QUARTERLY SECTOR STATISTICS REPORT

FIRST QUARTER OF THE FINANCIAL YEAR 2014/15

(JUL-SEP 2014)

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ICTs	Information Communication Technologies
EASSy	Eastern Africa Submarine Cable System
EVDO	Evolution-Data Optimized
GSM	Global Systems for Mobile Communications
LION2	Lower Indian Ocean Network
Mbps	Megabits per second
MMS	Multimedia Service
MoU	Minutes of Use
SEACOM	Sea Sub-Marine Communications Limited
SIM	Subscriber Identification Module
SMS	Short Messaging Service
TEAMS	The East African Marine System
VSAT	Very Small Aperture Terminal
FY	Financial Year

I. PRELIMINARY NOTES

- *This report is 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

The Quarterly Sector Statistics Report for the period July – September 2014 (Q1 FY 2014/15) provides an overview of the performance and development trends in the ICT sector using data analysis of indicators from the following service categories:

- Mobile telephony
- Fixed telephony
- Internet/Data
- Electronic Transactions
- Broadcasting
- Postal and Courier

During the quarter under review, mobile subscriptions increased to 32.8 million from 32.2 million subscriptions registered during the last quarter, representing a growth of 1.6 per cent. The number of new subscriptions registered during the period was 522,435 compared to 416,390 new subscriptions recorded during the preceding quarter.

Pre-paid mobile subscriptions grew by 1.5 per cent to stand at 32.0 million up from 31.5 million subscriptions posted during the preceding quarter. Similarly, the number of post-paid subscriptions increased by 7.1 per cent to reach 712,894 during the quarter, from 665,697 subscriptions during the last quarter.

Mobile penetration reached 80.5 per cent during the quarter up from 79.2 per cent recorded during the previous quarter. This was a gain of 1.3 per cent during the quarter.

Mobile voice traffic stood at 8.0 billion minutes up from7.3 billion minutes registered during the last quarter marking an increase of 9.0 per cent during the period. Each subscriber made calls for an average of 81.9 minutes per month compared to the previous quarter's 79.3 minutes per month.

During the quarter under review, the number of local outgoing SMS increased by 1.2 per cent to hit 6.9 billion, up from 6.8 billion recorded during the previous quarter. On average, each subscriber sent about 71 messages per month.

The number of mobile money transfer subscriptions increased by 1.4 per cent to stand at 26.9 million up from 26.6 million posted in the previous quarter. Similarly, the number of mobile money transfer active agents rose to 114,988 up from 109,286 agents registered in the last quarter representing a 5.2 per cent growth. The number of fixed (wired) lines continued to decline, registering a 4.2 per cent dip during the period to stand at 192,778 lines down from 201,233 lines recorded in the last quarter. Fixed line connections reduced to 50,018 from 52,053 lines during the last quarter representing a of 3.9 per cent decline . Similarly, the number of fixed wireless subscriptions dropped by 4.3 per cent during the period to stand at 142,760 down from149, 180 subscriptions in the last quarter.

Data/Internet subscriptions maintained an upward trend during the quarter, mainly boosted by the mobile data/internet subscriptions. During the quarter under review, there were 14.8 million data/internet subscriptions up from 14.0 million subscriptions in the last quarter, representing 5.8 per cent increase.. Mobile data/internet subscriptions rose by a similar margin of 5.9 per cent to reach 14.7 million up from 13.9 million recorded the previous quarter. Consequently, the number of estimated internet users stood at 23.2 million up from 22.3 million users in the last quarter, representing a 4.1 per cent increase during the period.

The International Internet Bandwidth Available (Equipped/Lit) in the country increased marginally during the quarter to reach 847,516 Mbps up from 847,464 Mbps recorded in the previous quarter. The International Internet Bandwidth Used stood at 478,074 Mbps representing56.4 per cent of the total available capacity.

The postal and courier sub-sector showed improvement during the quarter. The number of letters sent locally stood at 13.9 million up from 11.8 million letters sent during the last quarter, representing growth of 17.9 per cent. Courier items sent locally too registered a 0.5 per cent marginal increase to stand at 942,147 items up from 937,619 items during the last quarter. On the international traffic, incoming letters grew by 0.6 per cent to record 24.7 million letters while international outgoing letters recorded substantial growth of 69.3 per cent to reach 1.2 million up from 761,315 letters sent.

1 CELLULAR MOBILE SERVICES

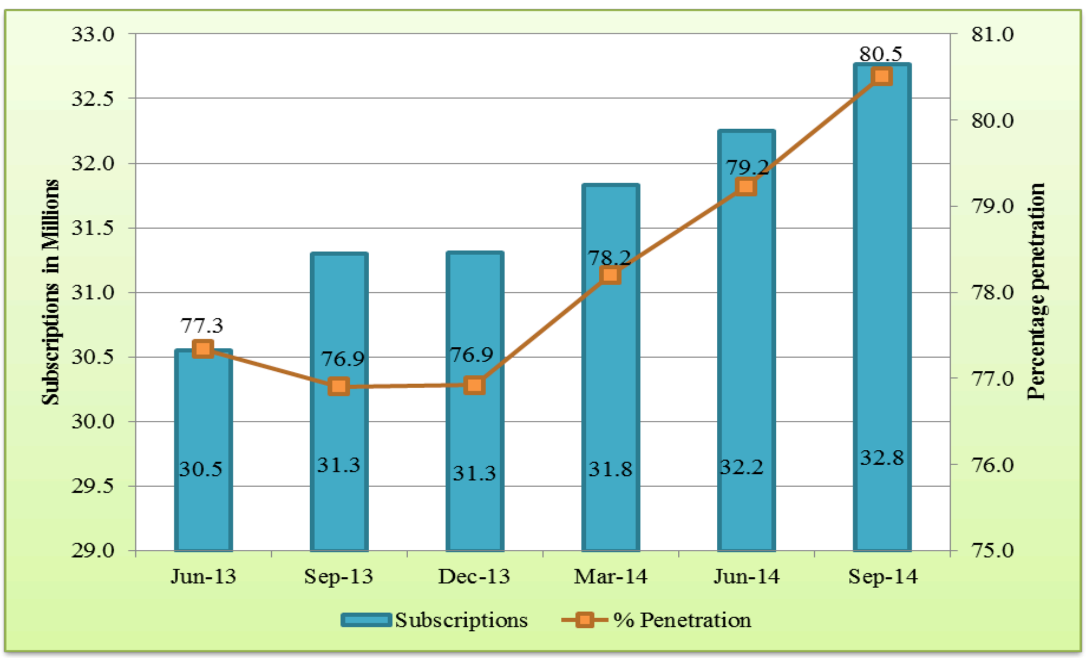
1.1 Mobile Subscriptions

The number of mobile subscriptions increased marginally by 1.6 per cent during the first quarter of the Financial Year 2014/15 to reach 32.8 million from 32.2 million during the last quarter of the Financial Year 2013/14. This growth however marked a 0.9 per cent decline in comparison with the 2.5 per cent growth recorded in the same period of the previous year.

Mobile penetration now stands at 80.5 per cent up from 79.2 per cent recorded during the previous quarter, representing a 1.3 per cent increase. In comparison with the same period of the previous year, this was a decline of 0.4 per cent.

The trend on mobile subscriptions and mobile penetration from June 2013 – September 2014 is as shown in Figure 1.

