POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE (POTRAZ)

TELECOMMUNICATIONS SECTOR PERFORMANCE FOURTH QUARTER 2012

Date: March 2013

Disclaimer: *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, which is contingent to the operators/service providers compliance returns.*

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LIST OF ABBREVIATIONS

SIM	Subscriber Identification Module
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

I. PRELIMINARY NOTES

- 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.

II. IN SUMMARY

By the end of the fourth quarter of 2012, there were a total of 12.6 million subscriptions in the mobile telephony market segment up from 11.2 million posted in the previous quarter. This represents an increase of 12.3 percent during the period and 37.3 percent compared to the same period the previous year. Similarly, the quarter recorded growth in mobile penetration to reach 97 percent from 87 percent recorded at the close of the third quarter of 2012.

Prepaid subscriptions continued to dominate the total mobile subscriptions with the quarter under review posting 12.37 million pre-paid subscriptions, representing 98.1% of the total mobile subscriptions. Post-paid subscriptions grew by 30.2 percent to stand at 242,520 as at December 2012. Mobile traffic grew by 11.1 percent to stand at 1.8 billion minutes up from 1.62 billion minutes posted in the previous quarter. The increase in mobile traffic could be attributed to increase in mobile telephony subscriptions coupled with incentives to encourage usage by the operators during the period.

The fixed line telecommunications network continued to record a downward trend. The quarter under review registered an 8.7 percent decline in the total fixed line subscriptions. Total fixed lines were recorded as 301,650 during the quarter down from 330,316 subscriptions in the previous quarter leading to a decline on the fixed teledensity from 2.6% to 2.3%. Subscription in this report is defined as active subscribers that have generated revenue within three months.

In the Internet/data market segment, the number of subscriptions declined by 11% percent, from 4.4 million subscriptions recorded in the previous period to 3.95 million subscriptions during the quarter under review. Compared to the same period the previous year, an increase of 56 percent was recorded. As at December 2012 Internet penetration was 30.6%. Mobile data/internet subscriptions continued to dominate the internet market contributing 97.8 percent of the total Internet/data subscriptions.

During the quarter under review the international internet bandwidth was recorded as 6200Mbps up from 4674Mbps recorded in the previous period. In the postal and courier sector, the total number of letters and parcels sent rose to 5,177,591 up from 4,840,782 recorded during the previous quarter, representing an increase of 6.9 percent. Compared to the same period in the previous year, a decline of 4.3% was recorded. This decline could be as a result of stiff competition that the postal sector has continued to face from the telecommunication sector with faster and efficient means of communication.

1. CELLULAR MOBILE SERVICES

1.1 SUBSCRIPTIONS

In the period under review, the total number of mobile subscriptions was recorded as 12.6 million up from 11.2 million posted in the previous quarter. This represents an increase of 12.3 percent during the period and 37.3 percent when compared to the same period of the previous year. The continued growth in mobile subscriptions indicates that there is still opportunity for growth in the mobile telephony services. The growth of mobile subscriptions is shown in Table 1 below:

Table 1: Mobile Subscriptions

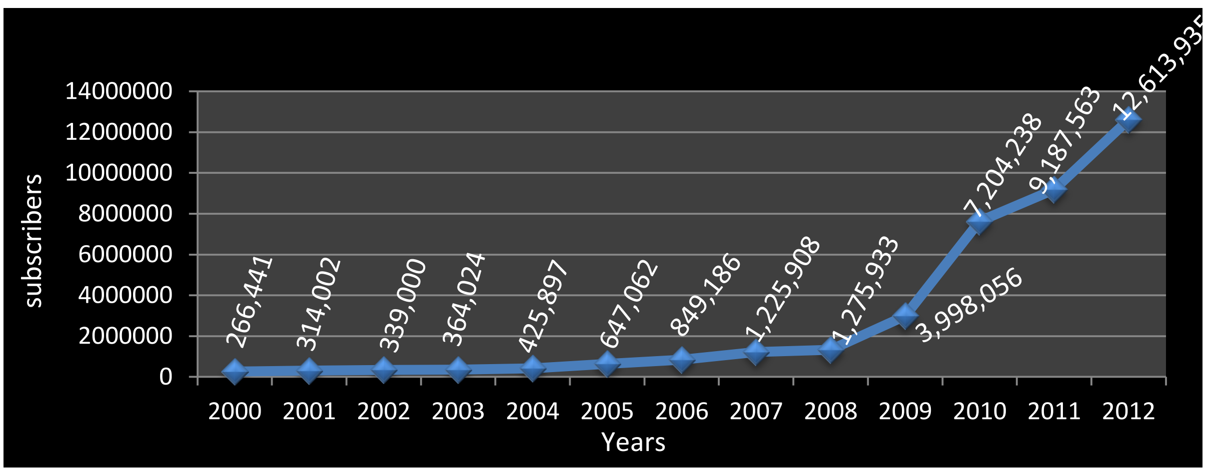
Subscription type	Sept 2012	Dec 2012	Quarterly Variation %
Prepaid Subscription	11,044,769	12,371,415	12%
Postpaid Subscription	186,308	242,520	30.2%
Total Mobile Subscription	11,231,077	12,613,935	12.3%

