

OUR BUSINESS

This section presents a brief overview of the company and the business ecosystem within which we operate.

It includes a summary of our vision and strategy and how sustainability fits into our strategy, our value-added statement (the value we have created and allocated during the reporting period), along with a concise outline of our governance and management processes.

SAFARICOM AT A GLANCE

Safaricom Limited (Safaricom) is an integrated communications company, providing voice, data and financial (mobile money) products and services to consumers, businesses and public sector clients. We operate solely in Kenya and our headquarters are located at Safaricom House in Nairobi. As an organisation, we have annual revenues of KSH 163.4 billion and have 23.35 million customers in Kenya, which represents an increase of 8.3% in customers from the previous year.

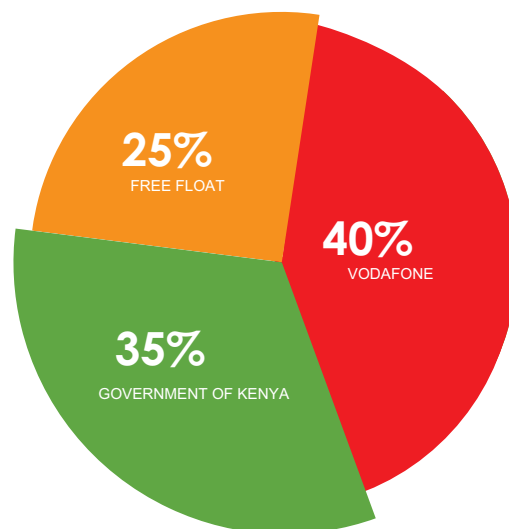
Our M-PESA money transfer service continues to grow and is used by over 20.63 million registered customers. For further information on the direct and indirect value we provide to society, refer to page 18 & 64 of this report.

The diagram on page 23 illustrates the structure of our operating divisions.

Our operations consist of Safaricom House 1 and 2, the Safaricom Care Centre, the Jambo Contact Centre, 42 retail stores and a network of 3,382 2G-enabled base stations, of which 1,943 are 3G-enabled and a further 236 are 4G-enabled.

Our shareholding structure is composed of the Government of Kenya (35%); Vodafone (40%) and free float (25%). We are listed on the Nairobi Stock Exchange, trading in the telecommunications and technology segment. Safaricom has five subsidiaries, which are 100% held and are disclosed in note [19] of the Annual Financial Statements on page 120 of the 2015 Annual Report [www.safaricom.co.ke/financial-updates/annual-reports]. These subsidiaries are covered by the disclosures in this report.

Shareholding structure (%)



Key figures

			FY15	FY14	FY13
Annual revenue (KSH billion)	▲ 12.9%		163.4	144.67	124.29
Number of employees	▲ 3.8%		4,192	4,037	2,667
Number of base stations	▲ 7.7%		3,382	3,140	2,905
Coverage (% population)	▲ 2%		92%	90%	88%
Number of customers (million)	▲ 8.3%		23.35	21.57	19.42
Market share (% subscribers)	▼ 1%		67.1%	67.8%	64.5%

Our sustainability vision and strategy

We aspire to use our products and services to transform lives and contribute to sustainable living throughout Kenya. Based on this fundamental aspiration, our vision sets out how we use our ability to deliver connectivity and innovative services to improve the quality of life and livelihoods of the people we reach. Central to achieving this vision is our commitment to managing our operations responsibly and ethically.

