

VOICE

This was a year of strong subscriber growth with subscribers increasing by 2.4 million, representing an increase of 18% compared to the prior year. Safaricom took the largest share of new net connections accounting for an average of 65% share of connections in the period under review.

Ongoing customer voice revenue grew by 7.8% year on year with the average monthly minutes of use (MOU) per subscriber growing by 7% from 56 to 61. Monthly average revenue per user (ARPU) declined by 3.4% year on year driven by the overall reduction in tariffs throughout the year. Voice remains the key contributor to overall company revenue, accounting for 75.5% of total revenues.

INITIATIVES

Several innovative products were launched in the year under review.

The Emergency Credit Advance product dubbed “Okoo Jahazi” was launched in April. This service caters for both on-net and off-net calls. Okoo Jahazi usage has grown from 356,000 minutes a month in April 2009 to 76 million minutes by the close of the financial year. Off-net calls account for only 1.6% of total usage.

“Skiza”, a caller ringback tone service was launched in May 2009. This product allows subscribers to express themselves by setting tunes for their different callers. The tunes replace the traditional ‘ring-ring’ tone callers hear while waiting for the call to be picked up. The service has been well received with the number of subscribers steadily growing to 2.5 million with over 11.5 million tunes downloaded from inception of the service.

Supa Ongea is Safaricom’s new revolutionary tariff that gives subscribers discounted tariffs based on their location and the time of making a call. The call rates are displayed on the subscriber’s phone through cell broadcast. With Supa Ongea customers can enjoy tariffs from as low as 80cents to 8 shillings. Over 10.8 million subscribers are currently on Supa Ongea and the tariff accounts for over 78% of prepay revenues.

November 2009 saw the introduction of Bamba 5 and Bamba 10; two ultra low denomination vouchers of Kshs. 5 and Kshs. 10 in response to making airtime more affordable to the low income market segment, as well as to further lower the barriers to entry for mobile phone usage.

DATA

As the voice market matures, and with the very low penetration of data services, the focus for growth has been in the provision of data services to the market. This focus saw the launch of various initiatives to increase accessibility and awareness of data services through investment in infrastructure, product and pricing innovation as well as educational campaigns to drive understanding of data products across our spectrum of business and individual customers.

The result of these initiatives was shown by strong revenue growth for the year. Distinct data users grew by 79.6% from the previous year to 2.64M against an estimated base of 3.5M internet users across the country. This drove a strong revenue growth of 97.7% over previous year resulting in the realization of Ksh 2.98Bn of revenue. Coupled with SMS and MPESA, data now contributes 20% to total ongoing revenue, a growth of 45% over the previous year.

Mobile data contributed over 90% of total data revenue driven mainly by handset users. Despite a 50% reduction in bandwidth costs over the year, ARPU for data held steady compared to the previous year due to incremental usage driven by more affordable internet costs.

Creating the capacity for growth in data

Safaricom is today a truly integrated telecoms operator providing a one stop shop for communication solutions for both voice and data. This has been backed by various initiatives implemented in the past financial year that have positioned Safaricom for growth in the data market.

Some of the significant milestones achieved in 2009 include:

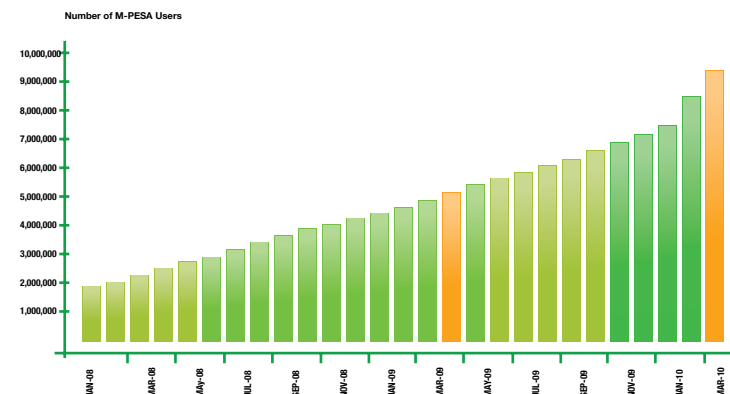
- Investment of 22.5% stake in TEAMS undersea cable making us the anchor private investor in this venture. Additionally we have leased capacity in the Seacom undersea cable giving us the much needed redundancy on our international links.
- Rollout of an extensive 3G and Wimax network to provide ‘last mile’ connectivity to our customers.
- Strategic partnerships to provide inter-city as well as metro fiber connectivity;
- Leasing of fiber optic capacity from our national power utility provider KPLC giving us secure back haul capacity and making us a true national data carrier.
- Launch of Safaricom Business - a one stop shop for bespoke end-to-end business communication solutions on voice and data, both fixed and mobile, for all our business customers, from large multinationals to small and medium enterprises. We currently have over 2,000 business customers that include banks, media houses, airlines as well as diplomatic missions and NGOs enjoying a wide portfolio of products - mobile and fixed voice solutions, data solutions ranging from basic internet connectivity to wide area networks, mobile data solutions including the BlackBerry service, value added services such as email and domain hosting and conferencing facilities
- Launch of the Safaricom Live! Web Portal in June 2009 for provision of rich internet content including music, videos, educational material and, mobile transactions
- Introduction of innovative pricing plans to increase access of Safaricom data services to the mass market with bundles as low as 40MB. Bundle users today account for more than 45% of total data revenue. To further stimulate usage there were 2 promotions in the financial year for unlimited data usage which resulted in marked growth in usage of up to 300% over the promotion period.

