

SAFARICOM TELECOMMUNICATIONS ETHIOPIA PLC (STE)

Q3 Update- as at 31 Dec 2023

INVESTOR RELATIONS
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Safaricom Plc, Chief Executive Officer, Peter Ndegwa - Overview

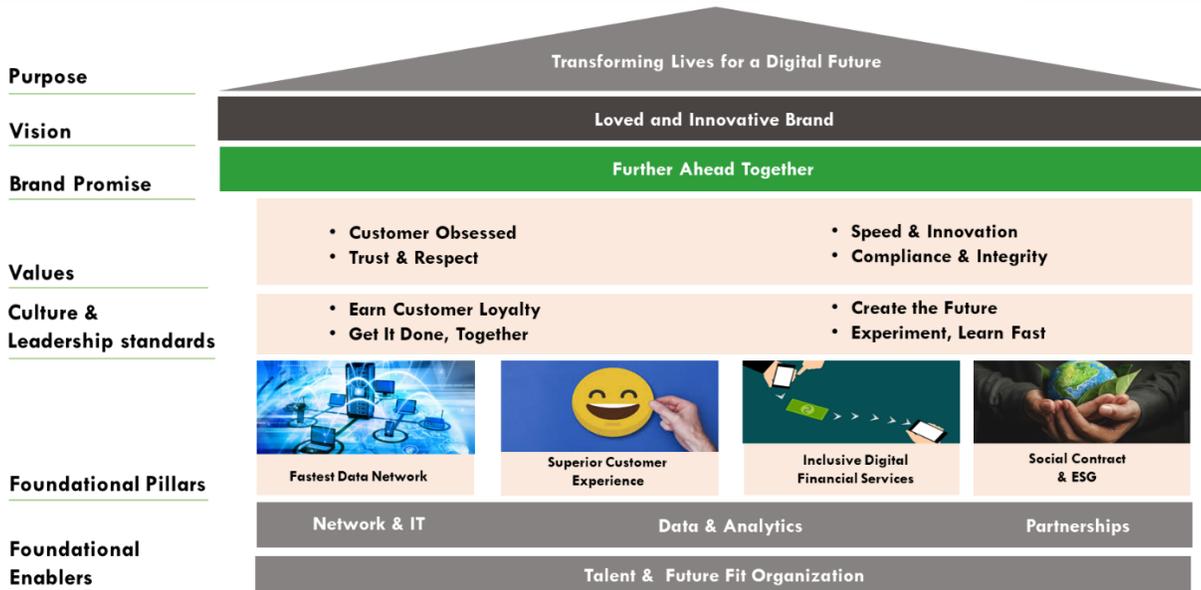


We are pleased to share with you the Q3 update on our operations in Ethiopia. We have made significant progress in expanding network roll-out and the great momentum M-PESA has gained since switching on M-PESA services on 15 Aug 2023.

Our purpose in Ethiopia is to transform lives for a digital future and our vision is to establish an innovative brand loved by its customers. We are building a world-class network focused on earning customer loyalty and are experimenting and learning from the lessons and challenges as the business evolves to create a digital future for our customers. Thus far, we have established the fastest data network in Ethiopia, offering our customers superior customer experience. We have made initial steps in establishing inclusive digital financial services for the people of Ethiopia by launching a robust and secure M-PESA network in Ethiopia.

It is now over one year since we launched commercial operations in Ethiopia in October 2022. Commercial momentum remained positive having recorded 9.0Mn gross customer additions since launch and attained 4.3Mn 90-day active customers as at December 2023. We have covered 33% of the population and are on track to meet all license coverage obligations. Mobile data is a key proposition in Ethiopia with usage per chargeable Mobile data subscriber now at 4.76GB as at the end of Q3. We are encouraged by this momentum in usage levels which has now surpassed Kenya.

SAFARICOM ETHIOPIA | PURPOSE, VISION, VALUES



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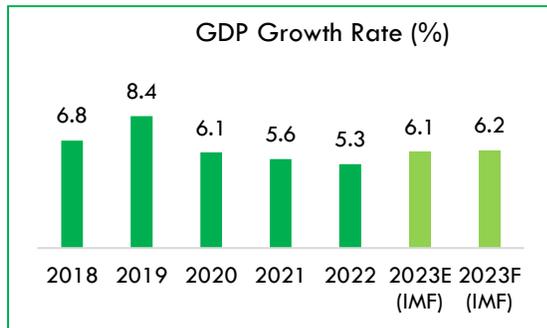
Macro and political environment update

Economic Growth

In the last three years, the Ethiopian economy has faced multiple shocks including the impact of COVID-19 pandemic, internal conflict, drought, and the effects of Russia-Ukraine war on commodity prices. According

to Bloomberg data, GDP growth fell to 5.6% and 5.3% in 2021 and 2022 respectively, from 6.1% in 2020 but remained above East Africa's average of 4.7% in 2021 and 4.4% in 2022.

