POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE (POTRAZ)

POSTAL AND TELECOMMUNICATIONS SECTOR PERFORMANCE REPORT (ABRIDGED)

FIRST QUARTER 2015

Disclaimer:

This report has been prepared based on data provided by service providers. The information provided in this quarterly report is subject to alteration in case of any revisions or updates from the service providers. Although every effort has been made to ensure accuracy of the data contained in this report, the Authority is not liable for the inaccuracy of any information.

Table of Contents

LIST OF ABBREVIATIONS

SIM Subscriber Identification Module

IAP Internet Access Providers

Mbps Megabits per second

VSAT Very Small Aperture Terminal

GSM Global System for Mobile Communication

xDSL Digital Subscriber Line (x-of any type)

HSDPA High-Speed Downlink Packet Access

SMS Short Messaging Service

ARPU Average Revenue Per User

I. MAJOR HIGHLIGHTS

- The total number of active mobile subscribers increased by 0.5% to reach 11,859,155 from 11,798,652 recorded in the previous quarter.
- The mobile penetration rate (active) increased by 0.5% to reach 90.8% from 90.3% recorded in the previous quarter.
- Mobile network operators registered a 14.2% decline in quarterly revenues.
- Total value of mobile money transfers in the quarter declined by 7.7% to record $406,988,613 from $445,722,792 transferred in the last quarter
- The number of active internet subscriptions declined by 1.7% to reach 5,782.491 from 5,879,552 subscribers recorded in the previous quarter.
- The number of 3G Base stations increased by 37 additional base stations to reach 1,501 from 1,464 3G Base stations recorded in the previous quarter.
- Lit/equipped International internet bandwidth capacity increased by 1.2% to reach 26,950Mbps from 26,640Mbps recorded in the previous quarter.

2. MOBILE TELEPHONE

2.1 SUBSCRIPTIONS

The total number of active mobile subscribers grew by 0.5% to reach 11.9 million from 11.8 million subscribers recorded in the previous quarter. The mobile penetration rate (active) also increased from 90.3% recorded in the previous quarter to reach 90.8%. Active and total subscriptions per operator are shown in the table below:

