

Communications Market Review

July to December 2013

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1. Reporting parameters

This is the latest report in a series of Communications Market Review (CMR) publications from the Malta Communications Authority (MCA)¹, covering the period 2011 to 2013. The report mainly draws on quarterly data compiled by the MCA from network operators and service providers involved in the provision of electronic communications and postal services in Malta. This data is then utilised to develop key performance indicators (KPIs) for the relevant sectors.

Figure 1 below lists the network operators and service providers submitting data to the MCA.

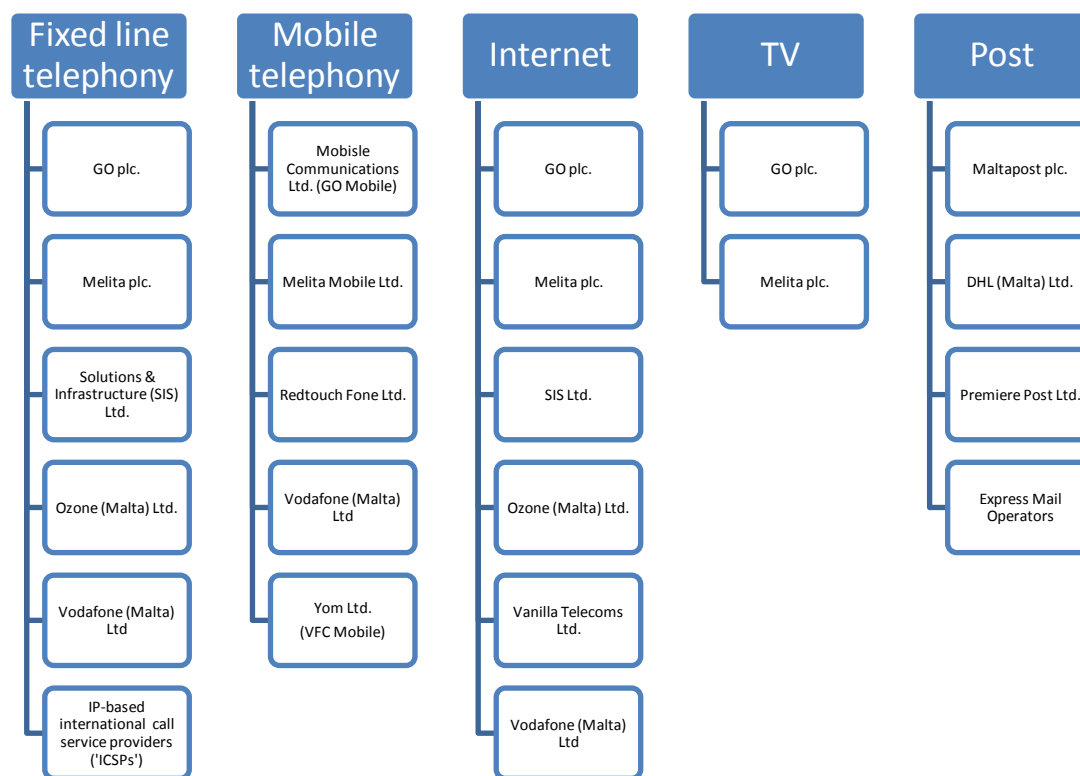


Figure 1: Operators providing quarterly data

This report also refers to findings extracted from publications of third parties in the areas of interest².

1.1. The reporting period and data cut-off date

The current review presents data and KPIs on a quarterly basis for the period starting Q1 2011 and ending Q2 2013³.

¹ These publications are available electronically: <http://www.mca.org.mt/market-overview>

² References to information contained in other websites and quotes from third party sources, such as reference to Deutsche Post's postal rate figures in Malta and the EU, should not be interpreted as constituting endorsement, accuracy and/or responsibility by the MCA.

³ Previous MCA CMR publications are available to download for free from the MCA website by clicking [here](#).

The data cut-off date for implementing changes and updates in the data has been set on the 10th of March 2014. Any data revised and updated by the sources after the cut-off date will be incorporated in the forthcoming Data Report Sheet (DRS) publication envisaged for June 2014⁴.

1.2. The KPIs in this report

This report is composed of five sections dealing with trends observed for fixed line telephony, mobile telephony, Internet, pay TV and post. The list of indicators available in this review is provided in Figure 2 below.