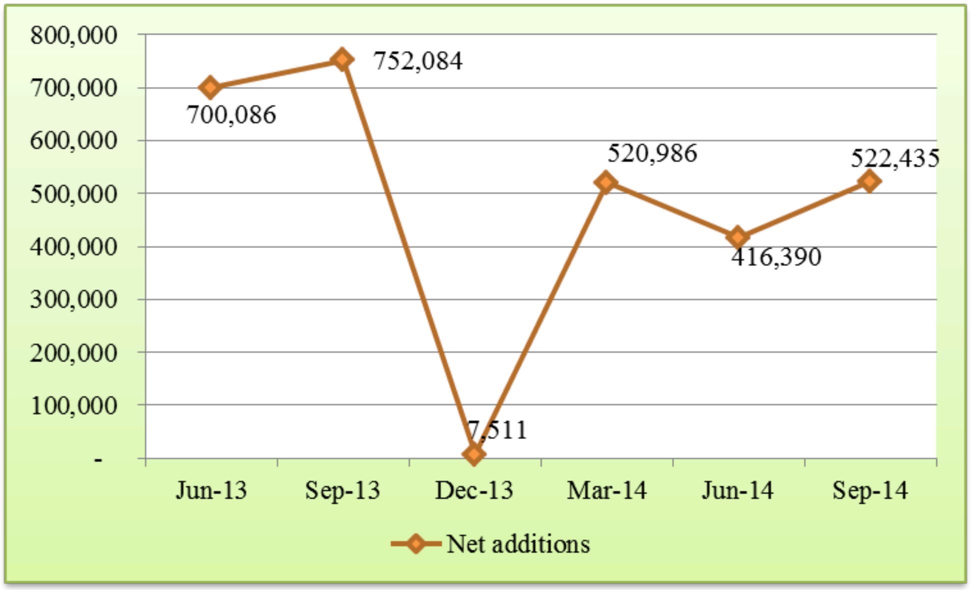
Figure 1: Mobile Subscriptions



Source: CA, Operators' Returns,

As illustrated in Figure 2, during the quarter under review, the number of net additions (defined as the number of new mobile subscriptions) increased to 522,435 from 416,390 registered during the previous quarter. This represents a growth of 25.5 per cent compared to 7.4 per cent growth registered during the same period of the previous year.

Figure 2: Net additions in Mobile Subscriptions from June 2013 – September 2014

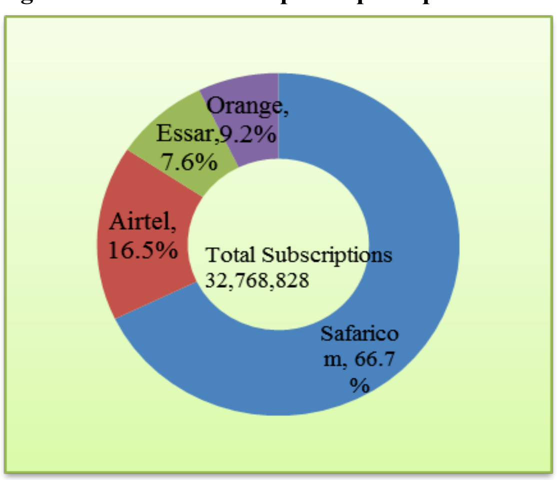


Source: CA, Operators' Returns,

The proportion of mobile market shares measured by subscriptions has maintained similar trend over the period. During the quarter under review, Safaricom had a market share of 66.7 per cent which is a decline of 0.3 per cent compared to last quarter which stood at 68.0 per cent. Airtel's market share increased to 16.5 per cent from 15.7 per cent recorded during the previous quarter. Essar Telecom Limited share declined by 0.4 per cent to reach 7.6 per cent from 8.0 per cent share registered during the previous period. Telkom Kenya (Orange) share increased to 9.2 per cent from the previous 8.3 per cent, recording a 0.9 per cent gain.

The total mobile subscriptions and the respective market share per operator are as shown in Figure 3.

Figure 3: Mobile Subscriptions per Operator



Source: CA, Operators' Returns,

The number of post-paid and pre-paid subscriptions for each of the operators marginally changed during the quarter under review. Safaricom lost 0.6 per cent of its prepaid subscribers but gained

10.1 per cent of post-paid subscribers. Airtel on the other hand gained 6.9 per cent on pre-paid subscribers but lost 3.9 percent of its post-paid subscribers. In the same way Telkom Kenya (Orange) gained 12.6 per cent pre-paid subscribers but lost 9.2 per cent of its post-paid subscribers. Essar Telecom limited lost 2.7 per cent of its pre-paid subscriptions but registered 0.3 per cent additional post-paid subscribers.

Generally, the number of pre-paid subscriptions grew by 1.5 per cent to stand at 32.0 million up from 31.5 million during the previous quarter. Likewise, post-paid subscriptions grew 7.1 per cent to reach 712,894 up from 665,697 subscriptions posted during the last quarter. The ratio of post-paid to pre-paid subscriptions stood at 1:45.

Table 1: Mobile Subscription per operator

Name of operator	*Sep-14*			*Jun-14*			*Quarterly variation (%)*
	Pre-paid	*Post-paid*	*Total*	*Pre-paid*	*Post-paid*	*Total*	
Safaricom Limited	21,274,104	575,727	21,849,831	21,405,667	522,783	21,928,450	-0.4
Airtel Networks Limited Subscriptions	5,269,858	132,557	5,402,415	4,930,774	137,991	5,068,765	6.6
Essar Telecom Limited (YU)	2,492,218	1,475	2,493,693	2,562,339	1,471	2,563,810	-2.7
Telkom Kenya(Orange)	3,019,754	3,135	3,022,889	2,681,916	3,452	2,685,368	12.6
Total	**32,055,934**	**712,894**	**32,768,828**	**31,580,696**	**665,697**	**32,246,393**	**1.6**

Source: CA, Operators' Returns

1.2 Mobile Money Transfer

In the quarter under review, the number of mobile money transfer subscriptions grew by 1.4 per cent to stand at 26.9 million up from 26.6 million registered during the last quarter. Likewise, the number of active agents at the end of the period under review increased by 5.2 per cent to post 114,988 up from 108,500 agents recorded during the previous quarter.

The performance of mobile money transfer subscriptions and mobile money transfer agents is shown in Table 2.

Table 2: Mobile Money Transfer Service

Service Provider	*Sep-14*		*Jun-14*		*Quarterly variation (%)*	
	Agents	*Subscriptions*	*Agents*	*Subscriptions*	*Agents*	*Subscriptions*
Safaricom	80,330	19,945,702	80,230	19,776,056	0.1	0.9
Airtel	12,438	3,278,339	10,990	3,238,754	13.2	1.2
*Essar**	284	2,147,352	284	2,147,139	0.0	0.0
Orange	12,137	188,498	9,231	185,463	31.5	1.6
Mobikash	9,799	1,411,888	7,765	1,263,665	26.2	11.7
Total	**114,988**	**26,971,779**	**108,500**	**26,611,077**	**5.2**	**1.4**

Source: CA, Operators' Returns, * Data as at June 2014

1.3 Mobile Number Portability

As indicated in Table 3, porting has not been a preference to many subscribers. The number of in-ports continued to decline from the period April to June 2013 to April to June 2014.

Table 3: Mobile Number Portability

Period	*Jul-Sep 14**	*Apr-Jun 14*	*Quarterly Variation*	*Jul-Sep 13*	*Apr-Jun 13*	*Quarterly Variation (%)*
Number of in-ports	254	254	0.0	363	387	-6.2

Source: CA, Operators' Returns, * Data for Apr-Jun 14

1.4 Mobile Traffic and Usage Pattern

1.4.1 Voice Traffic

In the quarter, the total volume of mobile voice traffic expanded by 9.0 per cent to reach 8.0 billion minutes from 7.3 billion minutes posted during the previous quarter. This growth is higher than that of the same period of the previous year which was 4.1 per cent.

On-net traffic continued to dominate the local mobile traffic to register 6.9 billion minutes from 6.3 billion minutes recorded during the previous quarter. This represents growth of 9.7 per cent during the quarter under review compared to 3.6 per cent growth in the same period of the previous year. In the same vein, off-net traffic rose by 5.2 per cent to stand at 1.04 billion minutes up from 989 million minutes posted in the last quarter. This represents 7.3 per cent growth compared to the same period of the previous year.

On the other hand, mobile to fixed traffic declined by 8.6 per cent during the quarter to record 25 million minutes down from 27 million minutes posted during the previous quarter. However, compared to the same period of the previous year, this performance was 17.0 per cent higher.
The growth in local voice traffic is shown in Table 4.

