QUARTERLY SECTOR STATISTICS REPORT

THIRD QUARTER OF THE FINANCIAL YEAR 2014/15

(JAN-MAR 2015)

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LIST OF ABBREVIATIONS

ICTs	Information Communication Technologies
EASSy	Eastern Africa Submarine Cable Systems
EVDO	Evolution-Data Optimized
LION2	Lower Indian Ocean Network
GSM	Global Systems for Mobile Communications
Mbps	Megabits per second
MMS	Multimedia Service
MoU	Minutes of Use
MVNO	Mobile Virtual Network Operator
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 ICT Sector Statistics Report for the period January to March 2015 (Q3 FY 2014/15) provides an analysis of the sector performance and trends on the following service categories:

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

In the quarter under review, (Q3 FY 2014/15), the mobile telephony sub-sector continued to expand with subscriptions registering growth of 3.6 percent to reach 34.8 million up from 33.6 million recorded during the last quarter. New subscriptions registered during the quarter stood at 1.1 million from 863,803 new subscriptions recorded during the last quarter representing growth of 34.5 percent during the quarter.
Pre-paid subscriptions stood at 33.8 million up from 32.7 million recorded during the last quarter representing growth of 3.3 percent during the quarter. Post-paid subscriptions were recorded at 937,043 up from 854,283 registered during the last quarter registering growth of 9.7 percent during the quarter.

Mobile penetration expanded by 2.9 percentage points to reach 85.5 percent up from 82.6 percent attained during the preceding quarter.

The number of mobile money transfer subscriptions rose by 3.0 percent to reach 26.7 million subscriptions up from 26.0 million recorded during the last quarter. On the other hand, the number of agents stood at 126,622 up from 121,924 recorded during the previous quarter representing growth of 3.9 percent during the quarter.

Mobile number portability registered a decline in the number of inports to stand at 618 down from 781 inports recorded during the last quarter.

The local mobile voice traffic volume increased by 10.0 percent during the quarter to reach 8.7 billion minutes up from 7.9 billion minutes registered during the last quarter. On average, each subscriber made 84.1 minutes calls per month during the quarter.

Short Messaging Service (SMS) traffic declined by 11.8 percent to record 6.5 billion messages down from 7.4 billion messages sent during the last quarter. Thus each subscriber sent an average of 63 messages per month during the quarter.

International incoming mobile voice traffic recorded an increase of 21.2 percent to stand at 180 million minutes during the quarter up from 148 million minutes observed during the previous quarter. In the same way, international outgoing voice traffic was recorded at 133 million minutes up from 108 million minutes registered during the last quarter representing growth of 22.8 percent during the quarter.

The number of fixed lines rose during the quarter under review to 202,905 lines up from 179,990 in the last quarter representing 12.7 percent growth during the period. This increase was mainly driven by fixed terrestrial lines that grew by 90.5per cent to 91,373 up from 47,973 lines in the last quarter.. This growth was mainly attributed to growth in Wananchi Group subscription through the fibre network.

On the contrary, there was a 15.5 percent decline in the number of fixed wireless subscriptions during the quarter under review to stand at 111,532 down from 132,017 subscriptions recorded during the last quarter.

Fixed network traffic declined by 11.2 percent to register 22.3 million minutes down from 25.1 million minutes realised during the last quarter.

Data/internet subscriptions grew by 14.3 per cent during the quarter to 18.8 million from 16.3 million subscriptions in the last quarter. Consequently, the estimated number of Internet users rose to 29.1 million up from 26.1 million users estimated during the previous quarter. 71.7 percent up of the population had access to the Internet up from 64.1 percent during the last quarter.

During the period under review, the international Internet bandwidth available in the country (Equipped/Lit) grew tremendously by 117.9 percent to reach 1.6Gbps up from 0.7Gbps recorded during the last quarter. This growth, was mainly contributed by TEAMS that lit additional capacity to meet growing demand of bandwidth. Used capacity also increased by 57.3 percent to reach 783, 761 Mbps up from 498,121 Mbps recorded during the last quarter. The used capacity represented 47.0 percent of the total available bandwidth in the country.

In the postal and courier sub-sector, the number of letters sent locally declined marginally by 0.3 percent to reach 16.73 million during the quarter, down from 16.78 million letters sent during the preceding quarter. Similarly, courier items sent declined by 10.1 percent to stand at 344,222 during the quarter down from 382,925 items sent during the previous quarter.

The number of international incoming letters dipped to reach 2.43 million down from 2.46 million received during the last quarter registering a drop of 1.0 percent. On the contrary, international outgoing letters increased marginally by 0.1 percent to stand at 2.293 million letters up from 2.290 letters sent during the last quarter.

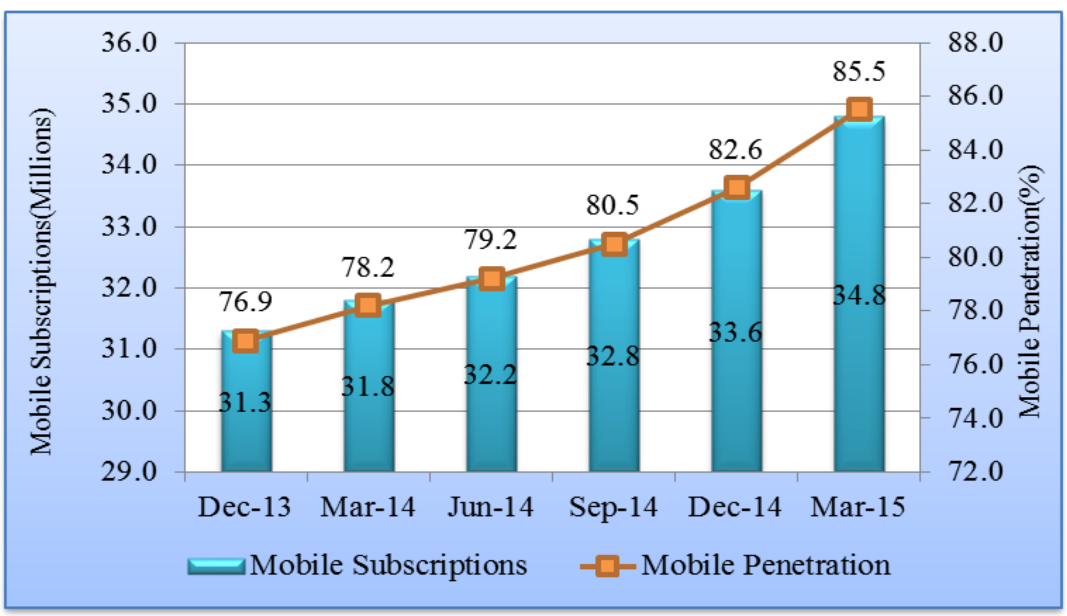
1 CELLULAR MOBILE SERVICES

1.1 Mobile Subscriptions

During the quarter under review, the number of mobile subscriptions grew by 3.6 per cent to stand at 34.8 million up from 33.6 million subscriptions reported during the previous quarter registering a growth of 1.6 per cent compared to the same period the previous year.
Similarly, the number of mobile subscriptions per 100 inhabitants increased by 2.9 percentage points to stand at 85.5 per cent up from 82.6 per cent recorded during the previous quarter. In comparison to the same period of the previous year, penetration had registered a 1.3 percentage points increase.

Figure 1 illustrates the quarterly trends in mobile subscriptions and penetration.