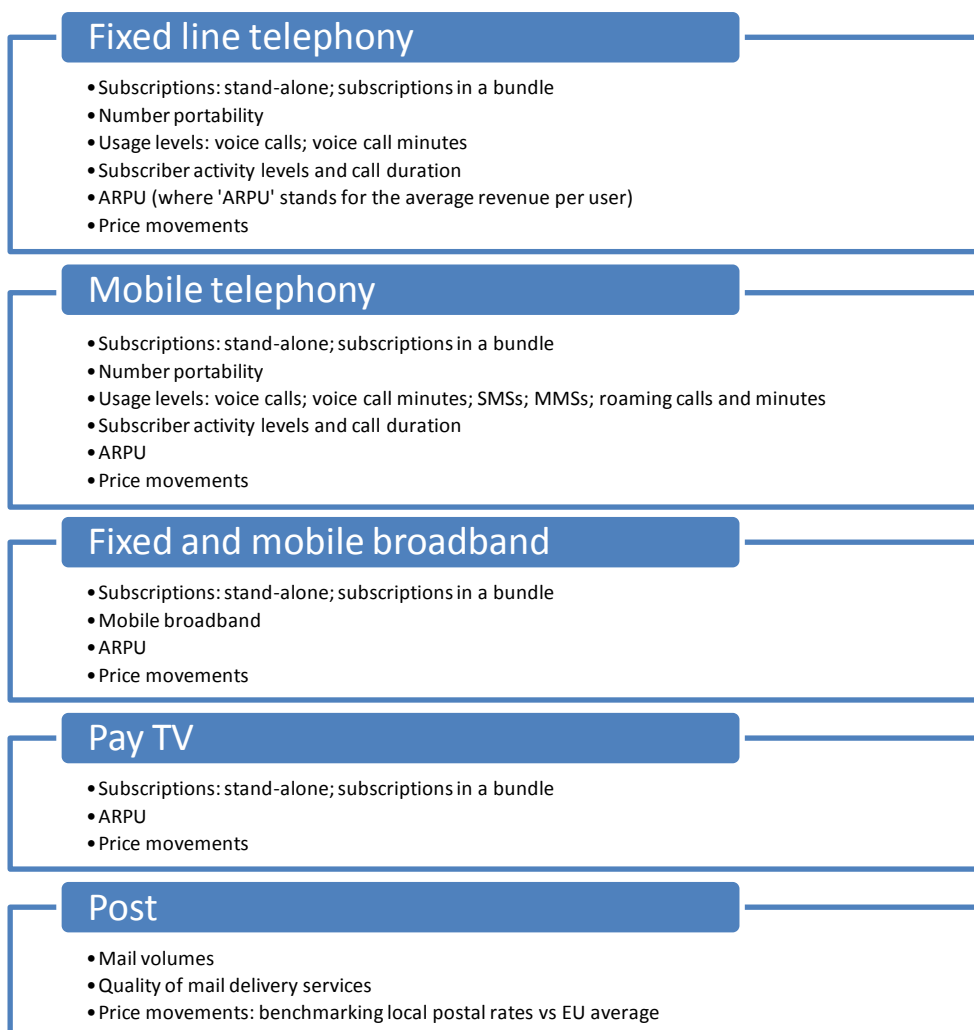


Figure 2: Key market indicators for electronic communications and post

⁴ The MCA publishes a DRS on a regular basis, the latest of which can be found on: <http://www.mca.org.mt/statistics/key-market-indicators-electronic-communications-and-post-q1-2009-q4-2013>

2. Key market outcomes

Data for the second half of 2013 shows that while electronic communications service providers compete to retain market shares and to increase revenues, market developments were generally positive.

Mobile telephony had a particularly good showing. Subscriptions over a year were up by 9.2% to reach 580,961 by the end of 2013. The number of mobile subscriptions at the end of last year exceeded the amount of fixed line telephony subscriptions by 2.5 times. Mobile usage levels also accelerated to their highest levels ever, with voice traffic volumes, both in terms of the number of voice calls and the number of voice call minutes, outpacing those recorded by the fixed line telephony sector.

The high penetration for mobile telephony reflects the trend to multi-SIM ownership, which in part may also explain why the number of mobile inward portings is constantly in decline. In fact, the number of mobile inward portings totalled 21,828 in the second half of 2013, down from 24,333 inward portings recorded in the same period a year earlier.

It is also observed that mobile telephony ARPU stood at €82.82 in the second half of 2013, which is slightly higher than fixed telephony ARPU, at €81.01, for the same period. When compared with the corresponding period a year earlier, mobile telephony ARPU fell by 4.1% whilst fixed telephony ARPU fell by 1.4%.

Broadband connectivity services have also shown a strong performance in the period under review. In this case, fixed broadband subscriptions were up by 5.3% to reach 143,010 by the end of 2013. Meanwhile, a strong increase in demand was reported for mobile broadband, with the number of active users averaging 215,000 in the period January to July 2013 compared to 188,000 in the same period of 2012.

As subscriptions for broadband products supporting higher download speeds increased and advertised rates remained practically unchanged, broadband ARPU in the period under review was reportedly down by 4% to €85.56 when compared to the second half of the previous year.

Pay TV has also shown growth, albeit at a rather subdued rate than observed in previous years. In fact, the number of pay TV subscriptions totalled 148,905 at the end of 2013, up by just 0.7% from 147,896 a year earlier.

From a revenue perspective, ARPU for the pay TV sector in the second half of 2013 was down by 6.3% when compared to the same period a year earlier.

The decline in ARPU is prevalent across all the main electronic communications activities highlighted upon in this report. In this regard, bundling may have played an important role in bringing about this development. This is because consumers opting for bundled offers typically do so in order to benefit from discounts that come with such products. Available data shows that more consumers are in fact opting for bundled subscriptions, with the share of pay TV and fixed broadband subscriptions on a bundle increasing to nearly 53% and 52% respectively at the end of 2013.

As to postal services, developments in the second half of 2013 indicate that demand for traditional letter mail services remains on the decline. In this regard, letter mail volumes were down by 11.9%, outweighing increases recorded elsewhere in the postal sector. For example, the parcel mail business was particularly buoyant, with mail volumes rising by 32.7%.

The main market outcomes for the electronic communications and postal sectors are presented below, although more detailed information on market developments is provided in Sections 4 to 8 of this document.

i. Fixed line telephony

- The number of fixed line subscriptions totalled 231,331 at the end of 2013, up by 0.7% since the end of 2012. Almost 83.0% of total subscriptions were on a postpaid contract and 15.9% were on a prepaid plan. The remaining share of subscriptions, at 1.2%, were on an 'enhanced' contract arrangement, which typically encompasses those subscriptions offering multiple channel (dual or more) fixed telephony connections.
- Around 42% of all fixed line telephony subscriptions at the end of the current reporting period were bundled with some other electronic communications service.
- The number of fixed line inward portings recorded in the second half of 2013 totalled 776 compared to 1,049 inward portings in the second half of the previous year.

Fixed line telephony	SH 2011	SH 2012	SH 2013
Subscriptions (end of period)	232,203	229,740	231,331
Voice activity levels per subscription			
Number of voice calls	409	411	374
Number of voice call minutes	1,403	1,385	1,282
Average rate per minute (ARPM)			
on-net FTF call	€0.01	€0.01	€0.01
off-net FTF call	€0.01	€0.01	€0.01
FTM call	€0.20	€0.17	€0.18
FTI call	€0.09	€0.08	€0.09
Average revenue per user (ARPU)	€86.24	€82.17	€81.01

Table 1: Take-up, activity levels and pricing for the fixed line sector

- Traffic volumes in the second half of 2013 were down over volumes recorded in the second half of 2012. The number of outgoing voice calls was down by 9.4% and the number of outgoing voice traffic minutes was down by 7.8%. These declines are also reflected in lower activity levels per fixed line subscription, as illustrated in Table 1 above.
- ARPU for fixed line telephony in the second half of 2013 stood at €81.01, down from €82.17 in the second half of 2012.
- The average rate per minute (ARPM) of fixed line communications concerning on-net and off-net fixed-to-fixed (FTF) calls stood at €0.01 in Q4 2013. That for fixed-to-mobile (FTM) calls and fixed-to-international (FTI) calls stood at €0.18 and €0.09 respectively.

ii. Mobile Telephony

- The number of mobile subscriptions totalled 580,961 as at the end of the current reporting period. This figure is up by 9.2% since the end of 2012.
- The number of prepaid subscriptions went up by 39,003 (or by 9.3%) in the 12-month period ending December 2013 to a total of 459,284. This figure is equivalent to 79.1% of total mobile subscriptions recorded at the time. The number of postpaid subscriptions also increased during the same period, this time by 9,730 (or by 8.7%) to reach a total of 121,677.
- Just around 9.5% of all mobile subscriptions⁵ were bundled with some other electronic communications service at the end of 2013.

