

FY 2008 Results Presentation

27 May 2008



The Better Option.

Safaricom

Mr Nicholas Nganga Chairman

Mr Michael Joseph CEO

2008 Results Highlights

Fiscal Year Ended March 31, 2008

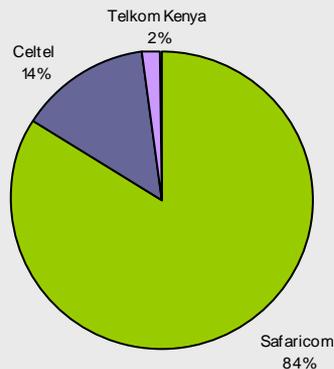
- Impressive subscriber growth
 - 68% y-o-y growth from 6.1 million to 10.2 million subscribers
 - Market share increased from 73% to 84% in last fiscal year
- Launch of several key initiatives to position Safaricom for future success
 - Ksh 20 scratch card to drive take-up in low-end of market
 - Launch of 3G
 - Further expansion of geographic footprint
- M-PESA going from strength to strength
 - 2.075 million registered users as of March 2008
 - Ksh 3.0bn transferred person to person in March 2008
- Strong financial results
 - Revenues: Ksh 61.4bn, up 29.3% from last year
 - EBITDA: Ksh 28.2bn, up 14.9% from last year (45.9% margin)

Subscribers

Unparalleled Market Leadership

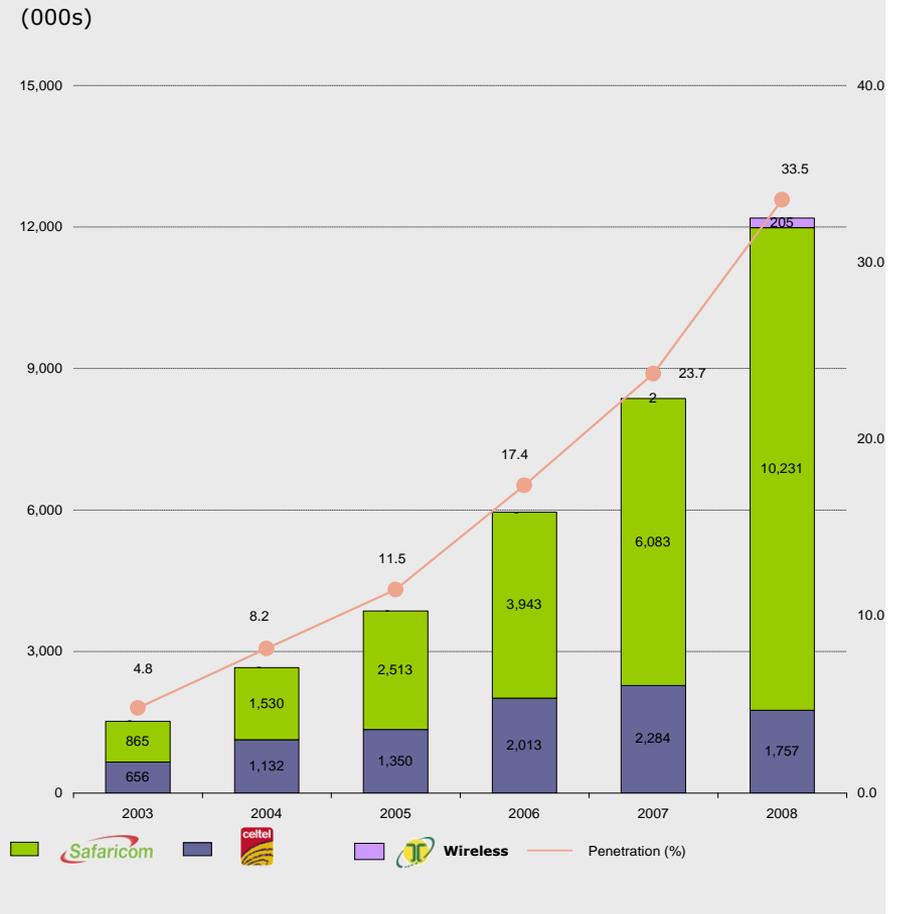
- Safaricom even increased its impressive market share in FY2008 to 84%
 - Up from 80% end of Dec-07 (March 07 – 73%)
- Share of prepaid subscribers remained stable at 98.9% of total subs vs. 98.8% in March-07
- Increased tariff range offering to suite subscriber lifestyle

Market Share by Subscribers – March 2008



1. Fiscal year ending March 31

Mobile Subscribers and Penetration in Kenya (1)