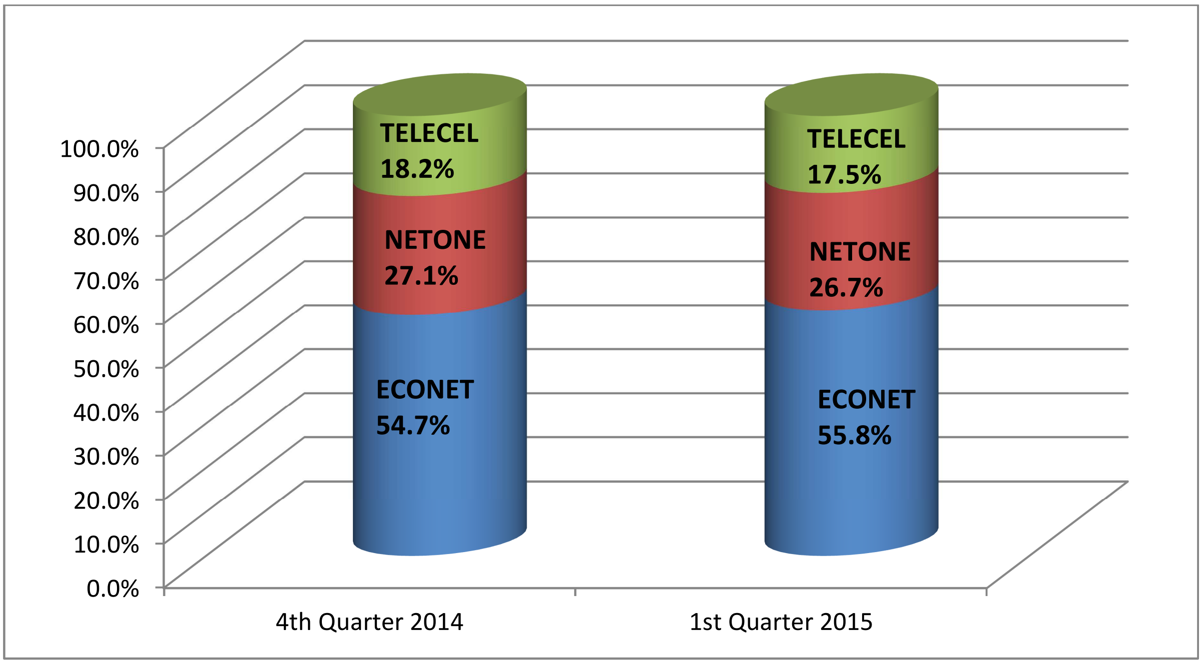
Table 1: Active Mobile subscriptions

	Active Subscribers			Total Subscribers		
	4th Quarter 2014	1st Quarter 2015	% Change	4th Quarter 2014	1st Quarter 2015	% Change
Econet	6,451,863	6,619,058	2.6%	8,879,689	9,197,046	3.6%
Telecel	2,152,148	2,069,142	-3.9%	4,262,551	4,443,716	4.3%
NetOne	3,194,641	3,170,955	-0.7%	4,497,310	4,972,950	10.5%
Total	11,798,652	11,859,155	0.5%	17,639,559	18,613,712	5.5%

Source: POTRAZ, Operator Returns

As shown in the table above all the operators except Econet registered a decline in their active subscriber bases. The movement in the market share of active subscribers for the mobile operators is shown in Figure 1 below:

Figure 1: Market Share of mobile subscribers



Source: POTRAZ Operator Returns

A comparison with 4th quarter market share statistics shows that Econet`s market share increased whereas NetOne and Telecel`s market share declined. This is coherent with the decline in the subscriber bases of Telecel and NetOne and the gain in active subscribers by Econet.

2.2 MOBILE TRAFFIC AND USAGE PATTERNS

2.2.1 TOTAL MOBILE VOICE TRAFFIC

The total national traffic generated by the mobile networks in the first quarter of 2015 was 1,168,516,173. This represents a 16.6% decline in traffic from 1,401,866,817 generated in the previous quarter. A quarterly comparison of mobile telephone traffic is shown in table 2 below:

