



Safaricom Ltd

FY 2012 Presentation



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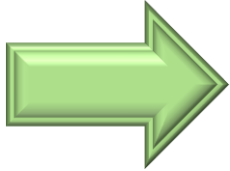
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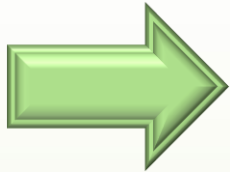
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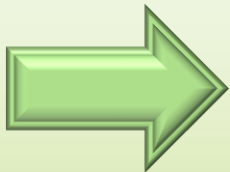
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CEO Summary



2011/12 Financials



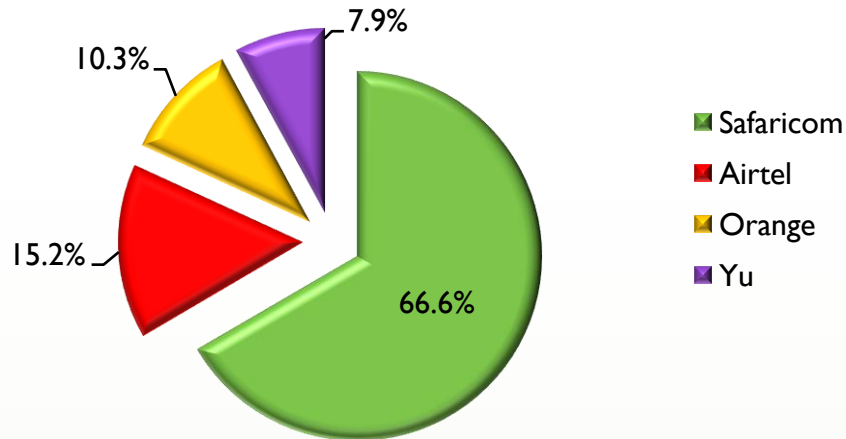
Operational Focus and Outlook

2011/2012 Highlights

- Sustained investment in network quality and modernization
- Continued momentum in customer growth
- Strong operational and financial performance
- Voice, Mobile data and M-PESA remain key drivers of growth

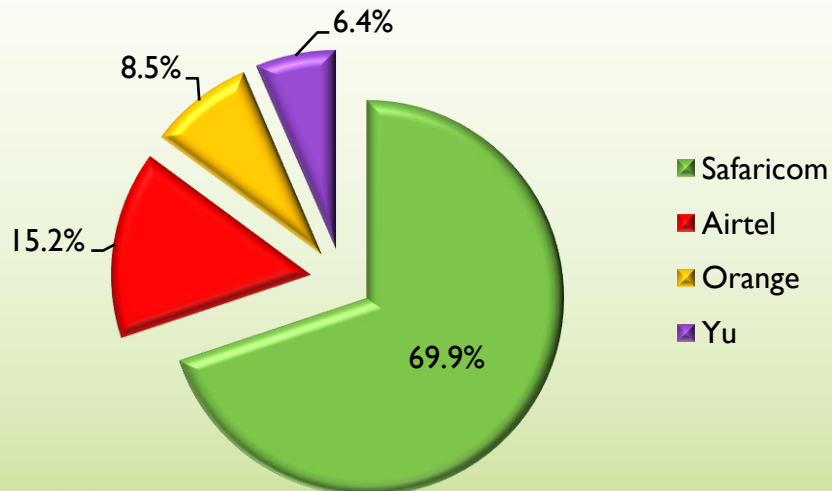
Market Overview

Market Share-Dec 2011



- Forex and borrowing costs impacting industry profitability
- Inflation +6.42ppt to 15.6% in March 2012
- Ksh weakened vs USD in H1, recovered in H2
- Central Bank of Kenya rate currently at 18%
- Mobile subscribers 28.1m*, penetration 71.3%

Market Share-Dec 2010



Source: CCK

Delivering Excellence in Customer Experience



- The Fastest Speeds on Data – up to 42mbps
- Widest Data Network Coverage
- Low Cost smartphones e.g. Huawei Ideos



- Launch of the Customer Experience Centre
- 36 Safaricom Shops with 2 Mini Centres
- 39,400 M-PESA Agents – a 46% increase



1st to Market Launch of Online Customer Service Support

- First large Kenyan corporate to offer Online Customer Support
- Dedicated team of subject matter experts
- Includes a Self Help Portal with a growing database of FAQs
- Involving our customers in the resolution process increases loyalty and promotes community



Improvement in Key Financial Metrics

TOTAL REVENUE



+13% to Kshs. 107.00bn

VOICE REVENUE



+9% to Kshs.68.96bn

NON -VOICE % OF REVENUE



+3pp to 29% of total revenue

EBITDA



+5% to Kshs. 37.49bn

NET INCOME



-4% to Kshs. 12.63bn

FREE CASH FLOW



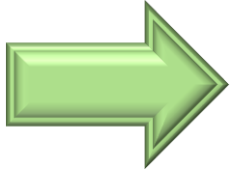
+110% to Kshs.9.35bn

RECOMMENDED FULL YEAR
DIVIDEND

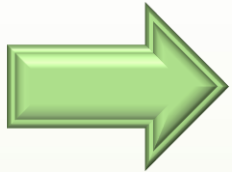


+10% to Kshs.0.22 per share

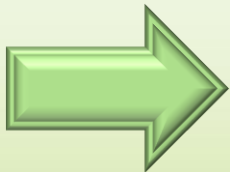
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CEO Summary



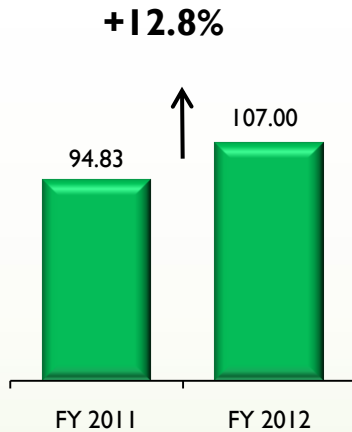
2011/12 Financials



Operational Focus and Outlook

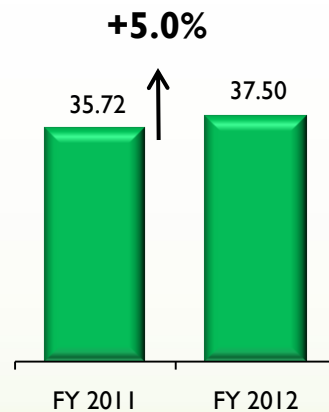
Delivering on Strategy

Revenue
Kshs. Billion



Continued customer growth and increasing ARPU across voice, mobile broadband and M-PESA