Source WCIS

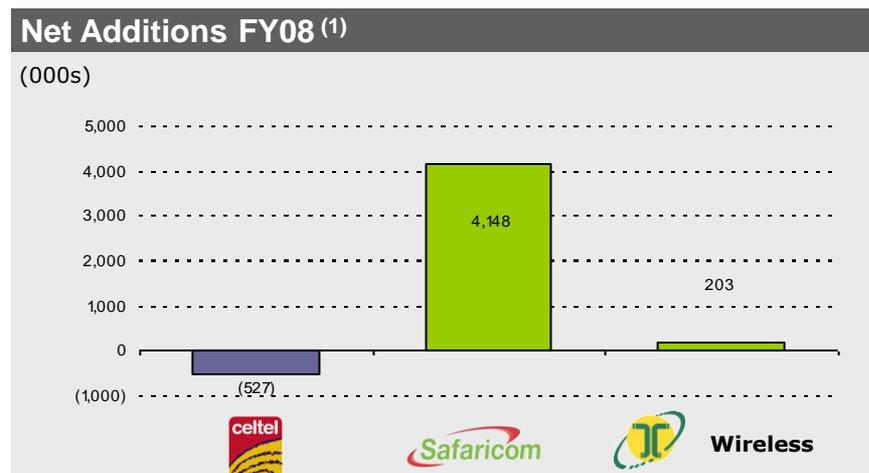
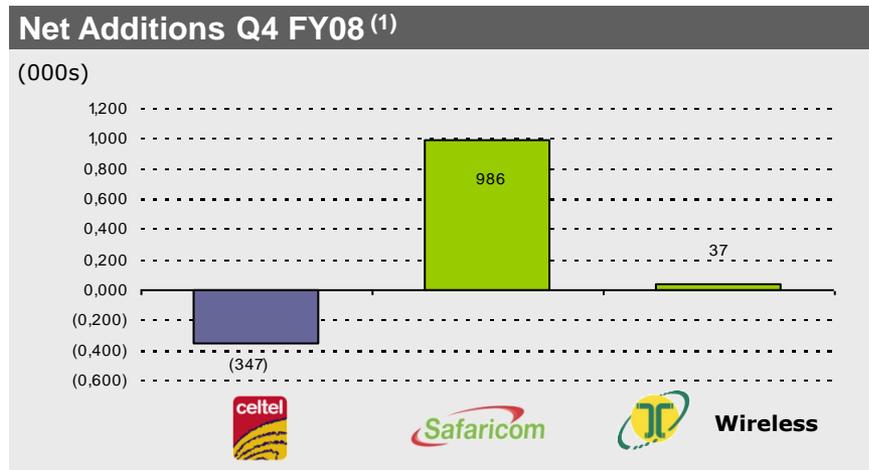
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Market Share of Subscribers

Aggressively Gaining Market Share

- Aailed increased tariff range to suit subscriber lifestyle- **SAASA, Super Tariffic, Super Taifa, Jambo, Advantage plus**
- Free and convenient SIM replacement
- Aailed Kabambe value for money handset
- Successful launch of BONGA customer loyalty scheme
- Wide acceptance of M-PESA money transfer service
- Launched Blackberry® messaging services
- Enhanced data services via Bambanet
- “Bamba 20” lowest denomination scratch card launched in Feb 08
- Kwachua Ksh100m consumer promotion