Table 4: Local Mobile Voice Traffic in Minutes

Mobile Traffic	*Jul-Sep 14*	*Apr-Jun 14*	*Quarterly Variation (%)*	*Jul-Sep 13*	*Apr-Jun 13*	*Quarterly Variation (%)*
By Traffic originating (outgoing traffic)						
Own Network –Own Network	6,982,752,707	6,364,202,402	9.7	6,508,960,468	6,282,272,039	3.6
Own Network to Other Mobile Networks	1,040,994,283	989,570,696	5.2	954,859,613	889,853,027	7.3
Mobile Network to Fixed Network	25,186,545	27,554,577	-8.6	14,421,834	12,325,826	17.0
Total Traffic Origination (Outgoing)	**8,048,933,535**	**7,381,327,675**	**9.0**	**7,478,241,915**	**7,184,450,892**	**4.1**
By Traffic terminating (incoming traffic)						

Own Network –Own Network	6,982,752,707	6,364,202,402	9.7	6,508,960,468	6,282,272,039	3.6
Other Mobile Networks to Own Network	1,101,158,635	1,066,968,762	3.2	1,011,989,047	943,426,413	7.3
Fixed Network to Mobile Network	24,075,758	26,555,183	-9.3	28,305,931	25,126,558	12.7
Total traffic termination(Incoming)	**8,107,987,100**	**7,457,726,347**	**8.7**	**7,549,255,446**	**7,250,825,010**	**4.1**

Source: CA, Operators' Returns

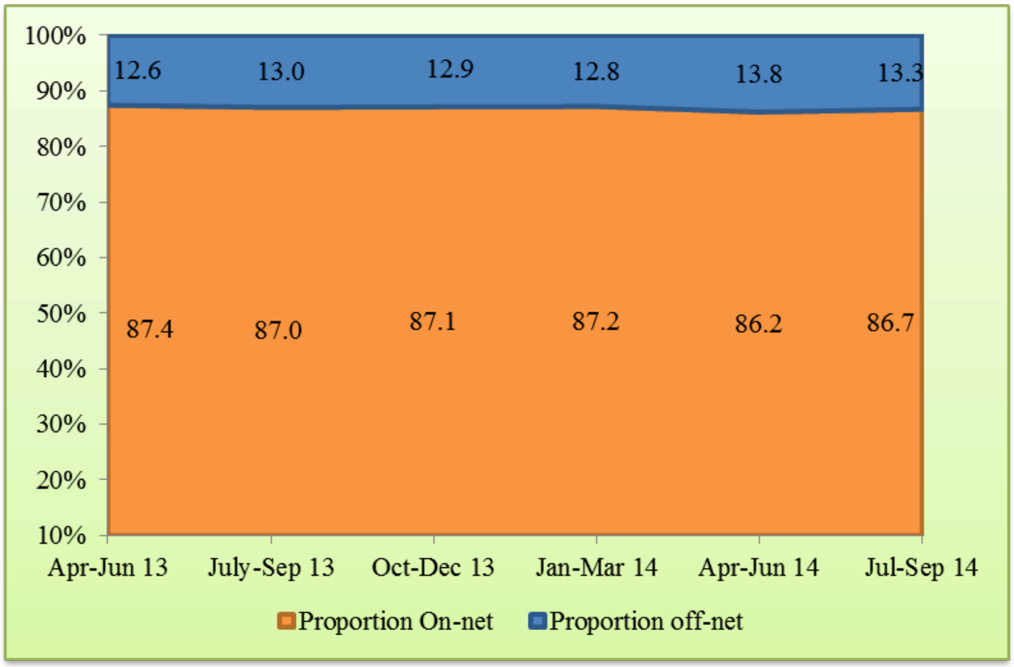
The total traffic terminated on mobile networks stood at 8.1 billion minutes during the quarter up from 7.4 billion terminated during the last quarter, representing an increase of 8.7 per cent during the period. This was an increase of 4.1 per cent compared to the previous year.

On the contrary, the fixed to mobile traffic experienced a decline of 9.3 per cent during the quarter under review to record 24 million minutes down from 26 million minutes recorded during the previous quarter. However, compared to the same period of the previous year, there was a growth of 12.7 per cent.

The proportion of on-net and off-net traffic has depicted a smooth trend over the period. During the period under review, the proportion of on-net traffic was recorded at 86.7 per cent from 86.2 per cent posted during the previous quarter. This is an increase of 0.5 per cent during the period and 0.4 per cent decline compared to the same period of the previous year. Conversely,the proportion of off-net traffic declined by 0.5 percentage points to stand at 13.3 per cent from 13.8 per cent recorded in the previous quarter.. However, in relation to the same quarter of the previous year, an increase of 0.4 percentage points was registered.

The proportion of on-net and off-net traffic to total traffic volume is illustrated in Figure 4.

Figure 4: Proportion of Voice On-net and Off-net Traffic



Source: CA, Operators' Returns

1.4.2 Voice Traffic by Operator

The voice traffic market share for each of the mobile operators changed during the period under review. Safaricom's traffic increased to 6.0 billion minutes from 5.8 billion minutes recorded during the last quarter. However, its market share dropped by 3.1 percentage points to register 75.6 per cent share from 78.7 per cent share posted during the last quarter. In comparison with the same period of the previous year, its share declined by 1.1 percentage points.

On the contrary, Airtel's traffic expanded to reach 1.0 billion minutes, an equivalent of 13.4 per cent share from 722 million minutes or 9.8 per cent share. When compared to the same period of the previous year, its share increased by 0.3 percentage points.

Essar Telecom's traffic volume declined during the quarter to reach 529 million minutes from 553 million minutes posted in the last quarter. Its share too declined by 0.9 percentage points to register 6.6 per cent share from 7.5 per cent share recorded during the previous quarter. Conversely, when compared to the same period of the previous year, the share recorded growth of 0.3 percentage points.

The market share for Telkom (Orange) demonstrated improvement during the quarter from 4.0 per cent share registered during the last quarter to 4.4 per cent share during the quarter under review. The voice traffic also expanded from 294 million minutes in the previous quarter to 356 million minutes. In relation to the same period of the previous year, its share increased by 0.5 percentage points.

The traffic volumes for each of the operators and the resultant market shares are shown in Table 5.

Table 5: Voice Traffic by Operator

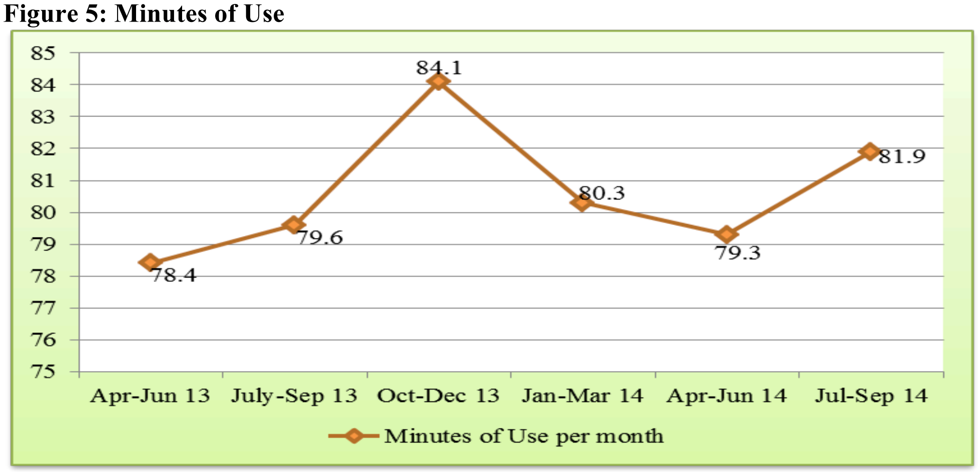
Period	*Name of Operator/Indicator*	*Safaricom Limited*	*Airtel Networks Kenya Limited*	*Essar Telecom Kenya Limited*	*Telkom Kenya Limited (Orange)*
Jul-Sep 14	*On-net*	5,776,207,251	580,613,648	390,110,068	235,821,740
	Off-net	305,897,507	499,801,053	139,676,505	120,805,763
	Total	**6,082,104,758**	**1,080,414,701**	**529,786,573**	**356,627,503**
	Market share (%)	75.6	13.4	6.6	4.4
Apr-Jun 14	*On-net*	5,526,862,626	247,984,220	399,827,306	189,528,250
	Off-net	285,085,277	474,096,290	153,340,319	104,603,387
	Total	**5,811,947,903**	**722,080,510**	**553,167,625**	**294,131,637**
	Market Share (%)	78.7	9.8	7.5	4.0
Jul-Sep-13	*On-net*	5,600,950,491	360,181,971	468,830,023	78,997,983
	Off-net	316,548,161	437,383,172	152,280,127	63,069,987
	Total	**5,917,498,652**	**797,565,143**	**621,110,150**	**142,067,970**
	Market Share (%)	79.1	10.7	8.3	1.9
Apr-Jun 13	*On-net*	5,466,510,138	331,521,370	427,252,863	56,987,668
	Off-net	298,523,796	413,143,232	144,817,274	45,694,551
	Total	**5,765,033,934**	**744,664,602**	**572,070,137**	**102,682,219**
	Market Share (%)	80.2	10.4	8.0	1.4

Source: CA, Operators' Returns

1.4.3 Minutes of Use

The Minutes of Use (MoU) per month for each subscriber increased to 81.9 minutes during the quarter from 79.3 minutes in the last quarter as illustrated in Figure 5. This marked an increase of 3.3 per cent during the period and 1.5 per cent growth when compared to the same period of the previous year.