⁵ This figure may be overstated given that the end user may not necessarily activate the mobile subscription in a quad play bundle, and such information is not available.

- The number of mobile inward portings totalled 21,828 in the second half of 2013, down from 24,333 inward portings recorded in the same period a year earlier.

Mobile telephony	SH 2011	SH 2012	SH 2013
Subscriptions (end of period)	521,748	532,228	580,961
Activity levels per subscription			
Number of voice calls	338	375	457
Number of voice call minutes	501	562	591
Number of SMSs	595	621	506
ARPM			
domestically-bound call	€0.10	€0.10	€0.09
Internationally-bound call	€0.29	€0.15	€0.13
Average rate per domestic SMS	€0.02	€0.02	€0.02
Average rate per international SMS	€0.20	€0.17	€0.06
ARPU	€94.91	€86.38	€82.82

Table 2: Take-up, activity levels and pricing for the mobile sector

- Mobile traffic volumes grew consistently throughout 2013. Compared to the second half of 2012, mobile voice calls in the second half of 2013 increased by 28.7% and mobile voice call minutes were up by 12.7%.
- Voice traffic volumes grew at a faster rate than subscriptions, thereby resulting in an increase in the number of mobile voice calls and voice call minutes per subscription, as illustrated in Table 2 above.
- Contrary to developments for voice, growth in subscriber numbers exceeded that for SMS traffic volumes. Hence, the number of SMSs per subscription went down, from an average of 621 in the second half of 2012 to an average of 506 in the first half of 2013.
- The average length of a mobile-originated call went down from 90 seconds in the second half of 2012 to 78 seconds in the second half of 2013, probably as end users made short calls instead of sending SMSs.
- Mobile retail prices maintained their downward projection. The average rate per minute of mobile communications in Q4 2013 stood at €0.09 for a domestic (or local) call, down from €0.10 in Q4 2012. The ARPM for an international call also went down from €0.15 to €0.13. Meanwhile, the average rate per domestic SMS was unchanged.
- Mobile ARPU in the second half of 2013 stood at €82.82, down from €86.38 in the second half of 2012.

iii. Fixed and mobile broadband

- By the end of 2013, fixed broadband subscriptions totalled 143,010. This figure is 5.3% higher than that reported 12 months earlier and corresponds to a fixed broadband penetration rate (measured on the basis of the number of active connections as a proportion of Malta's population) of 33.8%.
- The number of fixed broadband subscriptions on a bundle continued to grow at a faster pace than new subscriptions. Bundled fixed broadband subscriptions totalled 75,211 at the end of 2013, thereby accounting for nearly 53% of all fixed broadband subscriptions.
- About 13% of all fixed broadband subscriptions as at the end of 2013 had a connection speed of less than 10Mbps. Broadband subscriptions with a connection speed of 10Mbps but less than 30Mbps accounted for almost 60.0% of all subscriptions, whilst those with a connection speed of 30Mbps but

less than 100Mbps accounted for 26.2% of all subscriptions. Fixed broadband subscriptions with a connection speed of 100Mbps or more only accounted for 0.7% of the total number of subscriptions.

- At the end of 2013, cable subscriptions totalled 70,498, DSL subscriptions totalled 70,052 and fixed wireless subscriptions totalled 2,460.

Fixed broadband	SH 2011	SH 2012	SH 2013
Subscriptions (end of period)	128,678	135,758	143,010
less than 5Mbps	95,956	15,406	11,229
greater than or equal to 5Mbps but less than 10Mbps	883	14,880	7,721
greater than or equal to 10Mbps but less than 20Mbps	19,693	83,600	77,844
greater than or equal to 20Mbps but less than 30Mbps	10,548	9,029	7,622
greater than or equal to 30Mbps but less than 50Mbps	2	10,053	34,718
greater than or equal to 50Mbps but less than 100Mbps	964	1,921	2,877
100Mbps and more	632	869	999
Average rate per Mbps (end of period)	€2.15	€1.75	€1.85
less than 5Mbps	€3.66	€3.79	€3.79
greater than or equal to 5Mbps but less than 10Mbps	€3.21	€4.56	€6.22
greater than or equal to 10Mbps but less than 20Mbps	€2.33	€1.72	€1.92
greater than or equal to 20Mbps but less than 30Mbps	€1.65	€1.34	€1.47
greater than or equal to 30Mbps but less than 50Mbps	not avail.	€2.00	€2.00
greater than or equal to 50Mbps but less than 100Mbps	€1.00	€0.84	€0.84
100Mbps and more	€0.70	€0.80	€0.80
ARPU	€85.44	€89.11	€85.56

Table 3: Take-up and pricing for the fixed broadband sector

- Fixed broadband ARPU in the second half of 2013 stood at €85.56, down from €89.11 in the corresponding period a year earlier.
- The average rate per unit of download speed (or per Mbps) stood at €1.85 in Q4 2013.
- Mobile internet activity strengthened in the period January to July 2013, due to a higher take-up of mobile data plans and the continued proliferation of connected mobile devices such as smartphones and tablets. The number of active mobile broadband subscriptions averaged at around 215,000 in this period, up from around 188,000 in the corresponding period a year earlier.

iv. Pay TV

- The number of Pay TV subscriptions totalled 148,905 at the end of 2013, up by 1,009 (or 0.7%) since the end of 2012.
- The share of total pay TV subscriptions on the analogue cable and digital cable platforms stood at 5.0% and 49.1% respectively at the end of the current reporting period. Meanwhile, the Digital terrestrial TV (DTTV) and Internet Protocol TV (IPTV) platforms accounted for 41.8% and 4.0% of total pay TV subscriptions respectively.
- In absolute terms, the number of analogue subscriptions declined by 1,021 over a 12-month period ending in December 2013. The number of digital cable and DTTV subscriptions also went marginally down during the same period by 80 and 8 respectively. Meanwhile, the number of IPTV subscriptions increased by 2,118.
- The growing preference for bundled services is also reflected in the take-up of digital and IP Pay TV services as part of a bundle. These subscriptions increased by 10,818 over a 12-month period ending

December to reach a total of 73,496. The latter figure corresponds to almost 52% of all digital and IP-based pay TV subscriptions recorded at the time.