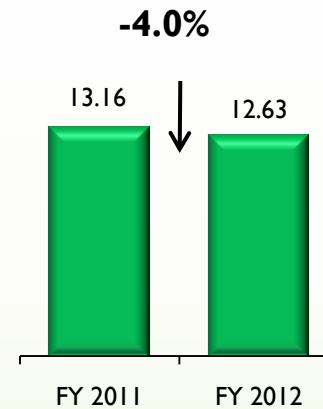
EBITDA
Kshs. Billion



Growth in revenue with cost control combating an inflationary market

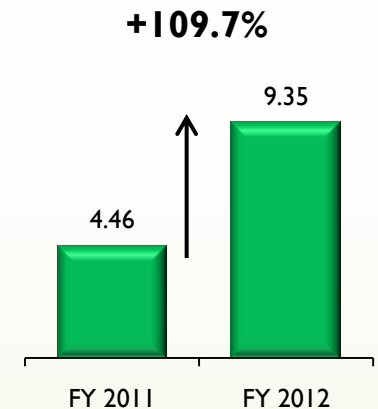
Sustainable underlying EBITDA margin at 35%

Net Income
Kshs. Billion



Impacted by increased interest rates, forex losses and depreciation

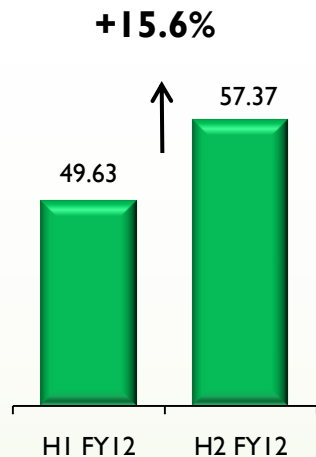
Free Cash Flow
Kshs. Billion



Positive impact of working capital optimization initiatives.

Strong Performance in H2

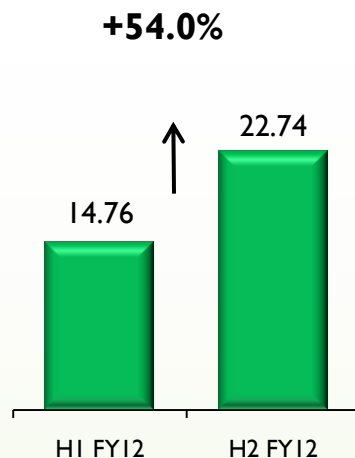
Revenue Kshs. Billion



Mid-year tariff adjustment

Customer loyalty remains strong

EBITDA Kshs. Billion

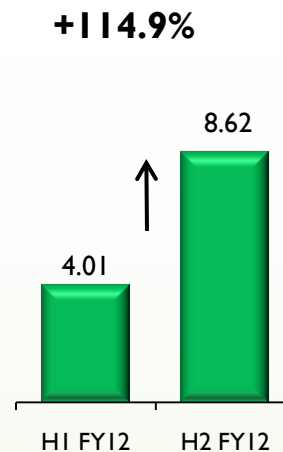


Held costs relatively constant in H2 whilst revenues grew

Appreciating shilling in H2

H1 forex losses above EBITDA reversed

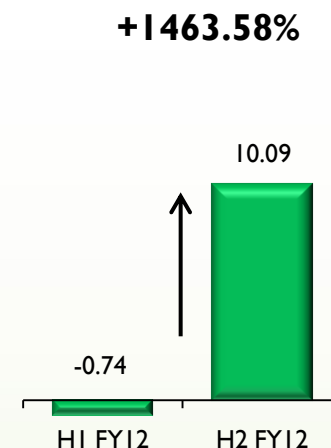
Net Income Kshs. Billion



Supported by operational performance

Negatively impacted by Ksh.1.1bn forex loss below EBITDA

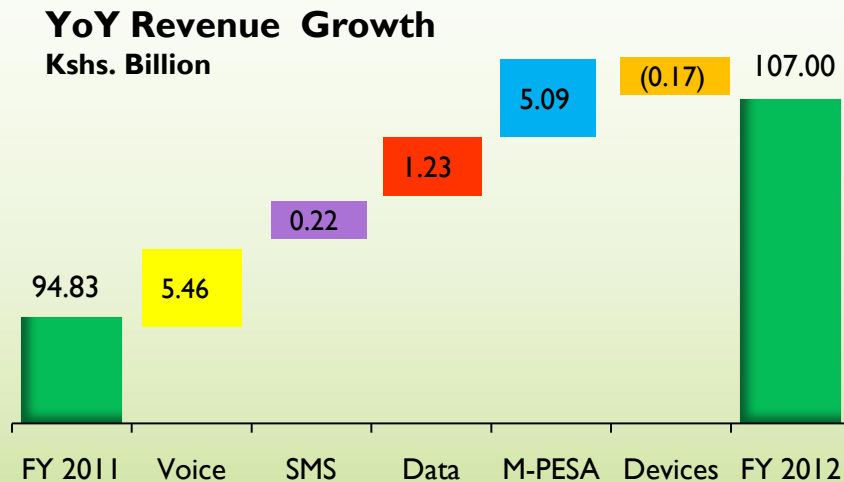
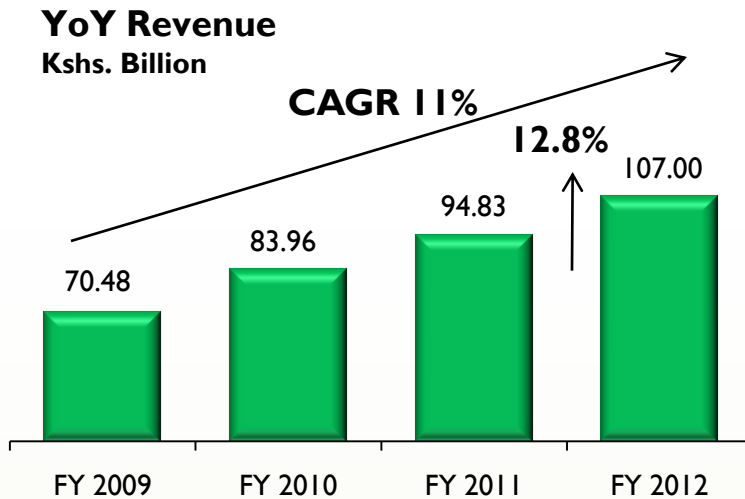
Free Cash Flow Kshs. Billion