Figure 5: Minutes of Use



Source: CA, Operators' Returns

1.4.4 Short Messaging Service

The number of Short Messaging Service(SMS) sent during the quarter grew by 1.2 per cent from 6.8 billion during the last quarter to 6.9 billion during the quarter under review. In comparison to the same period of the previous year, an increase of 15.6 per cent was realised.

In terms of market shares, Safaricom's share dropped by 3.2 percentage points to reach 93.4 per cent share from 96.6 per cent share recorded during the last quarter. The volume of its SMS traffic also declined from 6.6 billion to 6.5 billion SMS during the quarter under review. In relation to the same period of the previous year, a decline of 0.1 percentage points was registered.

Airtel's market share in SMS increased by 2.8 percentage points to reach 5.5 per cent from 2.7 per cent share during the last quarter. The SMS traffic increased substatially from 183 million to 385 million SMS during the quarter under review. The share gained by 0.1 percentage points when compared to the same period of the previous year..

Essar Telecom gained 0.1 percentage points market share with 36 million SMS equivalent of 0.5 per cent share from 25 million SMS or 0.4 per cent share. When compared to the same period of the previous year, the share remained unchanged at 0.6 per cent.

Telkom (Orange) demonstrated a similar trend with 40 million SMS corresponding to 0.6 per cent share recorded during the quarter under review from 21 million or 0.3 per cent share during the last quarter. In relation to the same period of the previous year, a gain of 0.1 percentage share was realised.

The SMS traffic and the corresponding shares per operator is as shown in Table 6.

Table 6: Short Messaging Service per Operator

Period	*Name of Operator/Indicator*	*Safaricom Limited*	*Airtel Networks Kenya Limited*	*Essar Telecom Kenya Limited*	*Telkom Kenya Limited (Orange)*	*Total SMS*
Jul-Sep 14	On-net	6,384,311,129	283,082,911	3,977,005	10,705,526	**6,682,076,301**
	Off-net	118,796,898	102,233,967	32,523,531	29,605,763	**283,160,159**
	Total	**6,503,108,027**	**385,316,878**	**36,500,536**	**40,311,019**	**6,965,236,460**
	Market Share (%)	93.4	5.5	0.5	0.6	
Apr-Jun 14	On-net	6,543,128,346	111,087,663	4,339,238	8,282,811	**6,658,555,247**
	Off-net	114,572,371	72,782,783	21,174,576	13,634,774	**222,164,504**
	Total	**6,657,700,717**	**183,870,446**	**25,513,814**	**21,917,585**	**6,889,002,562**
	Market Share (%)	96.6	2.7	0.4	0.3	
Jul-Sep 13	On-net	4,753,585,609	107,924,707	6,857,223	5,573,985	**4,873,941,524**

	Off-net	75,536,163	67,929,152	22,634,155	13,299,173	**179,398,643**
	Total	**4,829,121,772**	**175,853,859**	**29,491,378**	**18,873,158**	**5,053,340,167**
	Market Share (%)	95.6	3.5	0.6	0.4	
Apr-Jun 13	On-net	4,095,931,237	86,840,838	7,103,294	4,634,666	**4,194,510,035**
	Off-net	84,769,104	59,570,803	21,146,178	10,114,695	**175,600,780**
	Total	**4,180,700,341**	**146,411,641**	**28,249,472**	**14,749,361**	**4,370,110,815**
	Market Share (%)	95.7	3.4	0.6	0.3	

Source: CA, Operators' Returns

1.4.5 Multimedia Messaging Service

The multi-media messages (MMS) continued to contend with the Over The Top (OTT) messaging services within the quarter under review, registering a negative performance of 7.4 percent to 2.6 million messages from 2.9 million messages recorded during the last quarter . Compared with the same period in the previous year, a decline of 11.9 per cent was realised. In addition, each subscriber sent less than one message per month during the quarter a trend that has been observed over the period.

The performance of MMS is indicated in Table 7.

Table 7: Multimedia Messaging Service

Period	*Jul-Sep 14*	*Apr-Jun 14*	*Quarterly Variation (%)*	*Jul-Sep 13*	*Apr-Jun 13*	*Quarterly Variation (%)*
Number of MMS	2,695,520	2,911,317	-7.4	2,248,680	2,554,975	-11.9
MMS per subscriber per month	0.03	0.03	0.0	0.02	0.03	-33.3

Source: CA, Operators' Returns

1.4.6 Roaming Traffic

As illustrated in Table 8, the volume of Roaming-out[1] voice traffic declined by 3.3 per cent during the quarter to register 9.6 million minutes down from 9.9 million minutes posted during the last quarter. However, when compared to the same period of the previous year, an increase of 11.2 per cent was recorded.

On the contrary, roaming- in[2] voice traffic grew by 24.7 per cent to stand at 13.4 million minutes up from 10.7 million minutes posted during the last quarter. Compared to the same period of the previous year, growth of 22.0 per cent was registered.

The number of roaming out messages declined by 6.3 per cent to reach 10.9 million messages during the quarter down from 11.6 million messages posted during the previous quarter.

[1] *Roaming out is traffic originated and terminated by subscribers of national networks as users of foreign networks abroad.*

[2] *Roaming in is traffic originated and terminated by foreign subscribers as users of local network.*

Conversely, when compared to the same period of the previous year, an increase of 29.9 per cent was registered.

Roaming in messages increased to 5.7 million from 5.0 million messages during the last quarter representing a 13.8 per cent during the period. However, when related to the same period of the previous year, a decline of 10.4 per cent was recorded.

Table 8: Roaming Traffic

Roaming Traffic	*Jul-Sep 14*	*Apr-Jun 14*	*Quarterly Variation (%)*	*Jul-Sep 13*	*Apr-Jun 13*	*Quarterly Variation (%)*
Roaming Voice Minutes Own Subscribers on Foreign Networks	9,611,418	9,937,857	-3.3	11,920,804	10,717,745	11.2
Roaming Voice Minutes Foreign Subscribers on Local Network	13,400,315	10,743,233	24.7	11,472,726	9,404,268	22.0
Roaming SMS - Own Subscribers on Foreign Networks	10,948,026	11,678,054	-6.3	10,338,853	7,959,062	29.9
Roaming SMS - Foreign Subscribers on Local Network	5,710,316	5,017,885	13.8	9,097,302	10,153,773	-10.4

Source: CA, Operators' Returns.

1.4.7 International Mobile Traffic

The international incoming mobile voice traffic generally recorded a decline of 3.8 per cent during the quarter under review to reach 140 million minutes from 145 million minutes recorded last quarter. However, the incoming traffic within the East African countries recorded an increase of 16.9 per cent to stand at 19.1 million minutes up from 16.3 million minutes posted during the last quarter. The increase in traffic within the East Africa countries can be attributed to the opening up of the East African Community boarders and increased activities under the Northern Corridor Integration projects within the region. The traffic from the rest of the world registered a decline of 6.5 per cent from 129 million minutes posted in the last quarter to 121 million minutes during the quarter under review.

In the same way, international outgoing voice traffic recorded growth of 0.6 per cent to reach 112 million minutes up from 111 million minutes posted in the previous quarter. Traffic going out of the East African countries recorded a decline of 3.8 per cent to record 14.3 million minutes down from 14.8 million minutes posted during the last quarter. On the contrary traffic going out to the rest of the world gained by 1.3 per cent to stand at 98 million minutes up from 96 million minutes resisted during the last quarter.

On the international SMS, the volume of incoming messages increased by 5.6 per cent to record 42 million messages up from 40 million messages posted during the previous quarter. International outgoing SMS on the other hand declined by 0.1 per cent from 12.02 million messages during the last quarter to 12.00 million messages during the quarter under review.
The international mobile traffic is indicated in Table 9.

