 million compared to Shs 316 million in the previous year


Nicholas Nganga
 Chairman


Bob Collymore
 Chief Executive Officer

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March	
	2018	2017
	Shs millions	Shs millions
Share capital	2,003	2,003
Share premium	2,200	2,200
Retained earnings	75,640	64,422
Proposed dividend	44,071	38,863
Total equity	123,914	107,488
Non-current assets		
Deferred income tax	2,160	1,946
Property, plant and equipment	121,709	117,199
Indefeasible rights of use (IRUs)	3,854	4,155
Investment property	845	845
Intangible assets	8,756	10,115
Investment in associate	145	135
Prepaid operating lease rentals	45	1
Restricted cash	1,584	1,338
Deferred restricted cash assets	879	793
	139,977	136,527
Current assets		
Inventories	1,605	1,371
Receivables and prepayments	15,857	17,835
Cash and cash equivalents	9,497	5,956
Current Income tax	503	-
	27,462	25,162
Current liabilities		
Payables and accrued expenses	35,313	33,805
Provisions	4,028	2,766
Current income tax	144	1,086
Borrowings	4,040	16,544
	43,525	54,201
Net current liabilities	(16,063)	(29,039)
	123,914	107,488

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Retained earnings	Proposed dividends	Total equity
	Shs millions	Shs millions	Shs millions	Shs millions	Shs millions
Year ended 31 March 2017					
At start of year	2,003	2,200	82,052	30,483	116,738
Profit and total comprehensive income for the year	-	-	48,444	-	48,444
Transactions with owners:					
Dividends:					
- Final for 2016	-	-	-	(30,483)	(30,483)
Round off adjustment for prior year dividend	-	-	33	-	33
special dividend for 2017	-	-	(27,244)	-	(27,244)
Proposed final for 2017	-	-	(38,863)	38,863	-
Total transactions with owners	-	-	(66,074)	8,380	(57,694)
At end of year	2,003	2,200	64,422	38,863	107,488
Year ended 31 March 2018					
At start of year	2,003	2,200	64,422	38,863	107,488
Profit and total comprehensive income for the year	-	-	55,289	-	55,289
Transactions with owners:					
Dividends:					
- Final for 2017	-	-	-	(38,863)	(38,863)
- Proposed final for 2018	-	-	(44,071)	44,071	-
Total transactions with owners	-	-	(44,071)	5,208	(38,863)
At end of year	2,003	2,200	75,640	44,071	123,914