According to International Monetary Fund (IMF), Ethiopia economy is projected to grow by 6.2% in 2024 from an estimated growth of 6.1% in 2023 driven by the peace dividend, rebounding tourism, and prospect of liberalizing more sectors. To drive growth, the government is keen on reducing inflation, improving the performance of the agriculture sector, and increasing tax revenue and foreign direct investment inflow into the country.



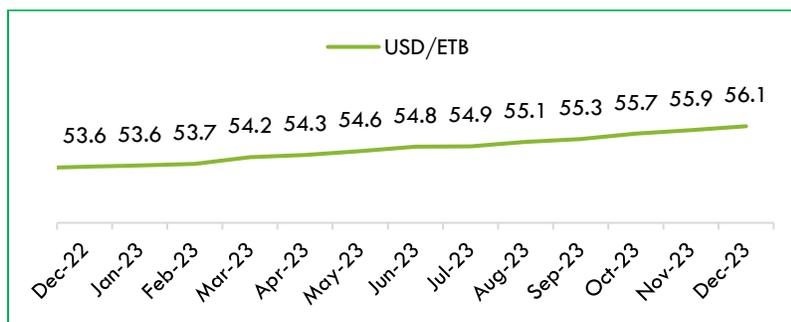
Source: Bloomberg & International Monetary Fund

Currency Performance

The Ethiopia Birr (ETB) depreciated by 4.8% in 2023 to close the year at ETB 56.1. To address the foreign currency shortage, the government implemented several measures in September 2022 intended to improve access to dollars.

The National Bank of Ethiopia (NBE) banned the use of foreign currency in local transactions, while reducing the number of days that a returning resident can keep foreign cash from 90 to 30 days. In addition, the Bank also relaxed restrictions on how much foreign currency can be brought into the country.

Nationals can now bring up to \$4,000 into Ethiopia without declaring the money to customs officials, up from \$1,000. The amount non-Ethiopians can bring to the country with no need to disclose has more than tripled from \$3,000 to \$10,000.



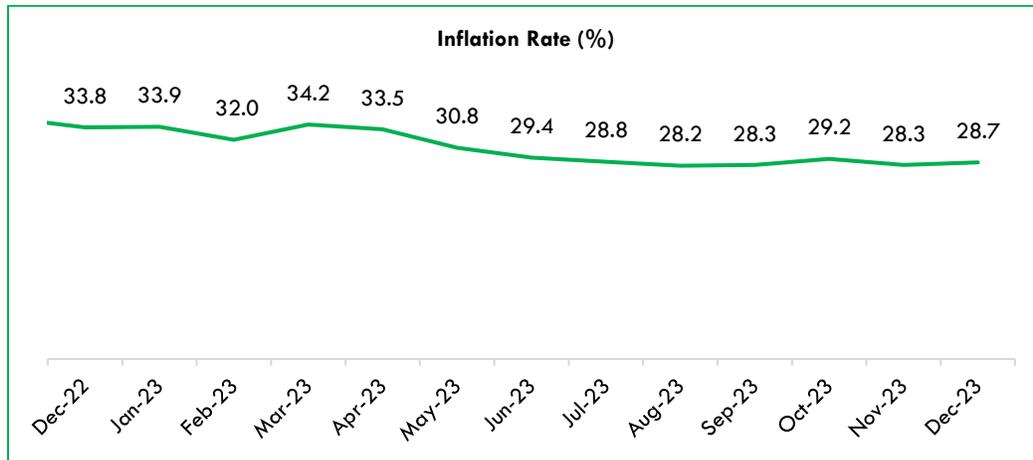
Source: Bloomberg

Inflation

According to the [Monetary Policy press release](#) by the National Bank of Ethiopia (NBE), inflation has been one of the most difficult macroeconomic challenges facing Ethiopia over a period of many years. It stated that the Ethiopian economy and population have lived with inflation for a very long time, as seen from the average inflation rate of 16% per year registered over the past decade.