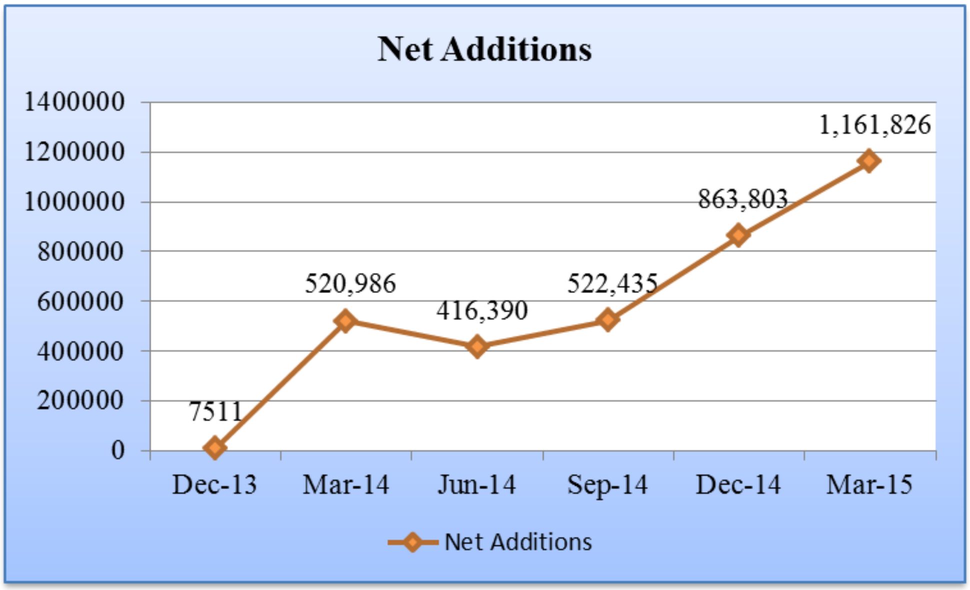
Figure 1: Mobile Subscriptions



Source: CA, Operators' Returns

As demonstrated in Figure 2, the total number of new mobile subscriptions (net additions) registered by all mobile operators during the quarter grew considerably by 34.5 per cent to post 1,161,826 subscriptions up from 863,803 subscriptions posted in the last quarter. When compared to the same period of the previous year, these new subscriptions had registered more than 69-fold increase.

Figure 2: Net additions in Mobile Subscriptions



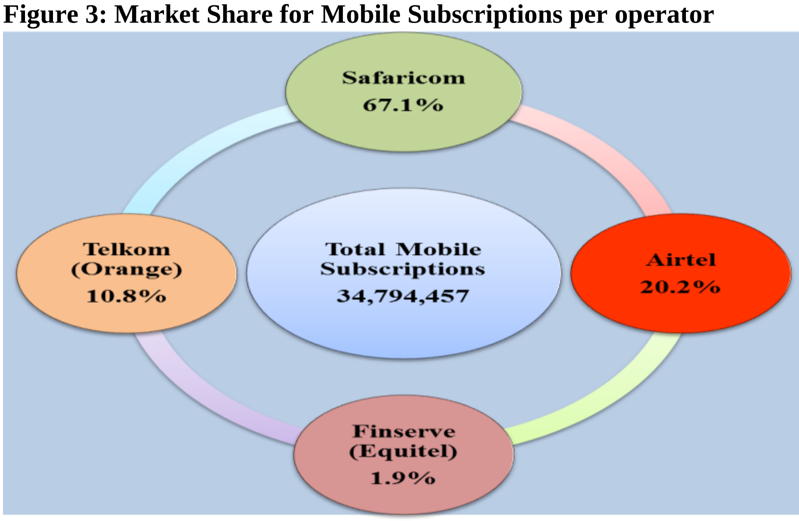
Source: CA, Operators' Returns

The market share for mobile subscriptions registered during the quarter experienced slight changes following entry into the market by Finserve Africa Limited (Equitel) in the previous quarter. Airtel Networks Limited lost 2.4 percentage market share to record 20.2 per cent down from 22.6 percent reported in the previous quarter.

Safaricom Limited market share declined by 0.3 percentage points to stand at 67.1 per cent during the period under review down from 67.4 percent share reported during the last quarter. Telkom Kenya (Orange) gained 0.8 percentage points to reach 10.8 percent market share from last quarter's performance of 10.0 percent. Finserve Africa Limited (Equitel) on the other hand acquired a market share of 1.9 per cent during the quarter.

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

Figure 3: Market Share for Mobile Subscriptions per operator



Source: CA, Operators' Returns,

During the period under review, Safaricom Limited gained 2.7 percent and 11.4 percent pre-paid and post-paid mobile subscriptions respectively. Its total number of subscriptions grew by 3.0 per cent to stand at 23.3 million up from 22.6 million subscriptions registered in the previous quarter.

Airtel Network Limited experienced an increase in the number of post-paid subscriptions by 1.5 per cent to stand at 151,286 subscriptions up from 149,020 subscriptions posted in the last quarter. However, pre-paid subscriptions declined to 6.8 million down from 7.4 million subscriptions reported in the preceding quarter. Consequently, its total mobile subscriptions declined by 7.8 per cent to stand at 7.0 million.

During the quarter, Telkom Kenya (Orange) experienced significant growth in the number of pre-paid and post-paid mobile subscriptions which increased by 12.0 per cent and 3.2 per cent respectively. The total subscriptions were registered at 3.7 million up from 3.3 million subscriptions reported during the previous quarter.

The Mobile Virtual Network Operator Finserve Africa posted a total of 665,661 mobile subscriptions all on pre-paid subscription.

Overall, the number of pre-paid and post-paid mobile subscriptions grew by 3.3 per cent and 9.7 per cent respectively.

The number of pre-paid and post-paid subscriptions by operator is indicated in Table 1.

Table 1: Mobile Subscription per operator

Name of operator	***Mar-15***			***Dec-14***			*Quarterly variation (%)*
	Pre-paid	*Post-paid*	*Total*	*Pre-paid*	*Post-paid*	*Total*	
Safaricom Limited	22,564,598	782,593	23,347,191	21,956,374	702,198	22,658,572	3.0
Airtel Networks Limited Subscriptions	6,864,316	151,286	7,015,602	7,461,612	149,020	7,610,632	-7.8
Finserve Africa (Equitel)	665,661		665,661	-	-	-	-
Telkom Kenya(Orange)	3,762,839	3,164	3,766,003	3,360,362	3,065	3,363,427	12.0
Total	**33,857,414**	**937,043**	**34,794,457**	**32,778,348**	**854,283**	**33,632,631**	**3.5**

Source: CA, Operators' Returns

1.2 Mobile Money Transfer

During the quarter under review, the number of mobile money transfer subscriptions rose by 3.0 percent to reach 26.7 million up from 26.0 million subscriptions registered during the last quarter.

In the same way, the number of active agents grew by 3.9percent to stand at 126,622 up from 121,924 agents recorded during the last quarter.

The number of agents and subscriptions per operator is indicated in Table 2.

Table 2: Mobile Money Transfer Service

Service Provider	*Mar-15*		*Oct-14*		*Quarterly Variation (%)*	
	Agents	*Subscriptions*	Agents	Subscriptions	*Agents*	*Subscriptions*
Safaricom	85,756	20,625,425	83,690	20,150,836	2.5	2.4
Airtel	10,179	3,122,519	10,990	3,236,016	-7.4	-3.5
Orange	15,419	191,658	13,767	190,129	12.0	0.8
Finserve	-	665,661.00	-	394,606	0.0	68.7
Mobikash	13,672	1,685,046	11,881	1,547,502	15.1	8.9
Tangaza	1,596	503,556	1,596	503,556	0.0	0.0
Total	**126,622**	**26,793,865**	**121,924**	**26,022,645**	**3.9**	**3.0**

Source: CA, Operators' Returns

1.3 Mobile Number Portability

As illustrated in Table 3, the number of mobile in-ports dropped by 20.9 percent to record 618 in-ports down from 781 in-ports reported last quarter. However, when related to the same period of the previous year, growth of 31.2 percent was observed.

Table 3: Mobile Number Portability

Period	*Jan-Mar 15*	*Oct-Dec 14*	*Quarterly Variation*	*Jan-Mar 14*	*Oct-Dec 13*	*Quarterly Variation (%)*
Number of in-ports	618	781	-20.9	362	276	31.2

Source: CA, Operators' Returns

1.4 Mobile Traffic and Usage Pattern

1.4.1 Voice Traffic

During the period under review, the volume of originating mobile voice traffic grew by 10.0 per cent to stand at 8.7 billion up from 7.9 billion minutes recorded during the previous quarter. This trend was different from what was reported during the same period of the previous year, which experienced a 2.7 per cent decline.

