

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 2016 will be held at the Bomas of Kenya, Langata/Forest Edge Road, Nairobi on Friday, 2 September 2016 at 11:00 a.m. to conduct the following business:-

1. To receive, consider and adopt the audited Financial Statements for the year ended 31 March 2016 together with the Chairman's, Directors' and Auditors' reports thereon.
2. **Dividend**
 - a) To approve a first and final dividend of Kshs 0.76 per share for the Financial Year ended 31 March 2016 as recommended by the Directors. The dividend will be payable on or before 1 December 2016 to the Shareholders on the Register of Members as at the close of business on 2 September 2016.
 - b) To note that a special dividend of Kshs 0.68 per share for the Financial Year ending 31 March 2017, as approved by the Directors, will be payable on or before 1 December 2016 to the Shareholders on the Register of Members as at the close of business on 2 September 2016.
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) Mr Michael Joseph retires in accordance with Clause 2.5 of the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015, Special notice is hereby given pursuant to Section 287 of the Companies Act 2015, that notice has been received, of the intention to propose the following Resolution as an Ordinary Resolution at the 2016 Annual General meeting:-
'That Mr Michael Joseph who has attained the age of over 70 years, be and is hereby re-elected a Director of the Company.'
4. 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.
5. Any other business of which due notice has been given.

BY ORDER OF THE BOARD

KATHRYNE MAUNDU (MS)
COMPANY SECRETARY

Date: 1 August 2016

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) 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 31st March 2016 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 2nd September 2016. 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 20 2230330/ +254 20 2212065/ +254 20 2246449 Mobile: +254 724 699667/ +254 735565666/ +254 770 052116, Email: info@image.co.ke), or Safaricom Limited's Investor Relations Team (Tel: +254 427 4233/4260 Mobile: +254 722 004233/4260, 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 the 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.



Chairman's abridged commentary



Kenya's economy remained fairly stable growing by an estimated 5.6% in 2015 compared to 5.3% in 2014. The performance was driven by a stable macroeconomic environment and significantly improved performance of agriculture, construction, finance, insurance and real estate sectors.

The ICT sector growth slowed to 7.3% in 2015 compared to 14.6% in 2014. The growth was on account of resilient expansion in mobile telephony network and increased uptake of internet services. We remain confident that the sector is on course to attain the Vision 2030 target of contributing 10% to the country's GDP by 2017.

Safaricom and other players within the mobile telecommunications sub-sector continue to contribute substantial gains to the economy.

The regulatory environment remained an area of importance to our operations in the financial year. The Communications Authority of Kenya (CA) in December 2015 commenced the process of reviewing Regulations in addition to the proposals introduced in 2014. These new Regulations include Infrastructure Sharing, E-Commerce, Universal Service Fund (USF), Cyber Security and Broadcasting. We continue to engage the CA in this process while supporting the development of a Regulatory Framework that promotes investment and innovation in the telecommunications industry as well as a sustainable business environment in accordance with international best practices.

Safaricom shares remained resilient for the year under review. Our dedication to our strategy has yielded a strong set of financial results, generated significant free cash flow and is a confirmation of our continued commitment to generating value for our shareholders.

In light of the strong financial performance in the past year, the Board recommended a dividend of Shs 0.76 per share, an increase of 18.9%. On approval by shareholders, we will pay out a dividend of Shs 30.48bn, which represents 80% of our net income, for the year ended 31 March 2016.

Our commitment to continue transforming lives remains strong and with our strategy in place we are confident that we shall continue creating value for our shareholders and customers.

Nicholas Nganga

Chairman

6 July 2016

CEO's abridged commentary



Our continued focus on the three strategic pillars; putting customers first, providing relevant products and enhancing operational excellence, resulted in an 8% growth of our loyal customer base generating strong financial and commercial performance.

We realigned our sales and operations teams to be independently managed in six regions. This, in addition to the Shs 32.1bn investment in the network, has led to improved data speeds and network quality. We commissioned independent drive tests in March 2016 to measure key quality metrics such as dropped calls, call set-up success, voice quality and data speeds. The tests show that our network delivers the best voice quality and faster data services than our competitors.

Service revenue grew by 13.8% to Shs 177.8bn. Voice service revenue which now represents 51.1% of our service revenue grew by 3.9% to Shs 90.8bn. Non-voice revenue representing 48.9% of service revenue up from 44.1% last year grew by 26.3%.