Source: POTRAZ, Operator Returns

Consistent and attractive promotions and special offers could have contributed to the increase in subscriptions during the period. The prepaid subscriptions grew by 12% percent during the period, compared to 30.2% percent growth recorded in post-paid subscriptions. Even though the growth rate for post-paid subscriptions was more than that for pre-paid, the ratio of prepaid subscriptions continued to dominate and represented 98.1% of the total mobile subscriptions. This is attributed to the fact that consumers still favour the prepaid service as it offers more flexibility and control over calling behaviour than the postpaid service.

The trend of growth of mobile subscriptions from the year 2000 to 2012 is illustrated in the graph below:

Figure 1: Trend of mobile subscriptions from year 2000-2012



Source: POTRAZ, Operator Returns

Growth in mobile subscription has been steep since 2009. This can be attributed to factors such as the dollarization of the economy coupled with the marginal decrease in the cost of SIM Cards from an estimated high of US$100 in 2008 to $1 in 2010. Net additions could also be attributed to the increase in use of valued-added services such as the money transfer as this provides avenues for the use of mobile phones.

During the period under review, all the three mobile operators recorded positive gains in subscriptions. Econet Wireless recorded the highest gains in new subscriptions of 994 668, representing a growth of 14.2 percent compared to the previous quarter. Telecel gained 239 897 new subscribers representing 10.2% growth in subscriber base, while NetOne gained 148 293 new subscribers representing 4.1 % growth in subscriber base.

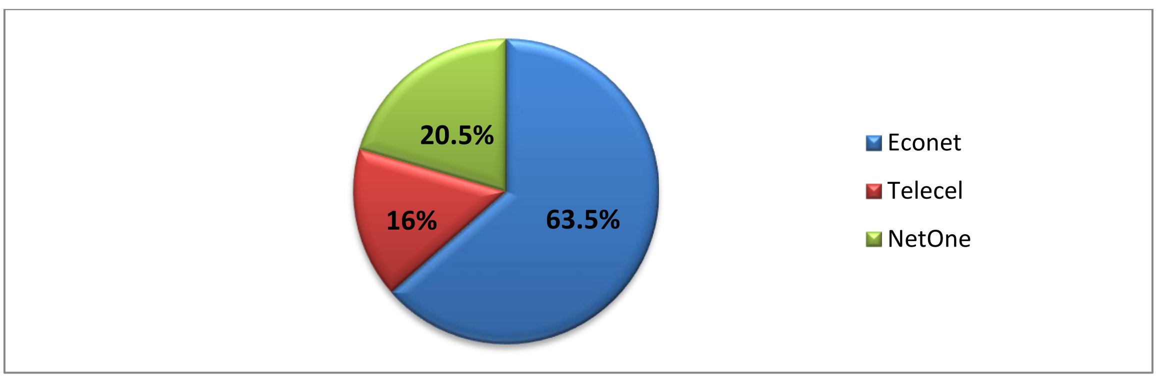
Table 2: Mobile subscription by operator

Name of Operator	September 2012	December 2012	Quarterly Variation %
ECONET	7,019,387	8,014,055	14.2%
TELECEL	2,342,257	2,582,154	10.2%
NETONE	1,869,433	2,017,726	7.9%
TOTAL	11,231,077	12,613,935	12.3%