Prices of data devices remain a barrier to entry and we continue to partner with various device manufacturers (handsets, modems, laptops) to lower prices of devices in the market with resultant increase in the number of data subscribers. This includes our initiatives with financial institutions including Equity Bank and Kenya Commercial Bank to provide financing for laptops.

M-PESA

M-PESA continued to experience high growth rates in the year. This growth was realized through expansion of the agent network and increased usage of M-PESA by subscribers. For the second year running, M-PESA was awarded the prestigious “Best Mobile Money Service” award in the best mobile services category at the 2010 Global Mobile Awards in Barcelona.

The M-PESA subscriber base grew from 5.8 Million in the previous financial year to 9.5 Million this financial year – a 53% growth rate, adding 3.3 Million new subscribers in the period.



Sneak Points

Cumulative P2P transactions since launch have grown to over Kshs 400 Billion.

Agent outlets grew significantly over the year from 8,650 to 17,653

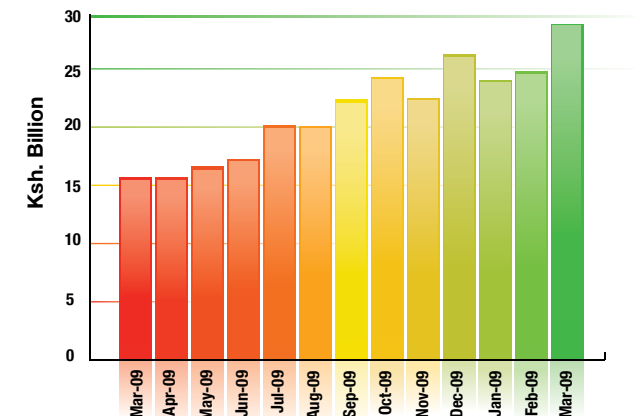
Customer voice revenue grew by 7.8% year on year with the average monthly minutes of use (MOU) per subscriber growing by 7% from 56 to 60

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In the financial year person to person (P2P) transfers continued to be the main transactions and were valued at Kshs 28.59 Billion an increase of 66.4% .

Monthly Value of P2P Transactions



M-PESA Agents

The M-PESA agent outlets grew significantly over the year from 8,650 to 17,653 by the end of March 2010. M-PESA continues to partner with a variety of organizations including Banks, microfinance institutions, fuel stations and individual business owners to provide the services across the country.

During the year a number of super-agents were appointed. They provide cash-in/cash-out services to agents to enhance float levels in the market.

During the year we also introduced the Aggregator Model which is designed to enable agents manage their sub-agents more efficiently and effectively.

CORPORATE SERVICES

Customer to Business Services

The number of partners receiving payments via M-PESA has grown to over 200 by March 2010; these include Kenya Power and Lighting Company, Nairobi Water Company and Kenya Airways. More than Kshs 4.1 Billion was transferred from customers to businesses during the year.

Business to Consumer payments

More than 50 organizations have partnered with M-PESA to disburse payments. These payments include salary disbursements and payments to winners of promotions. Over Kshs 1.36 Billion was transferred during the financial year through this channel.

Safaricom and M-PESA added another first to its long list of initiatives with the first ever dividend disbursement through the service. Safaricom Ltd. successfully disbursed dividends through M-PESA to over 180,000 of its shareholders in November 2009.

M-PESA introduced a service dubbed ‘Easy Travel’ that allows subscribers to book, pay and receive tickets via their mobile phone. This service provides a single platform for buses, trains and airline service users to pay for their travel using M-PESA.

International Money Transfer

After a successful pilot, M-PESA launched the international money transfer services in the United Kingdom in partnership with Vodafone and Western Union. This service enables Kenyans in the UK to send money home. The success of this pilot will now enable M-PESA to expand these services regionally to other markets with a high population of Kenyans.

Looking Forward

With the huge success of M-PESA over the last year, whereby nearly 10 million Kenyans now benefit from the service, additional functionality will be added to enhance their experience. This will include micro savings and micro insurance thus enabling many Kenyans the opportunity to improve their lifestyle.