1. Fiscal year ending March 31

Growth Potential

Mobile Penetration Still Has Plenty of Room To Grow

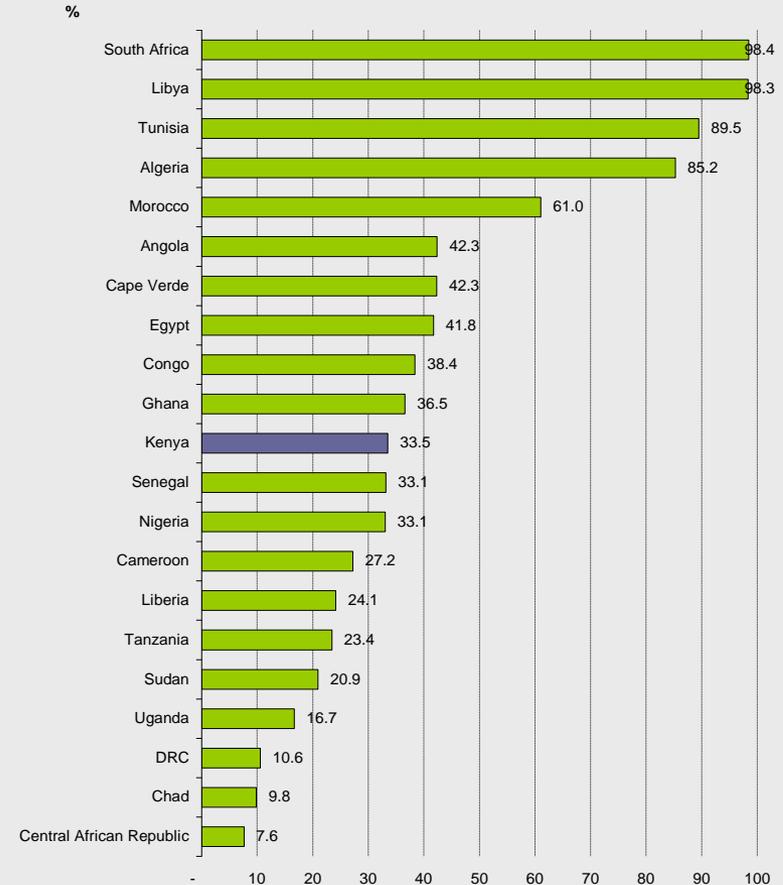
In the past year

- Total capex spend of Ksh 23bn in the year
- Base stations increased by 35% to 1,558 at end Mar 08. Vsats increased to 29 from 24
- 116 of these sites upgraded to 3G
- Awarded 3G licence for US\$25 MM in Oct 07 after successful trials

For the future

- Continued aggressive roll-out of network capacity and coverage
- Launch of 3G
- Investing in additional network capacity in TEAMS submarine fibre optic cable linking Kenya to UAE and rest of the world. Due for completion June 2009
- Additional network capacity to be also purchased from SEACOM

Mobile Penetration Across Africa (%) – March 2008



Source WCIS

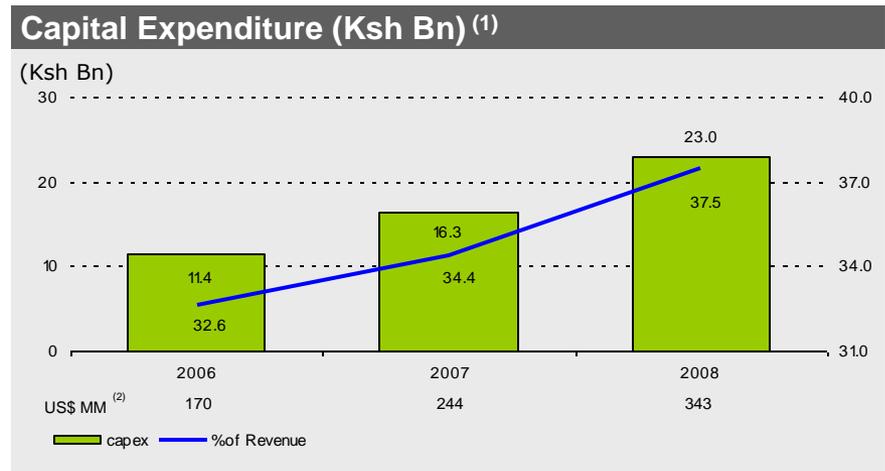
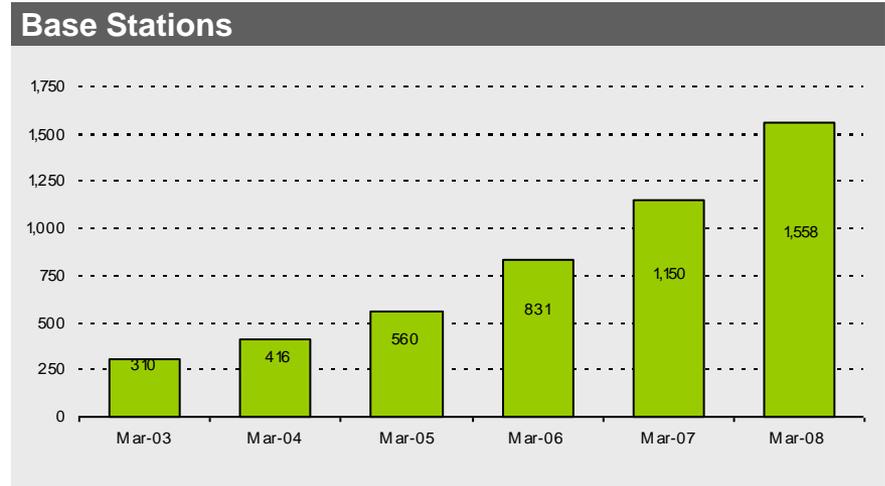
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Capital Expenditure

Network Covers 78% of Population and 23% of Land Area

- Cumulative capex of Ksh 88.8bn since start of operations
- Preferential “Kama Kawaida” roaming agreements in East Africa with MTN Uganda, Uganda Telecom, Vodafone Tanzania and MTN Rwanda
- Recent acquisition of Kenya’s first 3G licence for US\$25 MM (2G licence acquired for US\$55 MM in 2000)
- Increased base stations by 35% year over year, thereof 116 UMTS Node-B’s