Source: POTRAZ, Operator Returns

The market share by subscription is shown in Figure 2 below

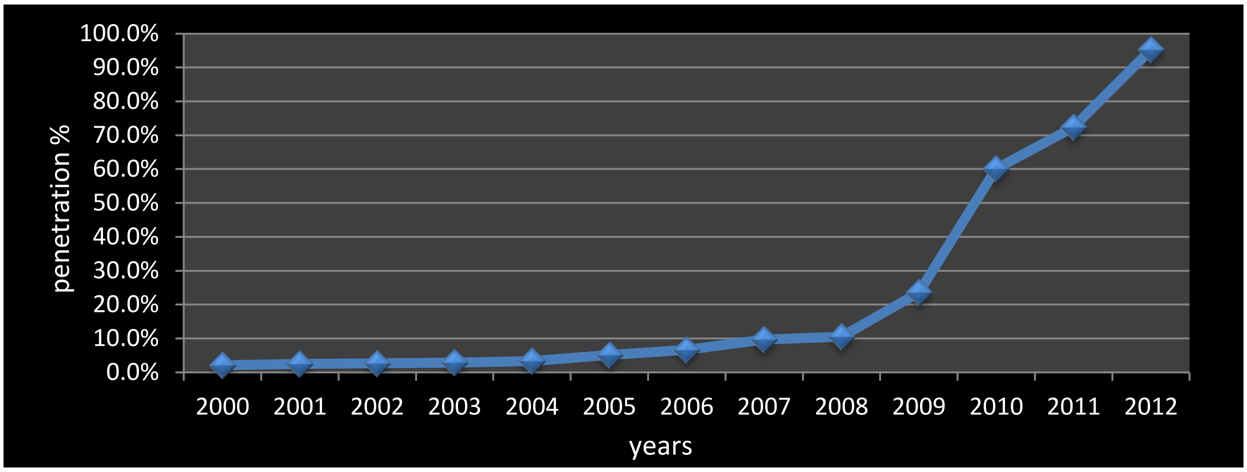
Figure 2: Mobile Market Share by Subscribers



Over the preceding periods, the level of market shares measured by subscription has not experienced major changes. Econet`s market share by subscription increased marginally from 62 percent during the previous period to 63.5 percent during the period under review. Ironically, Telecel`s market share declined by 0.5 percentage points to stand at 21 percent at the end of the fourth quarter of 2012. NetOne`s market share declined by 1 percentage point to stand at 16 percent at the end of the fourth quarter of 2012.

In the period under review, the population that had access to mobile telephony services continued to record positive growth. Mobile penetration increased to 97% up from 87% recorded during the third quarter of 2012, representing a quarterly increase of 10 percentage points. The growth trend in the mobile penetration from 2000 to 2012 is shown in Figure 3 below:

Fig 3: Mobile Penetration Trend Analysis (2000-2012)



Source: POTRAZ, Operator Returns

1.2 MOBILE TRAFFIC AND USAGE PATTERN

1.2.1 VOICE TRAFFIC

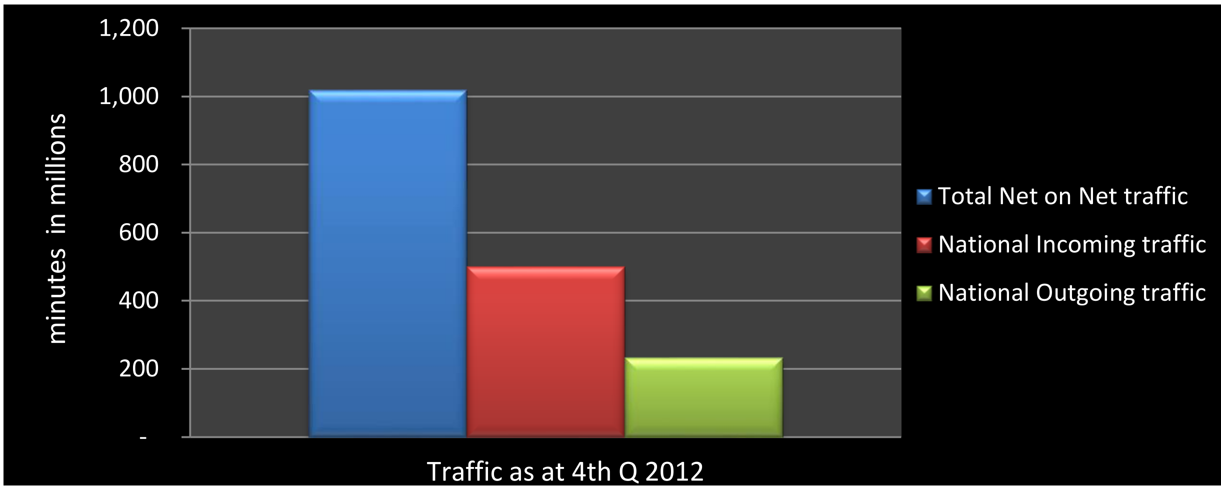
In the quarter being reported, a total of 1.8 billion minutes of voice calls were made on the mobile network up from 1.62 billion minutes recorded in the previous period, posting an increase of 11.1 percent. Local mobile traffic for the fourth quarter is summarised in the table below:

Table 3: Local Mobile Voice Traffic in Minutes

Mobile Traffic	July-Sept 2012	Oct-Dec 2012	Quarterly Variation
By Traffic Origination (Outgoing traffic)			
Net on Net	830,239,989	1,020,678,194	23%
Mobile to Mobile	217,365,877	194,712,129	-10.4%
Mobile net to Fixed	5,952,213	6,208,407	4.3%
Mobile Net to VoIP	212,532	277,090	30.4%
By Traffic Termination (Incoming traffic)			
Mobile to Mobile	224,784,608	241,869,610	7.6%
Fixed to Mobile	76,427,838	80,442,573	5.3%
Incoming VoIP	2,607,609	2,534,013	-2.8%

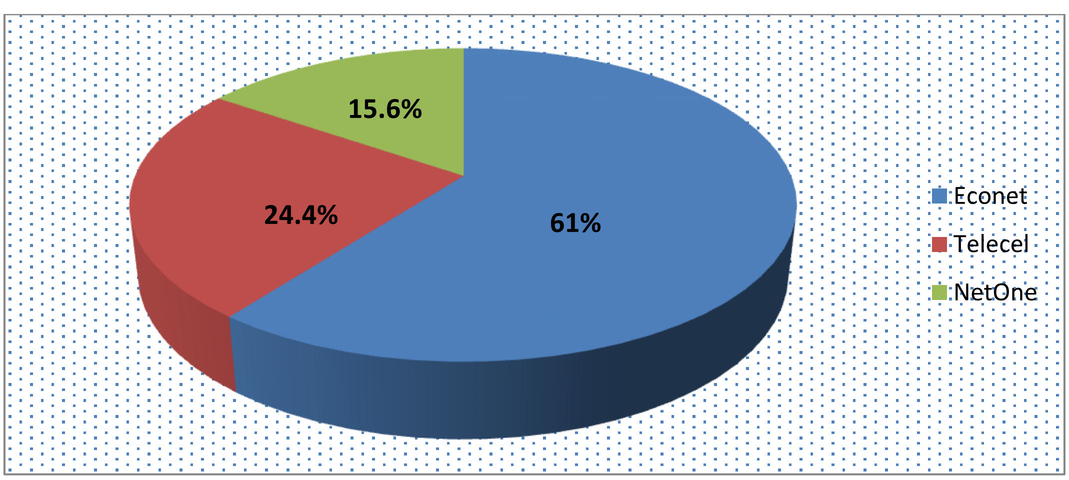
Source: POTRAZ, Operator Returns

Figure 4: Local Mobile Traffic



The increase in local mobile traffic during the period could have been as a result of increased subscriptions coupled with competitive and attractive promotions and special offers by mobile operators that gave subscribers incentives to make calls. The market share of interconnect traffic in the quarter under review was as follows:

Figure 5: Market Share of mobile traffic



1.2.2 INTERNATIONAL MOBILE TRAFFIC

During the period under review, international incoming traffic declined to 85.3 million minutes from 88.1 million minutes posted in the previous quarter, representing a decline of 3.2 percent.

On the other hand, international outgoing traffic grew by 0.5 percent to reach 42.9 million minutes up from 40.9 million minutes posted the previous quarter.

Table 4: International Mobile Traffic

International Mobile Traffic	July-Sept 2012	Oct-Dec 2012	Quarterly Variation (%)
International Incoming Mobile Voice Minutes	88,129,409	85,344,874.65	-3.2%
International Outgoing Mobile Voice Minutes	40,941,055	42,935,474.01	0.5%

Source: POTRAZ, Operator Returns

This growth in international traffic could be due to promotions by Telecel and Econet that lowered the price of international calls to as low as $0.25.

