POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE
(POTRAZ)

ABRIDGED POSTAL AND TELECOMMUNICATIONS SECTOR PERFORMANCE REPORT

FOURTH QUARTER 2014

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.

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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 3.5% to reach 11,798,652 from 11,403,788 recorded in the previous quarter
- The mobile penetration rate (active) increased from 87.3% recorded in the previous quarter to 90.3%
- The total number of active fixed telephone subscriptions declined by 3.3% to reach 329,475 subscribers from 340,852 recorded in the previous quarter
- The number of active internet subscriptions declined by 6.8% to reach 5,779,320 from 6,202,790 recorded in the previous quarter
- Internet penetration rate declined by 2.5% to reach 45% from 47.5% recorded in the previous quarter
- Lit/equipped International internet bandwidth capacity increased by 22% to reach 26,640Mbps from 21,840Mbps recorded in the previous quarter.

2. FIXED TELEPHONE SERVICE

2.1 SUBSCRIPTIONS

Total fixed telephone lines in the country as at 31 December 2014 were 329,475. This represents a 3.3% decline from 340,852 subscribers recorded in the third quarter of 2014. The fixed teledensity declined from 2.6% to reach 2.5% as a result of the decline in subscribers. The switching capacity for the fixed telephone network remained unchanged at 473,700 subscribers. A comparison of the third quarter and the fourth quarter of 2014 is shown in Table 1 below:

Table 1: Fixed Telephone subscribers

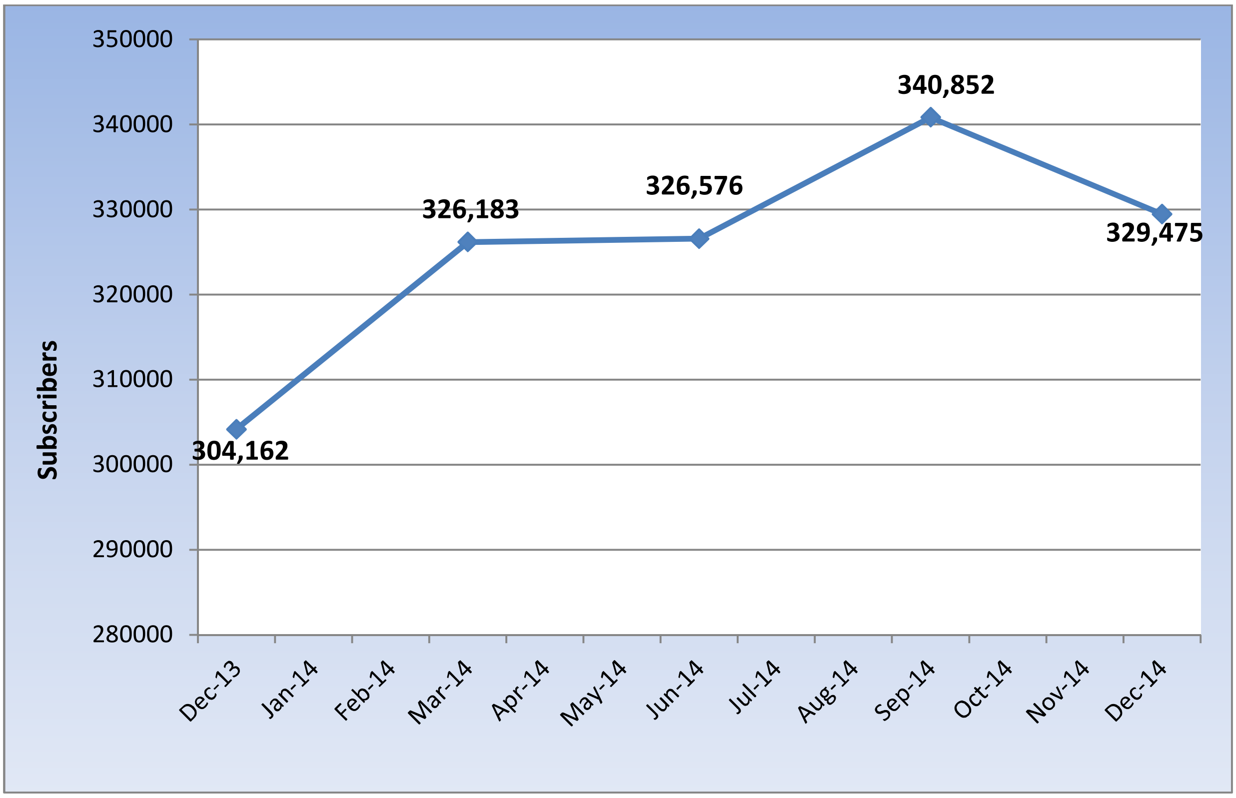
	Third Quarter 2014	**4th Quarter 2014**	**Quarterly Variation %**
Active Subscriptions	340,852	329,475	(3.3%)
Switching capacity	473,700	473,700	-
Fixed Teledensity	2.6%	2.5%	(0.1%)

Source: POTRAZ, Operator Returns

A comparison with end of December 2013 figures shows an 8.3% increase in fixed telephone subscribers from 304,162 subscribers recorded at the end of December 2014.