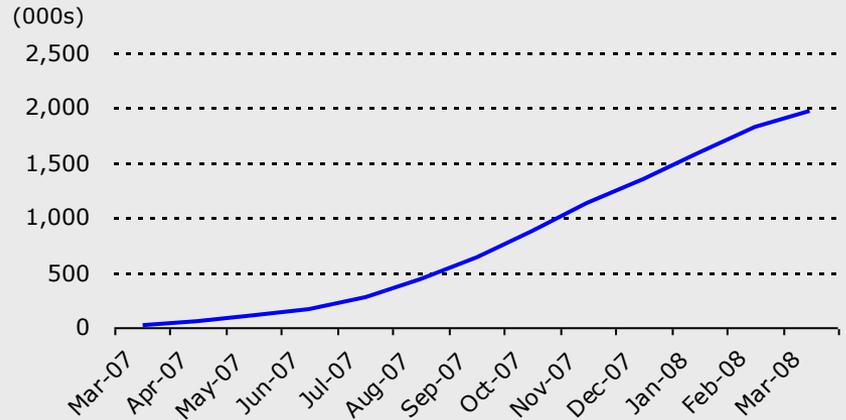
1. Fiscal year ending March 31

2. FX rate assumed for comparison purposes Ksh 67/US\$

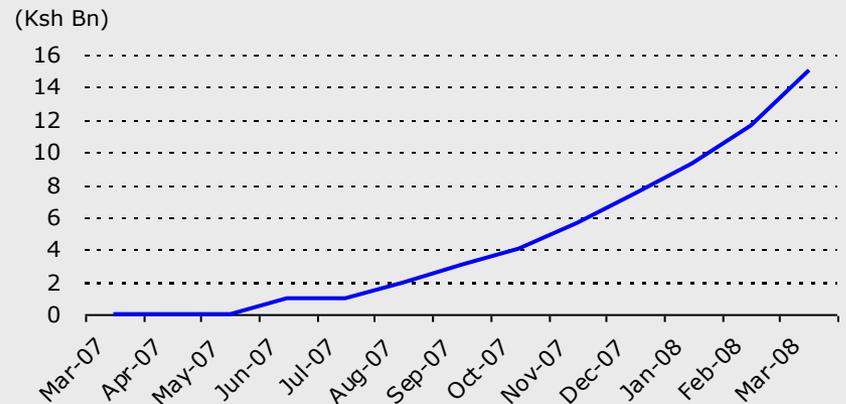
Money-Transfer Product Going From Strength to Strength

- 2.075 million total registered users as of March 2008
 - 1.175 additional people received money but did not register
- Ksh 14.8bn transferred person to person in FY2008
 - Ksh 3bn transferred in March 2008
- Distributed through over 2,329 retail outlets nationwide