1.2.3 ROAMING TRAFFIC

In the quarter being reported, there were 243,178 minutes of outbound roaming traffic compared to 185,087 minutes recorded in the previous quarter, representing a net increase of 31.4%. This indicates that there were more local subscribers roaming on foreign networks during the quarter possibly due to travelling during the festive season. However, the same period recorded a decrease in inbound roaming voice traffic of 16.4% from 1 million minutes recorded during the previous quarter to 848,411 minutes during the quarter under review as shown in the table below:

Table 5: Roaming Traffic

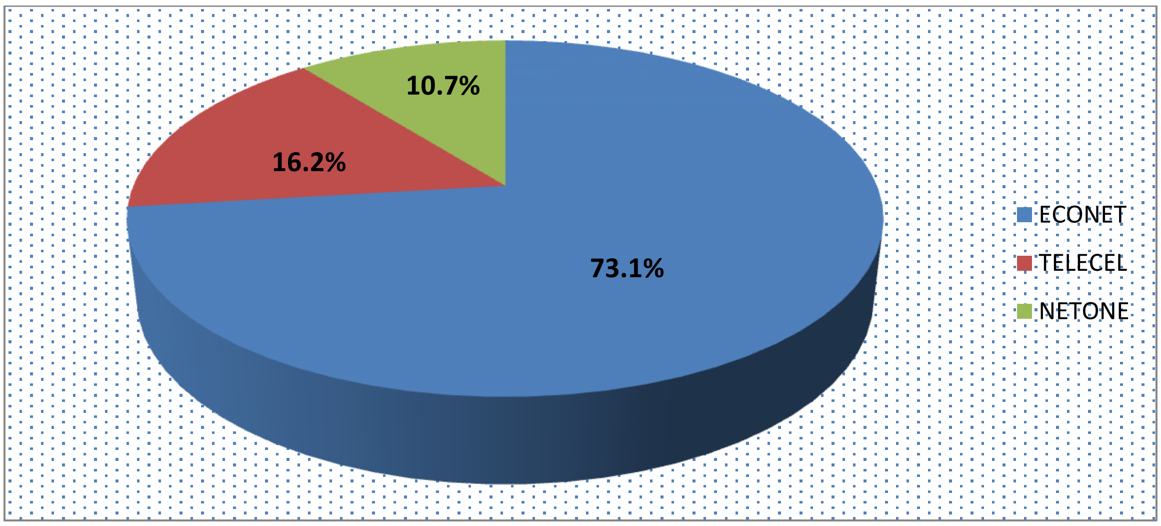
Roaming Traffic	July-Sept 2012	Oct-Dec 2012	% Quarterly Variation
Roaming Voice Minutes Own Subscribers on Foreign Networks (Outbound)	185,087	243,178	31.4%
Roaming Voice Minutes Foreign Subscribers on Local Network (Inbound)	1,015,174	848,411	-16.4%

Source: POTRAZ, Operator Returns

1.2.5 MOBILE REVENUES AND INVESTMENT

Total revenue from mobile voice service declined by 1% to reach $229.5 million from $231.8 million recorded in the third quarter of 2012. The market share of mobile telephone revenues was as follows:

Fig 6: Market Share of mobile revenues



A comparison with the 3rd Quarter statistics shows that Econet gained market share of revenue by 0.7%, whereas Telecel and NetOne lost market share by 0.9% and 0.2% respectively. Econet`s gain of revenue market share can be attributed to the 14.2% increase in its subscriber base. Total annual investments for the mobile industry in 2012 were $274 million. This was a 5% increase in investment from $260 million in 2011.

2. FIXED TELEPHONE SERVICE

2.1 SUBSCRIPTIONS

Similar to the trends observed in the previous periods, the fixed line network continued to record a downward trend during the quarter under review.