The quarterly movement in fixed subscribers over the past year is shown in Figure 1 below:

Figure 1: Fixed Telephone Subscribers



Source: POTRAZ, Operator Returns

2.2 FIXED NETWORK NATIONAL TRAFFIC

The total number of minutes processed on the fixed telephone network was 189,059,292. This represents a 3% decline from 194,989,961 minutes recorded in the previous quarter. An annual comparison shows that total traffic processed on the fixed telephone network increased by 1.2% to reach 774.5 million minutes from 765.6 million minutes recorded in 2013. A quarterly comparison of fixed network traffic is as illustrated in Table 2 below:

Table 2: Fixed Network Traffic

Traffic Category	Third Quarter 2014	4th Quarter 2014	Quarterly Variation %
Net On Net	83,273,267	80,419,022	-3.4%
Fixed to Mobile	79,872,839	80,839,610	1.2%
Mobile to Fixed	7,158,905	6,975,325	-2.6%
Incoming from IAPs	561,206	593,376	5.7%
Outgoing to IAPs	234,542	269,438	14.9%
International Incoming	15,948,575	12,622,394	-20.9%
International Outgoing	7,940,627	7,340,127	-7.6%
Total traffic	194,989,961	189,059,292	-3.0%

Source: POTRAZ, Operator Returns

As shown in Table 2 above International incoming traffic registered the highest decline of 20.9%. Interconnect traffic from mobile operators declined by 2.6% whereas fixed to mobile traffic increased by 1.2%. Traffic flows between the fixed network and VoIP operators improved in the quarter under review as shown by the 14.9% increase in outgoing traffic to IAPs and the 5.7% increase in traffic from IAPs to the fixed network.

3. MOBILE TELEPHONE

3.1 SUBSCRIPTIONS

The country`s active mobile subscriber base grew by 3.5% to reach 11.8 million from 11.4 million subscribers recorded in the previous quarter. As a result the mobile penetration rate (active) increased from 87.3% recorded in the previous quarter to 90.3%. Active subscriptions per operator are shown in table 3 below:

Table 3: Active Mobile subscriptions

	3^{rd} Quarter 2014	4^{th} Quarter 2014	Net Addition	% Change
Econet	6,472,382	6,451,863	-20,519	-0.3%
Telecel	2,223,724	2,152,148	-71,576	-3.2%
NetOne	2,707,682	3,194,641	486,959	18%
Total	11,403,788	11,798,652	394,864	3.5%

Source: POTRAZ, Operator Returns

3.2 MARKET SHARE OF ACTIVE MOBILE SUBSCRIBERS

The total subscribers in the Home Location Register of each operator vis-à-vis the active subscribers are shown in the table below.

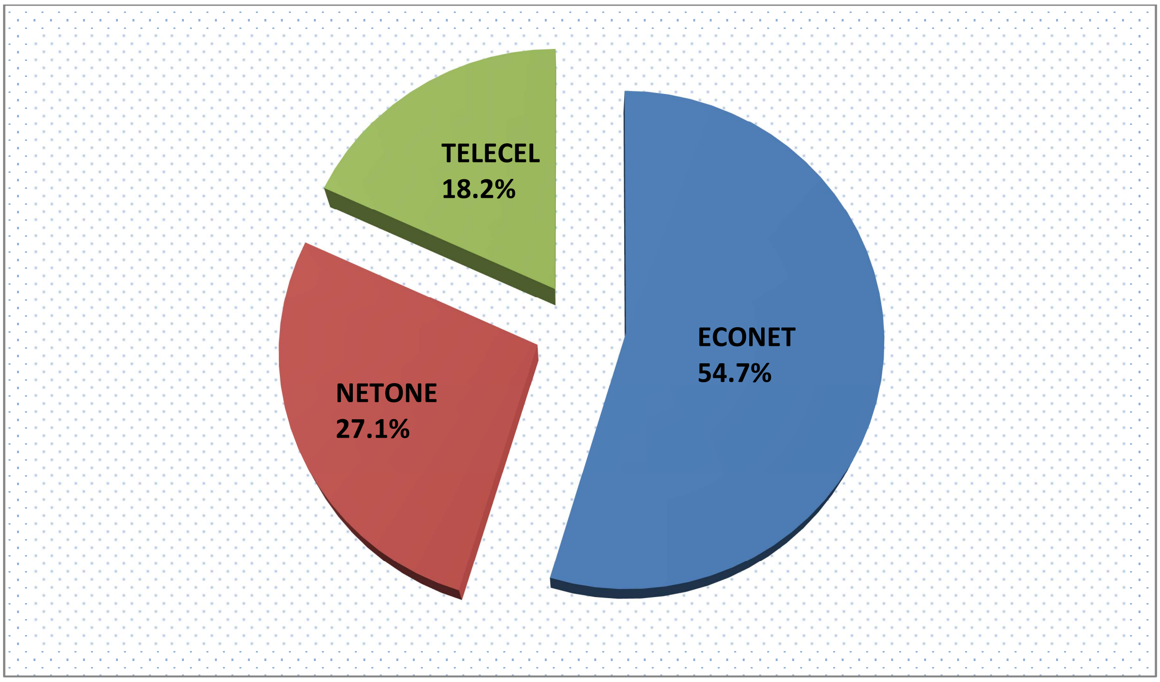
Table 4: Subscribers in HLR versus Active Subscribers