Messaging revenue grew by 10.6% to Shs 17.3bn due to an increase in the number of SMS users benefiting from affordable SMS bundles and targeted promotions.

M-PESA revenue grew by 27.2% to Shs 41.5bn driven by a 19.8% growth in 30-day active M-PESA customers to 16.6m and a 17.5% growth of our M-PESA agent footprint to 100,744. Lipa na M-PESA payments made at 44,000 merchant outlets in March grew by 74% to Shs 20bn.

Mobile data revenue grew at 42.7% driven by a combination of a 21.5% increase in 30-day active mobile data customers to 14.1m, an increased uptake of data bundles and a growth in smartphone penetration. In March 2016 we had 7.9m customers on 3G and 4G enabled devices, of which 0.7m are 4G handsets. Fixed service revenue grew by 22% to Shs 3.8bn on account of increased number of fixed customers to 10,490 up 21.6%. We now have 1,018 buildings and 1,795 homes connected to high speed fibre.

The business once again delivered encouraging results, supported by growth across all our revenue streams and a focus on cost efficiency pushing EBITDA margin up to 44.6% and free cash flow increase of 10.3% to Shs 30.4bn.

We continue to ensure our customers have the best network through expansion, upgrades and quality improvements. We plan to leverage our regional operations structure to understand our customers' needs and aspirations even better.

Robert Collymore

CEO

6 July 2016



SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016
ABRIDGED AND PUBLISHED IN ACCORDANCE WITH ARTICLE 145 OF THE COMPANY'S ARTICLES OF ASSOCIATION

REPORT OF THE INDEPENDENT AUDITOR ON
THE SUMMARY FINANCIAL STATEMENTS TO
THE MEMBERS OF SAFARICOM LIMITED

The accompanying summary financial statements of Safaricom Limited and its subsidiaries (together, the "group"), which comprise the summary consolidated statement of financial position as at 31 March 2016 and the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended have been derived from the financial statements of Safaricom Limited for the year ended 31 March 2016.

We have audited the financial statements of Safaricom Limited for the year ended 31 March 2016, from which these summary financial statements were derived, in accordance with International Standards on Auditing. In our report dated 10 May 2016, we expressed an unqualified opinion on the financial statements from which the summary financial statements were derived.

For a better understanding of the group's financial position and the results of its operations for the year and of the scope of our audit, the summary financial statements should be read in conjunction with the financial statements from which the summary financial statements were derived and our audit report thereon.

The directors are responsible for the preparation of these summary financial statements.

AUDITOR RESPONSIBILITY

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, 'Engagements to report on summary financial statements'.

OPINION

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the financial statements from which they were derived.

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

 

Certified Public Accountants

Nairobi

06 July 2016

SUMMARY CONSOLIDATED STATEMENT
OF COMPREHENSIVE INCOME

Year ended 31 March			
	Notes	2016 Shs'000	2015 Shs'000
Revenue	5	195,685,224	163,364,121
Other income	6	231,823	575,604
Direct costs	7(a)	(62,310,003)	(56,708,576)
Construction costs	7(b)	(9,279,818)	-
Other expenses	7(c)	(41,260,953)	(36,039,990)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		83,066,273	71,191,159
Depreciation of property, plant and equipment	17(a)	(24,662,315)	(21,850,707)
Impairment of property, plant and equipment	17(a)	(1,790,267)	(2,849,518)
Amortisation – Indefeasible Rights of Use (IRUs)	18(a)	(348,171)	(327,032)
Amortisation – Licenses	20(a)	(1,141,793)	(542,902)
Operating profit		55,123,727	45,621,000
Finance costs	8	(1,399,507)	(1,347,720)
Finance income	8	2,301,055	1,772,589
Fair value loss on investment property	19	(366,859)	-
Share of profit / (loss) of associate	21(b)	104,089	(4,041)
Asset purchase gain	31	-	107,717
Profit before income tax		55,762,505	46,149,545
Income tax expense	11	(17,658,215)	(14,278,242)
Profit for the year (of which Shs 37,764,792,000 (2015: Shs 31,751,249,000) has been dealt with in the accounts of the Company)		38,104,290	31,871,303
Other comprehensive income for the year, net of tax		-	-
Total comprehensive Income for the year		38,104,290	31,871,303
Profit and total comprehensive Income attributable to:			
Owners of parent		38,104,290	31,871,303
Non-controlling Interest		-	-
		38,104,290	31,871,303
Earnings per share			
Basic and diluted (Shs per share)	12	0.95	0.80
Dividends per share	14	0.76	0.64