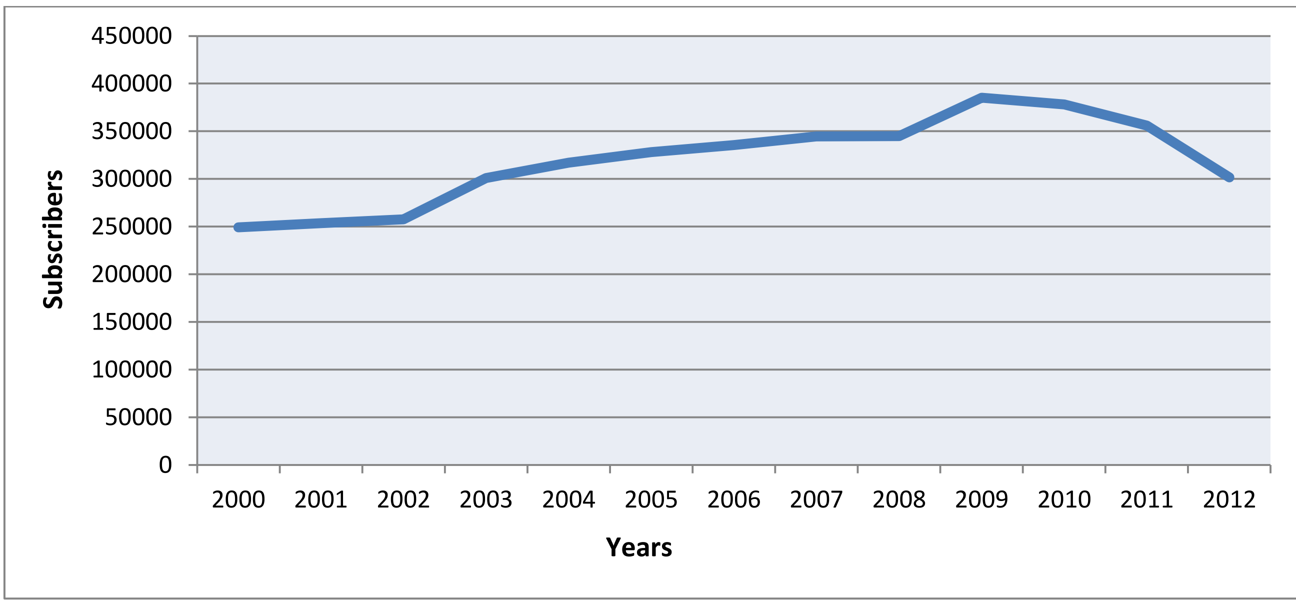
Table 6: Fixed Subscriptions

	September 2012	December 2012	Quarterly Variation
Total Fixed Subscribers	330,316	301,650	-8.67%

Fixed Teledensity	2.6%	2.3%	-0.3%

There were a total of 301 650 fixed line subscriptions during the quarter down from 330 316 lines recorded during the previous quarter, representing an 8.67 percent decline. The stiff competition that the fixed line network market has continued to face from the mobile sector has had a negative effect to the growth of its market segment.

Figure 7: Fixed Telephone subscription



2.2 FIXED NETWORK TRAFFIC

During the quarter under review, the local fixed line`s inter-network traffic increased by 5.7 percent to record 113 million minutes up from 106.9 million minutes posted the previous quarter. However, compared to the same period of the previous year a decline of 4.3 percent was recorded. The decline in fixed network subscriptions coupled with fixed to mobile substitution could be the main reasons behind this decline. The local fixed line traffic is shown in Table 8 below.

Table 8: Fixed Network Traffic

Local Fixed Network Traffic	July-Sept 2012	Oct –Dec 2012	Quarterly Variation (%)

Incoming from Mobile	6,859,817	6,726,282	1.95%
Outgoing to Mobile	72,808,706	80,130,879	-10.06%
Incoming International	18,329,327	16,432,303	-10.35%
Outgoing International	8,949,924	9,710,790	8.5%
Total	106,947,774	113,000,254	5.7%

Source: POTRAZ, Operator Returns

2.3 FIXED REVENUES AND INVESTMENT

Revenues for the fixed telephone operator were $38,731,144 in the period under review and Total Investment was $9,765,392. Revenues realized by the fixed telephone operator have been declining as a result of the declining fixed telephone subscribers.