	Total Subscribers in HLR	Total Active Subscribers	Inactive Subscribers (%)
Econet	8,879,689	6,451,863	27.3%
Telecel	4,262,551	2,152,148	49.5%
NetOne	4,497,310	3,194,641	29%
Total	17,639,550	11,798,652	33.1%

Source: POTRAZ, Operator Returns

The market share of active mobile subscribers in the quarter under review is shown in Figure 2 below:

Figure 2: Market Share of Active Subscribers



Source: POTRAZ Operator Returns

A comparison with 3rd quarter statistics shows that Econet`s market share declined from 56.8% to 54.7% and Telecel`s market share declined from 19% to 18.2%. On the other hand NetOne`s market share increased from 23.7% to 27.1%.

3.3 MOBILE TRAFFIC AND USAGE PATTERNS

3.3.1 TOTAL MOBILE TRAFFIC

Total voice traffic processed by the mobile networks in the fourth quarter of 2014 was 1,727,202,925 minutes. This represents a 4% decline from 1,779,062,306 minutes processed in the previous quarter. An annual comparison shows that total mobile voice traffic declined by 2.1% to record 7.06 billion minutes from 7.21 billion minutes recorded in 2013.

A comparison of mobile telephone traffic generated in the fourth quarter of 2014 with traffic generated in the third quarter of 2014 is shown in table 5 below:

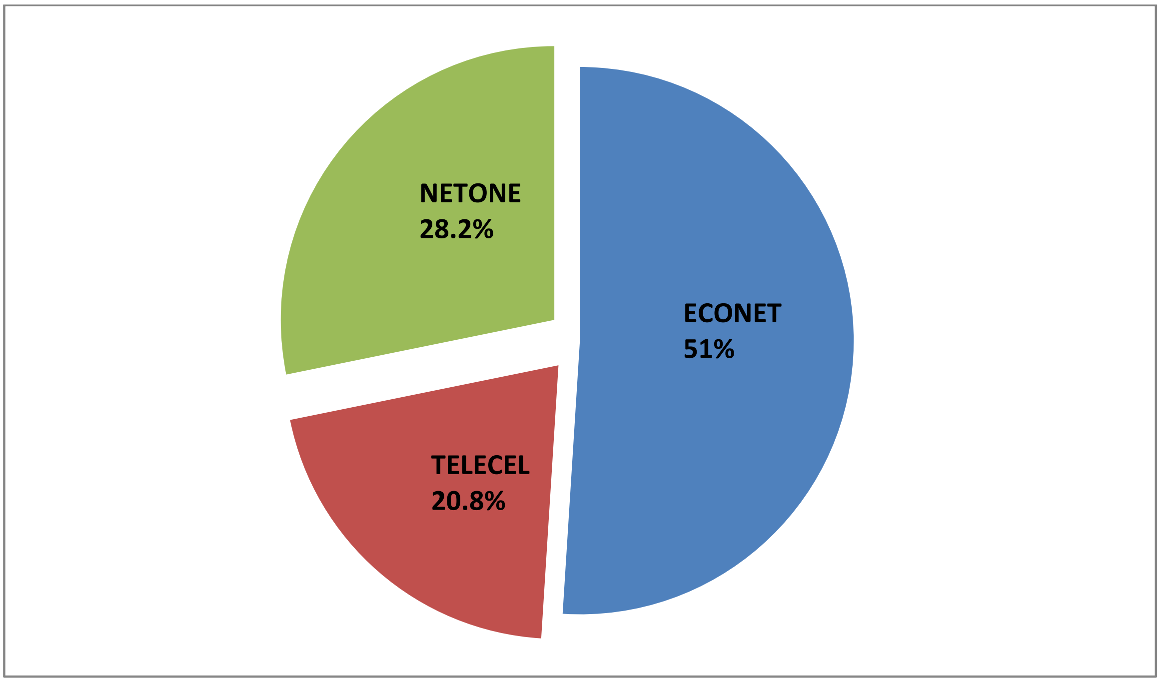
Table 5: Mobile Telephone Traffic

	3rd Quarter 2014	4th Quarter 2014	Quarterly Change
Net On Net	1,091,120,356	1,071,423,815	-1.8%
Mobile to Fixed	7,158,905	6,975,325	-2.6%
Mobile to Other Mobile (by termination)	254,764,786	236,393,812	-7.2%
Outgoing to VoIP	786,658	597,489	-24.0%
Incoming from Fixed	79,872,839	80,839,610	1.2%
Incoming from VoIP	7,238,577	5,636,766	-22.1%
International Incoming	85,557,294	80,762,496	-5.6%
International Outgoing	37,983,988	34,017,391	-10.4%
Inbound Roaming	1,223,028	1,212,610	-0.9%
Outbound Roaming	205,858	193,594	-6.0%