Table 9: International Mobile Traffic

International Mobile Traffic and SMS	*Region*	*Jul-Sep 14*	*Apr-Jun 14*	*Quarterly Variation (%)*
International Incoming Mobile Voice Minutes	*EAC*	19,139,384	16,369,089	16.9
	Others	121,134,744	129,506,614	-6.5
	Total	**140,274,128.00**	**145,875,703**	-3.8
International Outgoing Mobile Minutes	*EAC*	14,321,266	14,891,441	-3.8
	Others	98,061,869	96,839,624	1.3
	Total	**112,383,135.00**	**111,731,065**	0.6
International Incoming Mobile SMS		42,484,232	40,249,447	5.6
International Outgoing Mobile SMS		12,009,411	12,027,122	-0.1

Source: CA, Operators' Returns.

1.5 Mobile Revenue and Investments

The revenues and investments for the mobile sector will be updated upon the lapse of the operators' financial year.

Table 10: Mobile Revenue and Investment

*Mobile Revenues and Investments**	*2013***	*2012***	*2011*	*2010*	*2009*	*Variation (%) Over 2012*	*Variation (%) Over 2011*	*Variation (%) Over 2010*	*Variation (%) Over 2009*
Mobile Revenue (KES Millions)	140,233	133,508	116,640	104,552	90,394	5.0	14.5	11.6	15.7
Mobile Investments (KES Millions)**	30,387	33,827	34,590	27,126	40,260	-10.2	-2.2	27.5	-32.6

Source: CA, Operators Returns, (*) includes Telkom Fixed Network Revenue and Investment. ** (provisional)

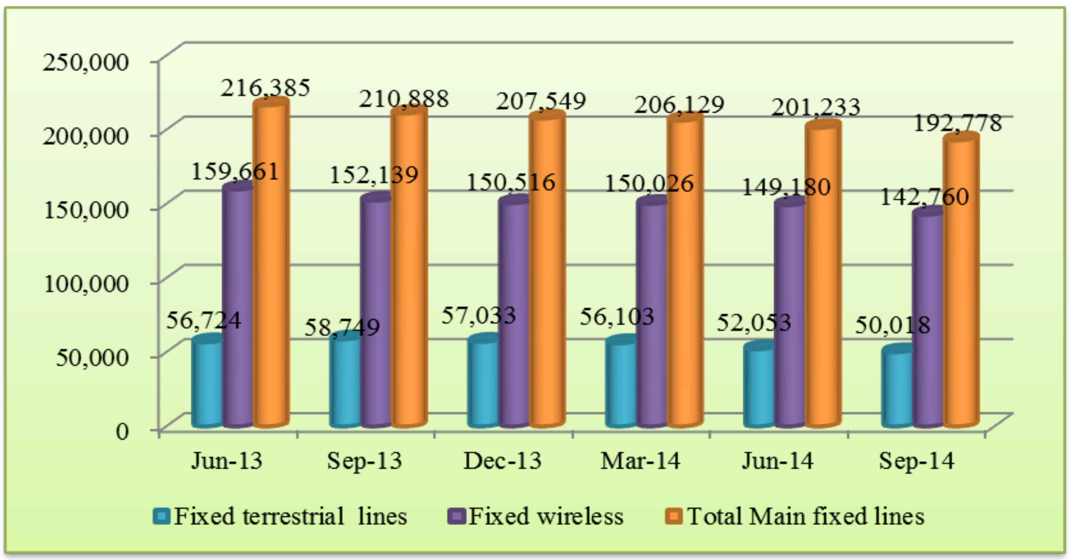
2 FIXED TELEPHONE SERVICE

2.1 Subscriptions

The number of fixed lines in the country continued to decline within the quarter under review registering total lines (fixed wired and fixed wireless) at 192,778. This was a decline of 4.2 per cent from 201,233 lines recorded during the previous quarter.

As depicted in Figure 6, the number of fixed (wired) lines declined from 52,053 during the last quarter to 50,018 during the quarter under review. This represents a decline of 3.9 per cent during the quarter, which however, when compared to the same period of the previous year shows growth of 3.6 per cent. In the same way the number of fixed wireless subscriptions declined from 149,180 during the last quarter to 142,760 in the quarter under review, representing a decline of 4.3 per cent during the period and 4.7 per cent drop when compared to the same period of the previous year.

Figure 6: Fixed Network Subscriptions



Source: CA, Operators Returns.

2.2 Fixed Network Traffic

Similar to the declining trend of the number of fixed lines, the volume of fixed network traffic declined during the quarter under review to record 32.3 million minutes down from 32.7 million minutes registered during the previous year. This represents a drop of 1.1 per cent during the quarter, and cumulatively a 1.7 per cent decline when compared to the same period of the previous year.

Fixed-fixed network traffic posted a decline of 4.4 per cent to reach 404,726 minutes down from 423,490 minutes recorded during the previous quarter. In relation to the same period of the previous year, a substantial decline of 84.4 per cent was observed.

In the same way, fixed wireless - fixed wireless traffic declined by 2.7 per cent to post 5.5 million minutes down from 5.6 million minutes recorded during the previous quarter. However, when compared to the same period the previous year, an increase of 19.9 per cent was registered.

Fixed traffic to other networks declined by 0.7 per cent to stand at 26.4 million minutes down from 26.6 million minutes recorded during the last quarter. Compared to the same period the previous year, a reverse trend is observed with a positive growth of 1.0 per cent.

Table 11 illustrates the trend in fixed network traffic.

Table 11: Local Fixed Network Traffic in Minutes

Local Fixed Network traffic	*Jul-Sep 14*	*Apr-Jun14*	*Quarterly Variation (%)*	*Jul-Sep 13*	*Apr-Jun 13*	*Quarterly Variation (%)*
	Intra-network traffic					
Fixed-fixed	404,726	423,490	-4.4	597,384	3,838,926	-84.4
Fixed Wireless-fixed wireless	5,501,122	5,656,295	-2.7	4,686,585	3,907,677	19.9
	Inter-network traffic					
Fixed to other Networks(Network voice providers)	26,483,787	26,665,438	-0.7	22,911,503	22,681,747	1.0
Total Local Fixed network traffic	**32,389,635**	**32,745,223**	**-1.1**	**28,195,468**	**30,428,350**	**-7.3**

Source: CA, Operators' Returns

International incoming fixed voice traffic experienced a marginal decline during the quarter under review. The network registered 3.1 million minutes down from 3.2 million minutes posted during the last quarter. Conversely, compared to the same period of the previous year, a growth of 13.5 per cent was realised. On the other hand, international outgoing voice traffic rose by 5.2 per cent during the quarter to reach 3.8 million minutes up from 3.6 million minutes recorded during the previous quarter. Compared to the same period of the previous year there was a growth of 3.6 per cent.

International outgoing VoIP traffic recorded a decline of 5.2 per cent during the quarter to register 1.7 million minutes down from 1.8 million minutes realised during the last quarter. However, comparison with the same period of the previous year showed an increase of 9.9 per cent.

The trend in international fixed network traffic between April 2013 and September 2014 is shown in Table 12.

Table 12: Fixed Network International Voice Traffic

Fixed Network Subscription	*Jul-Sep 14*	*Apr-Jun14*	*Quarterly Variation (%)*	*Jul-Sep 13*	*Apr-Jun 13*	*Quarterly Variation (%)*
International Incoming Fixed Network Voice traffic	3,148,409	3,214,249	-2.0	3,941,448	3,472,885	13.5
International Outgoing Fixed Network Voice	3,888,936	3,696,437	5.2	4,406,763	4,252,426	3.6

traffic						
International Outgoing Fixed Network VoIP traffic	1,780,950	1,877,737	-5.2	2,109,159	1,919,524	9.9

Source: CA, Operators Returns.

3 DATA SERVICES

3.1 Data Service

During the quarter under review, the total number of data/internet subscriptions grew by 5.8 per cent to stand at 14.8 million from 14.0 million subscriptions registered during the last quarter. However when compared to the same period of the previous year, a decline of 6.1 per cent was observed.

The growth in the number of data/internet subscriptions was mainly boosted by mobile data/internet subscriptions that have been on the rise over time. In the quarter being reported, mobile data/internet subscriptions rose to 14.7 million up from 13.9 million recorded during the last quarter. When compared to the same period of the previous year, a decline of 6.2 per cent was realised.

Terrestrial wireless subscriptions recorded a decline over the period with the quarter under review registering a decline of 1.0 per cent to reach 16,999 subscriptions down from 17,169 subscriptions posted during the last quarter. Similarly, compared to the same period of the previous year, a decrease of 19.3 per cent was registered.