Inflation in Ethiopia remained below 30% for six months in a row, according to data from the statistics office. The country's annual inflation rate rose to 28.7% in December 2023, from 28.3% in November 2023. Food inflation, which accounts for 53.5% of the Consumer Price Index (CPI), ticked up to 30.6% y/y during the month from 30.0% in November 2023 while non-food products rose marginally to 26.1% y/y in December 2023 from 26.0% the previous month driven by a weakening birr.

NBE targets to reduce inflation to below 20% by June 2024 and below 10% by June 2025 by moderating credit growth and sharply reducing the direct advances to the Treasury. More details contained in the press release as per link above.



Source: Ethiopia Central Statistical Agency

M-PESA in Ethiopia

Safaricom M-PESA Mobile Financial Services PLC, (Safaricom M-PESA ET) was incorporated specifically to deliver and provide mobile financial services in Ethiopia. On 10th May 2023, the National Bank of Ethiopia (NBE) granted the payment instrument issuer license to the Safaricom M-PESA Mobile Financial Services PLC (Safaricom M-PESA ET) upon fulfilling the set conditions i.e., incorporation of the subsidiary, proof of payment of USD 150M for the investment protection fee and the paid-up capital of ETB 50M. The license allows the Safaricom M-PESA ET to issue payment instruments and use of agents in its mobile money business. Safaricom M-PESA ET is a wholly owned subsidiary of Safaricom Telecommunications Ethiopia PLC, apart from a nominal share held by the Consortium holding company, Global Partnership of Ethiopia BV.

We launched M-PESA with the following services; deposits, withdrawals, transfers (P2P), airtime and data package purchase, M-PESA to Bank (C2B) and Bank to M-PESA (B2C), merchant payments (with transacting tills) and international money remittances services (inbound transfers only). Other services will follow as we continue enhancing customer education and awareness of M-PESA in Ethiopia. We are very pleased with the optimism that M-PESA has evoked in the youthful population of Ethiopia, and we look forward with great excitement to the transformation M-PESA will bring to financial inclusion in Ethiopia.

We closed the quarter with 3.1Mn registered customers as at 31 Dec 2023, 26.2k M-PESA Agents and 43.1k Merchants. We are now interoperable with 9 banks including Commercial Bank of Ethiopia, Dashen Bank, Bank of Abyssinia, Awash International Bank, Co-operative Bank of Oromia, Abay Bank, Hibret Bank, Berhan Bank and Bunna Bank for M-PESA to Bank. For Bank to M-PESA services we are interoperable with 7 banks including Commercial Bank of Ethiopia, Dashen Bank, Bank of Abyssinia, Awash International Bank, Co-operative Bank of Oromia, Abay Bank, and Bunna Bank. These numbers will continue to grow as the

network expands and as M-PESA penetrates in the market. According to International Trade Administration [Market Intelligence on Ethiopia's Banking Sector Opportunities](#), there are 30 banks operating in the country consisting of 8,250 branches, serving the country's population.

The opportunity for M-PESA in the over 119Mn populous nation of Ethiopia remains untapped given the low levels of financial inclusion. According to the National Bank of Ethiopia (NBE) the percentage of adult population with an account at a financial institution stood at 45% in 2020. The [National Financial Inclusion Strategy \(NFIS 2021–2025\)](#) aims to increase financial inclusion from 45% to 70% of all adults by 2025, in part by scaling digital payments through mobile money services. The country also aims to increase the use of digital payments from 20% of all adults in 2020 to 49% by 2025. 63Mn people in Ethiopia are over 18 years with 13.5Mn being between the age of 13-18 years. This presents the opportunity for M-PESA to drive financial inclusion to levels seen in Kenya after over 20 years of operations in the country, to over 84% in 2021 from 27% in 2006, according to [The Financial Inclusion Statistics Conference](#).

Funding of Safaricom Ethiopia

Safaricom Ethiopia is funded through shareholder equity, deferred vendor payments and third-party borrowings. Shareholders of GPE had contributed USD 1,614Mn by Dec 2023, including IFC, in proportion to their shareholding. This funding includes the license fee of USD 850Mn and the USD 150Mn MPESA Investment Protection Fee. Safaricom PLC's contribution amounts to USD 834Mn, which was partly funded through a USD 400Mn loan borrowed from a consortium of local and international banks during FY22.