Source: POTRAZ Operator Returns

As shown in the table above, the only traffic category to experience an increase was incoming traffic from the fixed network operator which increased by 1.2%. Mobile traffic market share for each operator is shown in Figure 3 below:

Figure 3: Mobile Traffic Market Share

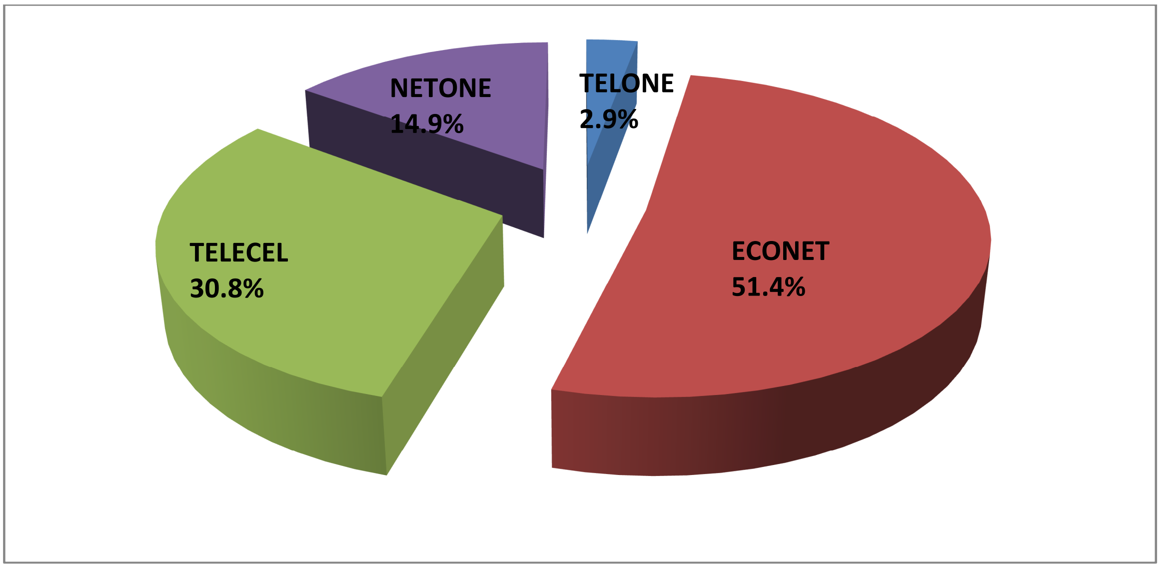


A comparison with previous quarter`s statistics shows that NetOne gained 5.4% market share whereas Telecel and Econet lost 4.2% and 2.2% respectively. NetOne`s gain in local traffic market share can be attributed to the increase in subscribers on its network.

3.3.2 INTERCONNECT TRAFFIC

The flow of traffic between mobile operators and the fixed network remains highly disproportionate. In the quarter under review the mobile operators received 61,175,048 minutes from TelOne whereas TelOne received only 4,602,765 from the mobile operators. Figure 4 below shows the market share of interconnect traffic:

Figure 4 Mobile & Fixed Interconnect traffic



In the quarter under review TelOne was the net payer of interconnection dues to all the three mobile operators.

3.4 MOBILE BASE STATIONS

The total number of base stations increased by 283 to reach 4,886 from 4,603 recorded in the previous quarter. An annual comparison shows that the total number of base stations increased by 9.7% from 4,452 recorded in 2013 to reach 4,886 base stations at the end of 2014. The quarterly comparison is shown in Table 6 below:

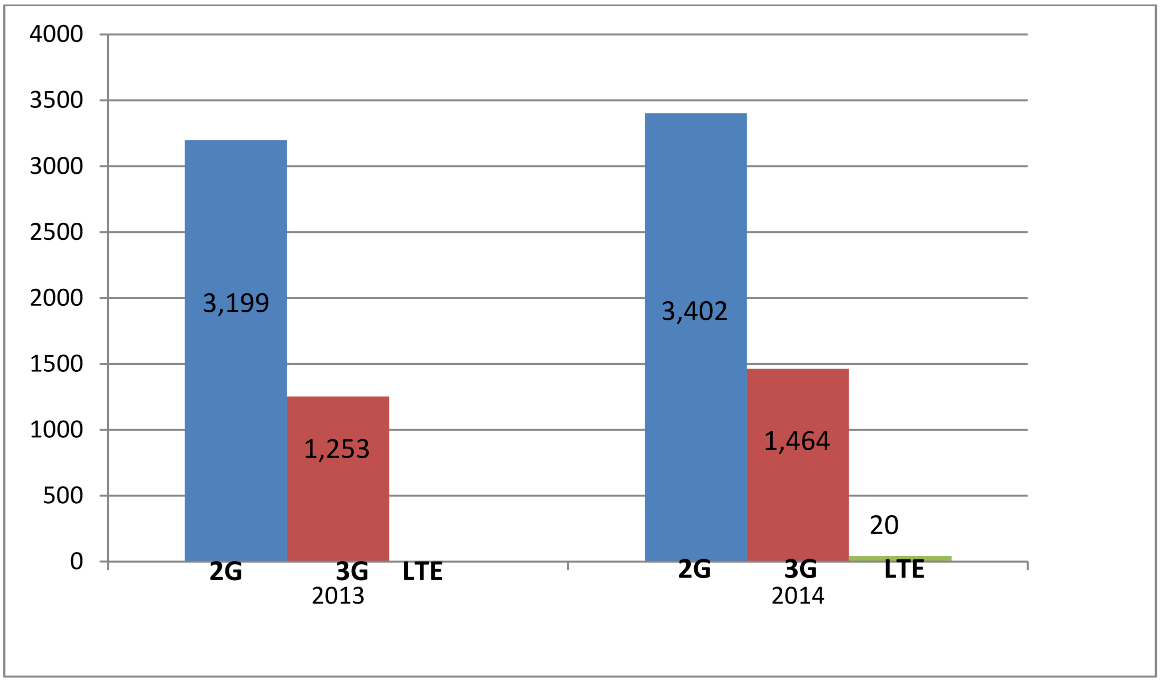
Table 6: Base Stations

	3rd Quarter 2014	4th Quarter 2014	Quarterly Variation
2G Base Stations	3,284	3,402	118
3G Base Stations	1,300	1,464	164
LTE Base Stations	19	20	1
Total	4,603	4,886	283

Source: POTRAZ, Operator Returns

The information above shows that operators are still investing in 2G base stations whereas the number of LTE base stations increased by only one. An annual comparison of base stations in 2013 and 2014 is shown in Figure 5 below:

Figure 5: Annual Growth in Base Stations



Source: POTRAZ, Operator Returns

2.8 MOBILE MONEY TRANSFER

The total number of mobile money transfer subscriptions grew by 7.3% to reach 5.3 million from 4.9 million subscribers recorded in the previous quarter. The total value of transfers and transaction on mobile money services increased by 10.6% to record $445.7 million from $403.1 million recorded in the previous quarter. The number of agents also increased 13.7%

to reach 23,379 from 20,569 agents recorded in the previous quarter as shown in table 7 below:

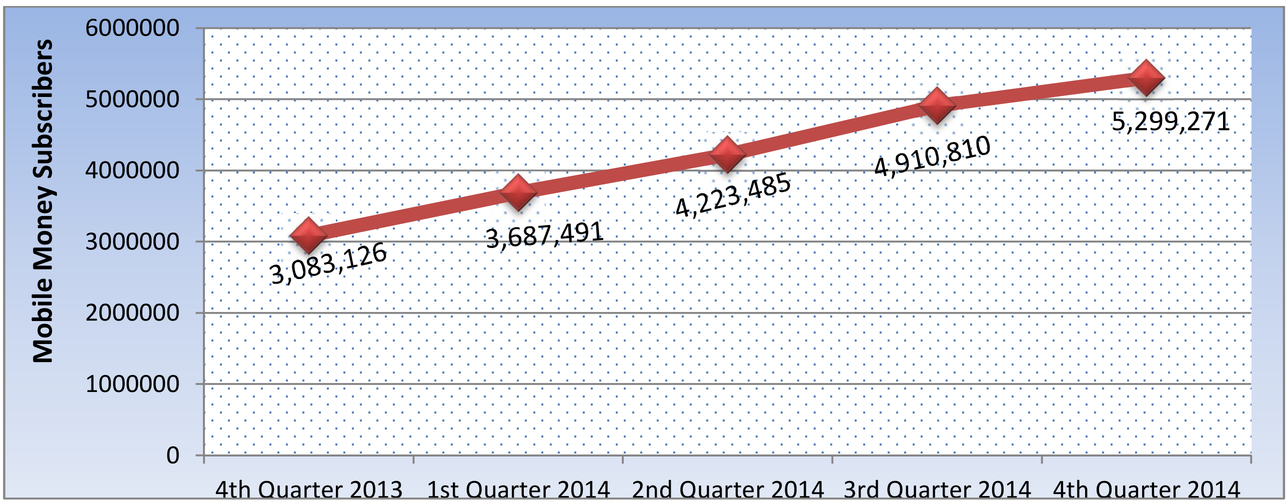
Table 7: Mobile Money Transfer

Mobile Money Transfer	3rd Quarter 2014	4th Quarter 2014	Quarterly Change
Number of Subscribers	4,910,810	5,299,271	7.9%
Number of Agents	20,569	23,379	13.7%
Total Deposits	$403,149,620	$445,722,792	10.6%

