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SAFARICOM LIMITED ANNOUNCES AUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 2017.

KEY HIGHLIGHTS

Delivering on our purpose and strategy continue to achieve good results

- Service revenue growth of 14.8% to Kshs 204.1bn.
- Total customer base increased by 11.8% to 28.1m.
- Voice service (incoming and outgoing) revenue grew by 2.9% to Kshs 93.5bn.
- Messaging (SMS) revenue declined by 3.7% to Kshs 16.7bn.
- M-PESA revenue increased by 32.7% to Kshs 55.1bn.
- 30 day active M-PESA customers increased by 14.6% to 19.0m.
- Mobile data revenue grew by 38.5% to Kshs 29.3bn.
- 30 day active mobile data customers increased by 18.1% increase to 16.6m.
- Fixed service revenue growth of 37.4% to Kshs 5.2bn.

Strong financial and commercial performance

- 27.7% growth in EBIT to Kshs 70.4bn with an EBIT margin of 32.7%¹, up 3.1ppts YoY. Excluding a one off adjustment of Kshs 3.4bn, underlying EBIT margin was 31.5% , up 1.9ppts YoY
- Net Income increased by 27.1% to Kshs 48.4bn. Excluding the one off adjustment of Kshs 3.4bn Net Income growth was 18.3%
- Free Cash Flow up 43.3% to Kshs 43.5bn

Bob Collymore, Safaricom Limited CEO commented:

"We continue to focus on building a resilient business that can weather the regulatory and economic forces that are currently shaping the commercial environment. We believe in the vast, untapped potential of the Kenyan economy, and we will leverage increasingly intimate customer insights alongside deep investments in critical technologies to drive a long-term strategy for growth.

We remain steadfast in delivering our corporate strategy, guided by three key pillars; putting our customers' first, providing relevant products and enhancing our operational excellence. This has continued to grow our loyal customer base and produce excellent results across our key financial and commercial performance indicators.

Service revenue grew by 14.8% to Kshs 204.1bn driven predominantly by growth in active users and increased usage of non-voice services mainly M-PESA and Mobile data. Non-voice service revenue accounted for 54.2% of service revenue, recording a growth of 27.3% to Kshs 110.7bn. Overall voice service revenue now stands at 45.8% of service revenue and remained resilient in the year growing by 2.9% to Kshs 93.5bn.

¹ EBITDA margin is calculated on total revenue (excluding construction revenue) plus other income

News Release



Mobile penetration in Kenya stood at 88.2%² as at 31 December 2016 with Safaricom recording a leading subscriber share of 71.2%. The customer base grew by 11.8% to 28.1m as at 31 March 2017 as we continue to focus on customer acquisition and retention.

M-PESA revenue recorded a growth of 32.7% to Kshs 55.1bn driven by 14.6 % increase in 30 day active M-PESA customers to 19.0m and a 35.0% growth in monthly usage per customer to 10.0 transactions per month.

Our cashless platform, Lipa na M-PESA, continues to be adopted by enterprises as a preferred payment platform. We now have over 50k merchants who are active on a 30 day basis.

Mobile data revenue, accounts for 14.3% of our service revenue, grew at 38.5% to Kshs 29.3bn. This was driven by 18.1% growth in 30 day active mobile data customers to 16.6m, increased bundle users and smartphone penetration. Our Fixed data revenue increased by 37.4% to Kshs 5.2bn attributed to 21.2% growth in fixed service customers.

Improving our network quality remains key and we continue with our efforts to increase network coverage, capacity and quality to ensure excellent performance and superior customer experience. In the year under review we invested Kshs 35.3bn on capital expenditure.

The business generated excellent results and has continued to create value for our shareholders, supported by growth in service revenue and focus on cost efficiency. This has resulted in an underlying EBIT margin of 31.5% being a 1.9ppts improvement over the last financial year.

In light of the encouraging financial performance, the Board recommends a dividend of Kshs 0.97 per share – an increase of 27.5%. Pending approval by shareholders we will pay out a dividend of Kshs 38.86bn, which represents 80% of our net income, for the year ended 31 March 2017.

FY18 Guidance

We have changed our guidance from EBITDA to EBIT, to better depict our operational performance. We expect our EBIT for FY18 to be in the range of Kshs 71bn to Kshs 75bn and capital expenditure, Kshs 35bn to Kshs 38bn.

Strategic Priorities

We will continue to create value for our stakeholders through executing our strategy by putting our customers' first, providing relevant products and enhancing excellence in our operations. To support this we will continue investing in our network to enhance its capacity, coverage and quality to continue giving our customers superior experience.

We shall continue to improve our customer experience with initiatives such as expanding the capacity of the call center to handle more calls and offering customers more self-help options.

We shall continue to embed micro business approach in our marketing and operations and continue offering segment specific propositions to our loyal customers.

² Communications Authority of Kenya (CA) September - December 2016 Sector Statistics Report

News Release



Mobile data is our fastest growing revenue stream, and we will focus on increasing the numbers of 3G and 4G smartphones on our network by rolling out more 4G (LTE) sites. We will accelerate our fibre rollout to homes as part of our convergence solutions to offer a home proposition.

Focus on financial inclusion remains critical in our strategy to transform lives. We shall continue to drive the uptake of cashless business payment transactions by merchants, grow the number of transactions by active users and drive further adoption of savings and uptake of loans through M-PESA."