On net mobile voice traffic grew by 7.8 per cent to record 7.5 billion minutes up from 7.0 billion minutes posted during the last quarter. On the contrary, when compared to the same period of the previous year, a decline of 3.2 percent was recorded.

In the same way, traffic to other mobile networks increased by 26.5 per cent to post 1.1 billion minutes up from 936 million minutes recorded in the previous quarter. This was contrary to the trend exhibited during the same period of the previous year, which experienced a traffic decline of 3.2 per cent.

Mobile to fixed traffic demonstrated a similar trend with the quarter under review recording 18.7 million minutes up from 16.1 million minutes posted in the previous quarter. This represented growth of 16.1 percent during the quarter and a decline of 25.0 percent compared to the same period of the previous year.

The trend in local mobile voice traffic is as shown in Table 4.

Table 4: Local Mobile Voice Traffic in Minutes

Mobile Traffic	*Jan-Mar 15*	*Oct-Dec 14*	*Quarterly Variation (%)*	*Jan-Mar 14*	*Oct-Dec 13*	*Quarterly Variation (%)*
By Traffic originating (outgoing traffic)						
Own Network – Own Network	7,572,006,261	7,023,107,375*	7.8	6,692,455,072	6,871,942,391	-2.6
Own Network to Other Mobile Networks	1,185,331,522	936,937,933	26.5	971,237,869	1,003,147,611	-3.2
Mobile Network to Fixed Network	18,759,354	16,160,611	16.1	8,726,525	11,637,430	-25.0
Total Traffic Origination (Outgoing)	**8,776,097,137**	**7,976,205,919**	**10.0**	**7,672,419,466**	**7,886,727,432**	**-2.7**
By Traffic terminating (incoming traffic)						
Own Network – Own Network	7,572,006,261	7,023,107,375	7.8	6,692,455,072	6,871,942,391	-2.6
Other Mobile Networks to Own Network	1,218,565,860	929,669,094	31.1	1,027,901,534	1,064,722,858	-3.5
Fixed Network to Mobile Network	32,289,099	31,913,719	1.2	25,144,925	25,206,911	-0.2
Total traffic termination(Incoming)	**8,822,861,220**	**7,984,690,188**	**10.5**	**7,745,501,531**	**7,961,872,160**	**-2.7**

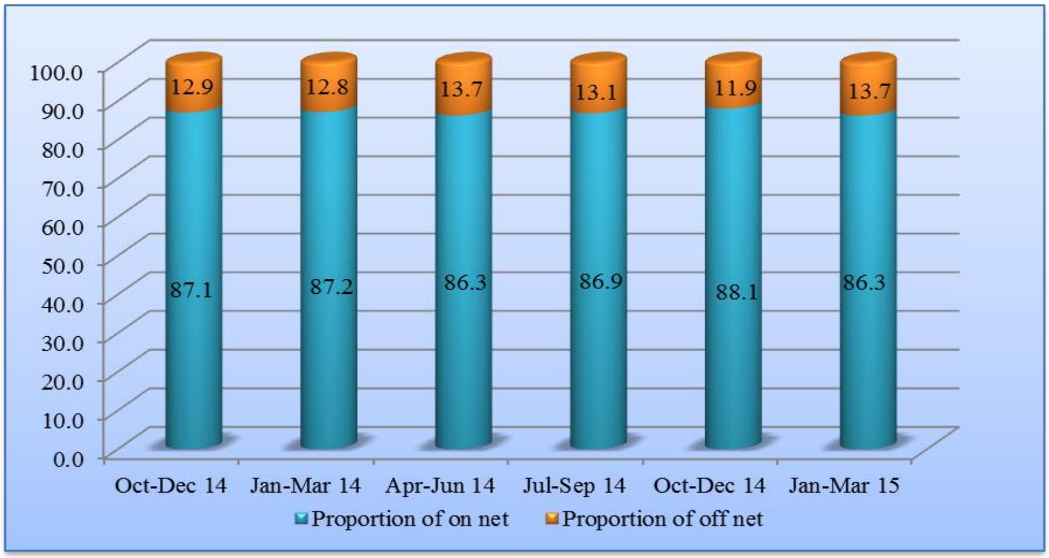
Source: CA, Operators' Returns, * Corrected data by Airtel Networks Limited

The total traffic terminated on local mobile networks increased by 10.5 per cent to stand at 8.8 billion minutes up from 7.9 billion minutes recorded during the last quarter. This was a substantial growth compared to the same period of the previous year which experienced a 2.7 per cent decrease in terminating traffic.

The proportion of on-net and off-net local mobile voice traffic experienced minor change during the period under review. The proportion of on-net traffic to total mobile voice traffic stood at 86.3 per cent from 88.1percent recorded during the previous quarter marking a decline of 1.8 percentage points during the quarter. In the same way, the proportion of off-net traffic to total traffic volume stood at 13.7 per cent up from 11.9 percent registered during the last quarter marking an increase of a similar margin of 1.8 percentage points.

The proportion of on-net and off-net traffic to total mobile voice traffic is shown in Figure 4.

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



Source: CA, Operators' Returns

1.4.2 Voice Traffic by Operator

The quarter under review experienced mixed trends in terms of local mobile voice traffic per operator. Notably, Safaricom Limited lost its market share by 6.3 percentage points to register 71.7 percent market share down from 78.0 percent share recorded during the last quarter. However, its total traffic volume increased to 6.28 billion up from 6.22 billion minutes registered during the previous quarter. On-net and off-net traffic stood at 5.9 billion and 327 million minutes respectively during the quarter under review.

The local mobile voice traffic for Airtel Kenya Limited increased by a substantial margin during the quarter under review to post a total of 1.8 billion minutes up from 1.2 billion minutes posted during the last quarter. This traffic was mainly contributed by growth in on-net traffic that recorded remarkable growth to stand at 1.1 billion minutes up from 821 million minutes. Similarly, off-net traffic grew to 647 million during the quarter up from 474 million minutes posted during the last quarter. Consequently, the operator's market share grew by 4.8 percentage points to stand at 21.0 per cent up from 16.2 percent share reported during the previous quarter.

Telkom Kenya Limited (Orange) gained in total mobile voice traffic to register 617 million minutes during the period up from 458 million minutes registered in the last quarter. The on-net and off-net traffic stood at 424 million and 193 million minutes respectively. The market share grew from 5.7 per cent shares reported in the previous quarter to 7.1 per cent market shares during the period under review.

Equitel (Finserve Limited), a Mobile Virtual Network Operator (MVNO), recorded on-net traffic of 2.3 million minutes during the quarter up from 1.6 million minutes posted during the previous period. The traffic to other mobile networks stood at 17.2 million during the quarter. Equitel managed to raise its market share at 0.2 per cent during the quarter up from 0.0 per cent share reported last quarter.

