News Release

SAFARICOM GROUP
SAFARICOM LIMITED ANNOUNCES AUDITED RESULTS FOR THE YEAR ENDED 31st MARCH 2011

Opening Statement

Bob Collymore, Safaricom Group CEO commented;

"The results for the Group have yet again demonstrated Safaricom's strength and depth of services. Our strategy to continually invest in all areas of our network to deliver on our customer needs, driving M-PESA to grow financial inclusion and democratising data and internet to bridge the digital divide have delivered very strong growth.

M-PESA continues to show significant growth with registered customers increasing by 46% to almost 14 million. This growth in customers coupled with the additional services offered led to an increase in revenue by over 50% to just under Kshs12 bn, contributing to an overall revenue growth of 13% to around Kshs95bn.

The investment in data services, principally 3G, fibre and Wimax, saw the number of mobile data customers increase by over 85% to 4.90mn. In the fixed data market the number of customers increased by 4.5 times to just below 4,500 which led to an increase in revenue of 80%."

Key Highlights

- Growth in;
  - Active customers at year end by 8.8% to 17.2m compared to 31 March 2010
  - Revenue by 12.9% to Kshs94.8bn
  - Data revenue from 19.6% to 28.0% of ongoing revenue
  - Mobile and fixed data revenue by 80.3% to Kshs5.4bn
  - Number of fixed data connections up by 466.0% to 4,483
  - Mobile data customers up 85.6% to 4.9mn
  - M-PESA revenue by 56.0% to Kshs11.8bn
  - M-PESA registered customers to 13.8m or 81.0% of our customer base
- EBITDA of Kshs35.7bn and a margin of 37.7%
- EPS of Kshs0.333 per share
- Ksh4.5bn free cash flow
- Successful issue of Kshs4.5bn domestic medium term notes (final tranche)
- Directors propose payment of a dividend of Kshs0.20 per share.

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COMMENTARY

Safaricom's deep understanding of its customers' needs and its ability to meet those needs is the driving force behind our unreplicated success in an increasingly competitive and regulated market. Several marketing promotions were launched in the year including the '*Masonko na Safaricom'* which was the biggest promotion ever launched in Kenya and the phenomenal ***'Niko na Safaricom'*** brand campaign, which showcased the wonderful land that Kenya is and our ability to connect Kenyans from all over the country and bring them together to 'speak' with one voice. The promotions further cemented Safaricom's leadership in the market at a time of intense price competition in the market place.

In a market where voice tariffs are among the lowest in Africa and voice revenues are increasingly under pricing pressure, Safaricom has remained focused on its strategy to develop and grow its non-voice revenue streams. Data remains a key pillar for the company and several initiatives were undertaken within the year to drive data penetration and usage even further. As part of our overall data strategy, pushing data enabled devices across all the retail and trade channels was fundamental in increasing data penetration. The launch of daily low denomination data bundles increased frequency of data usage by making it more affordable to access the internet. By engaging the youth through initiatives such as *'Face Off* and *'Kenya Live'*, usage of internet media and social networking has grown resulting in a boost of data usage among the youth, who are the primary users of mobile internet.

Through Safaricom Business, Safaricom is supporting enterprises in Kenya through tailor made communication solutions that make it easy for business to focus on their core functions. As well as continuing to provide connectivity, Safaricom is moving up the data value chain offering managed services, cloud computing, disaster recovery services, data storage among other services. Safaricom is partnering with SMEs, SOHOs and large corporates to drive the economy through provision of seamless and unified communication solutions that is taking the Kenyan economy to the global market. With focus shifting globally to emerging markets, Safaricom is committed to supporting Kenyan enterprises in optimizing the opportunities that have become apparent in a globalized market by providing world class total communication solutions.

Globally, cash transactions are undergoing a transformation where almost anything can be bought with electronic cash, with M-PESA as the global leader in its reach and acceptability as the new cash. M-PESA's impressive track record of growth continues and the service now boasts 13.8 million customers, 26,948 agents countrywide and 657 paybill partners. M-PESA's new partnership with Western Union expands its footprint to 46 countries across the globe and positions it to reap from this increasingly ubiquitous mode of transacting. M-PESA also extended the services under its portfolio to include, '*Nunua na* M-PESA', a service that allows users to buy goods using M-PESA from a large variety of retail outlets and the launch of the M-PESA Prepay Visa Safari Card. M-PESA is transforming from a simple money transfer service to a global financial system.

'*Skiza*', the caller ringback tone service has continued to grow in popularity and currently has 3.9 million users subscribed to it, a 22% penetration of our subscriber base.