Communicating our vision

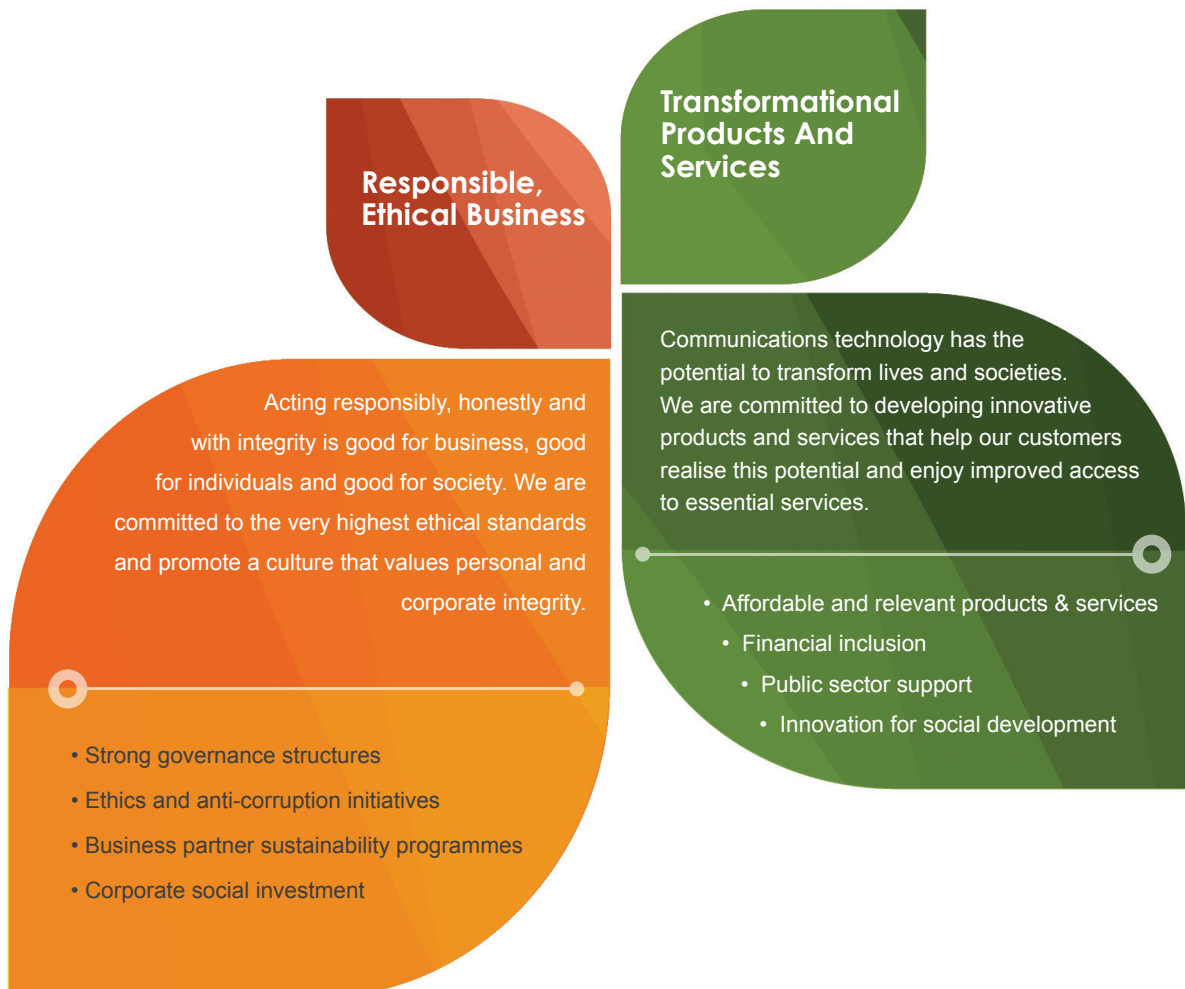
Communications technology is already an essential part of most people's lives and is transforming the world in which we live. We believe that we can continue to grow our business and enhance our brand by developing innovative, commercially viable solutions that both support sustainable development and improve the quality

of life of Kenyans. Our M-PESA mobile money transfer product, for instance, has become a platform for a range of services that are improving livelihoods.

As well as providing first time access to the internet for many Kenyans, we continue to build on our work in areas such as agriculture, education and health, where technology is recognised as a critical tool that can make a significant difference to people's lives.

We consider maintaining the trust of our stakeholders and remaining accountable to them as vital to achieving our vision. As a result, we are committed to retaining that trust by managing our operations responsibly by keeping our people safe, managing our carbon footprint, protecting the privacy of our customers and conducting our business in an ethical and transparent way.

Our vision is based upon the twin pillars of responsible, ethical business and transformational products and services:



Converting our vision into strategy

Our strategy is informed and driven by the seven strategic objectives of the organisation. Each of the objectives is an aspect of the organisation that has been identified as an area of fundamental and critical importance. Together, the objectives form the foundation upon which the organisation can build sustainable success.

Each of the strategic objectives reflects a tangible, explicit goal. These goals guide our actions and the initiatives we need to undertake to achieve our strategy and deliver our vision.



The following table lists our strategic objectives and demonstrates how these are linked to our material matters and stakeholders. Detailed discussion of each

of these individual aspects can be found in the relevant section of this report; for example, 'Our material matters' (page 20) and 'Stakeholder engagement' (page 44).

Strategic objective	Description	Material matter/ Stakeholder
Deliver the Best Network in Kenya	<ul style="list-style-type: none"> • Deliver a high-quality, available and energy efficient network 	<ul style="list-style-type: none"> • Network quality
Delight our customers	<ul style="list-style-type: none"> • Provide positive customer experiences • Understand the needs of our customers • Develop solutions that add value to their lives • Surpass their expectations • Protect their privacy 	<ul style="list-style-type: none"> • Customers
Stay ahead of the curve	<ul style="list-style-type: none"> • Develop transformational and innovative products and services 	<ul style="list-style-type: none"> • Innovation
YOLO	<ul style="list-style-type: none"> • Be Youthful, Original, Local and Outstanding • Deliver youth-centric solutions 	<ul style="list-style-type: none"> • Innovation • Customers
Deepen financial inclusion	<ul style="list-style-type: none"> • Provide formal financial services to the unbanked 	<ul style="list-style-type: none"> • Society
Partner of choice for business	<ul style="list-style-type: none"> • Provide integrated ICT solutions that enable businesses to succeed • Understand and support our suppliers, dealers and agents 	<ul style="list-style-type: none"> • Customers • Business Partners
Democratise data	<ul style="list-style-type: none"> • Grow fixed and mobile data 	<ul style="list-style-type: none"> • Innovation