3. DATA AND INTERNET SERVICE

3.1 SUBSCRIPTION

By December 2012, there were 3 945 262 internet subscriptions down from 4 432 464 recorded in the previous period. This represents a decrease of 11 percent during the quarter and a 61.5 percent increase relative to the same period in the previous year. Subscribers by internet technology are summarised in the table below:

Table 9: Data and Internet subscribers by technology

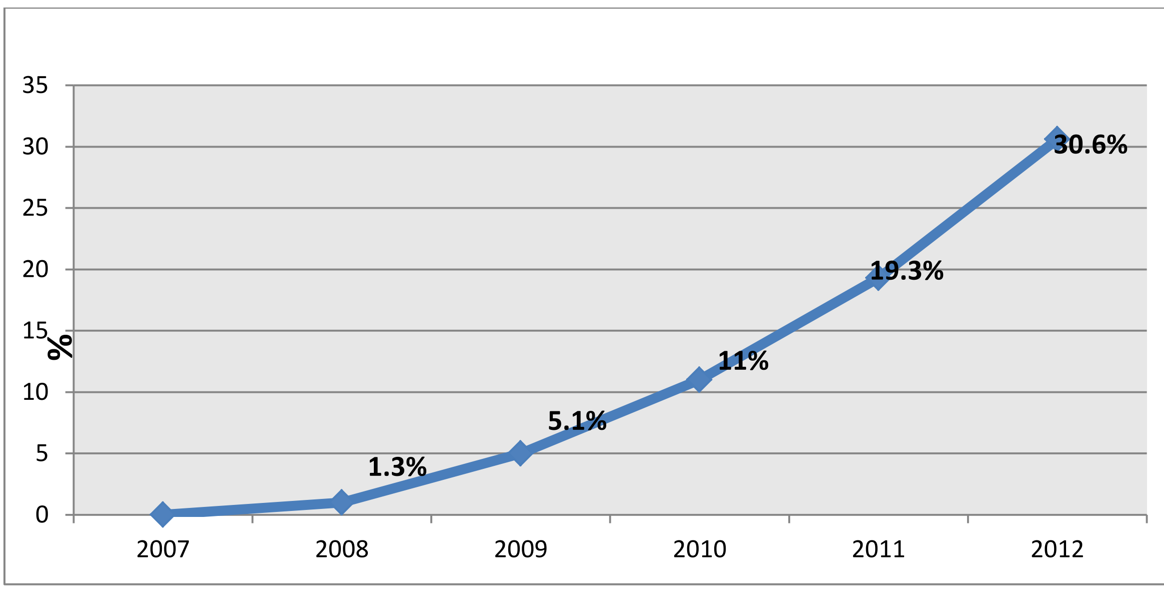
Technology	Subscriptions 3rd Quarter	Subscriptions 4th Quarter	Quarterly Variance
GPRS/EDGE/3G/HSDP	4 357 359	3 860 141	-11.4%
Leased Lines	1 009	1 112	10.2%
Dial up	9 177	9185	0.1%
XDSL	9 806	12648	29%
Wimax, Wi-Fi	2 594	4258	64.2%
CDMA	51 121	57187	11.9%
VSAT	757	460	-39.2%

Fibre links	641	1150	79.4%
TOTAL	**4 432 464**	**3 945 262**	-11%

Source: POTRAZ, Operator Returns

There was a notable decline in mobile internet subscribers during the quarter as some subscribers had become inactive. Fibre Links posted the highest growth of 79.4%; there was notable growth in XDSL subscription which had a growth of 29%. Internet penetration rate was 30.6%, up from 19.3% recorded in 2011. The trend of internet penetration over the last five years is illustrated in the graph below:

Figure 8: Internet Penetration 2007-2012



As shown in Figure 10 above, Internet penetration has been on a growth trajectory over the past years and the trend is expected to continue. By the end of the quarter under review, the total amount of bandwidth available in the country was 6 200Mbps up from 4 674 Mbps posted in the previous period.