Pay TV	SH 2011	SH 2012	SH 2013
Subscriptions (end of period)	149,727	147,896	148,905
Average market rates for pay TV packages			
up to 24 channels	€3.99	€3.99	€3.99
25 to 49 channels	€11.38	€12.49	€12.49
50 to 74 channels	€23.99	€23.49	€23.49
75 to 99 channels	€19.99	€24.49	€24.49
100 channels or more	€29.49	€29.99	€29.99
ARPU	€84.69	€85.56	€80.15

Table 4: Take-up and pricing for the Pay TV sector

- Pay TV ARPU in the second half of 2013 stood at €80.15, down from €85.56 in the second half of 2012.
- MCA workings show that average advertised rates for Pay TV were rather stable for the identified categories throughout 2013, even when accounting for some minor adjustments in the channel line-up of some Pay TV packages.

v. Post

- Postal mail volumes delivered in the second half of 2013 were 3.2% lower than in the second half of 2012 and amounted to 20.3 million items.
- The universal service area reported a decline in activity during the reporting period. Compared to the second half of 2012, postal mail volumes in the universal service area were down by 3.5% to 19.9 million items. Meanwhile, postal mail volumes under the so-called competitive area were up by 17.9% to 0.3 million items.
- Bulk mail accounted for 54.9% of all postal items delivered in the universal service area in the second half of 2013, followed by letter mail at 41.5%, registered mail at 2.6% and parcel mail at almost 1.0%.

Post	SH 2011	SH 2012	SH 2013
Postal mail volumes	21,861,534	20,963,801	20,292,119
Competitive area postal volumes	281,283	286,715	337,977
Letter mail	173,257	188,193	204,595
Parcel mail	108,026	98,522	133,382
Universal service area postal volumes	21,580,251	20,677,086	19,954,142
Letter mail	9,279,172	9,379,075	8,226,507
Bulk mail	11,764,916	10,738,772	11,131,185
Registered mail	489,163	509,489	533,043
Parcel mail	47,000	49,750	63,407

Table 5: Postal mail volumes

- Despite the increase in local postage rates recorded in April 2013, Malta's nominal stamp prices for a *domestic standard letter* and *letter mail within Europe* are likely to have remained the lowest in the EU.

3. Market share trends of the local subscriber base

This section looks at the changes in market position of local service providers, based on the number of subscriptions reported at the end of the current review period.

3.1. Fixed line telephony

The number of fixed line telephony subscriptions increased by 1,590 over a year, to reach 231,331 by the end of 2013. During this period, Melita increased its market share, from around 26% of the local subscriber base at the end of 2012 to 29.6% a year later. Meanwhile, GO’s market share fell from 73.5% to 69.9%.

Vodafone (Malta) and Ozone (Malta) has also lost market share during the same period, whilst SIS’s position saw no material change.

Market shares	GO	Melita	SIS	Ozone (Malta)	Vodafone (Malta)
End of Q4 2013	69.84%	29.58%	0.10%	0.34%	0.14%
End of Q4 2012	71.07%	28.27%	0.09%	0.42%	0.15%
End of Q4 2011	73.50%	25.77%	0.09%	0.41%	0.23%

Figure 3: Market shares in terms of fixed line telephony subscriptions as at end of period

3.2. Mobile telephony

The number of mobile telephony subscriptions increased by 48,733 in the 12-month period to December 2013.

Vodafone still accounts for the largest number of mobile telephony subscriptions, even though its market share dipped by 3.5 percentage points in the 12 months to December 2013. Meanwhile, the market shares of Go Mobile and Melita Mobile strengthened by 3.6 percentage points and 0.3 percentage points respectively.

Other players on the mobile telephony market, namely RedTouch Fone and VFC Mobile, have not been successful in maintaining their turf as their already small market shares dwindled further.

Market shares	GO Mobile	VFC Mobile	Melita Mobile	Ping	Redtouch Fone	Vodafone
End of Q4 2013	39.55%	0.01%	13.11%	-	1.82%	45.50%
End of Q4 2012	35.99%	0.03%	12.85%	0.13%	2.00%	49.02%
End of Q4 2011	37.44%	0.05%	10.67%	0.14%	1.93%	49.78%

Figure 4: Market shares in terms of mobile telephony subscriptions as at end of period⁶

⁶ Ping Mobile ceased operations in 2012.

3.3. Fixed broadband

Fixed broadband subscriptions increased by 7,252 over a year, to reach 143,010 by the end of 2013.

The biggest gainer in terms of subscriptions has been Melita, which saw its market share of the local subscriber base improve by 1.6 percentage points during this period. GO also increased its subscriber numbers, however its overall market share fell by 1.1 percentage points and lost its lead on the market.

Other market share drops were recorded by Vodafone (Malta), Ozone Malta and third party ISPs.

Meanwhile, the market shares of SIS and Vanilla Telecoms were unchanged.

Market shares	GO	Melita	SIS	Ozone (Malta)	Vanilla Telecoms	Vodafone	IP-based ISPs
End of Q4 2013	48.80%	49.30%	0.02%	0.28%	0.13%	1.35%	0.13%
End of Q4 2012	49.89%	47.71%	0.02%	0.29%	0.13%	1.79%	0.18%
End of Q4 2011	51.07%	45.92%	0.02%	0.29%	0.12%	2.36%	0.21%

Figure 5: Market shares in terms of fixed broadband subscriptions as at end of period

3.4. Pay TV

The number of pay TV subscriptions increased by around 1,000 between January and December 2013.

This increase coincided with a further convergence in the subscriber market shares of GO and Melita. However, this convergence is materialising at a very slow pace as GO’s market share grew by just 0.4 percentage points at the expense of Melita⁷.

Market shares	GO	Melita
End of Q4 2013	45.83%	54.17%
End of Q4 2012	45.39%	54.61%
End of Q4 2011	44.71%	55.29%

Figure 6: Market shares in terms of pay TV subscriptions as at end of period

⁷ As at the end of 2013, Melita’s digital and analogue cable platforms accounted for 49.1% and 5.0% of the local pay TV subscriber base respectively.

4. Fixed line telephony

The most striking trend for the fixed line sector in 2013 is the continued drop in voice traffic volumes. In combination with an increase in total subscriptions for the sector, fixed line usage levels reached new lows. Figures would indicate that subscribers to landlines are increasingly using their mobile handset to communicate with third parties.