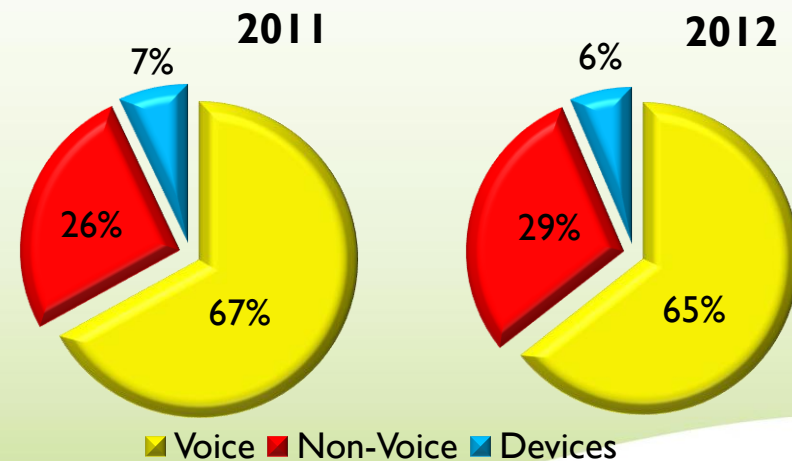
Positive impact of working capital optimization initiatives.

Sustained Revenue Growth in the year

- Customer base +11% growth to 19m customers
- Pursuing sustainable pricing strategy
- Increased usage - +21% MOUs; 116 mins in FY12
- Successfully driving value added services: M-PESA and our superior data offering

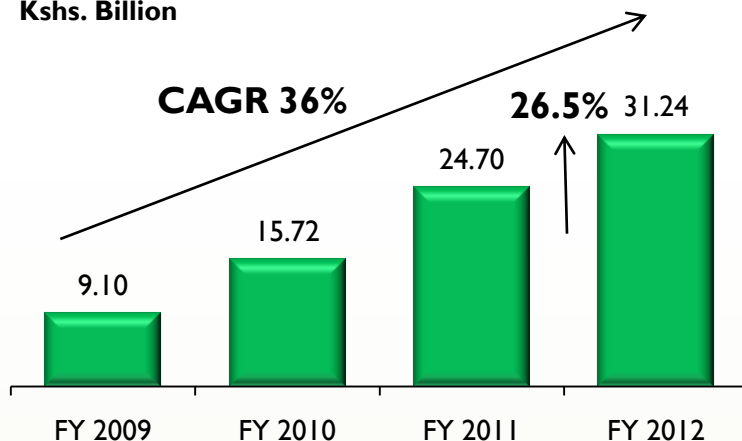


Revenue Breakdown
Kshs. Billion



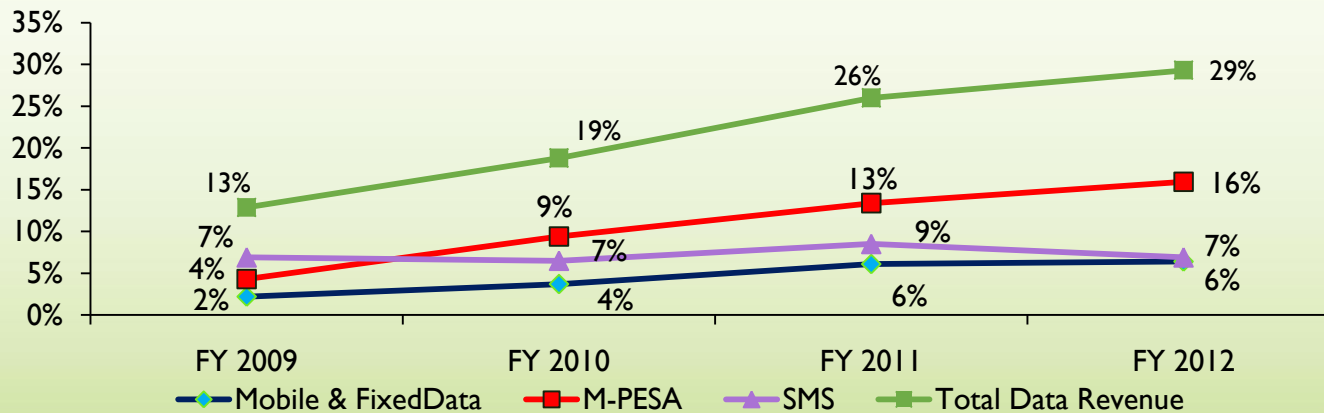
Non-Voice revenues continue to drive growth

YoY Non-Voice Revenue
Kshs. Billion



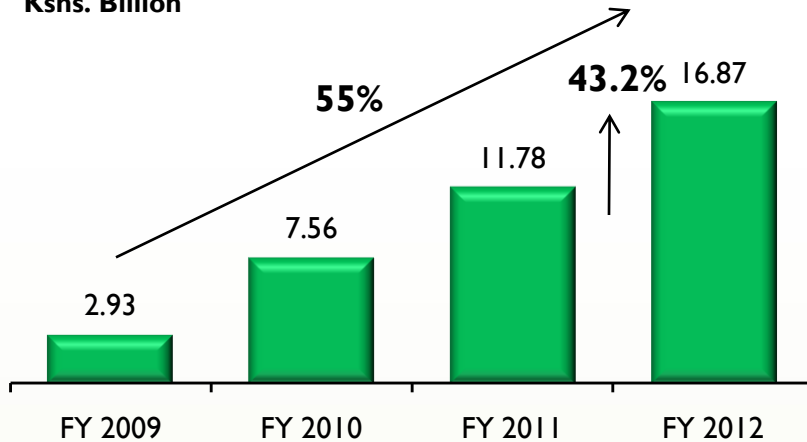
- Delivering on strategy of reducing reliance on Voice
- Non-Voice revenue represents 29% of total revenue (26% in March 2011)
- M-PESA the key driver:
 - 16% of total revenue
 - revenue growth +43%
- Mobile data revenue +23%
- SMS revenue +3%