Source: POTRAZ, Operator Returns

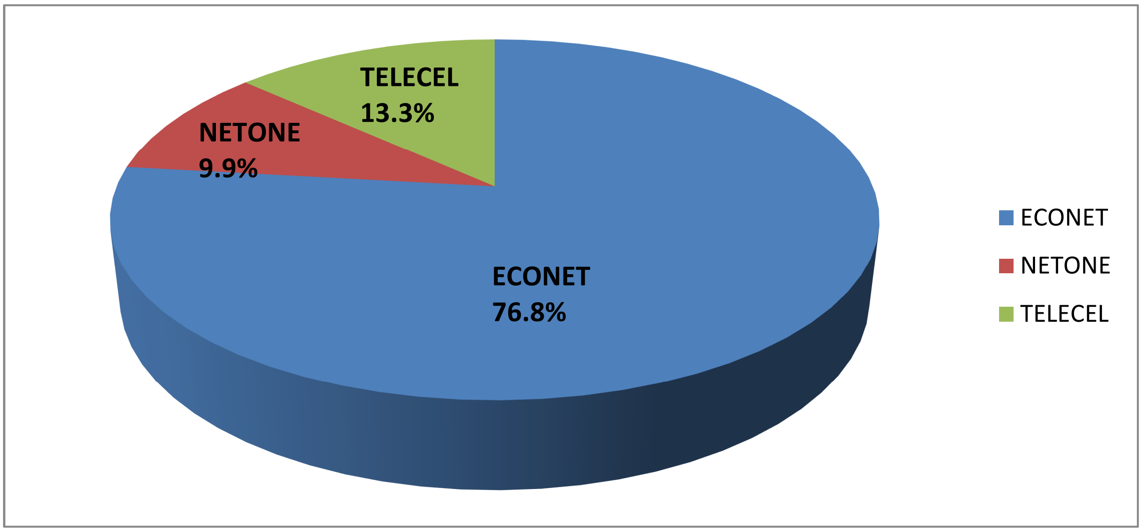
An annual comparison of total value of transactions shows that deposits increased by 80.8% to record $1,442,258,588 in 2014 from $797,913,866 recorded in 2013. The total number of agents increased by 14,210 new agents to reach 23,379 from 9,169 agents recorded in 2013. Mobile money subscribers also increased by 71.9% to reach 5,299,271 from 3,083,126 subscribers recorded at the end of 2013. Figure 6 below shows the growth in mobile money subscriptions over the past year.

Figure 6: Growth of Mobile Money Subscribers



The market share of mobile money subscribers per operator is shown in Figure 7 below:

Fig 7: Market Share of Mobile Money Subscribers



Econet also had the largest network of agents with 17,181 agents. Telecel and NetOne had 4,586 and 1,612 agents respectively.

4. DATA AND INTERNET SERVICES

4.1 SUBSCRIPTIONS

As shown in Table 8 below, the number of active internet subscriptions declined by 5.2% to reach 5.9 million subscribers from 6.2 million subscribers recorded in the previous quarter. An annual comparison shows that internet subscriptions grew by 7.4% to reach 5,879,552 subscriptions from 5,472,710 recorded at the end of 2013. Internet subscriptions are broken down by technology as follows:

Table 8: Active Internet Subscriptions

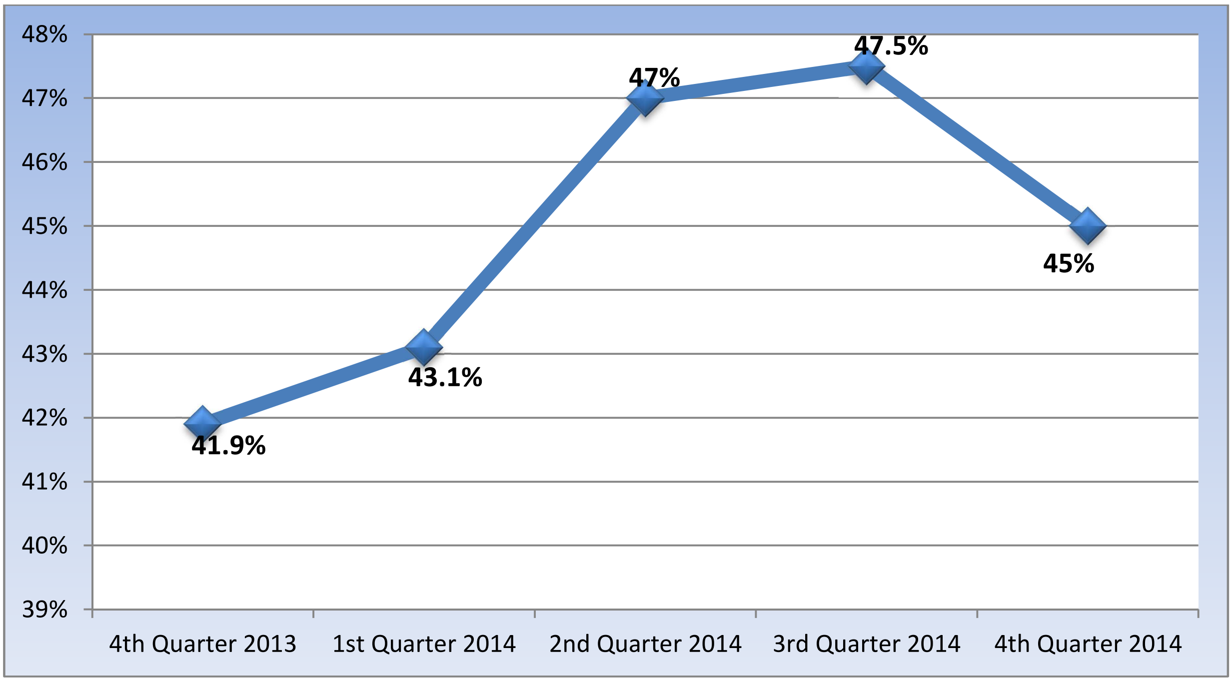
Technology	3rd Quarter 2014	4th Quarter 2014	Quarterly Variation
GPRS/EDGE/2G/3G/HSDP	6,053,677	5,727,318	-5.4%
LTE	601	315	-47.6%
Leased Lines	1,683	1,690	0.4%

