News Release

Safaricom

Safaricom Limited announces Strong operational and financial performance

Key Highlights for the year ended 31st March 2013

Continued strong financial results supporting investment and driving shareholder returns

- Impressive 31% growth in EBITDA to Kshs 49.2bn with an EBITDA margin of 39.6% - up 4.5%
- Profit before tax increased by 47% to Kshs 25.5bn
- Profit after tax increased by 39% to Kshs 17.5bn
- Free cash flow continues to improve with a 55% increase to Kshs 14.5bn
- Recommended dividend per share up 41%to Kshs 0.31

Solid revenue recovery supported by improved network quality and attractive customer propositions

- Total revenue increased by 16% to Kshs 124.3bn
- 18% growth in service revenue to Kshs 118.1bn - voice revenue grew 13% to Kshs 77.7bn and non-voice service revenue increased by 29% to Kshs 40.4bn

M-PESA, SMS and Mobile Data revenue driving growth in the year

- M-PESA revenue increased by 29.5% to Kshs 21.8bn
- M-PESA registered customers now 17.1m – 88% of our total customer base
- 30% growth in SMS revenue to Kshs 10.13bn
- 21% growth in mobile data revenue to Kshs 6.3bn
- 57% increase in active mobile data customers to 7.1m – 37% of our total customer base

Bob Collymore, Safaricom Limited CEO commented:

The full year results demonstrate our continued strong commercial and financial performance across our service portfolio. These solid results re-affirm our strategy to transform lives through the provision of quality services, delivering the best network in Kenya through our continued investment in technology and deepening financial inclusion, with services such as M-Shwari on the M-PESA platform.

Total revenue has grown to Kshs 124.3bn over the financial year with strong growth evidenced across all our revenue streams. Most notable was our growth in non-voice service revenue with a 29% increase in the year, underpinning our strategy to diversify our revenue channels. Our focus on network quality, handset pricing and out-of-bundle tariffs has driven a massive 57% growth in mobile data customer numbers to 7.1 million. M-PESA continues to be a major revenue driver contributing Kshs 21.8bn – 18% of total revenue. In line with our growth strategy to make M-PESA services accessible to all our customers, we expanded our agent footprint by 66% and closed the year with 65,547 agents up from 39,401 agents in the previous year.

Voice remains a major revenue generator and recorded impressive growth of 13% and contributed 66% to service revenues. This was primarily driven by an improved network experience, recovery from damaging price wars, convenient airtime distribution and attractive consumer propositions and promotions. Customer numbers grew by 351,343 to 19.4 million; this is after barring 1.4 million customers who did not meet the new customer registration standards.

The launch of M-Shwari was Safaricom's key innovation in the year. M-Shwari allows M-PESA customers who register with our banking partner, Commercial Bank of Africa (CBA), to save, earn interest and access micro loans using their mobile phones. We already have 1.2 million active customers using M-Shwari.

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We are committed to our "Best Network in Kenya" initiative through continued investment in our network and services. This year we have invested Kshs 24.9bn in capital expenditure, with 90% being allocated to network quality, capacity and coverage. Total sites have increased to 2,905, of which 1,604 are 3G enabled, giving Safaricom the most extensive coverage in the country. As part of our Best Network in Kenya strategy we will continue to invest in network quality, capacity and coverage. In addition, we have just begun a 5 year program to build our nationwide metro fibre network with the goal being to connect all of our metro sites and customer offices to fibre.

Our cost initiatives have focused on transmission costs, inventory costs, network operating costs (including fuel) and IT operational costs. Operating costs as a percentage of total revenue has declined to 23% from 24% the previous year. Direct cost control (savings in acquisition costs, handset costs, interconnect costs, license fees and top-up card production costs) has yielded an impressive 3.4% improvement in the contribution margin to 62.8%.

Our strong commercial and financial performance this year underpinned by rising revenues and effective cost efficiencies has delivered impressive results for our shareholders. Free cash flow increased by 55% to Kshs 14.5bn and in line with our dividend policy we propose a payout of 85.5% of free cash flow as dividends. Pending approval by shareholders we will pay out a dividend of Kshs 12.4bn for the year ended 31st March 2013; once again, the largest dividend in Kenyan history.

The Safaricom foundation and M-PESA foundation remain committed to transforming lives and have been involved in Kshs 103mn and Kshs 313mn initiatives respectively in the year through programs like m-Health, e-Learning and road safety awareness with our corporate sponsorships committing Kshs 95mn.

Outlook

Looking at the next financial year we expect free cash flow to continue to grow, and to be within the range of Kshs 15.5bn to Kshs 17.5bn.

STRATEGIC PRIORITIES

Safaricom's intent is to transform lives; the lives of our customers; our shareholders; our business partners, our staff and the communities we operate in. One of the ways to do this is through delivering the best network in Kenya by improving on our network reliability, availability and capacity. This will also include increasing the population coverage of our 2G and 3G networks, completing network modernization in six key cities and the rollout of fibre to at least 40% of sites in Nairobi with particular focus on the CBD area this year.

With the "Best Network in Kenya" initiative we will continue to democratize data through faster speeds, value based pricing of data, lower priced 3G smartphones, improved customer experience and providing an enabling environment for developers to provide relevant local content.

M-PESA will be the driver for deepening financial inclusion through expanding our distribution network and with it accessibility; reducing system downtimes substantially and growing retail and e-commerce payments. We also aim on ensuring geographical system redundancy for M-PESA, and have begun the 18 month program to locate a new M-PESA system in Kenya.