Cumulative Number of Registered Users



Cumulative Value of Transactions



Mr Les Baillie
CFO

Profit and Loss Account

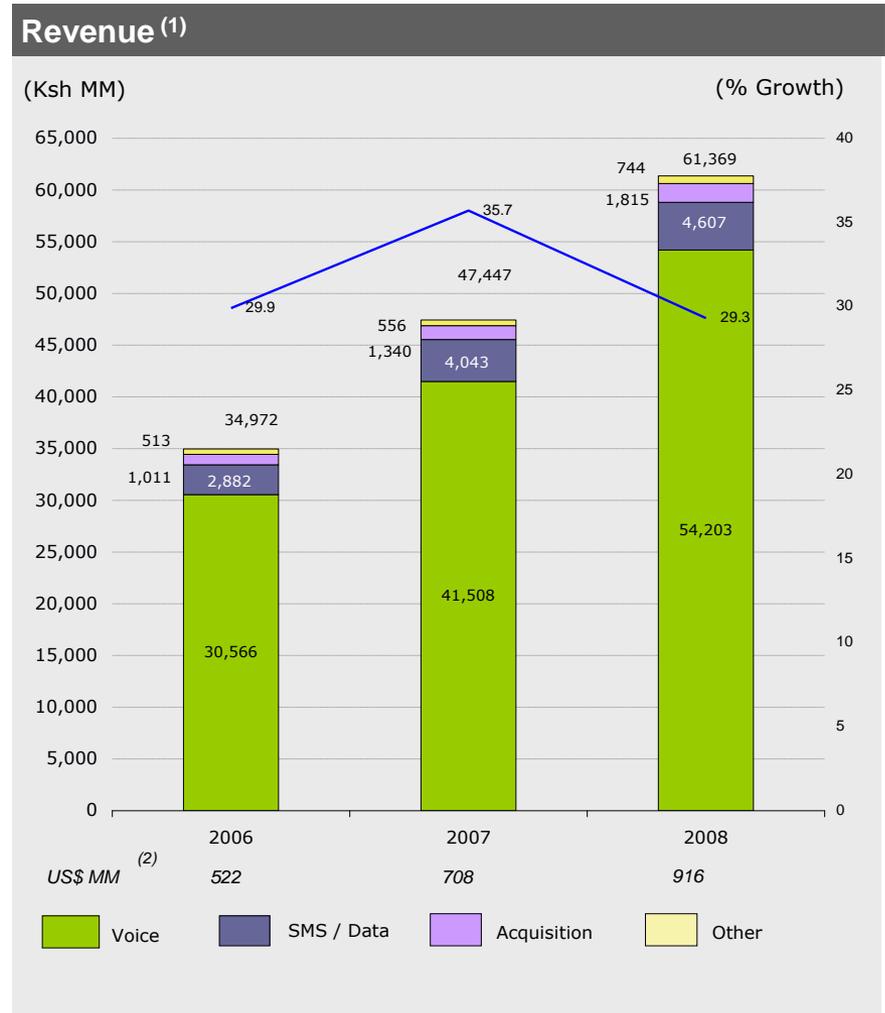
For Year Ended March 31, 2008

	2008 Ksh Bn	2007 Ksh Bn	Change %
Revenue	61.4	47.4	29.3%
Cost of Sales	(26.1)	(18.2)	43.6%
Gross Profit	35.3	29.3	20.5%
<i>% Margin</i>	57.5%	61.7%	
Expenses	(7.2)	(4.8)	49.5%
EBITDA	28.2	24.5	14.9%
<i>% Margin</i>	45.9%	51.7%	
Depreciation & Amortization	(9.7)	(6.7)	44.1%
Operating Profit	18.5	17.8	3.8%
Net Financing Cost	1.5	(0.6)	N/M
Profit Before Tax	19.9	17.2	16.0%
Income Tax	(6.1)	(5.2)	17.6%
Profit After Tax	13.9	12.0	15.3%

Revenue

Top-line Growth Driven by Net Additions

- Total revenue grew by 29.3 % to Ksh 61.4bn in the year due to the increase in subscriber base
- Voice grew by 31% while being a reflection of the increased subscriber base and preference for the reduced voice tariffs
- SMS and other data grew by 14% driven by reduced tariff, growing M-PESA transactions and increased usage of data services
- Acquisition and Other revenues grew by 35% and 34% respectively over the previous years
- Voice still made up the largest share of 88.3% of total revenues up from 87.5% in the previous year