Dial up	8,935	8,926	-0.1%
XDSL	38,640	42,754	10.6%
Wimax	10,862	9,664	-11.0%
CDMA	86,366	85,608	-0.9%
VSAT	285	519	82.1%
Fibre links	1,741	2,758	58.4%
TOTAL	6,202,790	5,879,552	-5.2%

Source: POTRAZ, Operator Returns

As a result of the decline in subscribers, the internet penetration rate declined by 2.5% to reach 45% from 47.5% recorded at the end of September 2014. This is the first time that the internet penetration rate has declined in the past year as shown in Figure 8 below:

Fig 8: 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 9: Postal and Courier Traffic

	3rd Quarter 2014	4th Quarter 2014	Quarterly Variation
Number of postal and courier items sent locally	2,887,971	2,793,761	(3.3%)
International incoming postal and courier items	598,345	525,183	(12.2%)
International outgoing postal and courier items	399,264	295,803	(25.9%)

Source: POTRAZ, Operator Returns

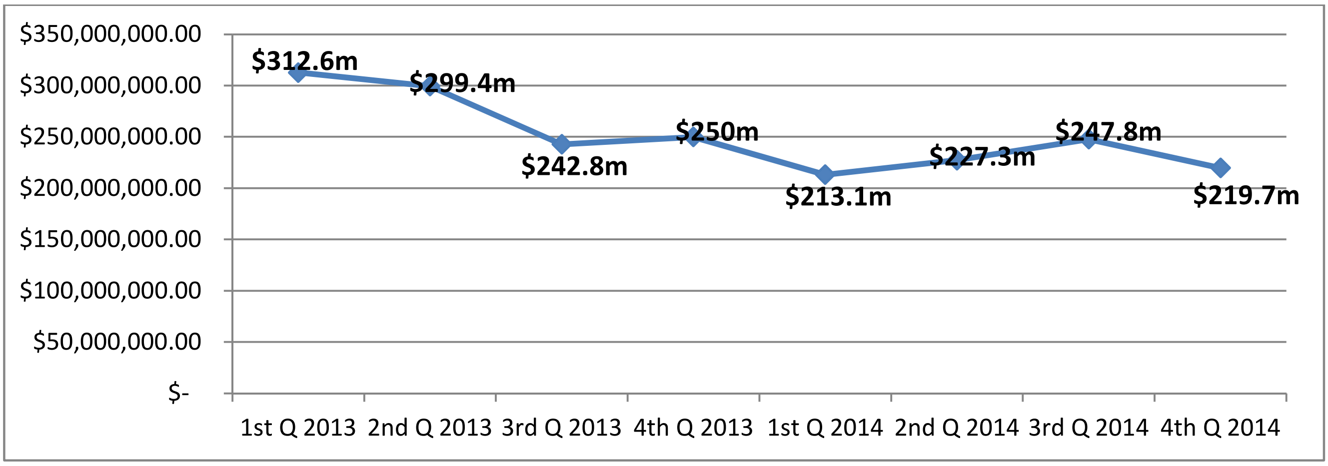
As shown in the table above all postal and courier categories recorded a decline. An annual comparison shows that postal and courier items sent locally declined by 20% to record 12,324,956 items from 14,795,184 items in 2013.

6. REVENUES AND INVESTMENT

6.1 MOBILE TELEPHONE

The mobile network operators generated a total of $907,380,585 in 2014. This represents 17.9% decline in revenue from $1,104,792,925 recorded in 2013. A comparison of 4th quarter`s revenues with third quarter revenues shows a decline of 11.3% from $247.8million generated in the 3rd quarter of 2014 to $219.7 million generated in the 4th quarter of 2014. The trend in quarterly mobile revenues over the past two years is shown in Figure 9 below:

Fig9: Mobile Revenues



Source: POTRAZ, Operator Returns

6.2 IAP REVENUES AND INVESTMENT

Total revenues generated by Internet Access Providers (IAPs) increased by 7% to record $31.3 million from 29.3 million generated in the previous quarter. On the other hand investment declined by 4.5% to record $10.8 million from $11.3 million recorded in the previous quarter. Table 10 shows the revenue and investment figures for the period under review.