Mobile Data/M-PESA/SMS Contribution to Total Revenue



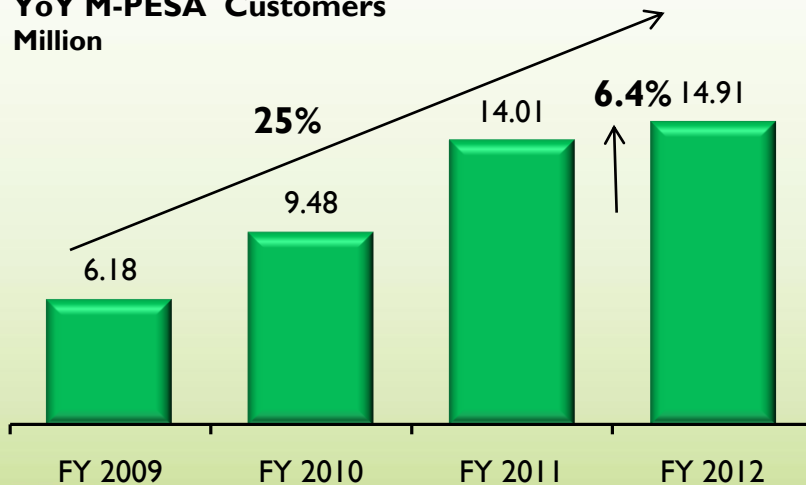
M-PESA: Continues to deliver strong growth

YoY M-PESA Revenue
Kshs. Billion



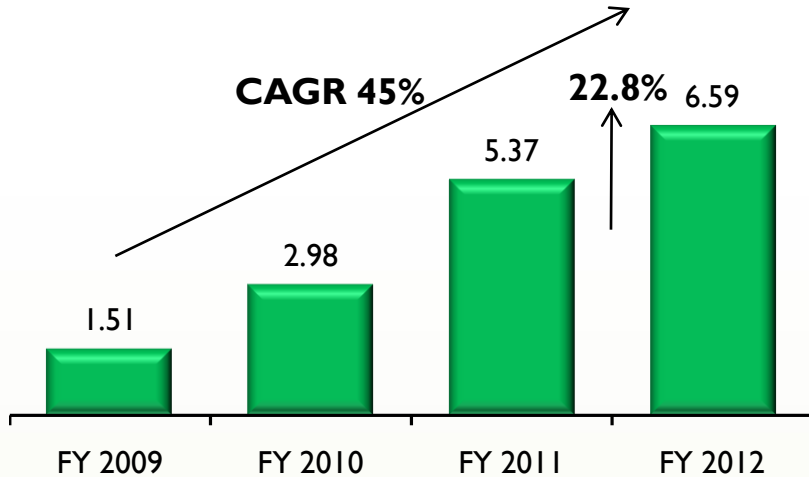
- M-PESA revenue +43% to Ksh. 16.9bn
- M-PESA registered customers grew 6% to 14.9m
- 39,400 agents across the country – up 46%
- 29% of airtime top-ups now through M-PESA

YoY M-PESA Customers
Million



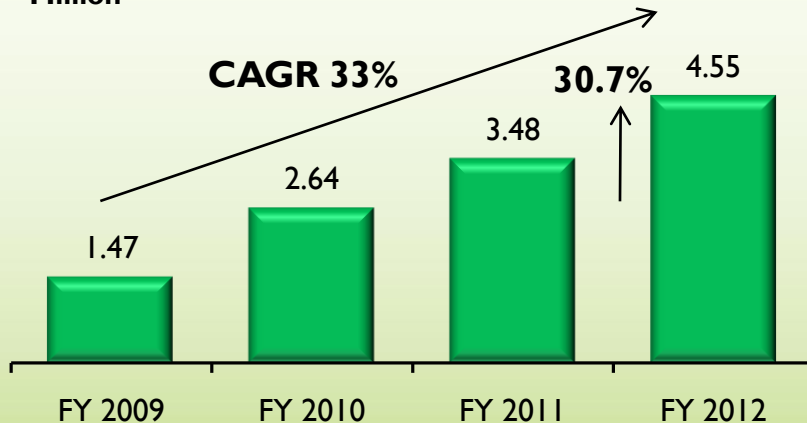
Significant potential for Mobile Internet and Broadband

YoY Mobile& Fixed Data Revenue
Kshs. Billion



- Mobile and Fixed data revenue +23% due to increased data usage in customer base
- Distinct data users +31% to 4.6m (3.5m March '11)
- 25% data penetration of our customer base
- Largest 3G network:
 - 1,439 3G enabled base stations
 - Enabled to deliver fastest speeds (21 & 42 mbps)

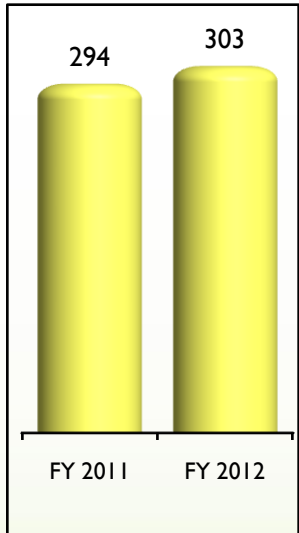
YoY Mobile & Fixed Data Customers
Million



Robust ARPUs despite intense competition

Voice

Kshs.

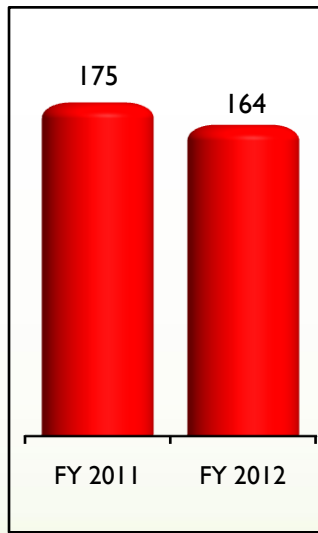


Mid year tariff adjustment

Quality customer base

Broadband

Kshs.