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

Table 5: Local Mobile Voice Traffic by Operator

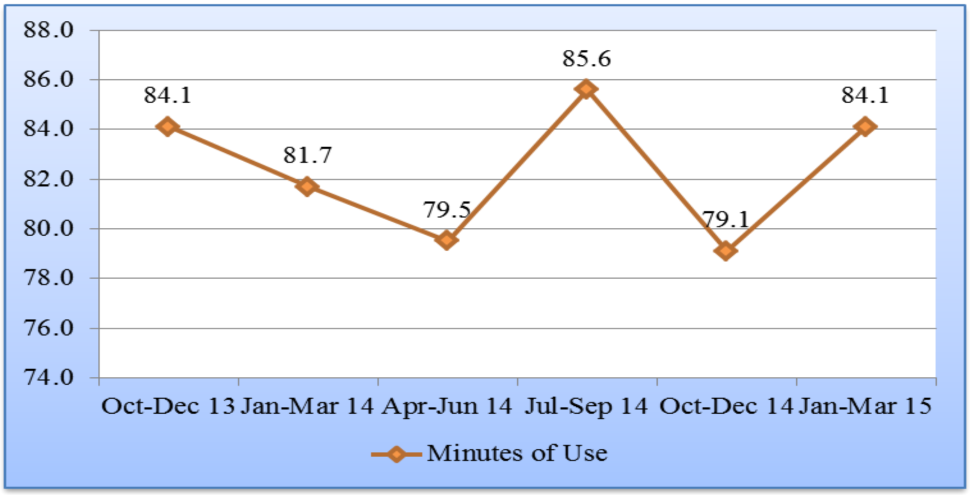
Period	*Name of Operator/Indicator*	*Safaricom Limited*	*Airtel Networks Kenya Limited*	*Telkom Kenya Limited (Orange)*	*Finserve*
Jan-Mar 15	*On-net*	5,955,953,970	1,189,488,420	424,242,926	2,320,945
	Off-net	327,046,613	647,717,701	193,332,257	17,234,951
	Total	**6,283,000,583**	**1,837,206,121**	**617,575,183**	**19,555,896**
	Market share (%)	71.7	21.0	7.1	0.2
Oct-Dec 14	*On-net*	5,888,419,067	821,810,080*	311,251,028	1,627,200
	Off-net	331,650,754	474,096,290	147,351,500	-
	Total	**6,220,069,821**	**1,295,906,370**	**458,602,528**	**1,627,200**
	Market share (%)	78.0	16.2	5.7	0.0
Jan-Mar 14	*On-net*	5,722,273,200	385,601,539	157,209,215	
	Off-net	297,507,187	449,421,833	77,188,058	
	Total	**6,019,780,387**	**835,023,372**	**234,397,273**	
	Market Share (%)	78.5	10.9	3.1	
Oct-Dec 13	*On-net*	5,845,925,529	428,267,461	136,938,632	
	Off-net	319,831,419	464,187,261	71,993,571	
	Total	**6,165,756,948**	**892,454,722**	**208,932,203**	
	Market Share (%)	78.2	11.3	2.6	

Source: CA, Operators' Returns, * Corrected data by Airtel Networks Limited

1.4.3 Minutes of Use

As illustrated in Figure 5, the Minutes of Use (MoU) per month per subscriber increased to 84.1 minutes during the period under review up from 79.1 minutes registered in the previous period. This represented growth of 6.3 percent during the period and a decline of 2.9 percent 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 period under review dropped to 6.5 billion down from 7.4 billion messages reported in the previous quarter. This represented a decline of 11.8 percent during the quarter. This decline in SMS traffic could have been attributed to the end of the festive season and beginning of the school term hence reduced mobile services activity by students. The reduction in the number of SMS traffic could also have been attributed to the growing popularity of whatsapp messaging service which is an OTT (Over-The-Top) services. A similar trend was observed during the same period of the previous year that witnessed reduction in SMS traffic volume by 1.4 percent.

SMS traffic by Safaricom Limited decreased to 6.0 billion from 7.0 billion messages sent during the last quarter. The respective market share reduced by 3.1 percentage points to stand at 91.6 percent down from 94.7 percent recorded during the last quarter.

Airtel's SMS traffic volume gained 2.5 percentage points on market share to stand at 6.9 percent share with 452 million SMS during the quarter up from 324 million messages registered during the last quarter.

Telkom (Orange) experienced an increase in SMS traffic during the quarter to post 85 million messages up from 72 million messages posted last quarter. The respective market share stood at 1.3 percent during the quarter up from 1.0 percent share recorded during the last quarter representing 0.3 percentage point gained during the quarter.

Equitel Limited gathered 9.7 million messages equivalent of 0.1 percent market share during the period under review.

The SMS traffic and the corresponding share 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*	*Telkom Kenya Limited (Orange)*	*Equitel Limited*	*Total SMS*
Jan-Mar 15	*On-net*	5,889,685,119	299,904,080	20,374,073	795,265	6,210,758,537
	Off-net	114,373,009	152,546,173	65,391,322	8,946,540	341,257,044
	Total	**6,004,058,128**	**452,450,253**	**85,765,395**	**9,741,805**	**6,552,015,581**
	Market Share (%)	91.6	6.9	1.3	0.1	
Oct-Dec 14	*On-net*	6,893,573,832	246,621,680*	17,478,150		7,157,673,662
	Off-net	140,089,889	77,525,260	54,765,018		272,380,167
	Total	**7,033,663,721**	**324,146,940**	**72,243,168**		**7,430,053,829**
	Market Share (%)	94.7	4.4	1.0		
Jan-Mar 14	*On-net*	5,897,688,335	98,083,657	6,846,847		6,002,618,839
	Off-net	101,457,620	70,451,935	18,106,504		190,016,059
	Total	**5,999,145,955**	**168,535,592**	**24,953,351**		**6,192,634,898**
	Market Share (%)	96.4	2.7	0.4		
Oct-Dec 13	*On-net*	5,929,051,461	120,434,392	6,540,240		6,064,644,664
	Off-net	87,493,526	82,912,497	20,061,869		216,795,888
	Total	**6,016,544,987**	**203,346,889**	**26,602,109**		**6,281,440,552**
	Market Share (%)	95.8	3.2	0.4		

Source: CA, Operators' Returns, * Corrected data by Airtel Networks Limited

1.4.5 Multimedia Messaging Service

The Number of MMS declined by 8.5 percent to post at 3.5 million messages down from 3.9 million messages recorded in the previous quarter. The service declined by 17.8 percent during the same period in the previous year. Consequently, the number of multi-media messages sent by each subscriber per month also declined from 0.04 to 0.03 messages in the quarter under review. This could be attributed to the increased use of OTT services such as WhatsApp, Viber, and Hangout, among others.

The performance of MMS is indicated in Table 7.

Table 7: Multimedia Messaging Service

Period	*Jan-Mar 15*	*Oct-Dec 14*	*Quarterly Variation (%)*	*Jan-Mar 14*	*Oct-Dec 13*	*Quarterly Variation (%)*
Number of MMS	3,573,947	3,906,043	-8.5	2,497,654	3,039,392	-17.8
MMS per subscriber per month	0.03	0.04	-.0.25	0.03	0.03	0.00

Source: CA, Operators' Returns

1.4.6 Roaming Traffic

During the period under review, Roaming-out[1] voice traffic stood at 20.8 million minutes with roaming to EAC countries contributing 17.5 million minutes while other non-EAC countries contributed 3.2 million minutes. In the same way, the total number of roaming out messages was registered at 32.0 million with EAC countries contributing majority to post 19.9 million messages. The total roaming out data stood at 2.3 million MB during the quarter under review.

Roaming - in[2] voice traffic registered a total of 22.6 million minutes during the period under review with EAC countries contributing 15.6 million minutes and other non-EAC countries contributing 7.0 million minutes. Similarly, the total number of roaming out messages was registered at 13.8 million with EAC countries contributing 7.1 million messages. The roaming in data traffic stood at 4.2 million MB.

The data on roaming traffic is indicated in Table 8.

Table 8: Roaming Traffic

Name of Country	***Jan-Mar 15***					
	Roaming Out (Own Subscribers)			*Roaming In (Foreign Subscribers)*		
	Voice	SMS	Data (MB)	Voice	SMS	Data (MB)
Uganda	12,041,774	10,615,162	350,299	7,438,769	245,958	235,731
Tanzania	4,220,529	6,610,464	555,458	4,050,803	5,723,704	440,103
Rwanda	1,227,940	1,028,425	189,282	3,912,503	1,010,201	84,950
Burundi	38,671	164,612	-	13,638	37,171	4
S. Sudan	67,729	1,540,986	2,676	196,894	159,829	503
Su-totals	17,596,643	19,959,649	1,097,715.76	15,612,607	7,176,863	761,291
Others	3,287,931	12,088,799	1,275,056	7,023,792	6,719,269	3,453,811
Totals	**20,884,574**	**32,048,448**	**2,372,772**	**22,636,399**	**13,896,132**	**4,215,102**

Source: CA, Operators' Returns.