Table 10: IAP Revenues & Investment

	3rd Quarter 2014	4th Quarter 2014	Quarterly Variation
Revenue	$29,296,382	$31,352,959	7%
Investment	$11,295,863	$10,792,851	-4.5%

Source: POTRAZ, Operator Returns

An annual comparison of IAP revenues shows that revenue generated in 2014 increased by 15.4% to record $117,197,187 from $101,593,511 recorded in 2013. Annual investment also increased by 36.3% to record $38,862,807 from $28,522,157 recorded in 2013. The bulk of the investment was in optic fibre.

6.3 FIXED TELEPHONE

The total voice revenue generated by the fixed telephone network in the fourth quarter of 2014 was $44,409,883. This implies an 11.2% increase in revenue from $39,931,435 recorded in the third quarter of 2014. An annual comparison shows that revenue increased by 10.2% to record $162,661,626 from $147,621,202 generated in 2013.

TelOne invested $6,957,561 in the fourth quarter of 2014 and a total of $10,115,309 in the whole of 2014. A comparison with 2013 investment figures shows a 33.7% growth in investment from $7,564,214 invested in 2013.

7. CONCLUSION

This quarterly postal and telecommunications sector analysis has shown growth in some services whereas some services registered a decline in the period under review. Mobile subscriptions registered a 3.5% growth which was largely accounted for by the 18% growth in NetOne subscriptions whilst Econet and Telecel registered declines 0.3% and 3.2% respectively. Of. The public switched telephone network TelOne, also experienced a decline in the period under review.

The above trends also manifested themselves in a decline in the total number of voice minutes processed by the mobile operators which declined by 4%. Revenue generated by the mobile operators also declined by 17.9% during 2014 compared to 2013.

Mobile internet subscribers experienced a decline in the quarter under review as some subscribers became inactive. This had a huge impact on the internet penetration rate since mobile internet constitutes the bulk of internet subscriptions. Of particular note is the decline in LTE subscribers. LTE coverage has not significantly improved since its introduction. With only 20 LTE base stations this means that only a few areas are covered.

The mobile money transfer services of all the three mobile networks experienced remarkable growth. This is evidenced by the increase in mobile money subscribers and the increase in the total value of transactions. The total number of agents also increased as the service providers expanded their agent networks so as to reach more people around the country.

The postal market is on a downward trend as evidenced by the decline in postal and courier volumes. The rise of the internet has taken a heavy toll on postal and courier services as it provides an alternative to the sending of documentation both locally and internationally. On the other hand the internet also poses an opportunity for the postal and courier operators to diversify into e-commerce services.

The table below presents a comparative summary of key indicators for 2013 and 2014**:**

INDICATOR	2013	2014	ANNUAL VARIATION
Fixed Telephone Subscribers	304,162	329,475	8.3%
Fixed Teledensity	2.3%	2.5%	0.2%
Total Fixed Network Traffic	765.6 million minutes	774.5 million minutes	1.2%
Fixed Telephone revenues	$147,621,202	$162,661,626	10.2%
Investment in the PSTN	7,564,214	10,115,309	33.7%
Total Mobile Subscribers	16,720,689	17,639,550	5.5%

Active Subscribers		11,012,348	11,798,652	7.1%
Mobile Penetration Rate (active)		84.3%	90.3%	6%
Total Mobile Traffic		7.21 billion minutes	7.06 billion minutes	(2.1%)
International Incoming Voice Traffic (Mobile & Fixed)		351,506,303 minutes	352,758,161 minutes	0.4%
International Outgoing Voice Traffic (Mobile & Fixed)		180,924,980 minutes	160,728,945 minutes	11.2%
Mobile Revenues		$1,104,792,925	$907,380,585	17.9%
Mobile Investment		$224,398,478	$157,098,350	(30%)
2G Base Stations		3,199	3,402	6.3%
3G Base Stations		1,253	1,464	16.8%
LTE Base Stations		-	20	20 new LTE base stations
Mobile Money Subscribers		3,083,126	5,299,271	71.9%
Mobile Money Agents		9,169	14,210	55%
Value of Mobile Money Transactions		$797,913,866	$1,442,258,588	80.8%
Total Internet Subscriptions		5,472,710	5,879,552	7.4%
Internet Penetration Rate		41.9%	45%	3.1%
International Internet Bandwidth Capacity		9,060Mbps	27,720Mbps	206%
IAP revenues		$101,593,511	$117,197,187	15.4%
IAP Investment		$28,522,157	$38,862,807	36.3%
Mobile Sector Employment	**Male**	1,388	1,442	3.9%
	Female	681	736	8.1%
	Total	2,069	2,178	5.3%
Employment by the Fixed Network	**Male**	1,772	1,720	(2.9%)
	Female	442	445	0.7%
	Total	2,214	2,165	(2.2%)
Employment by Internet Access	**Male**	483	524	8.5%
	Female	179	191	6.7%

Providers	**Total**	662	715	8%