Some relevant considerations at this stage are the following:

- The number of end-users having a fixed telephony subscription increased in 2013, totalling 231,331 by the end of the year, which is up by 0.7% since the end of 2012. This increase is mainly accounted for by the prepaid segment of the market.
- Another important trend relates to bundling of fixed telephony subscriptions. The number of such subscriptions as at the end of 2013 totalled 97,577. This is an increase of 13.6% on the number of fixed line subscriptions in a bundle recorded at the end of 2012.
- The above coincides with a year-on-year decline in the number of fixed line portings. The number of fixed line inward portings in 2013 totalled 1,659 compared to 2,947 fixed line portings in 2012.
- GO is facing increasing competition from its main rival, Melita. During 2013, Melita reported an increase of 5.3% in the case of its subscriptions, compared to a decline of 0.9% reported by GO. This resulted in Melita strengthening its overall market share.

4.1. Subscriptions

The number of fixed line telephony subscriptions totalled 231,331 as at the end of 2013, which is up by 0.7% since the end of 2012.

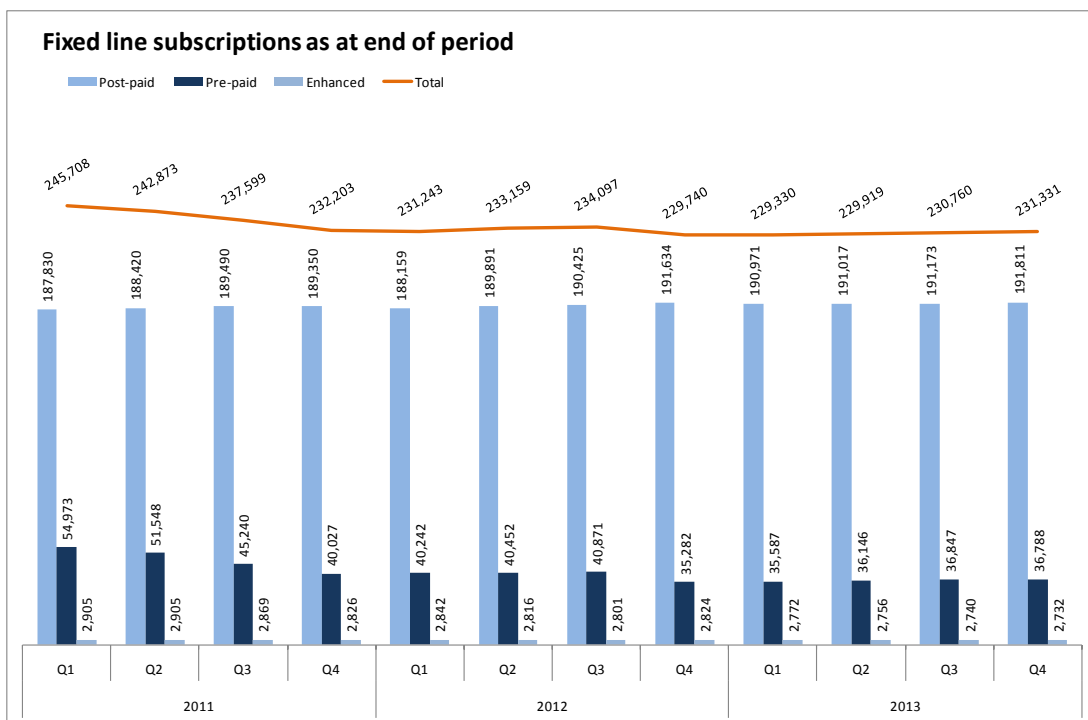


Figure 7: Fixed line telephony subscriptions as at end of period

This increase is mainly a result of the following:

- The number of prepaid fixed line subscriptions went up by 4.3% in the 12-month period to December 2013, to reach a total of 36,788. This figure accounts for 15.9% of all fixed line subscriptions reported at the time.

Meanwhile, the number of postpaid subscriptions only increased marginally. The number of postpaid fixed line subscriptions totalled 191,811 at the end of the current reporting period. This figure is equivalent to 82.9% of the total fixed line subscriber base recorded at the time.

The above-mentioned increases by far outweighed a decline of 92 enhanced fixed line subscriptions⁸.

- The number of end-users opting to bundle their fixed line subscription with other electronic communications services continued to increase at a strong pace during 2013. The number of fixed line subscriptions in a bundle totalled 97,577 by the end of last year, up by 13.6% in 12 months.

Post paid fixed telephony subscriptions on a bundle	2011				2012				2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	71,901	74,681	77,322	80,367	80,798	83,462	85,458	85,898	84,862	89,854	93,318	97,577
Dual Play	28,951	31,537	34,028	35,497	33,810	34,641	35,290	35,521	34,168	33,056	33,329	33,715
Fixed telephony + Mobile telephony	4,681	7,022	8,914	10,917	11,971	12,738	13,352	13,567	12,818	12,156	12,514	12,443
Fixed telephony + Fixed Broadband	7,319	7,013	7,239	8,035	6,524	6,222	9,188	9,653	10,038	10,068	10,270	11,349
Fixed telephony + Pay TV	16,951	17,502	17,875	16,545	15,315	15,681	12,750	12,301	11,312	10,832	10,545	9,923
Triple Play	7,589	6,798	5,872	7,136	8,653	9,802	10,430	9,794	9,665	15,459	18,358	21,376
Fixed telephony + Fixed Broadband + Mobile telephony	484	433	368	304	304	437	405	-	361	344	325	289
Fixed telephony + Pay TV + Mobile telephony	-	-	-	-	-	-	-	-	-	-	-	-
Fixed telephony + Pay TV + Fixed Broadband	7,105	6,365	5,504	6,832	8,349	9,365	10,025	9,794	9,304	15,115	18,033	21,087
Quad Play	35,361	36,346	37,422	37,734	38,335	39,019	39,738	40,583	41,029	41,339	41,631	42,486
Fixed telephony + Pay TV + Fixed Broadband + Mobile telephony	35,361	36,346	37,422	37,734	38,335	39,019	39,738	40,583	41,029	41,339	41,631	42,486
Number of post paid fixed line subscriptions	187,830	188,420	189,490	189,350	188,159	189,891	190,425	191,634	190,971	191,017	191,173	191,811
<i>Number of post paid bundled fixed line subscriptions as a percentage of total subscriptions</i>	<i>38.28%</i>	<i>39.64%</i>	<i>40.81%</i>	<i>42.44%</i>	<i>42.94%</i>	<i>43.95%</i>	<i>44.88%</i>	<i>44.82%</i>	<i>44.44%</i>	<i>47.04%</i>	<i>48.81%</i>	<i>50.87%</i>

Table 6: Fixed line post-paid subscriptions on a bundled offer⁹

Locally, only post-paid fixed line subscriptions are offered in a bundle in combination with other electronic communications services. Table 6 shows that 50.9% of all fixed post-paid subscriptions as at the end of 2013 were purchased in a bundle.