This past financial year was characterised by increased regulatory activity in the telecommunications industry. Mobile Subscriber Registration was implemented in the year but with no legal framework in place and as a result unregistered subscribers cannot be disconnected. In addition, the glide path for mobile termination rates were published by CCK during the year.

Our investment in our network continued with greater momentum as Safaricom strives to grow its reach, quality and provide our customers the best communication experience. In the period under review, our 3G enabled sites have increased to 1,140 sites, an 88% growth in line with our Data strategy; while our Wimax sites now total 186, giving Safaricom the most extensive coverage in the country. In the year, Safaricom commenced testing on LTE technology in a bid to move customers to the next level of mobile and internet connectivity and once again affirming our position as the most advanced total communications solutions provider in Kenya.

Future outlook

Mobile penetration among the Kenyan population is still low with over 60% SIM penetration; however with the abundance of multiple SIMS per subscriber real penetration is lower. This will continue to be an opportunity for Safaricom to grow its number of customers even further. Safaricom envisions deepening the market through our strategy aimed at making quality mobile handsets affordable to all as this remains one of the biggest barriers to entry for potential mobile customers.

Our focus is and will continue to be the provision of innovative products and services that are focused on our customers' needs first and foremost and that will continue to grow our revenue streams. Safaricom will continue to grow voice revenue due to its significant contribution to total revenue. Our strategy to diversify and grow non voice revenues is paying off as attested by the impressive performance and growth of Data and M-PESA and this trend is expected to be amplified in the future.

Safaricom is poised to benefit from a growing economy that is becoming more internet dependant and propelled by the widening cyberspace. Safaricom is committed to supporting the country's *Vision 2030* blueprint in which ICT is a key pillar of development. New data subscribers are looking towards service providers who will guarantee quality, capacity and reliability. Safaricom has the infrastructure to tap into this vast opportunity in providing internet connectivity services to its existing large base of customers. With over 20% of our subscriber base connecting to the internet through our mobile data service, Safaricom is the clear leader in the data market. Safaricom will continue with infrastructural investment and strategic partnerships to cement Safaricom as the preferred provider for data services in the long term.

By continuously improving and investing in our network Safaricom is working towards maintaining market leadership by offering world class quality in service and products. With revamped focus on the customer, superior customer service will be the key differentiator between us and our competitors.

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Commentary on period

Key indicators and summary financial information

The following are the key highlights of the results compared to the prior period ending 31st March 2010:

Condensed consolidated statement of comprehensive income

Kshs Bn	**31 March 2011**	**31 March 2010**	**% Increase/ (Decrease)**
Revenue	94.832	83.961	12.9
Operating expenses	(45.795)	(36.554)	25.3
Selling, general and administrative expenses	(13.314)	(10.803)	23.2
EBITDA	**35.723**	**36.604**	**(2.4)**
Depreciation and amortisation	(16.333)	(13.993)	16.7
Operating profit	**19.390**	**22.611**	**(14.2)**
Net financing costs	(1.037)	(1.644)	(36.9)
Share of associate profit	0.008	-	100.0
Profit before taxation	**18.361**	**20.967**	**(12.4)**
Taxation	(5.202)	(5.819)	(10.6)
Profit after taxation	**13.159**	**15.148**	**(13.1)**
Earnings per share (Kshs)	**0.333**	**0.382**	**(12.9)**
Key indicators			
Customers (m)	17.183	15.793	8.8
Registered M-PESA users (m)	13.799	9.483	45.5
Number of fixed data connections	4,483	792	466.0
Mobile data customers (m)	4.900	2.641	85.6
Churn (%)	30.8	27.2	
EBITDA margin %	37.7	43.6	
Operating profit margin %	20.4	26.9	
Net profit margin %	13.9	18.0	
Effective taxation rate %	28.3	27.8	

Revenue analysis

Kshs Bn	31 March 2011	31 March 2010	% Increase/ (Decrease)
Voice	63.501	64.576	(1.7)
Total Data	24.696	15.724	57.1
• SMS	7.544	5.191	45.3
• M-PESA	11.784	7.556	56.0
• Data (mobile & fixed)	5.368	2.977	80.3
Ongoing Revenue	**88.197**	**80.300**	**9.8**
Acquisition revenue	6.635	3.661	81.2
Total revenue	**94.832**	**83.961**	**12.9**
Data revenue % ongoing revenue	**28.0**	**19.6**	
Mobile service revenue ARPU (Kshs)	**436.6**	**458.5**	**(4.8)**

Total revenues increased by 12.9% from Kshs83.96bn to Kshs94.83bn supported by significant growth in both data and acquisition revenue.