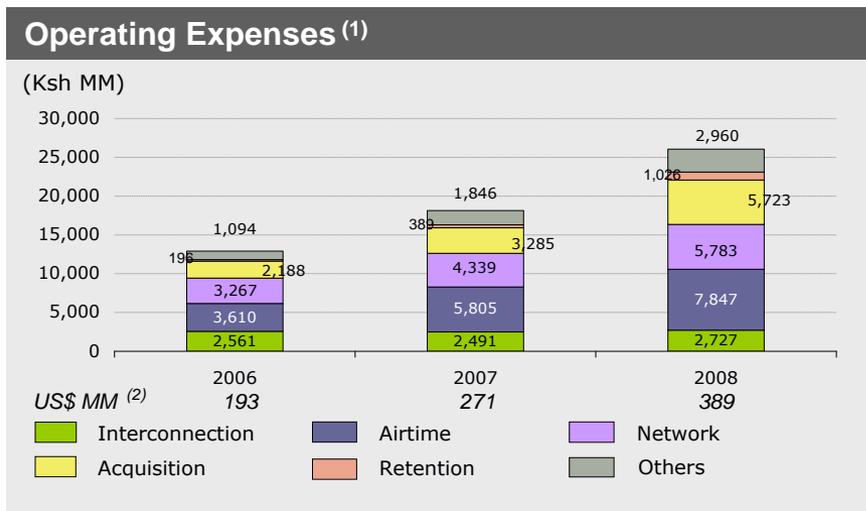
1. Fiscal year ends March 31

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Opex & SG&A

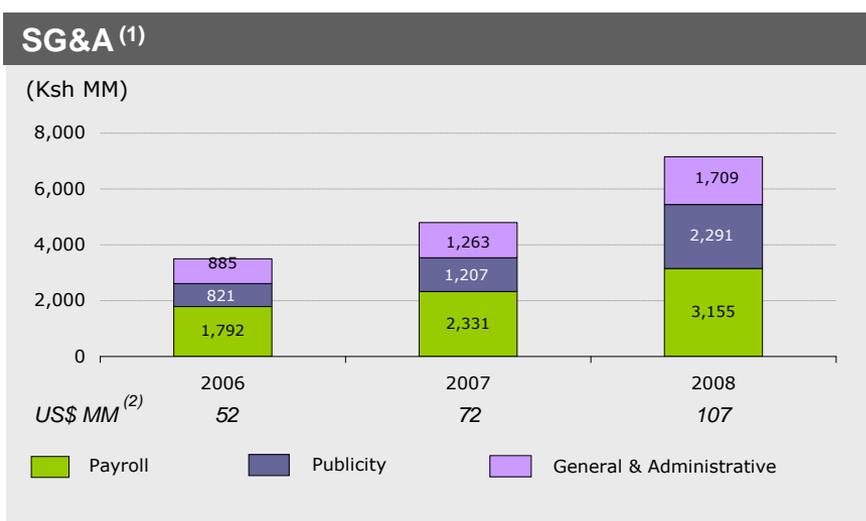
Operating Expenses

- Increased to Ksh 26.1bn, 42% of revenue in the year from Ksh 18.2bn, 38% of revenue during same period last year
- This reflects the combined increase in cost of
 - running the network
 - planned effect of the aggressive customer acquisition strategy
 - customer retention initiative
 - one off expenses related to computer licences due to customer increase



Selling, General & Administrative Expenses

- Increased to Ksh 7.2bn, 12% of revenue in the year from Ksh 4.8bn, 10% of revenue during same period last year. This increase was due to
 - Higher headcount
 - Increased cost of running additional retail outlets
 - Costs of publicity in customer acquisition efforts

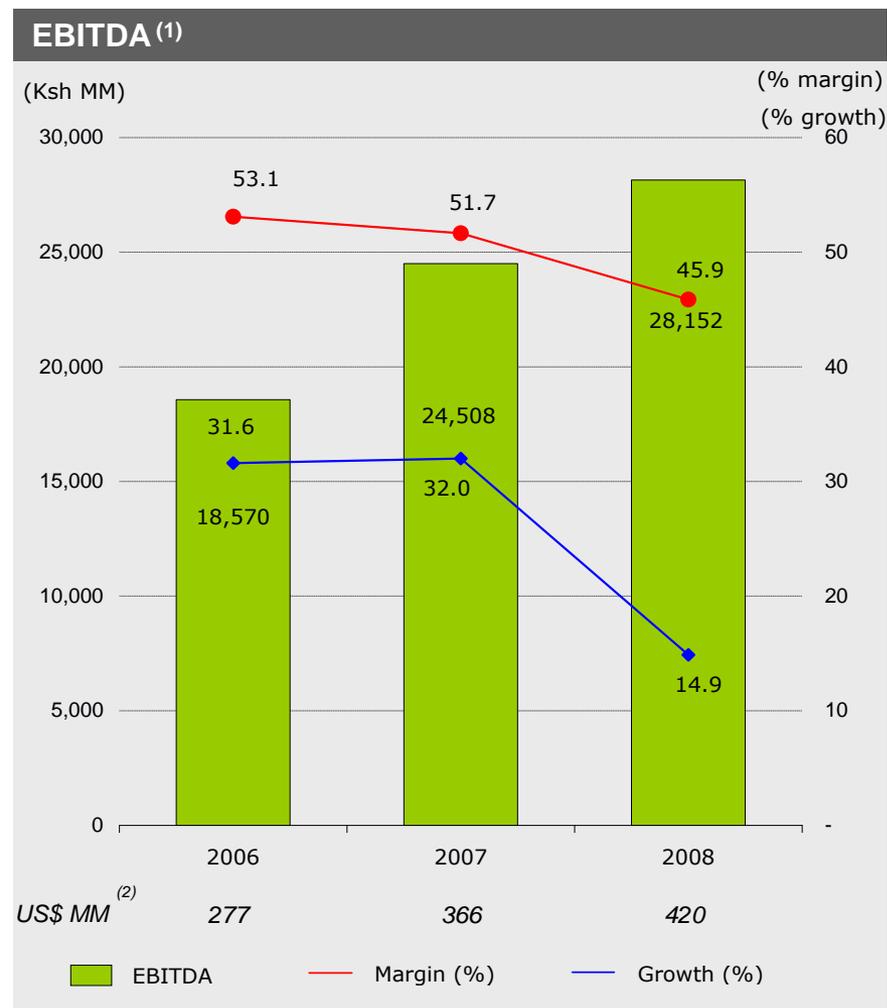


1. Fiscal year ends March 31

2. FX rate assumed for comparison purposes Ksh 67/US\$

EBITDA

- **Record EBITDA of Ksh 28.2bn (US\$420 MM)**
- **Margin declined due to conscious decision to invest for growth in FY2008**
 - Planned effect of the aggressive customer acquisition strategy
 - Customer retention initiative (introduction of Bonga loyalty programme)
 - Costs of publicity in customer acquisition efforts
 - Running the network (increased cost of diesel, electricity, links, replacement of the IN)
 - Higher headcount mainly in technical and customer care
 - Increased cost of running additional retail outlets
 - Large one-off items related to computer licences affected Q3 FY08 EBITDA (2.3 pp reduction in EBITDA margin for Q3)