[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.

1.4.7 International Mobile Traffic

During the quarter under review, there was a total of 180 million minutes of international incoming voice traffic recorded up from 148 million minutes in the previous quarter, translating to a growth of 21.2 percent. The number of International incoming voice minutes from East Africa grew tremendously by 113.4 percent to record at 49.2 million minutes up from 20.7 million minutes recorded during the last quarter. At the same time International incoming calls from other countries grew by 2.3 to stand at 130 million minutes up from 127 million minutes realised during the last quarter.

The total international outgoing traffic grew by 22.8 percent during the quarter to register 133 million minutes up from 108 million minutes reported during the previous quarter.
With regard to traffic leaving the country to East African countries, there was substantial growth recorded of 147.2 percent to stand at 44 million minutes from 17 million minutes registered during the last quarter. There was however a decline in traffic to other countries of 1.6 percent to record 89.1 million minutes during the quarter under review down from 90 million minutes attained during the last quarter.

The number of international mobile messages received in the country during the quarter under review declined by 9.9 percent to post at 39.8 million down from 44.1 million messages received on the previous quarter. Similarly, the volume of international mobile messages sent declined by 0.9 percent to post at 11.1 million during the quarter under review down from 11.2 million messages sent during the last quarter.

The number of international voice and SMS traffic is indicated in Table 9.

Table 9: International mobile traffic

Traffic	*Region*	*Jan-Mar 15*	*Oct-Dec 14*	*Quarterly Variation (%)*
International Incoming Mobile Voice Minutes	*EAC*	49,220,314	20,711,140.25	113.4
	Others	130,937,714	127,975,458.75	2.3
	Total	**180,158,028**	**148,686,599**	**21.2**
International Outgoing Mobile Minutes	*EAC*	44,034,821	17,813,849.50	147.2
	Others	89,298,384	90,783,946.50	-1.6
	Total	**133,333,205**	**108,597,796**	**22.8**
International Incoming Mobile SMS		39,806,773	44,190,839	-9.9
International Outgoing Mobile SMS		11,148,301	11,247,845	-0.9

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

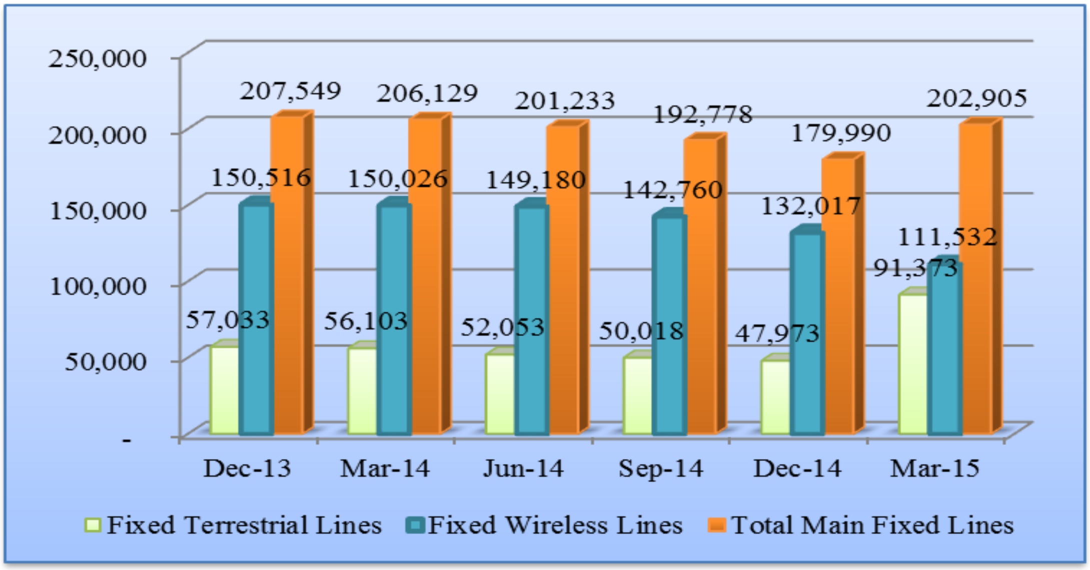
Unlike the previous periods where fixed network was on a declining trend, the quarter under review recorded an increase in the number of fixed lines from 179,990 to 202,905 lines during the quarter under review. This growth represented 12.7 percent during the period and was mainly boosted by increased fixed line subscriptions from Wananchi Group through the fibre network. However when compared to the same period of the previous year, a decline of 0.7 percent was registered.

Fixed terrestrial lines boosted the total fixed lines increased to 91,373 up from 47,973 lines marking 90.5 percent increase during the quarter. However when compared to the same period of the previous year, a decline of 1.6 percent was observed.

On the contrary, the number of fixed wireless subscriptions experienced a decline during the quarter under review to post 11,532 subscriptions down from 132,017 subscriptions registered during the last quarter. This represented a decline of 15.5 percent during the quarter and 0.3 percent drop when compared to the same period of the previous year.

The growth in the number of fixed lines is illustrated in Figure 6.

Figure 6: Fixed Network Subscriptions



Source: CA, Operators Returns.

2.2 Fixed Network Traffic

The total local fixed network traffic continued on a declining path consistent to the trend observed over the previous periods. In the quarter being reported the total volume of fixed line traffic recorded 22.3 million minutes down from 25.1 million minutes posted during the last quarter representing a drop of 11.2 percent during the quarter. Conversely when related to the same period of the previous year, growth of 1.8 percent was realised.

Fixed to fixed network traffic received a major boost from increased subscriptions from Wananchi Group through the fibre network and consequently growth in traffic from 351,838 minutes recorded during the previous quarter to 507,002 minutes registered during the quarter under review. This represents a substantial growth of 44.1 percent during the period and 1.8 percent increase during the same period of the previous year.

Fixed wireless to fixed wireless traffic experienced a considerable drop of 38.4 percent to attain 2.7 million minutes during the quarter under review from 4.4 million minutes posted during the last quarter. On the contrary when compared to the same period of the previous year, a decline of 2.5 percent was registered.

Likewise, fixed to other networks traffic showed a decline of 3.7 percent to reach 19.5 million minutes during the quarter under review down from 20.2 million minutes realised during the previous quarter. Contrariwise, in relation to the same period of the previous year, growth of 3.0 percent was registered.

Table 11 illustrates the trend in fixed network traffic.

Table 11: Local Fixed Network Traffic in Minutes

Local Fixed Network traffic	*Jan-Mar 15*	*Oct-Dec 14*	*Quarterly Variation (%)*	*Jan-Mar 14*	*Oct-Dec 13*	*Quarterly Variation (%)*
Intra-network traffic						
Fixed-fixed	507,002	351,838	44.1	495,290	486,637	1.8
Fixed Wireless-fixed wireless	2,748,007	4,460,479	-38.4	6,004,504	6,158,803	-2.5
Inter-network traffic						
Fixed to other Networks(Network voice providers)	19,555,349	20,299,589	-3.7	24,170,238	23,468,289	3.0
Total Local Fixed network traffic	**22,303,356**	**25,111,906**	-11.2	**30,670,032**	**30,113,729**	**1.8**

Source: CA, Operators' Returns

International incoming fixed line traffic experienced growth of 5.0 percent during the quarter to register 2.6 million minutes up from 2.5 million minutes posted during the previous quarter. In comparison with the same period of the previous year, a sizeable growth was achieved of 80.0 percent.

On the contrary, international outgoing fixed line traffic declined by 9.6 percent from 3.6 million minutes recorded during the last quarter to 3.3 million minutes during the quarter under review. However, when compared to the same period of the previous year, an increase of 4.3 percent was registered.