4.2. Fixed line inward portings

The number of fixed line inward portings¹⁰ recorded in the 2013 totalled 1,659, down by nearly 44% when compared to the number of portings recorded in the previous year. This development is in line with inward porting trends observed for the sector since 2010.

The strong take-up of fixed line telephony subscriptions in a bundle may have been a determinant factor in this regard, given that end-users opting for bundled subscriptions are less likely to port from one service provider to another over a two or three year time span.

⁸ Standard fixed line subscriptions refer to subscriptions offering a single fixed line telephony connection.

Enhanced fixed line subscriptions encompass those subscriptions offering multiple channel (dual or more) fixed telephony connections.

⁹ See Footnote 5, page 7.

¹⁰ The term 'fixed line portings' refers to the total number of subscribers that switch from a fixed line operator to another whilst keeping the same number. Figures presented above only take into account inward portings.

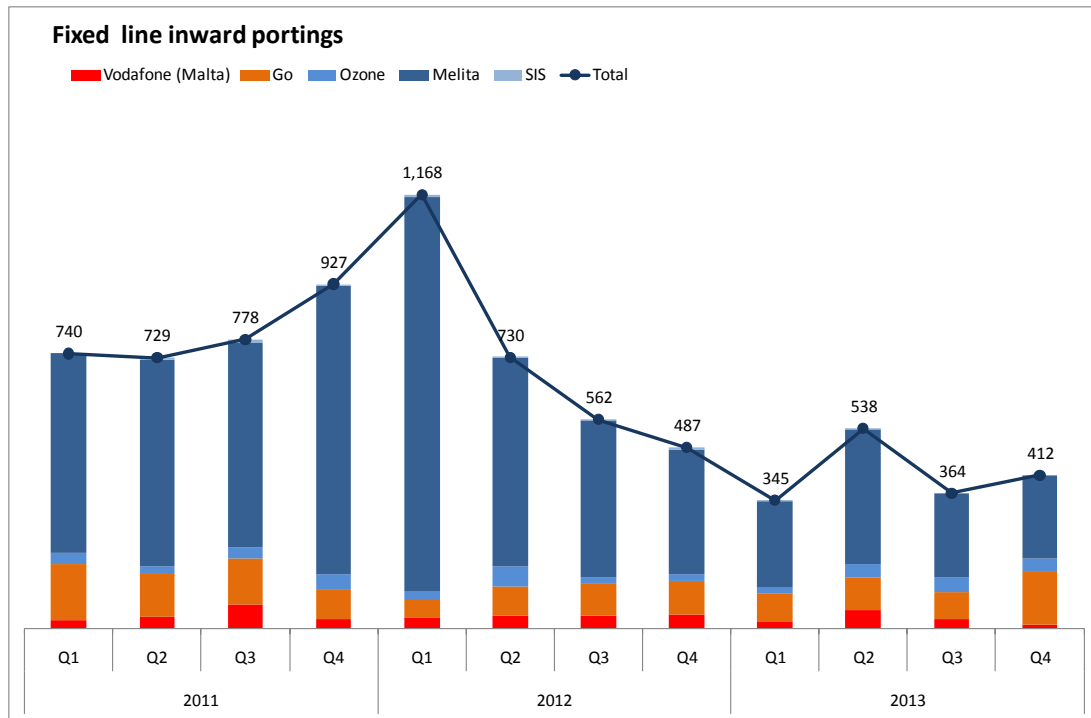


Figure 8: Fixed line number portability - number of inward portings

Looking just at the inward porting figures for the second half of 2013 shows that the total number for the period was down by 26% when compared to the corresponding period a year earlier.

Melita accounted for 58.1% of the total number of portings recorded in the second half of 2013, followed by GO at 27.8%.

4.3. Usage trends for fixed line telephony

The use of fixed line telephony in 2013 was significantly down when compared to that recorded in the previous year. This is a clear indication that end users are increasingly relying on their mobile connection to communicate with others, without disengaging their fixed line connection.

The number of landline calls in the second half of 2013 totalled 86.3 million, down by 9.4% from 95.2 million in the second half of 2012. Fixed line voice call minutes were also down, in this case by 7.8%, from 321.1 million in the second half of 2012 to 296.1 million in the second half of 2013.

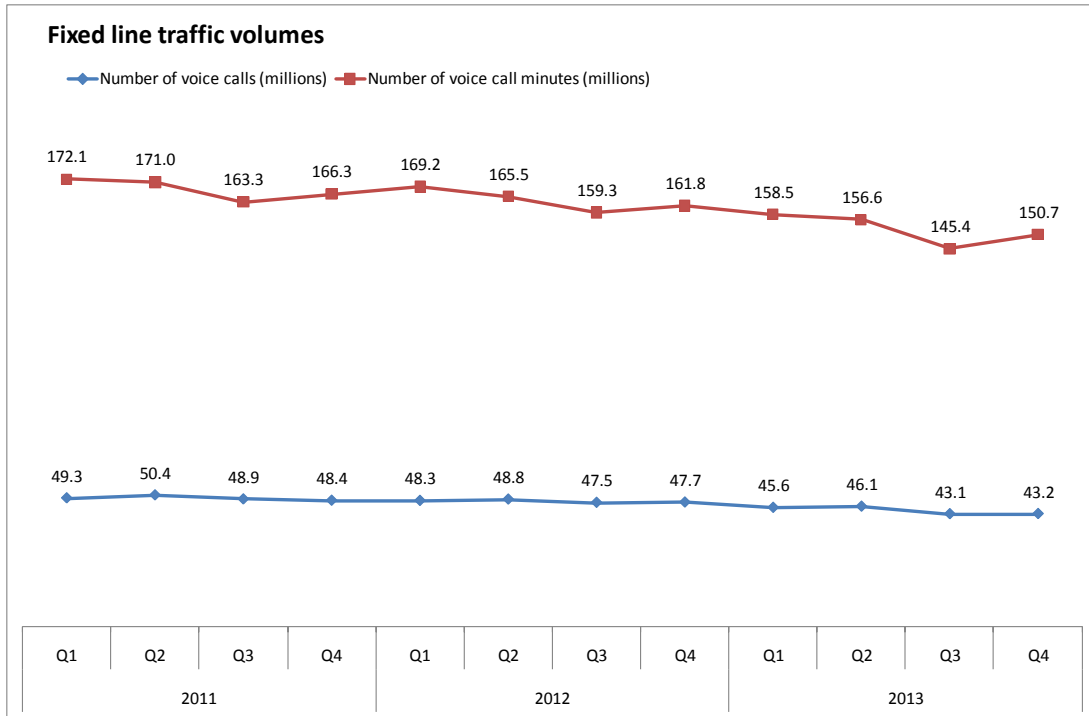


Figure 9: Voice traffic originating from local fixed line networks

Fixed voice usage levels can be disaggregated further under two main traffic segments, namely the national voice traffic segment and the international voice traffic segment. Relevant figures are provided in the following section.