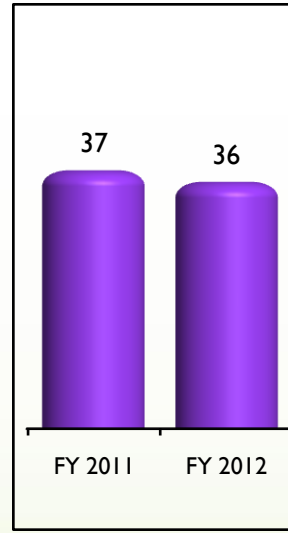


Reduced pricing of our data offering

New data users enter at lower ARPUs

SMS

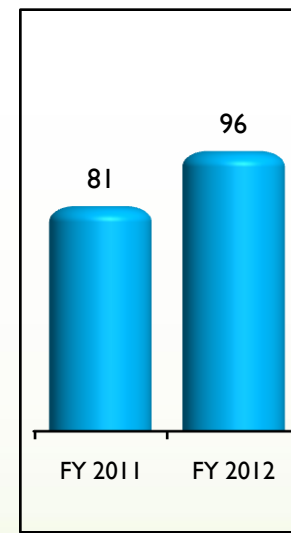
Kshs.



Reduction in SMS charges to Ksh. 1 per SMS

M-PESA

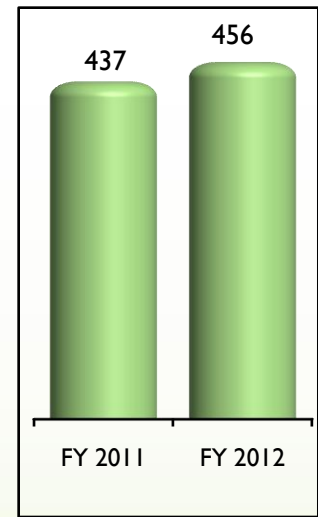
Kshs.



Increased number & value of transactions

Service ARPU

Kshs.



4% increase YoY

Sustainable going forward

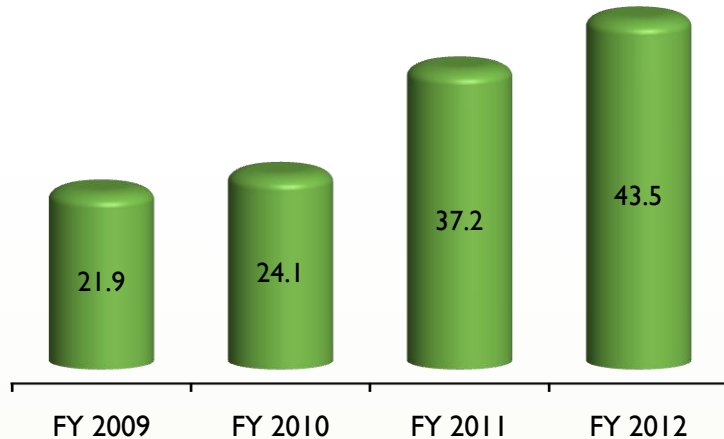
*Voice, SMS and Service ARPU are calculated based on total customers

* M-PESA and Data ARPUs are calculated based on total M-PESA and Data customers respectively

Direct costs

YoY Direct Costs

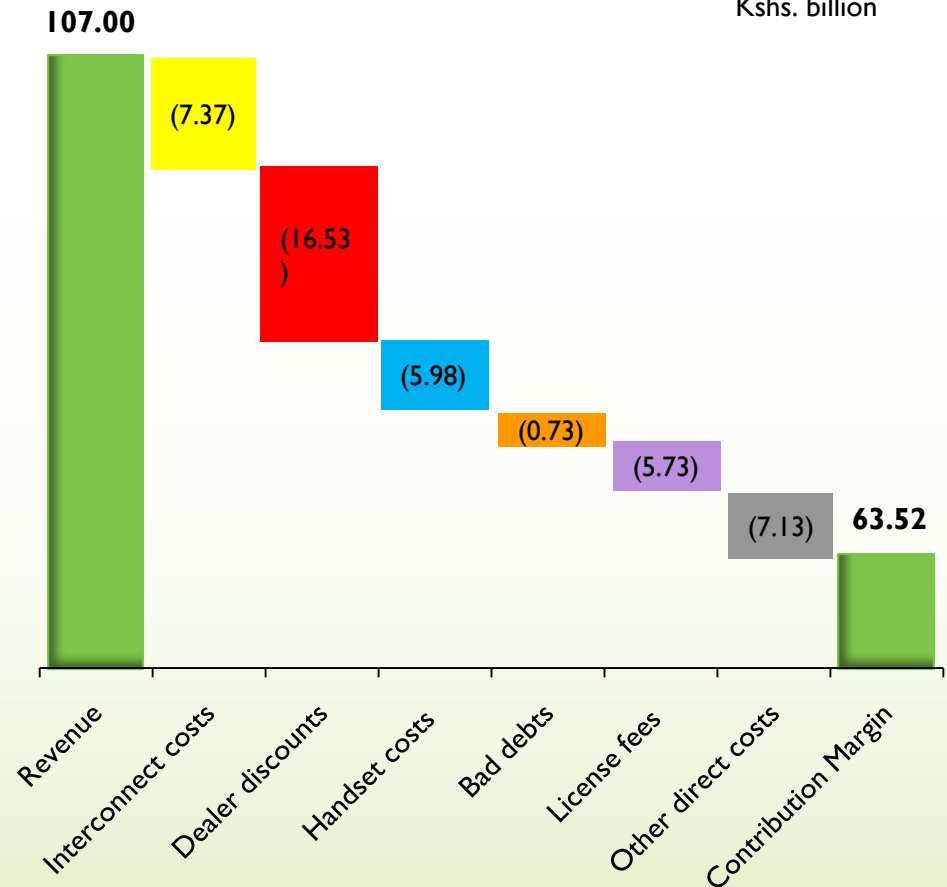
Kshs. billion



- 17% increase in direct costs to Ksh.43.5bn
- H2 direct costs held constant
- Increased dealer discounts driven by growth in M-PESA

Direct Costs Breakdown

Kshs. billion

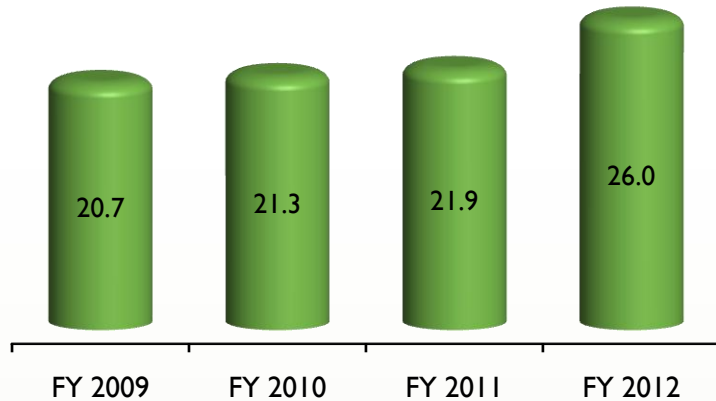


* Other costs relate to SIM cards, top-up cards, VAS billing, Acquisition and Retention costs