The number of international outgoing VoIP minutes dropped by 11.2 percent to reach 1.5 million minutes during the quarter under review down from 1.7 million minutes recorded during the last quarter which was a growth of 21.3 percent compared to the same period in the previous year.

The trend in international fixed network traffic is illustrated in Table 12 below.

Table 12: International Fixed Voice Traffic

International Fixed Network traffic	*Jan-Mar 15*	*Oct-Dec 14*	*Quarterly Variation (%)*	*Jan-Mar 14*	*Oct-Dec 13*	*Quarterly Variation (%)*
International Incoming Fixed Network Voice traffic	2,641,973	2,516,815	5.0	3,222,199	1,790,587	80.0
International Outgoing Fixed Network Voice traffic	3,303,747	3,653,701	-9.6	3,923,754	3,761,709	4.3
International Outgoing Fixed Network VoIP traffic	1,586,490	1,787,010	-11.2	2,193,476	1,808,646	21.3

Source: CA, Operators Returns.

3 DATA/INTERNET SERVICES

3.1 Data/Internet Service

The data market has continued to expand over the period with increased growth in subscriptions witnessed during the quarter under review. The number of subscriptions increased by 14.3 percent to stand at 18.8 million up from 16.3 million posted during the last quarter. In relation to the same period of the previous year, growth of 1.3 percent was recorded.

Mobile data continued to dominate the data market with the number of subscriptions registered at 18.6 million up from 16.3 million subscriptions during the last quarter. This represented 14.3 percent growth and 1.3 percent increase compared to the same period of the previous year.

Terrestrial wireless data subscriptions declined by 7.9 percent during the quarter under review to register 16,148 subscriptions down from 17,537 recorded during the last quarter. This could have been attributed to substitution of connection to other access modes such as Fibre optic. Compared to the same period of the previous year, a minimal growth of 0.7 percent was recorded.

Satellite subscriptions registered increased growth of 17.4 percent to stand at 836 up from 712 registered during the last quarter. In relation to the same period of the previous year, an increase of 2.6 percent was registered.

The growth in fibre optic subscriptions has remained steady over the period with the quarter under review registering 87,838 subscriptions up from 81,243 subscriptions recorded during the last quarter representing an increase of 8.1 percent during the period. In relation to the same period of the previous year, growth of 2.8 percent was attained.

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

Table 13: Internet Subscriptions and Internet Users

Internet/Data Subscriptions	*Mar-15*	*Dec14*	*Quarterly Variation (%)*	*Mar 14*	*Dec 13*	*Quarterly Variation (%)*
Total Internet Subscriptions	**18,802,428**	**16,453,019**	**14.3**	**13,356,415**	**13,186,968**	**1.3**
Mobile Data Subscriptions	18,682,921	16,338,990	14.3	13,257,309	13,090,348	1.3
Terrestrial Wireless Data Subscriptions	16,148	17,537	-7.9	16,540	16,429	0.7
Satellite Data Subscriptions	836	712	17.4	700	682	2.6
Fixed DSL Data Subscriptions	14,685	14,512	1.2	12,547	12,014	4.4
Fixed Fibre Optic Data Subscriptions	87,838	81,243	8.1	69,377	67,470	2.8

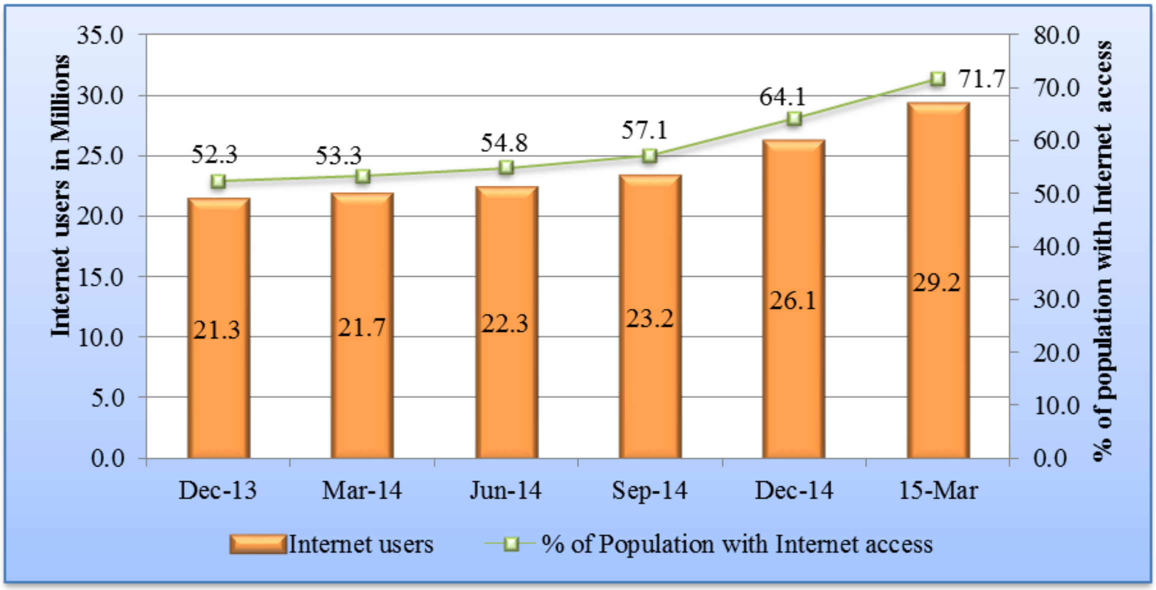
Total Internet Users [3]	**29,158,301**	**26,163,560**	**11.4**	**21,679,309**	**21,273,738**	**1.9**

Source: CA, Operators' Returns

As a result of increased subscriptions, the number of people with access to internet rose to 71.7 percent during the quarter under review, up from 64.1 percent internet users[4] per 100 inhabitants recorded during the last quarter. This marked a 7.6 percentage point increase during the quarter and 1.0 percentage points increase compared to the same period of the previous year.

The growth in the proportion of internet users per 100 inhabitants is demonstrated in Figure 7.

Figure 7: Estimated Number of Internet Users and Internet Penetration



Source: CA, Operators' Returns.

As Table 13 shows, the market share of each of the mobile operators changed during the quarter. Safaricom's share dropped to 65.0 percent down from 72.1 percent recorded during the last quarter marking a 7.1 percentage reduction. The number of subscriptions however grew during the quarter to register 12.1 million up from 11.7 million subscriptions during the previous quarter.

Airtel Networks Limited had 18.5 percent share up from 14.6 percent share representing an increase of 3.9 percentage increase during the quarter. The number of subscriptions, too, expanded to reach 3.4 million up from 2.3 million posted during the previous quarter.

Telkom Kenya (Orange) had 13.0 percent share during the quarter under review from 13.3 percent share posted during the previous quarter. The number of subscriptions rose to record 2.4 million from 2.1 million registered during the last quarter.

Finserve Africa Limited recorded 665,661 subscriptions equivalent of 3.6 percent share during the quarter under review.

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[4] Total no. of Internet users = Σ (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

The market shares for mobile data/Internet market by operator are shown in Table 14.

Table 14: Mobile data/Internet Subscriptions

Name of Operator	*Mar-15*	*Market share (%)*	*Dec 14*	*Market Share (%)*
Safaricom Limited	12,147,353	65.0	11,787,099	72.1
Airtel Networks Limited	3,448,107	18.5	2,377,732	14.6
Telkom Kenya(Orange)	2,421,800	13.0	2,174,154	13.3
Finserve Africa Limited	665,661	3.6		
Total Subscriptions	**18,682,921**		**16,338,985**	

Source: CA, Operators' Returns

The market share for other fixed/wireless data/internet subscriptions for the top ten operators in the market experienced mixed trends during the period under review with some operators gaining in market share with others decreasing. Wananchi Telecom had the highest market share during the quarter under review to record 46.8 percent down from 48.8 percent share registered during the previous quarter representing a drop of 2 percentage points. Liquid Telecom followed with 15.3 percent share down from 15.7 percent loosing 0.4 percentage points during the quarter even though there was recorded growth in the number of subscriptions. Telkom Kenya too, lost 0.4 percentage points to reach 10.1 percent down from 10.5 percent share attained during the last quarter though its subscriptions expanded from 12,002 during the last quarter to 12,083 subscriptions during the quarter under review.