Awards

WHILE WE DON'T EXIST TO WIN AWARDS, IT'S NICE TO BE RECOGNISED



Category

Top Social Media Influencer/Blogger of the year 2014



Category

Best use of Digital Emerald Award

Campaign

Open Your Eyes Kenya



Category

Socially Devoted Brand 2014

Category

Corporation with Best Customer Care

Category

Overall organization of the Year 2014



AWARDS IN WHICH WE WERE SHORTLISTED AS FINALISTS



The Engage 2015 Award

Category: Socially Devoted Brand Award

Loerie Awards

Category: Digital & Interactive Communication

Campaign: New Safaricom Kenya Website

Category: TV, Film & Video Communication

Campaign: Open Your Eyes Kenya

Category: Digital & Interactive Communication

Campaign: Open Your Eyes Kenya



THE VALUE WE HAVE CREATED

We create direct and indirect value for all of our stakeholders through our business operations. Our indirect contributions are more difficult to quantify. The direct value we have created, and how it was allocated, is shown in the Value-added Statement below. For further details regarding our financial performance, please refer to our 2015 Annual Report.

VALUE-ADDED STATEMENT

All values are in KSH billions.

Value Created	FY15 (KSH billion)	FY14 (KSH billion)
Handset	5.67	4.95
Other Revenue	1.45	1.36
Voice	87.41	84.37
Messaging	15.63	13.62
Mobile Data	14.82	9.31
Fixed Service	3.13	2.57
M-PESA	32.63	26.56
Other service revenue	2.63	1.93
Other income (non- revenue items)	2.43	1.84
Total Value created	165.83	146.51

Value Allocated	FY15 (KSH billion)	FY14 (KSH billion)
Employees	11.44	10.09
Landlords	1.84	1.56
Other operating costs	22.77	20.24
Dealers & Agents	22.91	20.25
Suppliers	25.76	23.75
License Fees	8.04	7.96
Finance expenses (incl. forex losses)	1.35	1.88
Government as Taxes	14.28	11.97
Dividends	25.64	18.83
Retained for growth	6.23	4.19
Depreciation & Amortisation	25.57	25.79
Total Value Allocated	165.83	146.51

OUR BUSINESS MODEL

We are an integrated communications company, providing voice, data and financial (mobile money) products and services to consumers, businesses and public sector clients. We operate solely in Kenya and our headquarters are located at Safaricom House in Nairobi.

Our operations consist of Safaricom House 1 and 2, the Safaricom Care Centre, the Jambo Contact Centre,

42 RETAIL STORES



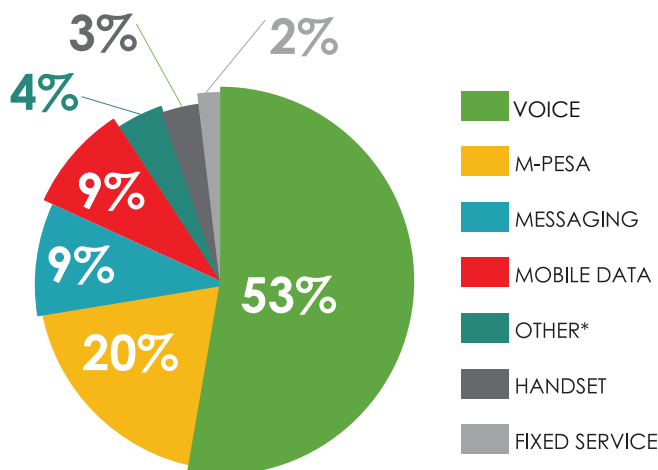
and a network of

**3 382 2G,
1 943 3G
AND 236 4G-
ENABLED
BASE STATIONS.**

We cover

**92% OF THE
POPULATION ON
2G AND 69% ON 3G.**

TOTAL REVENUE: KSH 163.36 BILLION*



The majority of our revenue comes from voice and mobile money (M-PESA) services.

* Excludes non-revenue income items

DESCRIPTION OF SERVICES

VOICE: Prepaid and Postpaid voice plans.

M-PESA: A fast, safe and affordable way to send and receive money, and pay for goods and services via mobile phone.

MESSAGING: SMS bundles, MMS, call back SMS notifications for missed calls and 'please call me' messages.

MOBILE DATA: High speed data connectivity for access to the internet through fixed and mobile broadband.

HANDSET: Mobile handsets, mobile broadband modems, routers, tablets, notebooks and laptops.

FIXED SERVICES: Wireless services, fixed lines and mobile solutions, including fibre and leased lines. In addition, dedicated internet solutions for enterprises and hosted services.

OUR RELATIONSHIPS

We rely on the relationships with our

**23.35 MILLION
CUSTOMERS,
85 756 M-PESA
AGENTS,**

487 DEALERS,

994 SUPPLIERS,

4 192 EMPLOYEES

and other

STAKEHOLDERS

to remain socially relevant and operate as a responsible corporate citizen, in order to deliver our business strategy.