Operating costs

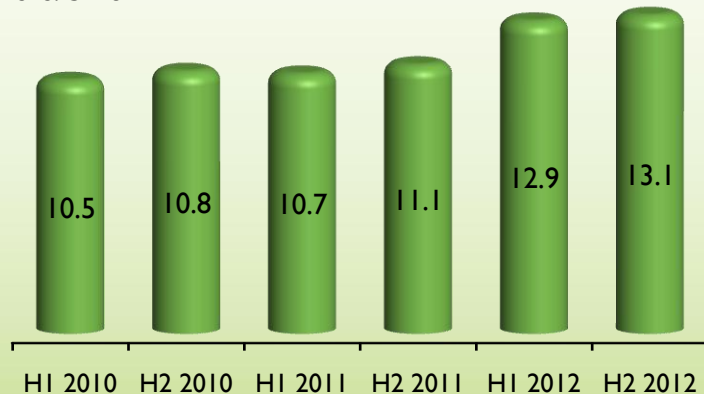
YoY OPEX

Kshs. billion



H1/H2 OPEX Breakdown

Kshs. billion

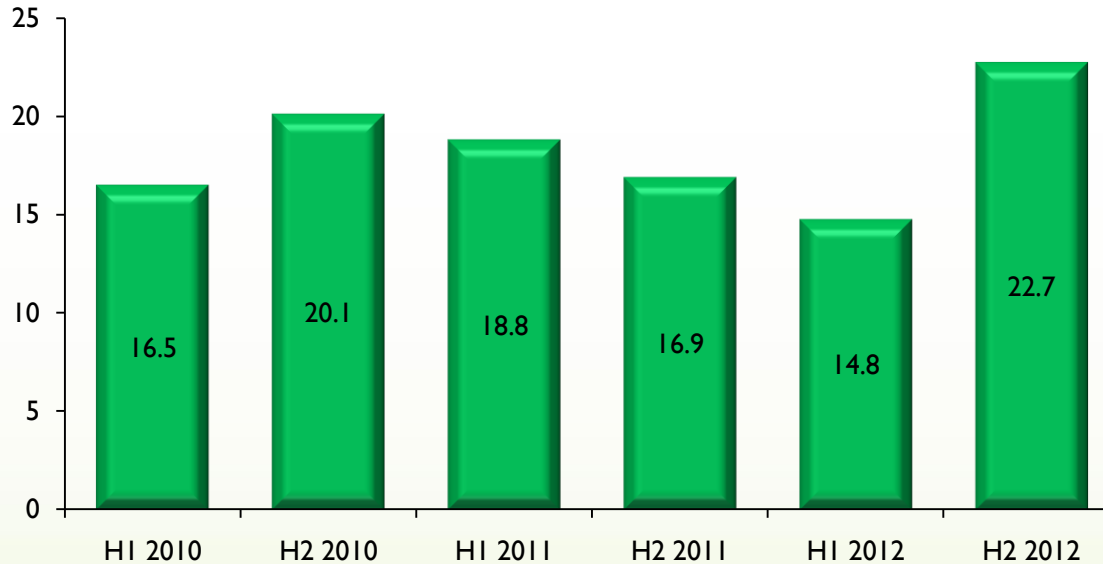


- FY operating costs +19% to Ksh. 26.0bn
- Operating cost savings initiatives include
 - Transmission costs
 - Inventory costs
 - Network operating costs
 - IT operational costs
 - Headcount control
- H2 operating costs relatively flat
- Operating costs as a % of revenue grew by 1.3pp to 24% of total revenue
- Operating costs relate to
 - Payroll
 - Publicity
 - Network & IT
 - Other Opex

EBITDA improvement in H2

HI/H2 EBITDA

Kshs. Billions

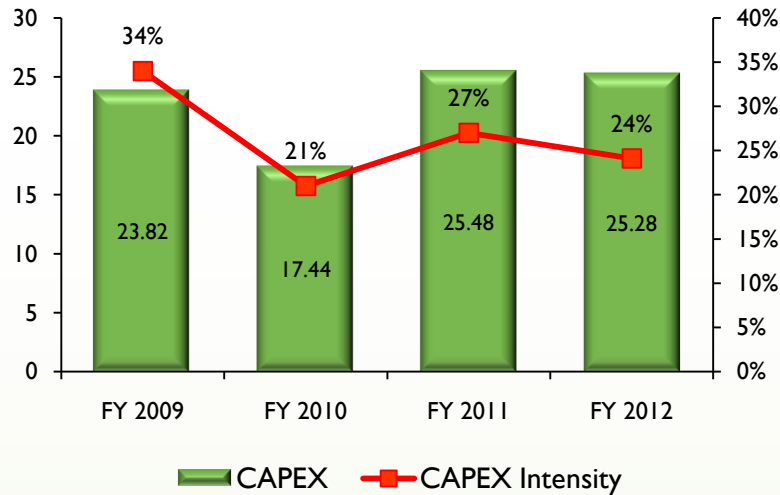


- Resilient FY EBITDA of Kshs. 37.5 billion and EBITDA margin of 35%
- 54% H2 EBITDA growth due to increased revenue (+16%) with relatively flat direct and operating costs

Largest & Fastest Network in Kenya

CAPEX

Kshs. billion

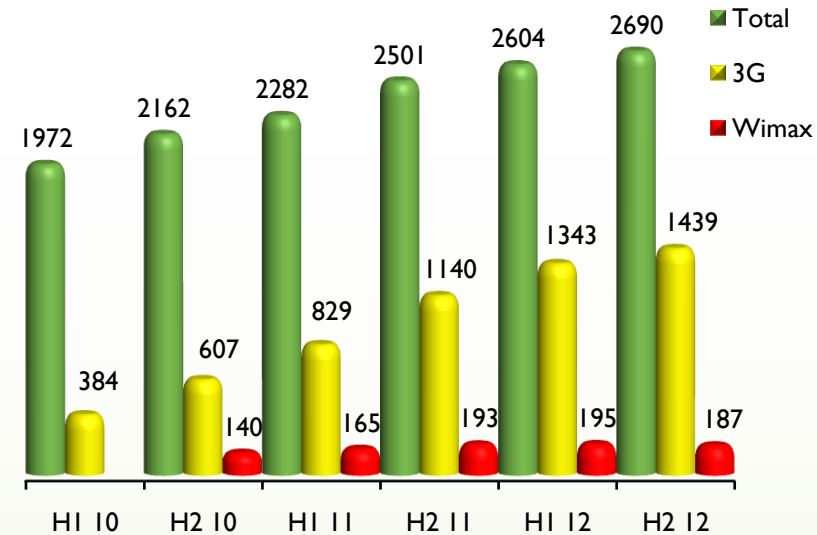


Capital expenditure of Kshs. 25bn invested in:

- Network modernization to IP
- Network quality and capacity
- Single real time billing engine

Capex intensity declined to 24%

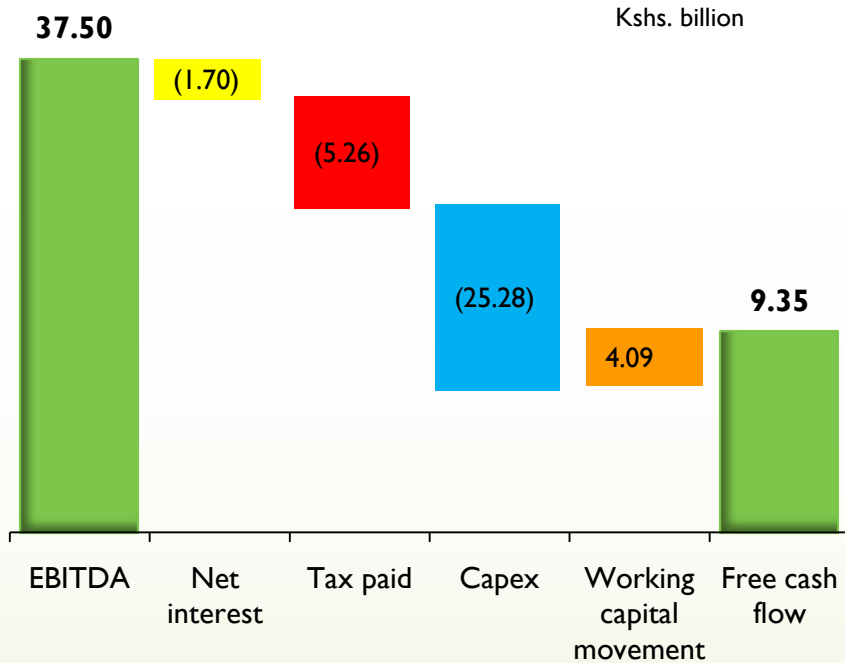
Base Stations



- Network expansion to 2,690 sites (8% growth)
- 54% of base stations are 3G enabled
- 155 base stations run on diesel generators on a 24/7 basis
- 187 Wimax sites

Cash & Debt Overview

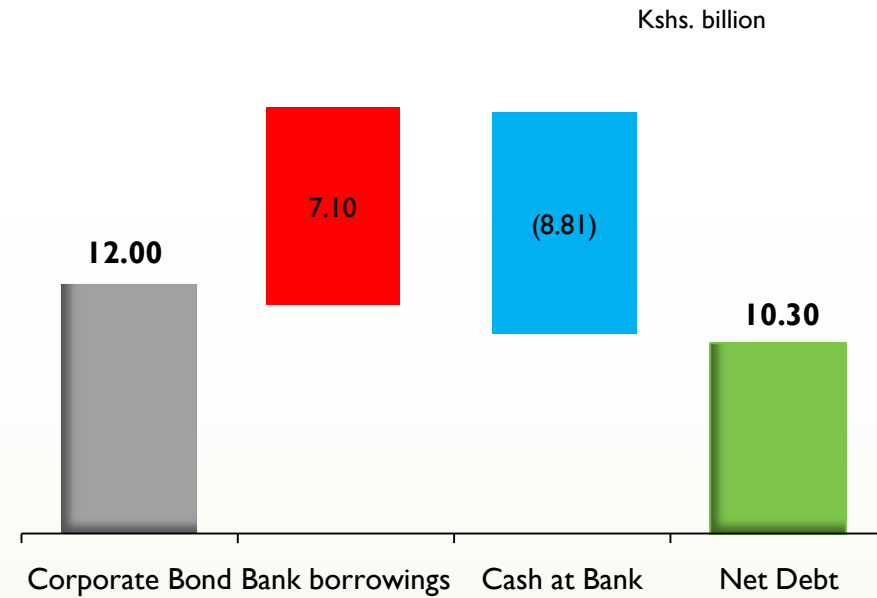
Free Cash Flow



*FCF before funding forex, Investments and Dividends.

- Positive impact of working capital optimization initiatives.
- Free cash flow increased by 109.7%

Net Debt



- Kshs. 8.0 bn corporate bond at 12.25%
- Kshs. 4.0 bn corporate bond at 7.75%
- Cash at bank average interest rate 18%
- Bank borrowing average 1.80% over T-bill rate

Key Financials:

Ksh. Billion	Mar-11	Mar-12	%Change	IH 2012	2H 2012	%Change
Voice	63.50	68.96	8.6%	31.49	37.47	19.0%
M-PESA	11.78	16.87	43.2%	7.88	8.99	14.1%
Data	5.37	6.59	22.7%	3.08	3.51	14.0%
SMS	7.54	7.77	3.0%	3.65	4.12	12.9%
Handset & Acquisition	6.64	6.80	2.4%	3.53	3.28	-7.1%
Total Revenue	94.83	107.00	12.8%	49.63	57.37	15.6%
Direct costs	(37.24)	(43.47)	-16.7%	(21.97)	(21.50)	2.1%
Contribution Margin	57.59	63.53	10.3%	27.66	35.86	29.6%
<i>Contribution Margin %</i>	<i>60.7%</i>	<i>59.4%</i>	<i>-1.3%</i>	<i>55.7%</i>	<i>62.5%</i>	
Total Opex	(21.87)	(26.03)	-19.0%	(12.90)	(13.13)	-1.8%
<i>Operating Expenses-%</i>	<i>23.1%</i>	<i>24.3%</i>	<i>1.2%</i>	<i>26.0%</i>	<i>22.9%</i>	
EBITDA	35.72	37.50	5.0%	14.76	22.74	54.1%
<i>EBITDA Margin %</i>	<i>37.7%</i>	<i>35.0%</i>	<i>-2.7%</i>	<i>29.7%</i>	<i>39.6%</i>	
Depreciation & Amortisation	(16.33)	(17.34)	-6.2%	(8.72)	(8.62)	1.1%
Net Interest	1.08	(1.70)	258.1%	(0.79)	(0.91)	-15.3%
Forex (loss)/gain	0.04	(1.08)	-2800.0%	0.14	(1.22)	-971.4%
Taxation	(5.20)	(4.74)	8.8%	(1.38)	(3.36)	-142.5%
Net Income	13.16	12.63	-4.0%	4.01	8.62	114.9%
EPS	0.33	0.32	-3.0%	0.10	0.22	114.9%
Free Cash Flow	4.46	9.35	109.7%	(0.74)	10.09	1463.5%
Recommended Dividend	8.00	8.80	10.0%			