Other operators' share remained the same at 0.3 even though there was growth in the number of subscriptions from 346 during the last quarter to 417 during the quarter under review.

Table 15 below shows the number of subscriptions and respective market share for the first ten and other operators.

Table 15: Other Fixed/Wireless Internet Subscriptions by Operator

Name of Operator	*Mar-15*	*Market share (%)*	*Dec 14*	*Market Share (%)*
Wananchi Telecom Limited	55,936	46.8	55,936	48.8
Liquid Telecom Limited	18,250	15.3	18,050	15.7
Telkom Kenya Limited	12,083	10.1	12,002	10.5
*Access Kenya Limited****	11,502	9.6	11,502	10.0
Safaricom Limited	8,192	6.9	8,244	7.2
Jamii Telecommunication Limited	7,536	6.3	2,574	2.2
*Iway Africa**	3,271	2.7	3,271	2.9
Mobile Telephony Networks Limited	1,035	0.9	1,327	1.2
*Internet solution***	742	0.6	742	0.6
Call Key Networks Limited	543	0.5	543	0.5
Others	417	0.3	346	0.3
Total Subscriptions	**119,507**		**114,739**	

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

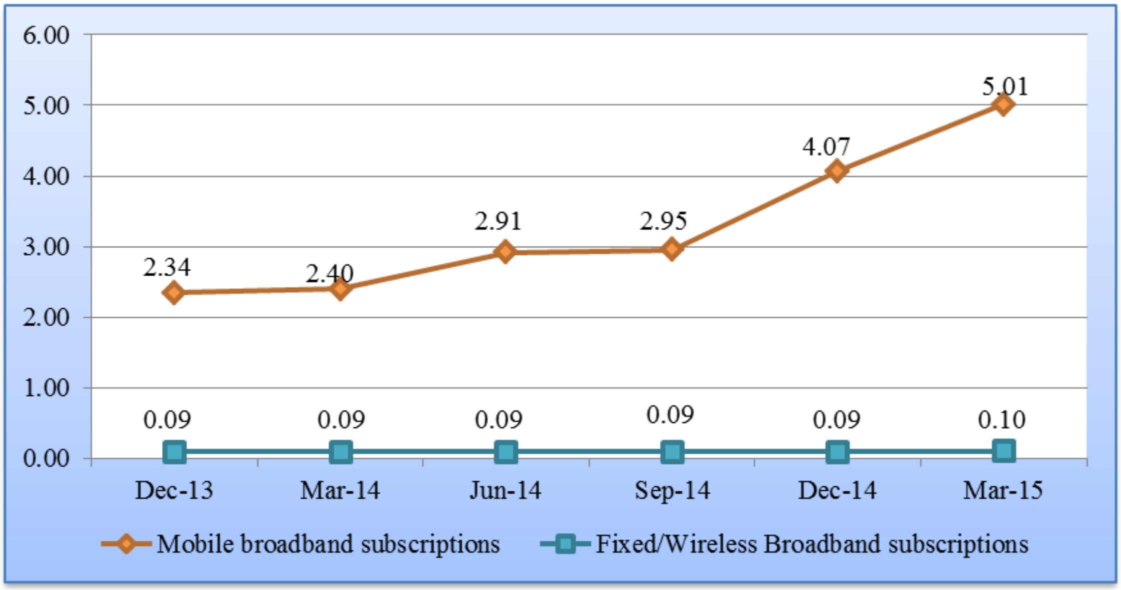
3.2 Broadband Services

3.2.1 Data / internet broadband subscriptions

As Figure 8 illustrates, the number of mobile broadband subscriptions stood at 5.01 million up from 4.07 million subscriptions during the last quarter representing growth of 23.1percent during the quarter. When related to the same period of the previous year, growth of 2.6 percent was registered.

Fixed/wireless broadband subscriptions on the other hand stood at 0.1 million up from 0.09 subscriptions recorded during the last quarter, representing an increase of 11.1 percent during the quarter.

Figure 8: Broadband Subscriptions



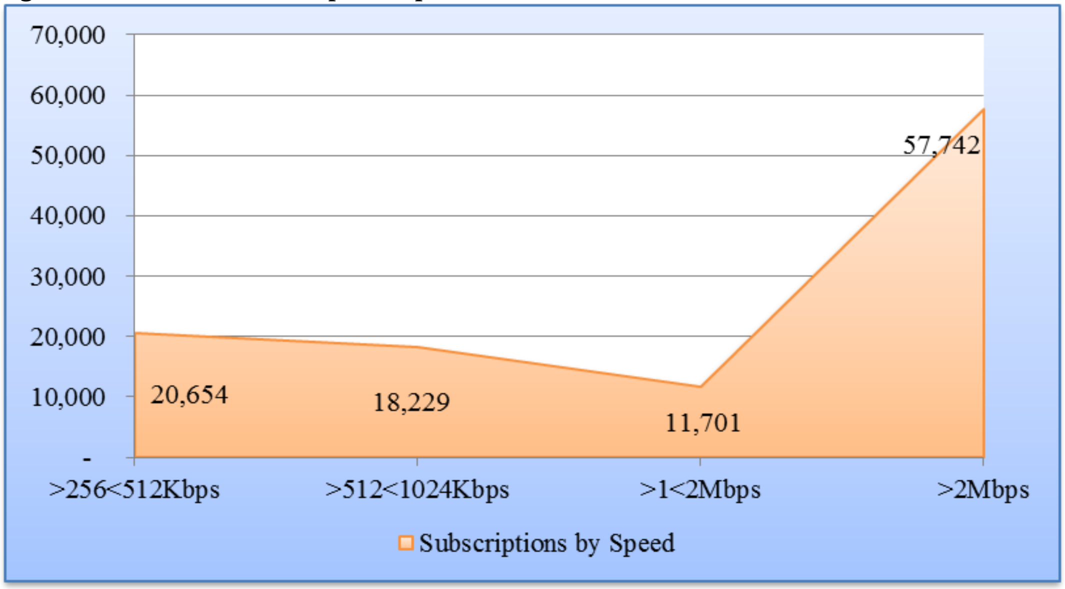
Source: CA, Operators' Returns

3.2.2 Broadband subscriptions by Speed

The number of fixed/wireless broadband subscriptions, as categorized by advertised speeds, was recorded at 57,742 subscriptions with highest speeds of 2Mbps being recorded during the period under review. Speeds of between 256 and 512 Kbps followed with 20,654 subscriptions. The least number of subscriptions was in the category of 1024 and 2048 Kbps with 11,701 subscriptions during the quarter under review.

The number of advertised broadband speeds per category is illustrated in Figure 9.

Figure 9: Broadband Subscriptions speed



Source: CA, Operators' Returns.

3.3 International Bandwidth

During the period under review, the amount of international Internet bandwidth available in the country (Lit/equipped capacity) grew substantially to reach 1.6 million Mbps up from 847,523 Mbps recorded during the last quarter representing an increase of 96.9 percent during the quarter. This growth was mainly contributed by TEAMS that recorded more than 6-fold increase as a result of upgrade of their systems that lit more capacity to accommodate growing demand for bandwidth.
Satellite capacity, on the other hand, declined by 2.7 percent to reach 265 Mbps from 273 Mbps recorded during the last quarter. Similarly, when compared to the same quarter of the previous year, a decline of 15.3 percent was observed.

The trend on international Internet available bandwidth is as shown in Table 16.