4.1.1 National voice traffic volumes

Declines reported under this traffic segment have been significant and contributed significantly to dwindling usage levels for the sector.

National voice calls

The number of national fixed line voice calls in the second half of 2013 totalled 83.4 million, down by 8.4% from 91.1 million in the corresponding period in 2012.

A further drill down of these figures would show that nearly all components of this traffic segment registered a decline.

The number of on-net FTF calls fell by 9.6%, from 49.6 million in the second half of 2012 to 44.8 million in the second half of 2013, the number of off-net FTF calls dropped by 5.5%, from 19.1 million to 18.0 million, and the number of FTM calls dipped by 8.5%, from 20.9 million to 19.1 million.

Period	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013
National voice calls	47,067,277	48,288,345	46,889,393	46,516,114	46,503,940	46,749,484	45,443,301	45,628,883	43,779,465	44,059,375	41,690,243	41,747,919
Fixed-to-fixed calls	37,207,782	37,353,011	35,911,377	35,807,466	35,827,180	35,279,547	34,014,776	34,599,702	33,274,998	32,938,906	31,188,190	31,593,552
on-net	28,074,401	27,872,212	26,747,715	26,752,168	26,181,332	25,586,572	24,573,019	24,980,563	23,882,189	23,729,507	22,284,066	22,491,776
off-net	9,133,381	9,480,799	9,163,662	9,055,298	9,645,848	9,692,975	9,441,757	9,619,139	9,392,809	9,209,399	8,904,124	9,101,776
Fixed-to-mobile calls	9,179,772	10,254,237	10,263,319	9,919,751	9,973,948	10,718,661	10,684,728	10,232,748	9,778,851	10,286,832	9,752,130	9,384,873
Other voice calls	679,723	681,097	714,697	788,897	702,812	751,276	743,797	796,433	725,616	833,637	749,923	769,494
International voice calls	2,230,387	2,158,199	1,986,336	1,847,617	1,795,125	2,067,986	2,101,217	2,034,342	1,821,063	1,992,137	1,428,663	1,436,503
originating from local network operators	2,005,562	1,953,578	1,878,396	1,759,682	1,723,242	1,989,794	2,023,349	1,975,806	1,772,095	1,939,361	1,376,613	1,372,717
originating from third party ISPs	89,422	89,299	-	-	-	-	-	-	-	-	-	-
Total Voice Calls	49,297,664	50,446,544	48,875,729	48,363,731	48,299,065	48,817,470	47,544,518	47,663,225	45,600,528	46,051,512	43,118,906	43,184,422

Table 7: Outgoing fixed line traffic - number of voice calls

The 'other' national calls component¹¹ also registered a fall in traffic volumes, with the number of calls in the second half of 2013 totalling 1.5 million, which is 1.4% lower than the number of 'other' national calls recorded in the same period a year earlier.

National voice call minutes

In terms of national voice call minutes, overall traffic volumes were down by 7.2%, from 300.6 million minutes in the second half of 2012 to 278.9 million minutes in the second half of 2013.

Again, all national traffic components except for 'other' national voice call minutes in the second half of 2013 were down when compared to the corresponding period a year earlier. On-net FTF traffic minutes were down by 7.9%, from 190.0 million to 175.1 million, off-net FTF minutes were down by 5.8%, from 74.9 million to 70.6 million, and FTM minutes were down by 7.8%, from 32.1 million to 29.6 million.

Period	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013
National voice call minutes	158,939,617	158,527,431	151,887,110	155,439,196	158,897,034	155,123,971	148,789,804	151,784,220	149,283,261	147,422,392	136,928,557	141,978,680
Fixed-to-fixed minutes	143,782,450	141,827,524	134,866,380	138,530,095	142,054,147	137,094,161	130,613,939	134,320,578	132,520,954	129,349,015	120,045,471	125,641,871
on-net	107,940,665	105,277,867	99,695,171	102,672,253	103,116,366	98,893,782	93,707,176	96,301,841	94,776,387	92,710,063	85,584,642	89,496,565
off-net	35,841,785	36,549,657	35,171,209	35,857,842	38,937,780	38,200,379	36,906,762	38,018,737	37,744,567	36,638,952	34,460,829	36,145,305
Fixed-to-mobile minutes	13,421,832	14,945,602	15,194,039	14,949,112	15,316,902	16,245,293	16,341,011	15,740,874	15,110,449	16,210,535	15,085,030	14,493,456
Other call minutes	1,735,335	1,754,305	1,826,691	1,959,990	1,525,985	1,784,518	1,834,854	1,722,768	1,651,859	1,862,842	1,798,056	1,843,353
International voice call minutes	13,186,693	12,445,864	11,423,452	10,902,154	10,309,570	10,386,138	10,509,985	10,048,676	9,238,655	9,200,293	8,460,535	8,768,913
originating from local network operators	11,706,862	11,100,420	10,846,250	10,448,733	9,968,571	10,004,762	10,125,250	9,757,503	9,006,264	8,930,984	8,210,921	8,535,354
originating from third party ISPs	826,271	758,124	-	-	-	-	-	-	-	-	-	-
Total Voice Minutes	172,126,310	170,973,296	163,310,563	166,341,350	169,206,604	165,510,109	159,299,790	161,832,896	158,521,916	156,622,685	145,389,092	150,747,592

Table 8: Outgoing fixed line traffic - number of voice call minutes

Meanwhile, 'other' national minutes were up by 2.4%, from 3.5 million to 3.6 million.

4.1.2 International voice traffic volumes

International voice traffic volumes were also down in the second half of 2013 when compared to volumes recorded in the corresponding period a year earlier.

The number of fixed-to-international (FTI) voice calls in the second half of 2013 totalled 2.9 million, down by 30.7% from 4.1 million in the second half of 2012. Correspondingly, the number of international voice call minutes also declined, in this case by 16.2%, from 20.6 million to 17.2 million.