The Safaricom vision may be ambitious but we strongly believe in being a purpose-led organization that transforms the lives that we touch. Naweza na Safaricom.

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Key indicators and summary financial information

The following are the key highlights of the results compared to the prior period ending 31st March 2012:

Key Performance Indicators	31-Mar-13	31-Mar-12	% Increase/ (Decrease)
Total customers (m)	19.42	19.07	1.84
M-PESA registered customers (m)	17.11	14.91	14.76
Mobile Data - 30 day active customers (m)	7.13	4.55	56.70
Fixed data customers	6,731	6,020	11.81
Churn (%)	30.54	27.86	2.68
Service revenue ARPU	506.55	462.36	9.56
Voice ARPU	336.57	318.55	5.66
SMS ARPU	43.83	35.79	22.46
M-PESA ARPU	117.39	96.06	22.20
Mobile Broadband ARPU	89.86	102.41	(12.25)
Fixed Service ARPU	26,584	19,625	35.46
Data (SMS/Broadband/Fixed Data/M-PESA) % total revenue	32.50	29.19	3.31
Number of M-PESA agents	65,547	39,401	66.36
2G base stations	2,905	2,690	7.99
3G base stations	1,604	1,439	11.47
Wimax Sites	203	187	8.56

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Condensed consolidated statement of comprehensive income

Kshs Bn	**31-Mar-13**	**31-Mar-12**	**% Increase/ (Decrease)**
Voice revenue	77.66	68.96	12.62
Messaging revenue	10.13	7.77	30.37
Mobile data revenue	6.31	5.22	20.88
Fixed service revenue	2.11	1.37	54.01
M-PESA revenue	21.84	16.87	29.46
Service Revenue	**118.05**	**100.19**	**17.83**
Handset revenue	4.93	5.94	(17.00)
Acquisition and other revenue	1.31	0.87	50.57
Total Revenue	**124.29**	**107.00**	**16.16**
Direct costs	(46.26)	(43.47)	6.42
Contribution margin	**78.03**	**63.53**	**22.82**
Contribution margin %	*62.78%*	*59.37%*	*3.41*
Operating costs	(28.85)	(26.03)	10.83
Operating cost % total revenue	*23.21%*	*24.33%*	*(1.12)*
EBITDA	**49.18**	**37.50**	**31.15**
EBITDA margin %	*39.57%*	*35.04%*	*4.53*
Depreciation & amortisation	(22.08)	(17.35)	27.26
Financing cost	(1.65)	(2.78)	(40.65)
Taxation	(7.91)	(4.74)	66.88
Net Income	**17.54**	**12.63**	**38.88**
Earnings per share	0.44	0.32	37.50
Recommended Dividend per share	0.31	0.22	40.91

- Increase in depreciation as a result of the past 3 years of capital expenditure as well as 1.2bn of accelerated depreciation due to network modernisation in FY13

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Condensed consolidated statement of financial position

Kshs Bn	As at 31-Mar-13	As at 31-Mar-12	% Increase/ (Decrease)
Equity and non-controlling interest	80.27	72.08	11.36
Borrowings	12.00	12.10	(0.83)
Other liabilities	0.00	0.10	(100.00)
Capital employed	**92.27**	**84.28**	**9.48**
Non-current assets	**103.50**	**100.71**	**2.77**
Inventories	2.23	2.65	(15.85)
Receivables and prepayments	8.13	9.73	(16.44)
Cash and cash equivalents	15.00	8.81	70.26
Current assets	**25.36**	**21.19**	**19.68**
Payables and accrued expenses	28.36	30.61	(7.35)
Borrowings	8.23	7.01	17.40
Current liabilities	**36.59**	**37.62**	**(2.74)**
Net current liabilities	(11.23)	(16.43)	**(31.65)**
Net assets	**92.27**	**84.28**	**9.48**
Net gearing (borrowing less cash) % Capital Employed	5.67%	12.22%	
Gross gearing (gross borrowing) % Capital Employed	21.92%	22.67%	

- Capital employed increased in line with strong growth in shareholder funds and favourable trading results.

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Net Debt

Kshs Bn	As at 31-Mar-13	As at 31-Mar-12	% Increase/ (Decrease)
Cash and cash equivalents	(15.00)	(8.81)	70.26
Bank and other borrowings	8.23	7.11	15.75
Debt - corporate bond	12.00	12.00	-
Total net debt	**5.23**	**10.30**	**(49.22)**
Net debt/EBITDA (times)	0.11	0.27	(59.26)

- Net debt decreased due to favourable trading results and flat capital expenditure

Free Cashflow

Kshs Bn	31-Mar-13	31-Mar-12	% Increase/ (Decrease)
EBITDA	**49.18**	**37.50**	31.15
Working capital movement	(2.44)	4.53	(153.86)
Capital Additions	(24.88)	(25.74)	(3.34)
Other capital movements	0.08	0.02	300.00
Operating free cash flow	**21.94**	**16.31**	**34.52**
Interest paid	(1.45)	(1.70)	(14.71)
Taxation paid	(5.98)	(5.26)	13.69
Free cash flow	**14.51**	**9.35**	**55.19**

- Increase in free cash flow due to favourable trading results and flat capital expenditure
- Working capital movement was adverse to last year due to a realignment of our capital expenditure finance policy