Despite the significant downward adjustment of average voice tariffs by above 80% in the second half of the year across the industry, voice revenues remained robust with a slight decline of 1.7% compared to March 2010. There was an increase in minutes of use per customer to 96.0 minutes in March 2011 from 60.6 minutes in March 2010.

Total non voice revenues increased by 61.6% to Kshs31.3bn. The overall contribution of total data revenue increased to 28.0% from 19.6% of total ongoing revenue in line with our strategy to diversify our products, services and related revenue.

The increase in operating expenses was attributed to intensified customer acquisition initiatives (particularly in data and M-PESA segments), increase in cost of value added services and cost of licenses that are incurred in line with coverage and revenue growth. However, the increase in network operating expenses and airtime distribution costs was lower than the increase in revenue due to positive results from our ongoing cost rationalisation initiatives.

Selling, general and administrative expenses grew in line with our revamped customer focus, resulting in an increase in marketing and publicity costs as a result of the heightened market activity and customer retention. In addition we continued to invest in our personnel to support our growth, with payroll and personnel related costs increasing as a result of annual adjustments in pay, as well as increases in customer facing divisional headcount. In addition, the growth in the number of retail shop outlets to 35 has resulted in corresponding increases in related costs.

Depreciation increased by 16.7% to Kshs16.3bn as anticipated and in line with our continued capital investment strategy.

News Release

SAFARICOM GROUP
SAFARICOM LIMITED ANNOUNCES AUDITED RESULTS FOR THE YEAR ENDED 31st MARCH 2011

Condensed consolidated statement of financial position

Kshs Bn	**As at 31 March 2011**	**As at 31 March 2010**	**% Increase/ (Decrease)**
Equity and non-controlling interest	67.454	62.296	8.3
Borrowings	12.105	7.610	59.1
Other liabilities	0.178	0.395	(54.9)
Capital employed	**79.737**	**70.301**	**13.4**
Non-current assets	92.153	81.550	13.0
Current assets			
Inventories	5.881	2.887	103.7
Receivables and prepayments	10.561	8.961	17.9
Cash and cash equivalents	5.259	10.723	(51.0)
	21.701	**22.571**	**(3.9)**
Current liabilities			
Payables and accrued expenses	31.101	24.739	25.7
Borrowings	3.016	9.081	(66.8)
	34.117	**33.820**	**0.9**
Net current liabilities	(12.416)	(11.249)	**10.4**
Net assets	**79.737**	**70.301**	**13.4**
Net gearing (borrowing less cash) (%)	12	9	
Gross gearing (gross borrowing) (%)	19	24	

Capital employed increased in line with the strong growth in shareholder funds, from the favourable trading results and from proceeds obtained from the issuance of the Domestic Medium Term Note of Kshs4.5bn in December 2010.

Net Debt

Kshs Bn	As at 31 March 2011	As at 31 March 2010	% Increase/ (Decrease)
Cash and cash equivalents	(5.259)	(10.723)	(51.0)
Bank and other borrowings	3.121	9.178	(66.0)
Debt - corporate bond	12.000	7.513	59.7
Total net debt	9.862	5.968	65.2
Net debt/EBITDA (times)	0.28	0.16	75.0

Net debt increased as a result of proceeds from the second tranche of our corporate bond but reduced by the final repayment of the syndicated loan.

We are continually reviewing our funding requirements necessary to support our future growth plans.

Capital Investments

Kshs Bn	31 March 2011	31 March 2010	% Increase/ (Decrease)
Gross capital expenditure	25.484	17.435	46.2
Capex intensity (%)	26.9	20.8	
Investments	1.381	1.555	(8.9)
Total Gross Capital Investments	**26.865**	**18.990**	**41.5**

Capital expenditure increased during the year in line with our continued strategy of expanding and improving the quality, capacity as well as the medium to long-term evolution of the network.

SAFARICOM LIMITED ANNOUNCES AUDITED RESULTS FOR THE YEAR ENDED 31st MARCH 2011

Free cash flow

Kshs Bn	**31 March 2011**	**31 March 2010**	**% Increase/ (Decrease)**
Operating cash flow	32.837	29.662	10.7
Total capital expenditure cash flow	(20.609)	(17.826)	15.6
Operating free cash flow	**12.228**	**11.837**	**3.3**
Interest paid	(1.087)	(1.269)	(14.3)
Taxation paid	(6.197)	(4.477)	38.4
Free cash flow	**4.458**	**6.090**	**(26.8)**

Cash flow from operating activities grew in the period, coupled with favourable capital expenditure cash flows.