1. Fiscal year ends March 31

2. FX rate assumed for comparison purposes Ksh 67/US\$

ARPU & Churn

Average Revenue Per User (ARPU)

- Blended ARPU for prepaid and postpaid reduced to Ksh 616 by Mar 08 from Ksh 799 at Mar 07
- Reduction due to rapid growth in subscriber base and reduction in tariff rates arising from the aggressive growth strategy adopted in the year
- Monthly outgoing voice minutes of use increased to 367 MM from 215 MM in FY2007

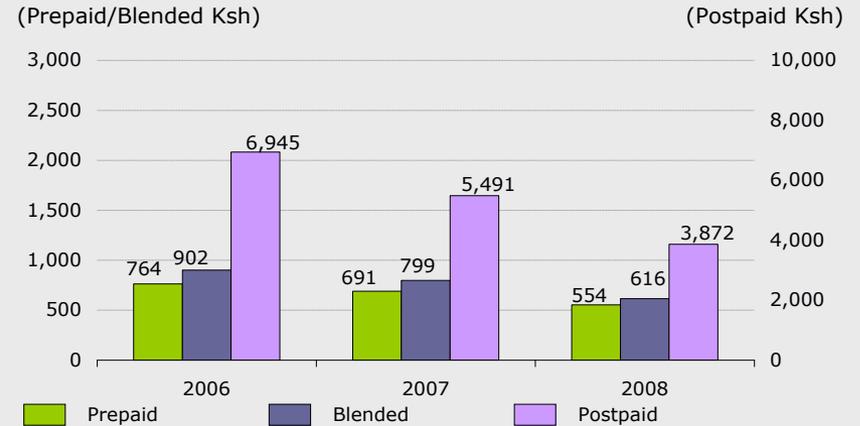
Churn

Blended churn for prepaid and postpaid improved to 22.4% at end Mar 08 from 32.9% in Mar 07 due to

- Success of the Free Simex initiative
- Wide acceptance and enrolment into the Bonga loyalty program
- Active use of M-PESA services

1. Fiscal year ending March 31
2. FX rate assumed for comparison purposes Ksh 67/US\$

Monthly ARPU (1)