FY13 Guidance

Revenue:

Low to mid-single digit growth in total revenues

EBITDA:

Maintain full year underlying margin through continued cost control and competitive customer focus.

CAPEX:

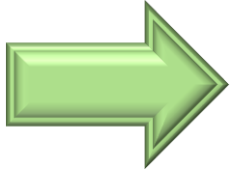
Continued investment in the network focused on quality and data speeds.

Capex intensity slowly falling over a 3 year time horizon

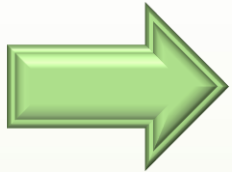
Customer Experience:

Improvement in customer delight index

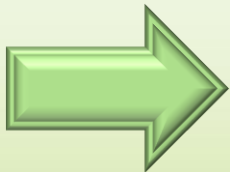
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CEO Summary



2011/12 Financials



Operational Focus and Outlook

Strategy Overview

- Protecting our core business
- Democratising data
- Grow Enterprise business
- Financial deepening
- Network investment
- Making a lasting difference

Driving democratisation of mobile broadband

- Low cost data enabled devices
- Affordable tariffs
- Relevant local content
- More content based VAS
- Back up & location based services



Increased Focus On Growing Enterprise Business

- Offer converged services to Kenyan SME businesses
- Provide true integration across fixed and mobile platforms
- Drive uptake of managed services solutions for data storage, disaster recovery, & cloud based enterprise applications

**VIDEO &
TELEPRESENCE**



VOICE



DATA



MOBILITY



Enabling financial inclusion in Kenya

- Drive financial inclusion in Kenya through M-PESA
- Increase access to basic financial services
- Increase agent outlet footprint
- Increase utility of M-PESA value adds(e-wallet, m-ticketing)



Expansion of network coverage

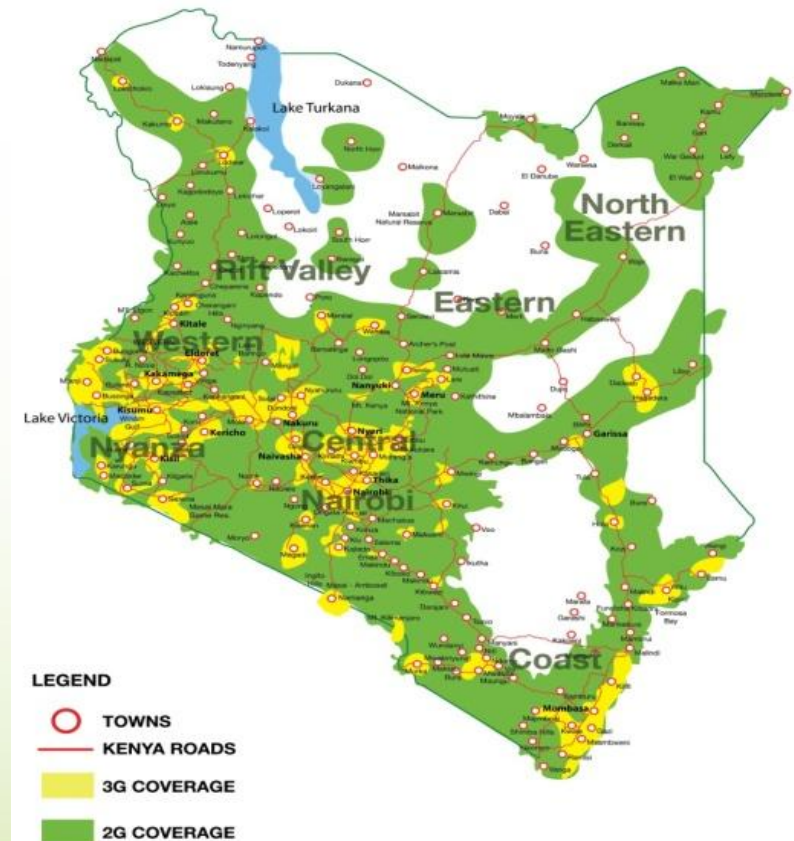
Expansion of access network

Modernization of core network

Adoption of new efficient technologies

Reliable fiber optic infrastructure

SAFARICOM NETWORK COVERAGE



Making a lasting difference

- Contribution to meeting the Millennium Development Goals (MDGs)
- Promote m-health
- Continued Corporate Social Responsibility
- Sustainable approach to business

An advertisement for Daktari 1525, a medical advice service. It features a smiling male doctor in a white coat and stethoscope talking on a mobile phone. Above him is a green speech bubble with the text "Daktari 1525" and a mobile phone icon. To the right, the text reads: "MEDICAL ADVICE IS ONLY A PHONE CALL AWAY". Below this, smaller text states: "With Daktari 1525, the new medical advisory service brought to you by Safaricom, you can now have access to medical advice by dialing 1525. The call costs only Kshs 20 per minute. Our doctors are available 24 hours." The Safaricom logo is at the bottom right. At the bottom left, there is a small "Daktari 1525" logo and some fine print.

Daktari 1525

MEDICAL ADVICE IS ONLY A PHONE CALL AWAY

With Daktari 1525, the new medical advisory service brought to you by Safaricom, you can now have access to medical advice by dialing 1525. The call costs only Kshs 20 per minute. Our doctors are available 24 hours.

Safaricom

2011/2012 Highlights

- Sustained investment in network quality and modernization
- Continued momentum in customer growth
- Strong operational and financial performance
- Voice, Mobile data and M-PESA remain key drivers of growth
- Full year dividend of Kshs 22 cents

Q&A