SUMMARY CONSOLIDATED STATEMENT
OF FINANCIAL POSITION

Year ended 31 March			
	Notes	2016 Shs'000	2015 Shs'000
Share capital	13	2,003,271	2,003,271
Share premium	13	2,200,040	2,200,040
Retained earnings		82,052,204	74,431,346
Proposed dividend	14	30,483,432	25,641,874
Total equity		116,738,947	104,276,531
Non-current liabilities			
Borrowings	15	-	490,762
Total non-current liabilities		-	490,762
Total equity and non-current liabilities		116,738,947	104,767,293
Non-current assets			
Deferred income tax	16(a)	1,420,309	1,666,417
Property, plant and equipment	17(a)	113,419,398	107,756,919
Indefeasible rights of use	18(a)	4,500,334	4,848,505
Investment property	19	845,000	-
Intangible assests - Licenses	20(a)	8,721,467	9,863,260
Intangible assests - Goodwill	20(a)	219,151	219,151
Investment in associate	21(b)	115,908	11,819
Prepaid operating lease rentals	22	447	1,002
		129,242,044	124,367,073
Current assets			
Inventories	23	816,393	8,258,601
Receivables and prepayments	24	20,622,992	10,301,643
Restricted cash	25(b)	2,391,563	2,113,938
Cash and cash equivalents	25(a)	6,109,493	11,916,371
		29,940,441	32,590,553
Current liabilities			
Payables and accrued expenses	26	40,068,982	41,423,899
Current income tax		2,374,556	617,216
Borrowings	15	-	10,149,218
		42,443,538	52,190,333
Net current liabilities		(12,503,097)	(19,599,780)
		116,738,947	104,767,293


Nicholas Nganga
Director


Robert Collymore
Director

SUMMARY CONSOLIDATED STATEMENT
OF CASH FLOWS

Year ended 31 March			
	Notes	2016 Shs'000	2015 Shs'000
Cash flows from operating activities			
Cash generated from operations	27	79,203,275	74,636,662
Movement in restricted cash		(277,625)	(376,121)
Interest received	8	1,341,725	1,292,085
Income tax paid		(15,654,767)	(13,853,092)
Net cash generated from operating activities		64,612,608	61,699,534
Cash flows from investing activities			
Purchase of property, plant and equipment	17(a)	(33,337,423)	(33,866,124)
Proceeds from disposal of property, plant and equipment		37,948	93,835
Investment in indefeasible rights of use	18(a)	-	(228,990)
Acquisition of licences	20(a)	-	(9,692,259)
Acquisition of a subsidiary	21(a)	-	(91,450)
Net cash used in investing activities		(33,299,475)	(43,784,988)
Cash flows from financing activities			
Dividends paid	14	(25,641,874)	(18,830,751)
Interest paid	8	(838,157)	(1,073,091)
Proceeds from long-term borrowings	15	8,696,700	5,914,152
Repayments on long-term borrowings	15	(19,336,680)	(7,889,552)
Net cash used in financing activities		(37,120,011)	(21,879,242)
Net increase in cash and cash equivalents		(5,806,878)	(3,964,696)
Movement in cash and cash equivalents			
At start of year		11,916,371	15,881,667
(Decrease)/ increase		(5,806,878)	(3,964,696)
At end of year	25(a)	6,109,493	11,916,371



SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company				
	Share capital	Share premium	Retained earnings	Proposed dividends	Total equity
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Year ended 31 March 2015					
At start of year	2,003,271	2,200,040	68,201,917	18,830,751	91,235,979
Profit and total comprehensive income for the year	-	-	31,871,303	-	31,871,303
Transactions with owners:					
Dividends:					
- Final for 2014	-	-	-	(18,830,751)	(18,830,751)
- Proposed final for 2015	-	-	25,641,874	5,641,874	-
Total transactions with owners	-	-	(25,641,874)	6,811,123	(18,830,751)
At end of year	2,003,271	2,200,040	74,431,346	25,641,874	104,276,531
Year ended 31 March 2016					
At start of year	2,003,271	2,200,040	74,431,346	25,641,874	104,276,531
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	82,052,204	30,483,432	116,738,947

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