4. POSTAL AND COURIER SERVICES

4.1 POSTAL & COURIER VOLUMES, REVENUES AND INVESTMENT

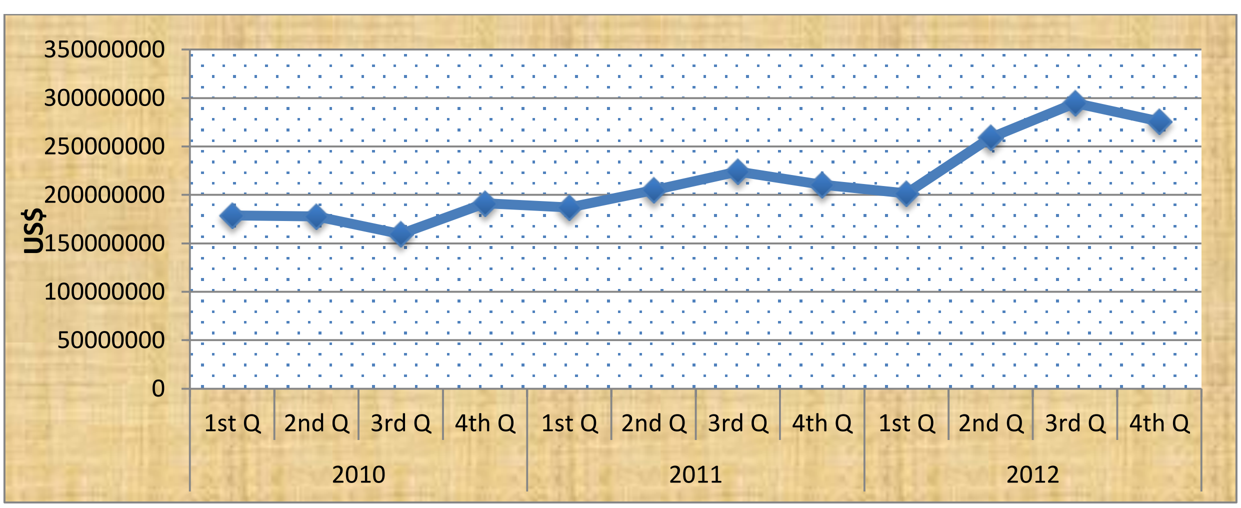
During the quarter, the total number of letters and parcels sent rose to 5,177,591 up from 4,840,782 recorded during the previous quarter, representing an increase of 6.9 percent; compared to a decline of 4.3% recorded during the same period in the previous in 2011.

In the fourth quarter of 2012, the postal sector generated USD8, 709,432 million in revenues. There was no significant change in the market share of revenues. 65% of total revenue in the postal and courier service sector was generated by ZIMPOST. DHL and FEDEX generated 16% and 14.2% respectively. Investment totaled USD8, 709,432. A comparison with the third quarter of 2012`s revenue and investment figures for the postal and courier sector shows that revenues increased by 5.6% and investment also increased by 59.9%. The investment was mainly in buildings and delivery vehicles.

5. TOTAL SECTOR REVENUE

The telecommunications sector as a whole realised revenues of $265 million in the fourth Quarter of 2012. This was a 9.5% decline in revenues from $295 million recorded in the 3rd Quarter of 2012. The decline is attributed to the decline in mobile, fixed as well as data and internet revenues. The periodical fluctuations in telecommunications revenues are illustrated in the graph below:

Figure 9: Total Sector Revenues.



Of the total revenue mobile and fixed voice service contributed 86.9%, Data and internet services contributed 10.1 % whereas postal and courier services contributed 3%.

7. CONCLUSION

The ICT sector continues to experience growth as witnessed in the increase in subscriptions. The sector is largely driven by the mobile telephony, which continues to dominate the sector. Considering this trend, the coming periods are likely to continue recording growth as operators devise innovative products and services expected to entice subscribers and thus propel this sector even further. The steady growth in the mobile industry sector as recorded by increased subscriptions and traffic is expected to continue with constant technological innovations and rising demand for mobile internet.

The data/internet market continued to record an upward trend with majority of subscriptions contributed by the mobile data/internet segment. The ease of subscription coupled by the ease of accessing the service through the mobile phone has enhanced growth in this market segment. During the quarter under review, the population that had internet access was recorded at 30.6 percent up from 19.6 percent recorded in the fourth quarter of 2011. By the end of the quarter under review, the total amount of bandwidth available in the country was 7279.7 Mbps up from 6045 Mbps posted in the previous period. However there is still unexploited capacity and potential in this market segment.

The stiff competition that the fixed line network market has continued to face from the mobile sector has had a negative effect to the growth of this market segment. Vandalism of copper cables and high maintenance costs have been cited as some causes of the decline of fixed network subscriptions. There has not been a considerable change in the postal services sector. Modernising the postal and courier sector with advanced technological innovations as well as being responsive to customers' needs could be explored to enhance service delivery.