Table 16: International Internet Available Bandwidth (Mbps)

International Connectivity Bandwidth	*Mar-15*	*Dec 14*	*Quarterly Variation (%)*	*Mar 14*	*Dec 13*	*Quarterly Variation (%)*
SEACOM	770,000	565,440	36.2	583,680	578,400	0.9
TEAMS	820,000	119,970	583.5	119,970	119,970	0.0
Telkom Kenya Limited (EASSY)	39,060	39,060	0.0	39,060	39,060	0.0
Lion 2	39,220	40,960	-4.2	40,960	40,960	0.0
VSAT	265.6	273	-2.7	223.6	263.9	-15.3
Total International Internet Bandwidth (Mbps)	**1,668,546**	**765,703**	**117.9**	**783,894**	**778,653.9**	**0.7**

Source: CA, Operators' Returns

As a result of tremendous increase in the total available bandwidth in the country, used bandwidth grew considerably by 57.3 percent to stand at 783,561.6 Mbps up from 498,121 Mbps recorded used bandwidth in the last quarter. This growth could be attributed to the continuous formulation of e-applications such as for e-commerce that have witnessed popularity in online shopping thereby increasing demand for bandwidth. Thus the total used bandwidth represented 47.0 percent of the total available bandwidth in the country.

The undersea cable used bandwidth increased by 57.3 percent to reach 783,490Mbps up from 498,015Mbps recorded during the last quarter. Similarly, when compared to the same period of the previous year, growth of 22.3 percent was realised.

On the other hand, satellite used bandwidth recorded a drop of 32.5 percent to register 71.6Mbps during the quarter down from 106.1 Mbps posted during the last quarter. However when compared to the same period of the previous year, growth of more than 2-fold increase was observed.

The trend in international connectivity bandwidth is shown in Table 17.

Table 17: International Internet Connectivity Bandwidth (Mbps)

International Leased Bandwidth	*Mar-15*	*Dec 14*	*Quarterly Variation (%)*	*Mar 14*	*Dec 13*	***Quarterly***
International Undersea Internet Connectivity Bandwidth (Mbps)	783,490	498,015	57.3	446,865	365,330	22.3
International Satellite Internet Connectivity Bandwidth	71.6	106.1	-32.5	195.63	83.43	134.5
Total International Internet Connectivity Bandwidth (Mbps)	**783,561.6**	**498,121**	**57.3**	**447,061**	**365,413**	**22.3**

Source: CA, Operators' Returns;

3.4 Revenue and Investment in the Data/Internet Market

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

Table 18: Data/Internet Revenue and Investment

*Data/Internet Revenue and Investments**	*2013*	*2012*	*2011*	*2010*	*2009*	*Variation (%) Over 2012*	*Variation (%) Over 2011*	*Variation (%) Over 2010*	*Variation (%) Over 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 was recorded at 32,508 as shown in Table 19.

Table 19: 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 POSTAL AND COURIER SERVICES

5.1 Postal and Courier Traffic

The number of letters sent locally continued to go down with the quarter under review registering a decline of 0.3 percent to record 16.73 million letters down from 16.78 letters recorded during the last quarter. The same trend was observed compared to the same period of the previous year that witnessed a decline of 2.8 percent.

Courier items sent also registered a decline of 10.1 percent during the quarter to reach 344,222 items down from 382,925 items recorded during the last quarter. In relation to the same period of the previous year, a decline of 0.2 percent was experienced.

International incoming letters declined during the quarter under review to reach 2.43 million letters down from 2.46 million letters recorded during the last quarter. This represents a decline of 1.0 percent during the quarter and 2.4 percent drop when related to the same period of the previous year.

As Table 20 indicates, the volume of international outgoing letters experienced minor growth of 0.1 percent to stand at 2.293 million letters up from 2.290 million letters registered during the last quarter. However, compared to the same period of the previous year, a decline of 16.5 percent was observed.

Table 20: Postal and Courier Traffic

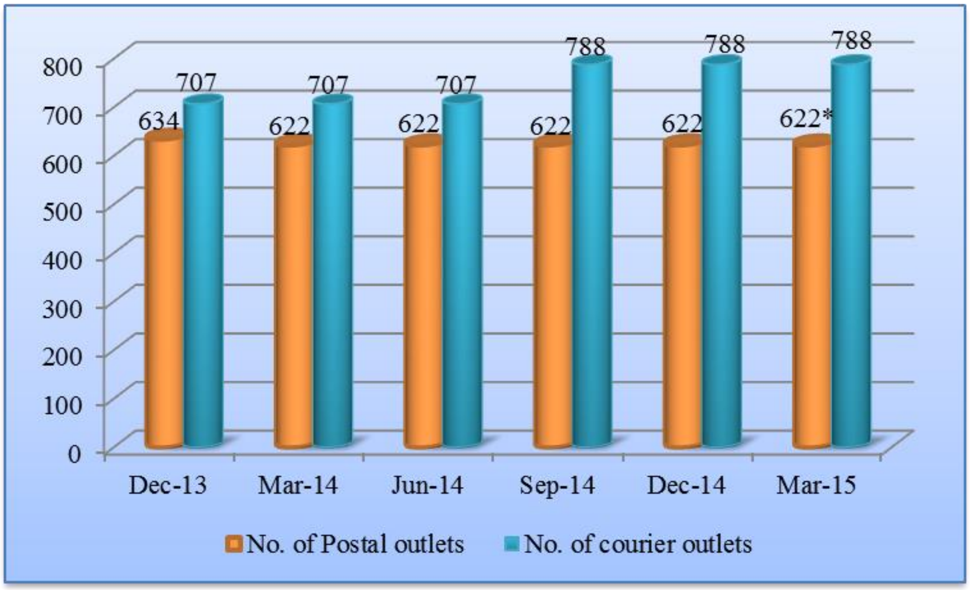
Post and Courier Traffic	*Jan-Mar 15*	*Oct-Dec 14*	*Quarterly Variation (%)*	*Jan-Mar 14*	*Oct-Dec 13*	*Quarterly Variation (%)*
Number of Letters (Up to 350 gms) Posted Locally	16,738,268*	16,782,993	-0.3	16,846,228	17,324,016	-2.8
Total Courier Items Sent Locally	344,222*	382,925	-10.1	477,526	478,434	-0.2
International Incoming Letters (Up to 350 gms)	2,436,307*	2,461,845	-1.0	2,461,791	2,522,641	-2.4
International Outgoing Letters (Up to 350 gms)	2,293,147*	2,290,871	0.1	812,923	978,525	-16.9

Source: CA, Operators' Returns, *PCK returns for Oct-Dec 2014

5.2 Number of Postal and Courier Outlets

As illustrated in Figure 10, the number of postal and courier outlets did not change during the quarter under review and remained at 622 and 788 respectively.
Thus the total number of postal and courier outlet by the end of the quarter under review remained at 1,410.

Figure 10: Number of Postal Outlets



Source: CA, Operators' Returns,*PCK data for Oct-Dec 2014

5.3 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,

6 CONCLUSION

The telecommunication sector has continued on a positive growth path mainly boosted by the mobile telephony subsector. As demonstrated in the quarter, the mobile telephony was robust as witnessed by the growth in subscriptions and consequent increase in mobile penetration. The entry of MVNO's in the mobile telephony subsector has and will continue to stir competition and growth in the sector. Local voice traffic as well as international voice traffic also recorded growth during the quarter.

Data/Internet sub-sector has sustained steady growth over the period with increase in subscriptions recorded during the quarter. This growth was mainly contributed by subscriptions of mobile data/internet.

The growth in data/internet subscriptions pushed the demand for bandwidth further with the quarter under review registering an increase in both international available capacity and the used capacity in the country. The evolution of advanced services on e-platforms such as e-government, e-commerce, e-learning and IPTV/Triple Play could be attributed to the demand and thus the need for growth in bandwidth capacity.

In the postal and courier subsector, there was recorded decline in local mail traffic volume during the quarter. International incoming letters experienced a drop during the quarter but international outgoing mails recorded minor growth during the quarter.