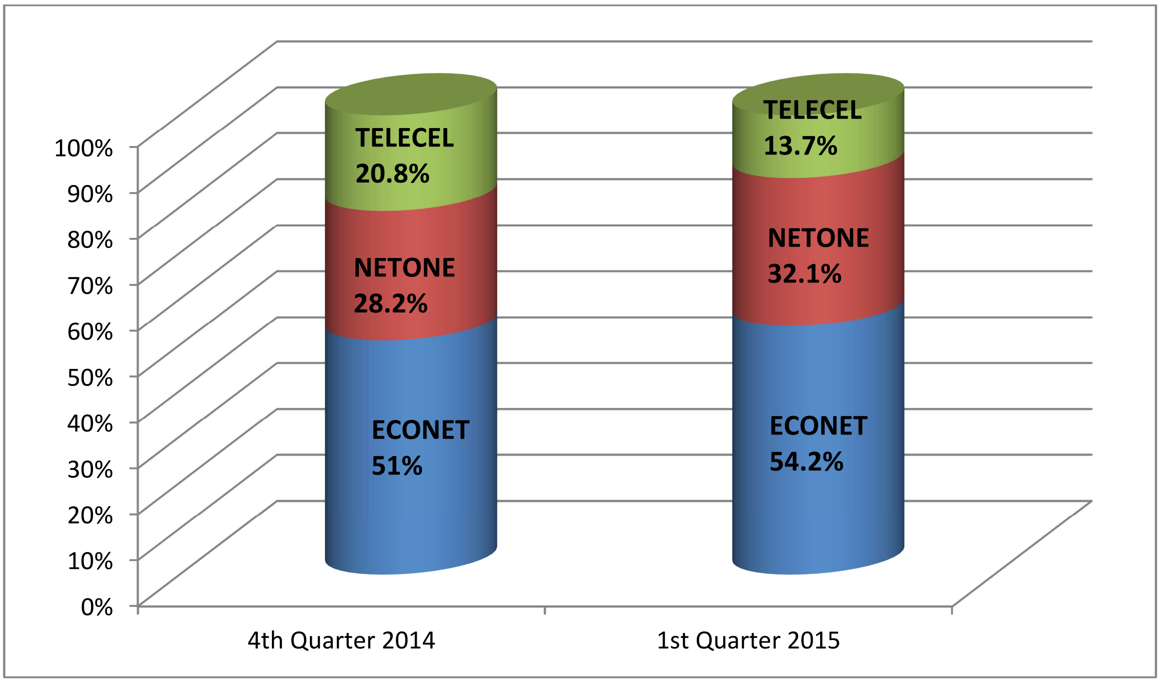
Table 2: Mobile Telephone Traffic

	4th Quarter 2014	1st Quarter 2015	Quarterly Change
Net On Net	1,071,423,815	831,871,075	-22.4%
Mobile to Fixed	6,975,325	7,336,754	5.2%
Mobile to Other Mobile (by termination)	236,393,812	245,060,807	3.7%
Outgoing to VoIP	597,489	714,384	19.6%
Incoming from Fixed	80,839,610	77,166,305	-4.5%
Incoming from VoIP	5,636,766	6,366,848	13.0%
TOTAL NATIONAL	**1,401,866,817**	**1,168,516,173**	-16.6%
International Incoming	80,762,496	75,871,735	-6.1%
International Outgoing	34,017,391	28,309,297	-16.8%
Inbound Roaming	1,212,610	1,414,447	16.6%
Outbound Roaming	193,594	179,207	-7.4%

Source: POTRAZ Operator Returns

As shown in the table above the flow of traffic between VoIP operators and the mobile networks increased whereas international incoming and outgoing traffic declined. A quarterly comparison of mobile traffic market share is shown in Figure 2 below:

Figure 2: Mobile Traffic Market Share



2.3 MOBILE MONEY TRANSFER

In the quarter under review the number of mobile money subscribers increased by 7.3% to reach 5.8millon from 5.3 million subscribers recorded in the 4th quarter of 2014. The number of agents also increased from 23,379 agents to 25,427 agents. However the total value of money transferred in the quarter declined by 7.7% to record $406,988,613 from $445,722,792 transferred in the last quarter. Table 3 below shows a comparison of the fourth quarter of 2014 and the first quarter of 2015.