News Release



Key indicators and summary financial information

The following are the key highlights of the results for the period ended 31 March 2017, compared to the prior period ended 31 March 2016:

Key Performance Indicators	31-Mar-17	31-Mar-16	% Increase/ (Decrease)
Total customers (m)	28.13	25.16	11.8
Total customer ARPU*	636.12	597.71	6.4
30 day active customers (m)	24.04	22.06	9.0
30 day active customer ARPU*	741.34	713.60	3.9
Churn (%)	21.57	22.29	(0.7ppt)
Voice			
30 day active voice customers (m)	22.24	20.30	9.6
30 day active voice customer ARPU*	363.55	388.48	(6.4)
Voice ARPU(based on total customers)	291.27	305.42	(4.6)
M-PESA			
M-PESA registered customers (m)	26.57	23.65	12.3
Number of M-PESA agents	135,544	100,744	34.5
30 day active M-PESA customers (m)	19.02	16.60	14.6
30 day active M-PESA ARPU*	254.95	221.68	15.0
Mobile Data			
30 day active mobile data customers (m)	16.64	14.08	18.1
30 day active mobile data ARPU*	153.07	130.44	17.4
SMS			
30 day active SMS customers (m)	16.85	15.23	10.6
30 day active SMS customer ARPU*	85.13	98.35	(13.4)
SMS ARPU (based on total customers)	51.98	58.11	(10.5)
Fixed Service			
30 day active Fixed data customers	12,709	10,490	21.2
30 day active Fixed Service ARPU*	34,369	34,007	1.1
Base Stations			
2G base stations	4,281	3,800	12.7
3G base stations	3,517	2,517	39.7
4G base stations	1,103	467	>100.00

* ARPU is in Kshs

News Release



Condensed consolidated statement of comprehensive income

Kshs bn	31-Mar-17	31-Mar-16	% Increase/ (Decrease)
Voice revenue	93.46	90.80	2.9
Voice- Outgoing	86.84	83.66	3.8
Voice- Incoming	6.62	7.14	(7.3)
M-PESA revenue	55.08	41.50	32.7
SMS revenue	16.68	17.33	(3.7)
Mobile data revenue	29.29	21.15	38.5
Fixed service revenue	5.24	3.82	37.4
Other service revenue	4.36	3.18	36.8
Service Revenue	204.11	177.78	14.8
Handset revenue and other revenue	8.70	8.62	0.9
Construction revenue	0.08	9.28	(99.2)
Total Revenue	212.89	195.68	8.8
Other Income	2.51	0.23	>100%
Direct costs	(66.75)	(62.31)	7.1
Construction costs	(0.08)	(9.28)	(99.2)
Contribution margin	148.57	124.33	19.5
Contribution margin %	69.0%	66.6%	2.4ppt
Operating costs	(44.95)	(40.99)	9.7
Forex Loss on trading activities	(0.01)	(0.27)	(97.4)
Opex & forex loss % total revenue	20.9%	22.1%	-1.2ppt
EBITDA	103.61	83.07	24.7
EBITDA margin %*	48.1%	44.5%	3.6ppt
Depreciation, impairment & amortisation	(33.23)	(27.94)	18.9
EBIT	70.38	55.12	27.7
EBIT margin %*	32.7%	29.5%	3.1ppt
Net Financing, Forex and Fair Value Losses	0.23	0.90	(73.9)
Fair value loss on investment property	-	(0.37)	(100.0)
Share of associate profit/(loss)	0.02	0.10	(82.0)
Earnings Before Taxation	70.63	55.76	26.7
Taxation	(22.19)	(17.66)	25.7
Net Income	48.44	38.10	27.1
Net Income %	22.5%	20.4%	2.1%
Earning per share	1.21	0.95	27.1

* All margins margin is calculated on total revenue (excluding construction revenue) plus other income

News Release



Condensed consolidated statement of financial position

Kshs bn	As at 31-Mar-17	As at 31-Mar-16	% Increase/ (Decrease)
Equity and non-controlling interest	107.49	116.74	(7.9)
Long term borrowings	-	-	-
Capital Employed	107.49	116.74	(7.9)
Non-Current Assets	136.53	131.52	3.8
Current Assets			
Inventories	1.37	0.82	67.9
Receivables and prepayments	17.83	20.62	(13.5)
Cash and cash equivalents	5.96	6.22	(4.3)
	25.16	27.66	(9.0)
Current Liabilities			
Payables and accrued expenses	36.57	40.07	(8.7)
Current income tax	1.09	2.37	54.3
Borrowings	16.54	-	100.0
	54.20	42.44	27.7
Net Current Liabilities	(29.04)	(14.78)	96.4
Net Assets	107.49	116.74	(7.9)
Gross gearing (gross borrowing) % Capital employed	15.4	-	15.4

- Increase borrowings after leveraging our balance sheet to fund capital expenditure.
- Reduction in cash after repayment of a portion of term borrowings and purchase of LTE (4G) spectrum.

News Release



Net Cash Position

Kshs bn	As at 31-Mar-17	As at 31-Mar-16	% Increase/ (Decrease)
Cash and cash equivalents	5.96	6.22	(4.3)
Bank and other borrowings	(16.54)	-	-
Total net cash/(debt)	(10.58)	6.22	(270.1)

Increase in net debt attributed to our new policy of funding capex with debt.

Free Cash Flow

Kshs bn	As at 31-Mar-17	As at 31-Mar-16	% Increase/ (Decrease)
EBITDA	103.61	83.07	24.7
Working capital movement	(1.27)	(4.23)	(70.0)
Capital Additions	(35.33)	(33.34)	6.0
Operating free cash flow	67.01	45.50	47.3
Net Interest received	0.51	0.50	0.9
Taxation paid	(24.00)	(15.65)	53.4
Free cash flow	43.51	30.36	43.3

- Increase in operating free cash flow due to favorable trading results.
- Increase in tax paid in line with the improved trading results.