Satellite subscriptions also declined during the quarter to record 598 subscriptions down from 646 subscriptions during the last quarter. The same period of the previous year showed a reduction of 41.4 per cent.

The growth in the number of fibre subscriptions was gradual over the period with the quarter under review registering growth of 1.1 per cent to stand at 70,115 from 69,373 subscriptions recorded during the last quarter. In comparison, the same period of the previous year yielded growth of 6.1 per cent.

The growth in data/internet subscriptions is indicated in Table 13.

Table 13: Internet Subscriptions and Internet Users

Internet/Data Subscriptions	*Sep 14*	*Jun 14*	*Quarterly Variation (%)*	*Sep-13*	*Jun-13*	*Quarterly Variation (%)*
Total Internet Subscriptions	**14,845,967**	**14,030,036**	**5.8**	**11,671,337**	**12,432,308**	**-6.1**
Mobile Data Subscriptions	14,745,836	13,930,694	5.9	11,580,065	12,340,005	-6.2
Terrestrial Wireless Data	16,999	17,169	-1.0	17,169	21,282	-19.3

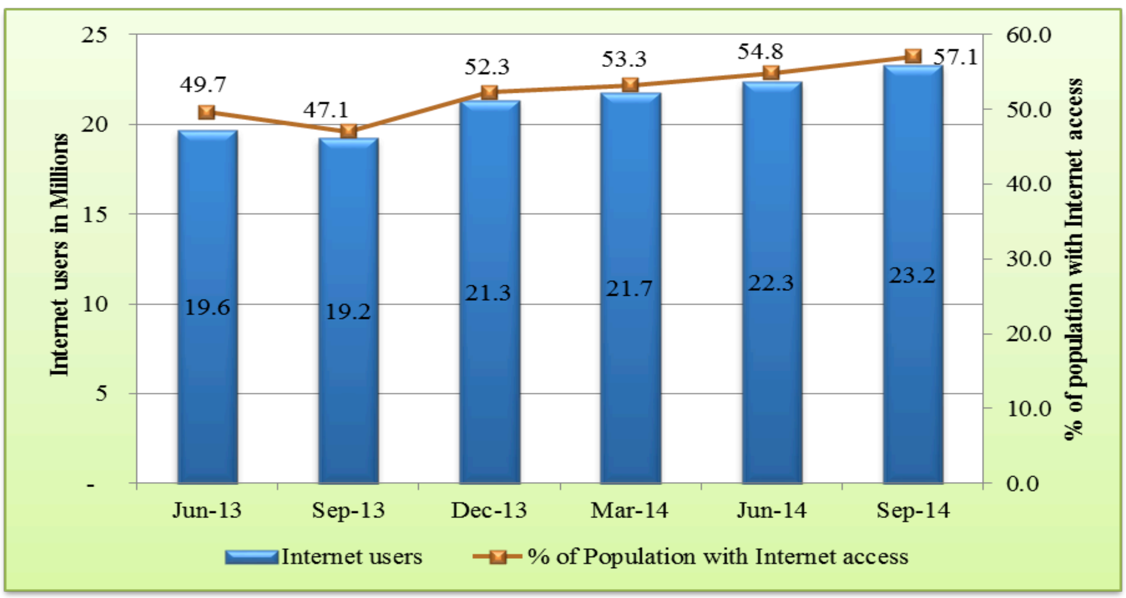
Subscriptions						
Satellite Data Subscriptions	598	646	-7.4	749	1,278	-41.4
Fixed DSL Data Subscriptions	12,394	12,129	2.2	11,537	11,512	0.2
Fixed Fibre Optic Data Subscriptions	70,115	69,373	1.1	61,739	58,197	6.1
Fixed Cable Modem Subscriptions	25	25	0.0	25	25	0.0
Total Internet Users[3]	**23,229,026**	**22,319,684**	**4.1**	**19,162,055**	**19,654,925**	**-2.5**

Source: CA, Operators' Returns

As Figure 7 Illustrates, the estimated number of internet users[4] stood at 23.3 million up from 22.3 million users estimated during the last quarter representing growth of 4.1 per cent during the quarter. However, when compared to the same period of the previous year, a decline of 2.5 per cent was observed.

The population that had access to internet maintained an upward trend to stand at 57.1 per cent up from 54.8 per cent posted in the last quarter. This marked a growth of 2.3 per cent. When compared to the same period of the previous year, a decline of 2.6 per cent was realised.

Figure 7: Estimated Number of Internet Users and Internet Penetration



Source: CA, Operators' Returns.

As illustrated in Figure 9, disparity in the number of mobile data/internet subscriptions among the operators has continued to widen. During the quarter under review, Safaricom's number of mobile data/internet subscriptions reached 10.5 million up from 10.0 million subscriptions recorded during the last quarter. Airtel's and Essar's subscribers did not experience any significant change during the period and recorded 1.9 million and 0.5 million subscriptions

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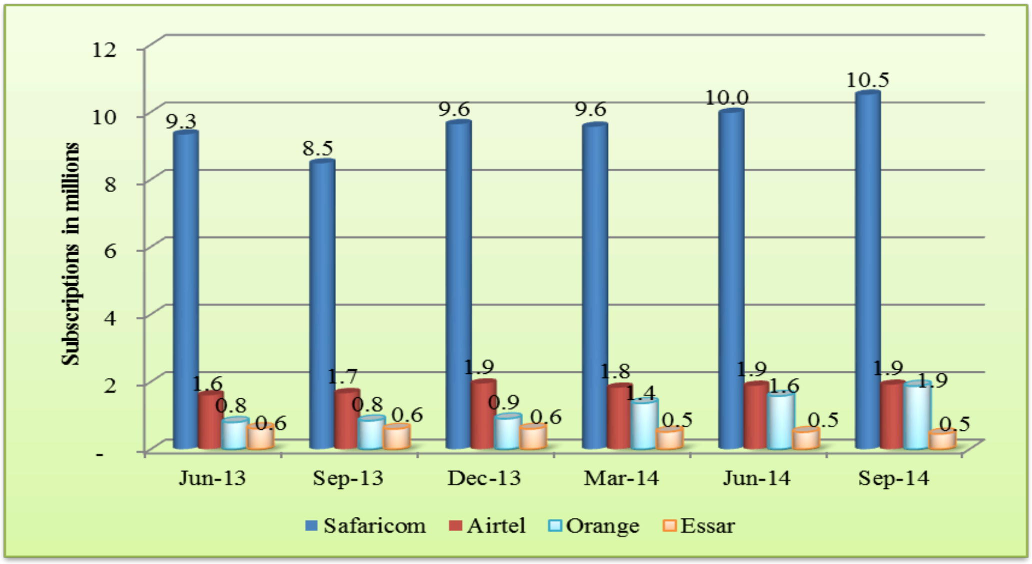
[4] Total no. of Internet users = ◘ (1MD+10TW+100FFOS) where MD is the number of mobile data/internet subscriptions; TW is the terrestrial wireless subscriptions; and FFOS by 100 is fixed DSL, Fibre optic and satellite subscriptions. There is no scientific method of estimating internet users; for the purpose of this report the methodology is adopted from the recommendation from ITU

respectively. On the other hand Telkom (Orange) recorded an upward trend in its subscriptions to reach 1.9 million from 1.6 million subscriptions registered during the last quarter.

The market shares for mobile data/Internet market by operator are shown in Figure 8.

Figure 8: Mobile data/internet subscription by operator



Source: CA, Operators' Returns

The market shares as measured by other fixed/wireless data /internet subscriptions for the first ten operators did not experience much change during the quarter under review. Wananchi Telecom maintained its lead with 44.2 per cent from 44.5 per cent share recorded during the last quarter, a drop of 0.3 percentage points. It was followed by Liquid Telecom with 18.0 per cent share similar to the last quarter. Telkom Kenya had 11.9 per cent share from 11.8 per cent share posted in the last quarter.

The share for other fixed/wireless data/internet operators has continued to shrink with the quarter under review registering 366 subscriptions down from 547 subscriptions recorded during the last quarter.

The market shares for the top 10 operators are as shown in Table 14.