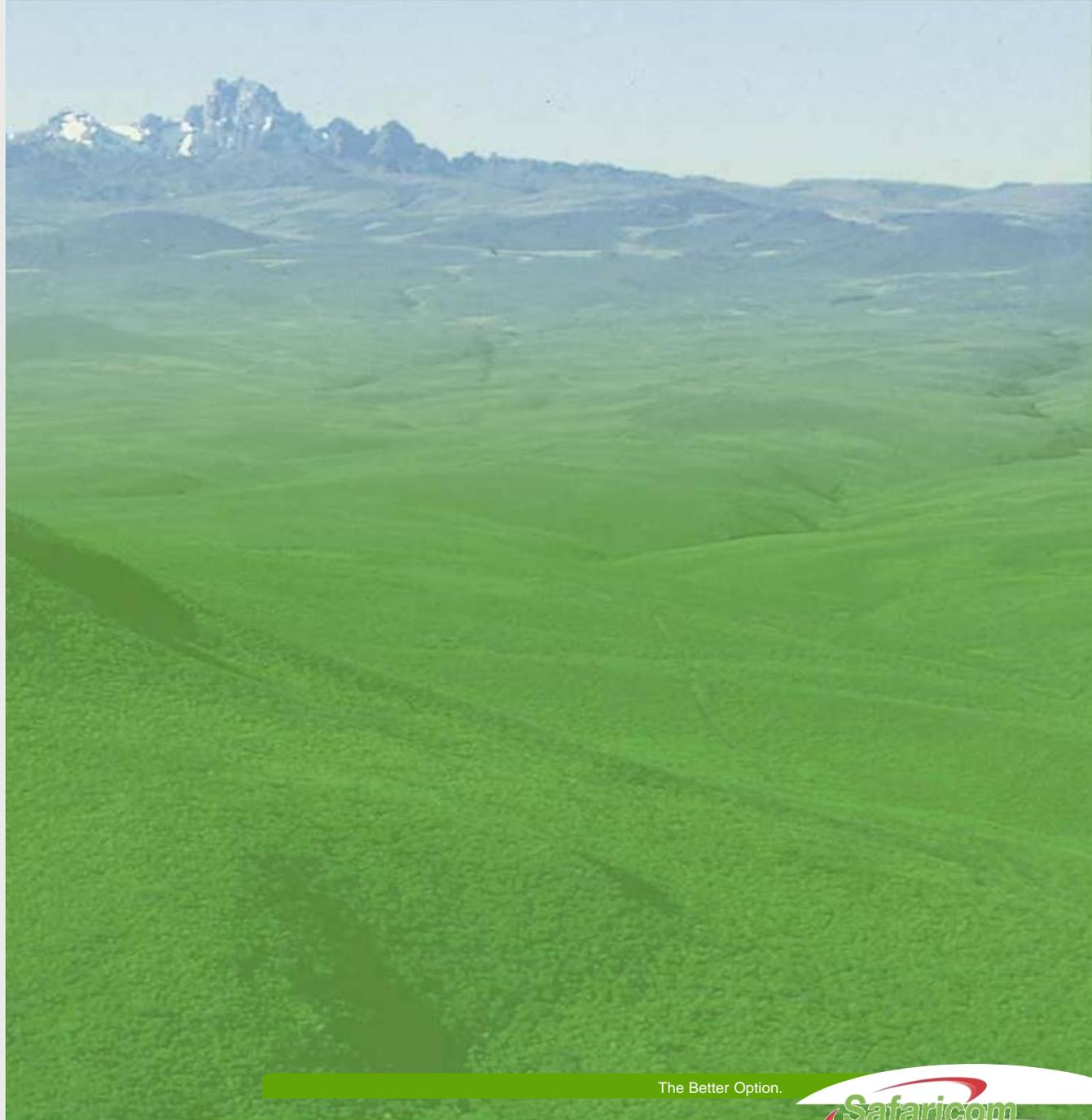


Churn (1)



Appendix

Key Financials



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Financial Statements

Income Statement

Ksh (MM)

	FY Ends March 31		
	2006	2007	2008
Revenues	34,972	47,447	61,369
Cost of Sales	(12,916)	(18,155)	(26,066)
Gross Profit	22,056	29,292	35,303
<i>% Margin</i>	63.1%	61.7%	57.5%
Other Income	11	17	5
Distribution Costs	(953)	(1,390)	(2,324)
Administrative Expenses	(1,660)	(2,148)	(3,129)
Other Expenses	(6,678)	(7,983)	(11,386)
Operating Profit	12,776	17,789	18,469
<i>% Margin</i>	36.5%	37.5%	30.1%
Net Finance Cost	(566)	(596)	1,476
Profit Before Income Tax	12,211	17,193	19,945
Income Tax Expense	(3,785)	(5,182)	(6,092)
<i>% Effective Tax Rate</i>	31.0%	30.1%	30.5%
Profit for the Year	8,425	12,010	13,853
<i>% Margin</i>	24.1%	25.3%	22.6%

Financial Statements (cont'd)

Balance Sheet

Ksh (MM)

	FY Ends March 31		
	2006	2007	2008
Current Assets	7,534	10,150	12,887
Cash & Cash Equivalents	2,917	5,888	5,535
Receivables and Prepayments	3,515	3,027	5,069
Inventories	1,101	1,235	2,284
Non-Current Assets	36,411	46,258	61,479
Prepaid Operating Lease Rentals	4	2	7
Deferred Income Tax	936	1,156	1,380
Intangible Assets	2,679	2,368	3,611
PP&E	32,791	42,732	56,480
Total Assets	43,945	56,408	74,366
Current Liabilities	10,939	13,184	25,244
Payables and Accrued Expenses	10,569	12,390	22,418
Current Income Tax	354	754	107
Derivative Financial Instruments	-	40	-
Borrowings	17	-	2,719
Non-Current Liabilities	9,235	10,435	6,480
Borrowings	9,235	10,435	6,480
Shareholders Equity	23,771	32,789	42,642

Financial Statements (cont'd)

Cash Flow Statement

Ksh (MM)

	FY Ends March 31		
	2006	2007	2008
Cash Generated from Operations	19,021	26,289	35,618
Interest Received	74	258	1,486
Interest Paid	(409)	(435)	(589)
Income Tax Paid	(4,256)	(5,002)	(6,962)
Cash From Operating Activities	14,431	21,110	29,553
Investing Activities			
Purchase of PP&E	(11,402)	(16,338)	(23,014)
Purchase of Intangible Assets	-	(15)	(1,674)
Proceeds From Disposal of PP&E	14	21	17
Other	-	-	-
Net Cash Used in Investing Activities	(11,388)	(16,332)	(24,670)
Financing activities			
Proceeds from Long-Term Borrowings	5,017	1,200	2,999
Repayments on Long-Term Borrowings	(5,287)	(17)	-
Repayment of shareholders' loans	-	-	(4,235)
Dividends Paid to Shareholders	-	(2,992)	(4,000)
Other Financing Costs Paid	(292)		
Net Cash Used in Financing Activities	(562)	(1,808)	(5,236)
Net (decrease)/increase in Cash	2,480	2,970	(353)
Cash (bop)	437	2,917	5,888
Cash (eop)	2,918	5,888	5,535

Q&A