Below is a summary of the contributions made by all shareholders to date in the indicated periods excluding the total license fees of USD 1Bn which was paid directly to the Government of Ethiopia.

USD Mn	Q3 FY24	Q2 FY24	Q1 FY24	FY23	FY22
GPE shareholders funding excluding the USD 1Bn license fees	-	117	109	269	119

The operating entity has also borrowed from the local market and is leveraged as below at varying interest rates. Also included in the table are the closing outstanding amounts for the periods under the deferred vendor payments agreements.

KES Bn	Q3 FY24	HY24	Q1 FY24	FY23	FY22
Local Debt	18.87	15.22	13.30	12.81	0.00
Deferred Vendor Payments	51.00	43.74	30.89	26.16	0.52

*Conversion of ETB to KShs is done at a closing exchange rate of 1ETB to KShs at 2.5625 for Q1 FY24, 2.6715 for HY24, 2.7961 for Q3 FY24, 2.4459 for FY23 and 2.2443 for FY22.

Sites rollout

As of 31 Dec 2023, we had launched 2,242 base stations (1,252 own built & 990 collocated) covering 33 cities including large and medium towns. This represents 33% population coverage. Our focus now is to densify connectivity to continue enhancing quality of connectivity as we create a contiguous network. As at HY24 results, we maintained our FY24 CAPEX guidance of KShs 40 – 45Bn.

Financial/Non-financial update for Safaricom Ethiopia

1. Key Performance Indicators (KPIs)

Key Performance Indicators	9M	HY24	Q1 FY24	FY23
90-day active customers	4.34	4.12	2.74	2.14
90-day active total customer ARPU	113.89	108.94	82.67	62.56
One month active customers (Mn)	2.78	2.58	1.93	1.44
One month active customer ARPU*	170.13	154.01	118.98	78.02
Voice				
90-day active total customers (Mn)	3.47	3.71	2.49	1.96
One month active voice customers (Mn)	2.08	2.18	1.72	1.24
One month active voice customer ARPU*	40.06	37.91	35.98	21.33
Mobile Data				
90-day active total customers (Mn)	2.66	2.31	1.73	1.43
Usage per chargeable customer (MBs)	3,723.9	3,062.3	2,328.3	1,507.9
Usage per chargeable customer (MBs) - Exit	4,763.5	4,347.6	2,545.9	1,833.7
One month active mobile data customers (Mn)	1.81	1.43	1.21	0.92
One month active chargeable data ARPU*	199.92	180.35	117.86	76.19
M-PESA				
Registered M-PESA customers(Mn)	3.1	1.2	-	-
Active Merchants (k)	43.1	12.4	-	-
Value transacted (KShs bn)	18.5	3.0	-	-
Volume transacted (Mn)	9.2	2.0	-	-
Messaging				
90-day active SMS total customers (Mn)	1.67	1.96	1.00	0.68
One month active Messaging customer ARPU*	4.22	4.60	1.78	1.84
One month active customers	0.98	0.83	0.67	0.37
Base Stations				
2G/3G/4G base stations	2,242	2,057	1,700	1,272

*Average revenue per user (ARPU) is in KShs excluding hyperinflationary impact.

2. Total Revenue

The financial summary of the unaudited total revenues for the periods ended as shown below and are not prepared on IAS 29 basis- which caters for hyperinflationary economies. This is for information purposes only. FY23 audited numbers remain as were previously reported.

KShs Mns	9M	HY24	Q1 FY24	FY23
Voice Revenue	678.0	406.4	152.1	121.3
Messaging Revenue	28.2	18.4	2.6	3.5
Mobile Data Revenue	2,506.7	1,319.6	361.3	322.9
M-PESA Revenue	44.9	7.2	-	-
Mobile Incoming Revenue	236.6	149.8	60.1	59.6
Other Mobile Service Revenue	14.5	4.1	1.4	0.0
Fixed Line and Wholesale Transit Revenue	3.9	-	-	-
Service Revenue	3,512.8	1,905.4	577.6	507.4
Handset revenue and other revenue	1,286.6	849.6	397.1	584.0
Other Income	25.2	19.7	-	584.5
Total Revenue	4,824.6	2,774.7	974.7	1,676.0

*Conversion of ETB to KShs is at an average exchange rate of KShs to ETB of 2.616 for Q3, 2.564 for HY, 2.517 for Q1 and 2.290 for FY23.