Table 14: Other Fixed/Wireless Internet Subscriptions by Operator

Name of Operator	*Sep 14*	*Market Share (%)*	*Jun 14*	*Market Share (%)*
Wananchi Telecom Limited	44,254	44.2	44,254	44.5
Liquid Telecom Limited	18,050	18.0	17,850	18.0
Telkom Kenya Limited	11,894	11.9	11,714	11.8
*Access Kenya Limited**	11,502	11.5	11,502	11.6
Safaricom Limited	7,499	7.5	7,222	7.3
*Jamii Telecommunication Limited***	2,574	2.6	2,574	2.6
Iway Africa	1,351	1.3	1,541	1.6
Mobile Telephony Networks Limited	1,327	1.3	1,373	1.4
*Internet solution**	742	0.7		

Call Key Networks Limited	547	0.5	547	0.6
*Tangerine Limited***	-		248	0.2
Other fixed/Terrestrial wireless operators	391	0.4	517	0.5

Source: CA, Operators' Returns, * Data used for Jan-Mar 14, ** Data used for Apr-Jun 14

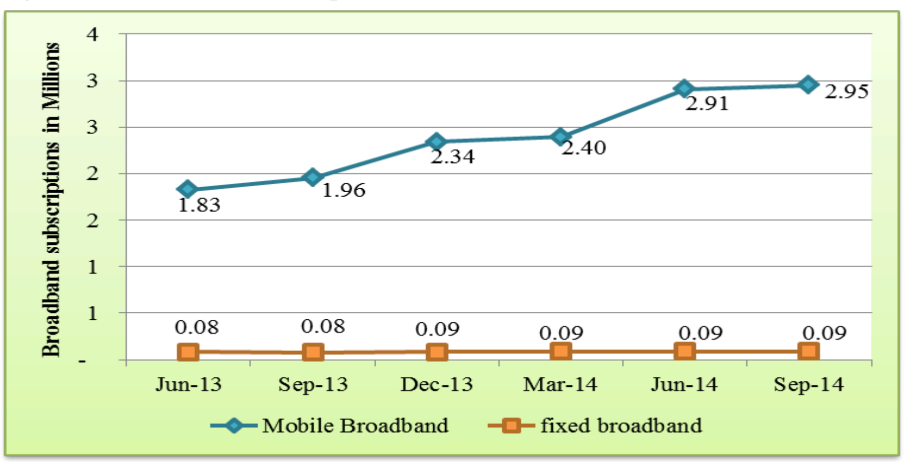
3.2 Broadband Service

The growth in broadband subscriptions in the country continued to record an upward trend mainly driven by mobile broadband on enhanced 3G capability as well as mobile modems.

3.2.1 Data / internet broadband subscriptions

As Figure 9 illustrates, mobile broadband subscription recorded growth during the quarter under review while fixed/wireless broadband subscriptions registered a decline during the quarter. The decrease in fixed/wireless broadband subscription was mainly attributed to decreasing subscriptions of xDSL possibly as a result of the declining fixed lines, decrease in satellite broadband subscriptions and wireless broadband subscriptions that recorded a decline during the quarter.

Figure 9: Broadband Subscriptions

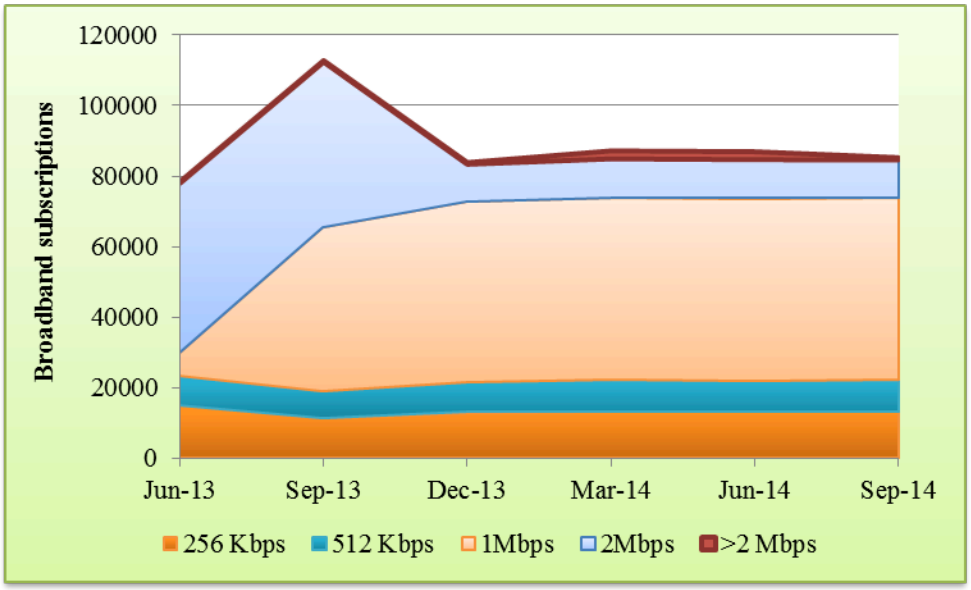


Source: CA, Operators' Returns

3.2.2 Fixed/wireless broadband subscriptions by Speed

Figure 10 shows the fixed/wireless broadband subscriptions as categorized according to advertised speeds by the telecom operators. The 1Mbps remained the most popular among the users while the growth of the lower bands of 256 and 512 Kbps has not experienced any significant change over the period. In the same way the subscriptions of the upper band of 2 Mbps has declined from June to September 2014. Speeds greater than 2 Mbps seem to be less popular among the users of data/internet services.

Figure 10: Broadband Subscriptions by Speed



Source: CA, Operators' Returns.

3.3 International Bandwidth

For a long time now, the amount of bandwidth available in the country (Equipped/lit) has experienced marginal change. During the quarter under review the total bandwidth reached 847,515 Mbps from 847,464 Mbps registered during the previous quarter. The growth was negligible similar to what was observed during the same period of the previous year.

Satellite capacity registered an upward trend during the quarter under review to reach 265 Mbps from 214 Mbps recorded during the last quarter. However, this capacity has declined significantly when compared to the same period of the previous year which had recorded 623 Mbps as at the end of September 2013.

The growth of international Internet available bandwidth is shown in Table 15.

Table 15: International Internet Available Bandwidth (Mbps)

International Connectivity Bandwidth	*Sep 14*	*Jun14*	*Quarterly Variation (%)*	*Sep 13*	*Jun 13*	*Quarterly Variation (%)*
SEACOM	565,440	565,440	0.0	578,400	578,400	0.0
TEAMS	119,970	119,970	0.0	119,970	119,970	0.0
Telkom Kenya Limited (EASSY)	120,880	120,880	0.0	122,880	122,880	0.0
Lion 2	40,960	40,960	0.0	40,960	40,960	0.0
VSAT	265.6	214.4	23.9	623.52	639.52	-2.5

Total International Internet Bandwidth (Mbps)	**847,515.60**	**847,464.4**	**0.0**	**862,834**	**862,850**	**0.0**

Source: CA, Operators' Returns

The amount of bandwidth that was used during the quarter under review recorded some improvement from 436,016 Mbps in the last quarter to 478,074 Mbps during the quarter under review. This represents an increase of 9.6 per cent during the quarter and 1.1 per cent increase when compared to the same period of the previous year. The proportion of used capacity was recorded as 56.4 per cent of the total available capacity.

The undersea cable used bandwidth registered an upward growth of 9.6 per cent to reach 477,854 Mbps from 435,820 Mbps registered during the last quarter, posting a 1.1 per cent growth compared to the same period of the previous year.

In the same way, satellite used bandwidth recorded growth of 12.0 per cent during the quarter to stand at 220 Mbps from 196 Mbps recorded in the last quarter.

The trend in international connectivity bandwidth is shown in Table 16.

Table 16: International Internet Connectivity Bandwidth (Mbps)

International Leased Bandwidth	*Sep 14*	*Jun14*	*Quarterly Variation (%)*	*Sep 13*	*Jun 13*	*Quarterly Variation (%)*
International Undersea Internet Connectivity Bandwidth (Mbps)	477,854	435,820	9.6	360,680.1	356,655	1.1
International Satellite Internet Connectivity Bandwidth	220	196.4	12.0	219.95	219.95	0.0
Total International Internet Connectivity Bandwidth (Mbps)	**478,074**	**436,016.4**	**9.6**	**360,900.1**	**356,874.95**	**1.1**

Source: CA, Operators' Returns;

3.4 Revenue and Investment in the Data/Internet Market

Note: The revenues and investments for the data/internet sector will be updated upon the lapse of the operators' financial year.