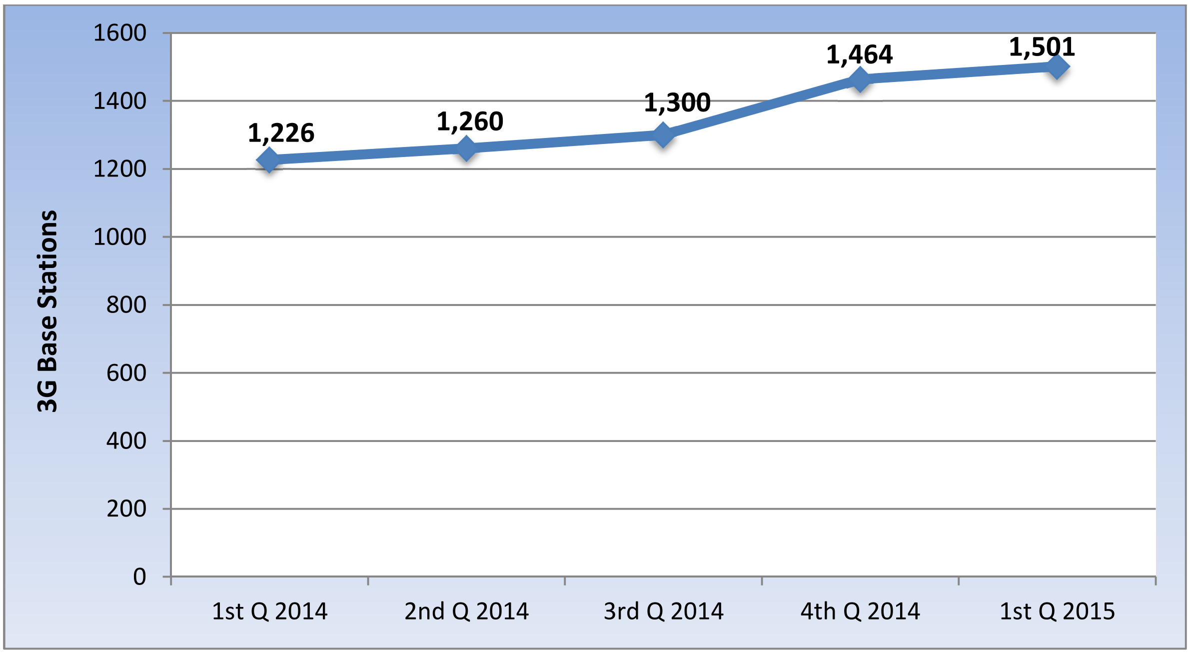
Table 3: Mobile Money Transfer

Mobile Money Transfer	4th Quarter 2014	1st Quarter 2015	Quarterly Change
Number of Subscribers	5,299,271	5,783,319	7.3%
Number of Agents	23,379	25,427	8.8%
Total Deposits	$445,722,792	$406,988,613	-8.7%

Source: POTRAZ, Operator Returns

2.4 MOBILE BASE STATIONS

In the quarter under review the number of 2G increased by 133 to record 3,535 from 3,402 recorded in the previous quarter. There were no new LTE base stations. The growth in the number of 3G base stations over the past year is shown in Figure 3 below:



3. FIXED TELEPHONE SERVICE

3.1 SUBSCRIPTIONS

The number of active fixed lines as at 31 March 2015 was 329,252. This represents a 0.1% decline in the active fixed lines. Of the 329,252 total active fixed lines, only 19,988 were in rural areas. The fixed teledensity remained at 2.5%. The switching capacity for the fixed telephone network remained unchanged at 473,700 subscribers. A comparison of the first quarter of 2015 and the fourth quarter of 2014 is shown in Table 4 below:

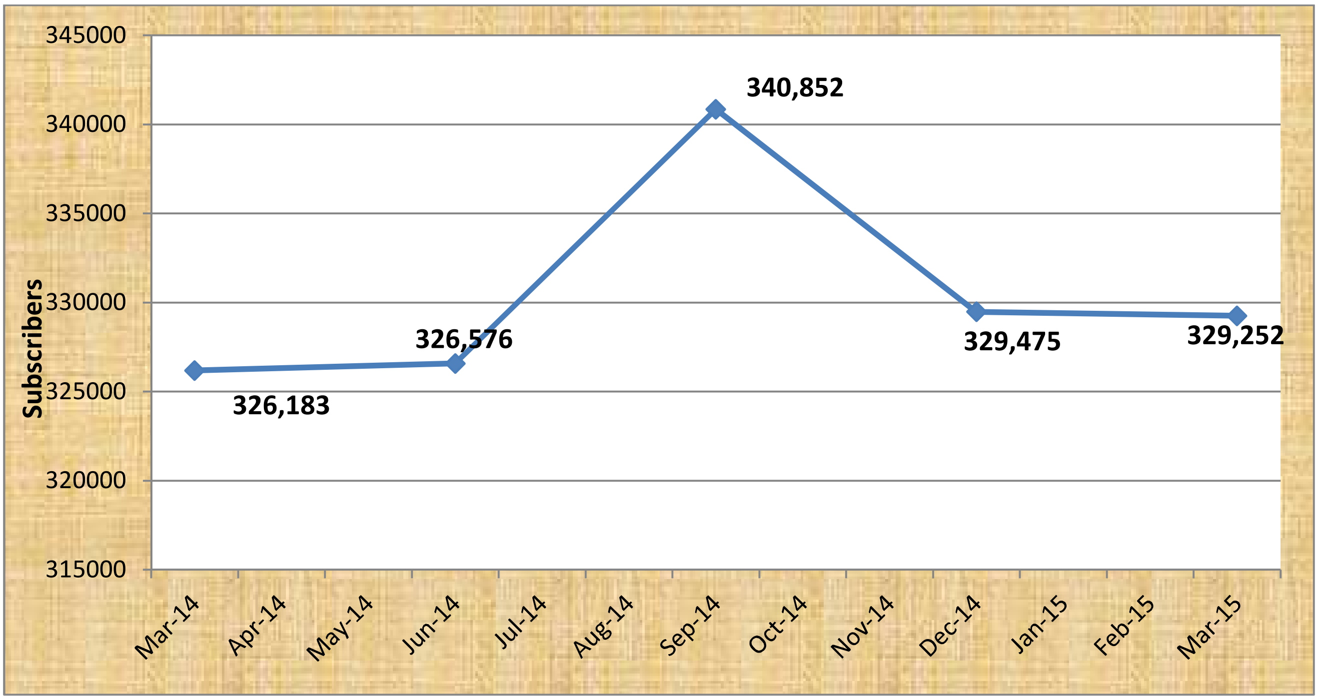
Table 4: Fixed Telephone subscribers

	4th Quarter 2014	**First Quarter 2015**	**Quarterly Variation %**
Active Subscriptions	329,475	329,252	(0.1%)
Switching capacity	473,700	473,700	-
Fixed Teledensity	2.5%	2.5%	-

Source: POTRAZ, Operator Returns

The quarterly movement in fixed subscribers from the 1st quarter of 2014 to the first quarter of 2015 is shown in figure 4 below:

Figure 4: Fixed Telephone Subscribers



Source: POTRAZ, Operator Returns

3.2 FIXED NETWORK TRAFFIC

The total traffic processed on the fixed telephone network declined by 10.1% to record 169,948,500 minutes from 189,059,292 minutes recorded in the previous quarter. A quarterly comparison of fixed network traffic is as illustrated in Table 5 below:

Table 5: Fixed Network Traffic

Traffic Category	4th Quarter 2014	1st Quarter 2015	Quarterly Variation %
Net On Net	80,419,022	65,085,462	-19.1%
Fixed to Mobile	80,839,610	77,067,916	-4.7%
Mobile to Fixed	6,975,325	7,231,119	3.7%

Incoming from IAPs	593,376	636,448	7.3%
Outgoing to IAPs	269,438	273,150	1.4%
International Incoming	12,622,394	12,190,793	-3.4%
International Outgoing	7,340,127	7,463,612	1.7%
Total traffic	189,059,292	169,948,500	-10.1%

Source: POTRAZ, Operator Returns

As shown in Table 10 above Net-On-Net traffic registered the highest decline of 19.1%; outgoing traffic to mobile networks declined by 4.7% and international incoming traffic declined by 3.4%. Other traffic categories registered an increase.

4. DATA AND INTERNET SERVICE

4.1 SUBSCRIPTIONS

In the quarter under review the number of active internet subscriptions declined by 1.6% to reach 5.8 million subscribers from 5.9 million subscribers recorded in the previous quarter. Internet subscriptions are broken down by technology as follows:

Table 6: Active Internet Subscriptions

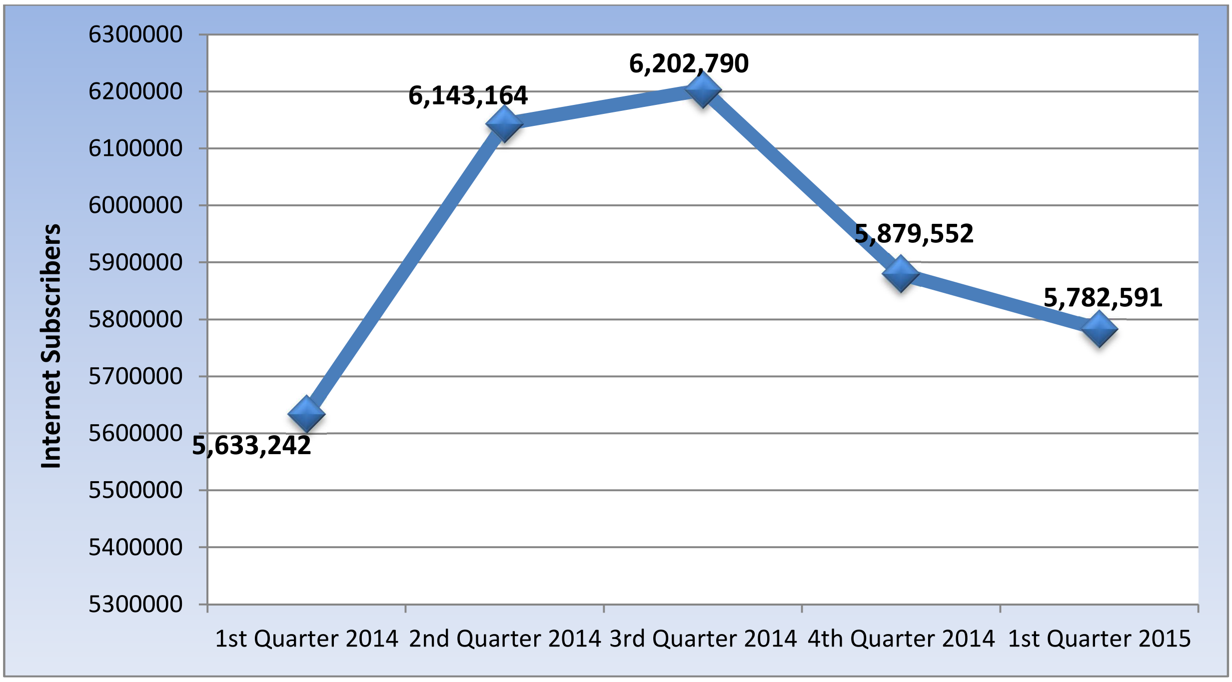
Technology	4th Quarter 2014	1st Quarter 2015	Quarterly Variation
GPRS/EDGE/2G/3G/HSDP	5,727,318	5,621,887	-1.8%
LTE	315	384	21.9%
Leased Lines	1,690	1,661	-1.7%
Dial up	8,926	8,792	-1.5%
xDSL	42,754	50,616	18.4%
Wimax	9,664	9,715	0.5%
CDMA	85,608	85,297	-0.4%
VSAT	519	558	7.5%
Fibre links	2,758	3,582	29.9%

TOTAL	**5,879,552**	**5,782,491**	**-1.7%**

Source: POTRAZ, Operator Returns

The internet penetration rate declined from 45% to 44.3% as a result of the decline in internet subscribers. This movement in active internet subscribers over the past year is shown in Figure 5 below:

Fig 5: Internet Penetration Rate



Source: POTRAZ, Operator Returns

5. POSTAL AND COURIER SERVICES

5.1 POSTAL AND COURIER TRAFFIC

The postal and courier sector recorded a downward trend in the period under review. The postal and courier traffic is summarised in the table below:

Table 7: Postal and Courier Traffic

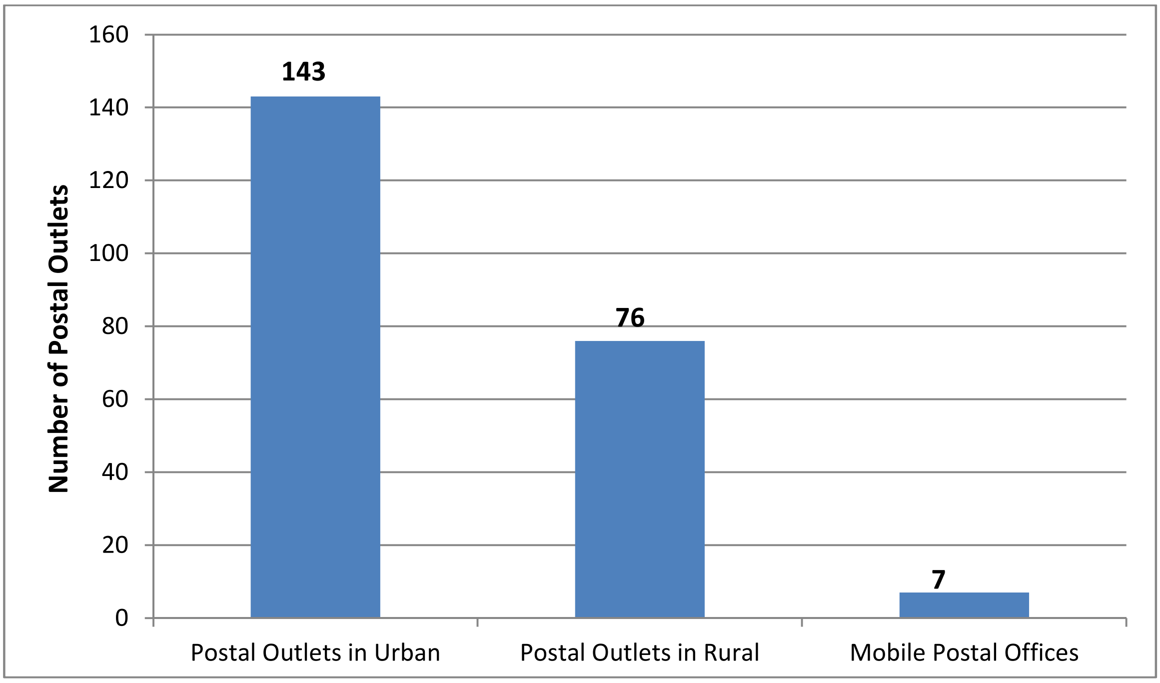
	4th Quarter 2014	1st Quarter 2015	Quarterly Variation
Number of postal and courier items sent locally	2,793,761	2,245,932	-19.6%
International incoming postal and courier items	525,183	522,857	-0.4%
International outgoing postal and courier items	295,803	275,842	-6.7%

Source: POTRAZ, Operator Returns

5.2 NUMBER OF POSTAL OUTLETS

The number of postal outlets remained at 262. The breakdown of postal outlets is shown in the graph below:

Figure 6: Postal Outlets



Source: POTRAZ, Operator Returns

The value of electronic transactions processed at these postal outlets through Zipcash was $733,208. This represents a 6.4% increase from $689,056 recorded in the previous quarter.

6. REVENUES

In the first quarter of 2015 mobile network operators generated a total of $188,546,846. This represents a 14.2% decline in quarterly revenues from $219,707,438 generated in the 4th quarter of 2014. Fixed telephone voice service generated a total of $35,737,488 representing a 19.5% decline in revenue from $44,409,883 generated in the fourth quarter of 2014. Revenues by Internet Access Providers (IAPs) increased by 7.4% to record $33.7 million from $31.4 million generated in the previous quarter.

7. CONCLUSION

The emerging trend as indicated by subscriptions, traffic volumes and revenues earned is that voice telephony is on a declining trend whilst internet and data services are on an upward trend. The decline in voice could be attributed to increased usage of IP based applications such as whatsapp and viber. This also explains the increasing usage of data and internet services.

In terms of revenue perfomance, mobile operators registered a decline in their revenues ranging from 1.4% to 19.2% compared to previous quarter before the implementation of reduced tariffs on 01 January 2015. This comes against a marginal increase in active mobile subscrptions of 0.5 % compared to the previuos quarter. The decline in revenue cannot be wholly attributable to the tariff reduction, but also to the substitution effect whereby consumers are slowly shifting to internet and data based applications such as whatsapp which are becoming popular by the day. This is evidenced by the decline in voice traffic processed by the mobile operators and the increase in data traffic and revenue of 7.4% despite a marginal decline in the internet penetration rate of 0.7 % during the first quarter of 2015 compared to the last quarter of 2014.

As reported in this sector performance report, some services experienced growth whereas some services registered a decline in the first quarter of 2015. The mobile telephone sector recorded a slight increase in subscriptions by 0.5% to reach 11,859,155 from 11,798,652 recorded in the previous quarter. Whilst mobile subscriptions registered a marginal increase the total mobile revenues and mobile traffic registered a decline.

The fixed network experienced a decline in the quarter under review as the fixed network continues to face competition from alternative technologies.

The postal and courier sector on the other hand continued to show a downward trend during the quarter.