Table 17: Data/Internet Revenue and Investment

*Data/Internet Revenue and Investments**	*2013*	*2012*	*2011*	*2010*	*2009*	*Variation (%) Over 2012*	*Variation (%) Over 2011*	*Variation (%) Over 2010*	*Variatio (%) Ove 2009*
Data/Internet Revenue (KES Millions)	21,941	25,627	13,710	8,659	7,937	-14.4	86.9	58.3	9.1
Data/Internet Investments (KES Millions)	3,537	6,115	5,079	3,520	2,721	-42.2	20.4	44.3	

Source: CA, Operators' Returns. * Note that revenue in data market includes data revenues from mobile sector.

4 ELECTRONIC TRANSACTIONS

The number of domain names for ***.ke*** as at June 2014 were recorded at 32,508 as shown in Table 18.

Table 18: Number of Domain names

Subdomain	***Use***	***No. of Domains***	***Percentage (%)***
CO.KE	Companies	29,374	90.36%
GO.KE	Government Entities	301	0.93%
OR.KE	Non Profit Making Organizations	1,193	3.67%
AC.KE	Institutions of Higher Education	773	2.38%
SC.KE	Lower and Middle Level Institutions	119	0.37%
NE.KE	Personal Websites and E-mail	65	0.20%
ME.KE	Personal Websites and E-mail	546	1.68%
MOBI.KE	Mobile Content	43	0.13%
INFO.KE	Information	94	0.29%
Total		**32,508**	**100%**
Source: KENIC - www.kenic.or.ke			

Source: CA, Kenya Network Information Centre (KeNIC) *June 2014 Provisional

5 BROADCASTING

As Table 19 indicates most of the content aired on radio and TV is foreign apart from discussions and drama/plays which are local. Music and movies remained predominantly foreign while documentaries were almost balanced between what is produced locally and what is foreign.

Table 19: Percentage program content (Both TV and Radio)

Program Content	*Internally (Local) Produced (%)*	*Third Party Produced (%)*	*Foreign (%)*
Music	16.8	8.2	75.0
Drama/Plays	55.6	16.3	28.1
Movies	3.6	9.4	86.8
Kids Shows	23.5	10.1	67.4
Reality shows	13.5	5.4	81.1
Documentaries	40.3	23.3	39.4
Discussions	81.9	6.5	12.6

Source: CA, Operators' Returns

6 POSTAL AND COURIER SERVICE

6.1 Postal and Courier Traffic

The postal and courier sub-sector recorded positive performance during the quarter under review. The number of letters sent locally rose by 17.9 per cent to reach 13.9 million letters up from 11.8 million letters sent during the last quarter. Likewise, when compared to the same period of the previous year, an increase of 26.9 per cent was realised. This trend is indicated in Table 20.

Similarly, the number of courier items delivered locally rose by 0.5 per cent to stand at 942,147 up from 937,619 items delivered during the previous quarter. However, in relation to the same period of the previous year, a decline of 23.7 per cent was observed.

During the quarter under review, International outgoing letters rose by 69.3 per cent to reach 1.2 million letters up from 761,315 letters during the last quarter. Similarly, when compared to the same period of the previous year, a 30.1 per cent growth was realised.

At the same time the volume of international incoming letters rose marginally by 0.6 per cent to register 2.47 million letters up from 2.46 letters. On the contrary when compared to the same period of the previous year, a decline of 5.3 per cent was observed.

Table 20: Postal and Courier Traffic

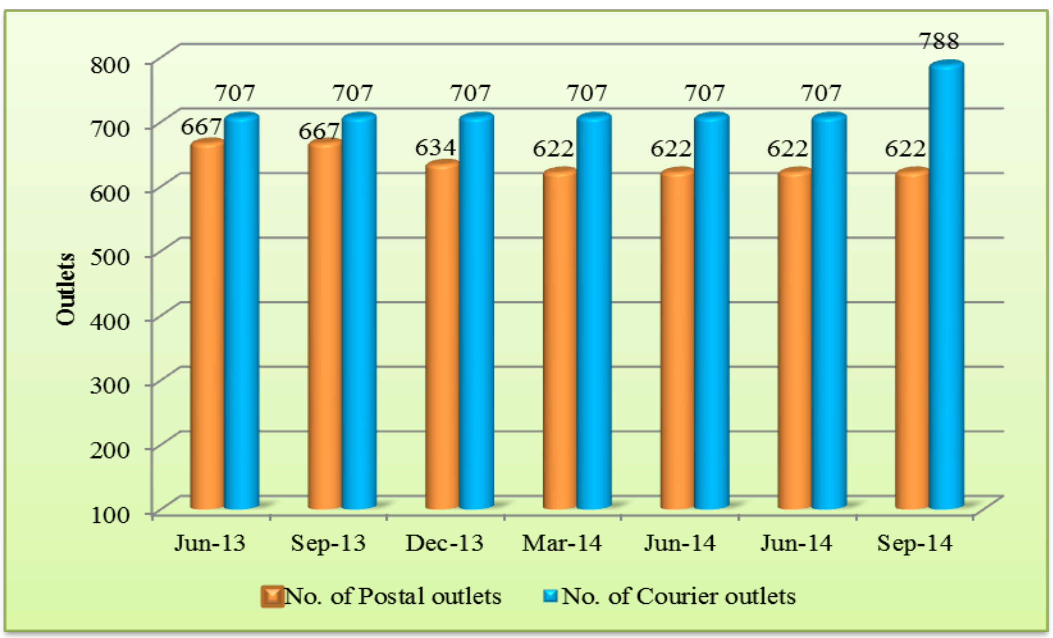
Post and Courier Traffic	*Jul-Sep 14*	*Apr-Jun14*	*Quarterly Variation (%)*	*Jul-Sep 13*	*Apr-Jun 13*	*Quarterly Variation (%)*
Number of Letters (Up to 350 gms) Posted Locally	13,929,454	11,819,633	17.9	16,859,790	13,287,964	26.9
Total Courier Items Sent Locally	942,147	937,619	0.5	404,090	529,327	-23.7
International Incoming Letters (Up to 350 gms)	2,479,037	2,464,762	0.6	2,291,770	2,420,901	-5.3
International Outgoing Letters (Up to 350 gms)	1,289,222	761,315	69.3	1,199,982	922,208	30.1

Source: CA, Operators' Returns.

6.2 Number of Postal and Courier Outlets

The number of postal outlets has remained unchanged over the last four quarters. In addition, the number of courier outlets which had stagnated over the last one year showed a major improvement during the quarter under review to register 788 outlets from 707 outlets recorded during the last quarter. This growth could be attributed to the increasing uptake of e-commerce services as more Kenyans transact online and have goods delivered through courier services thus compelling operators to expand their networks. The trend is depicted in Figure 11.

Figure 11: Number of Postal Outlets



Source: CA, Operators' Returns.

6.3 Postal and Courier Revenue and Investments

The revenues and investments for the postal and courier sector will be updated upon the lapse of the operators' financial year.

Table 21: Postal and Courier Revenue and Investments

Post/Courier Revenue and Investment	***2013****	***2012***	***2011***	***2010***	***Variation (%) Over 2012***	***Variation (%) Over 2011***	***Variation (%) Over 2010***
Revenue (KES Millions)	7,086	7,467	11,793	10,694	-5.1	-36.7	11.0
Investments (KES Millions)	519	390	504	672	33.1	-22.6	-25.0

Source: CA, Operators' Returns,

7 CONCLUSION

There was growth in the mobile, data/internet and postal and courier sub-sectors while the fixed network experienced decline during the period.

In mobile telephony, the number of subscriptions and the volume of both voice and SMS traffic registered an increase during the quarter under review. The coming period is expected to be more vibrant due to the festive activities and may thus increase the subscriptions and traffic even further.

The fixed lines on the other hand have demonstrated a downward trend and this may continue in view of the new technologies being adopted in the market.

The continued expansion of 3G services and the increased popularity of online transactions have expanded the data/internet market and which has continued to receive a major boost from the mobile data/internet services. With the continuous expansion of internet connectivity more users are expected to be registered thus propelling the growth prospects of this sub-sector even further.

Lastly, for a long period the postal and courier subsector had been recording decline in its traffic volumes. However the quarter under review recorded gains in both local and international traffic volumes. The coming periods will be key to establish if this growth is sustainable.