4.4. Activity levels and call duration

Based on current trends for fixed voice traffic volumes and subscriptions, activity levels for the sector in the second half of 2013 were weaker than recorded in the corresponding period of 2012.

¹¹ This traffic component includes freephone calls, premium calls and payphone calls.

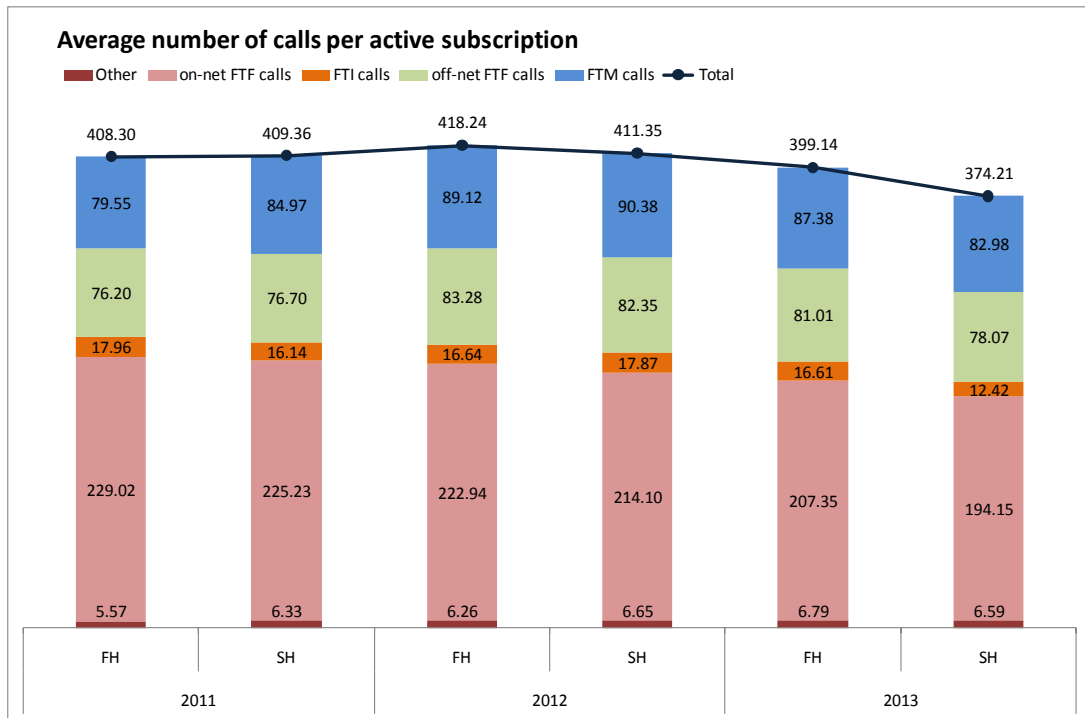


Figure 10: Average number of calls per active subscription

In this regard, each active fixed line subscription made an average of around 374 calls in the second half of 2013¹², down from around 411 in the second half of 2012. The drop in on-net traffic volumes is the primary driver behind this dive in activity, which is further compounded by declines in off-net, FTM, and FTI traffic volumes.

¹² Total depicted in Figure 10 includes the number of *other calls* (which encompasses premium, freephone, and Internet calls) per active subscription.

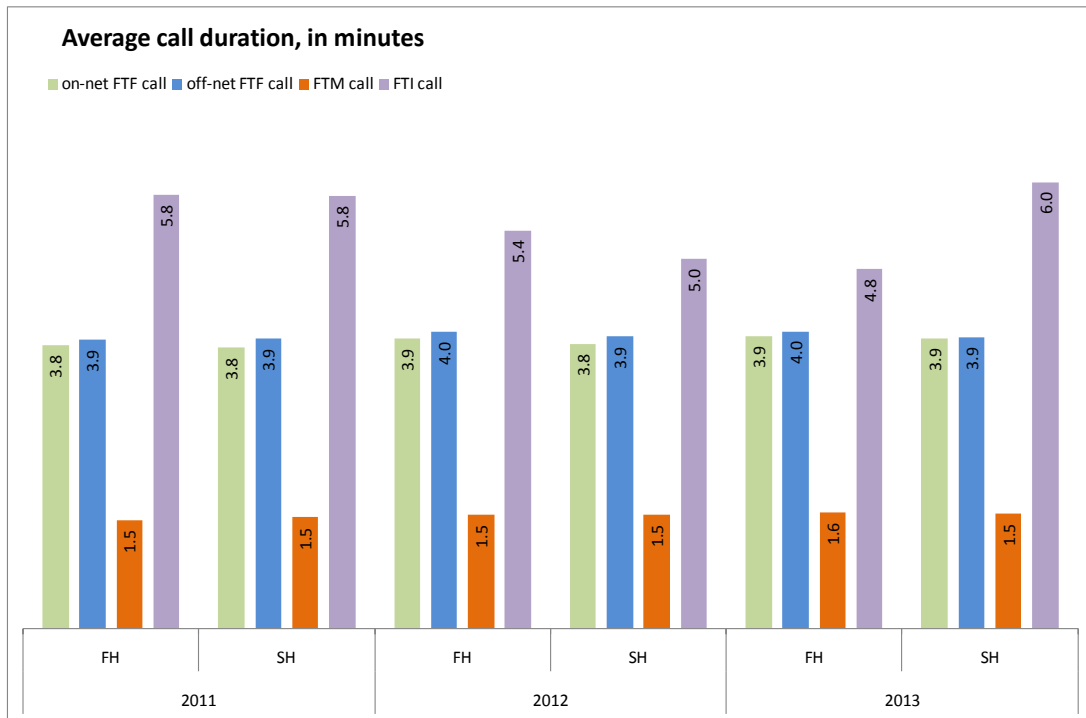


Figure 11: Average duration of an outgoing fixed line call

Over the last few years, average landline call duration has somewhat stabilised, as indicated in Figure 11. The only exception to this outcome is call duration of FTI calls. In this case, the average length of a FTI call varies from one year to another, given the different demand characteristics of fixed line users for these type of calls.

On-net FTF calls and off-net FTF calls on average lasted around four minutes in the second half of 2013, which is of the same duration recorded in the second half of the previous year. Meanwhile, a FTM call on average lasted around one and a half minutes in both periods. On the other hand, a FTI call in the second half of 2013 lasted around six minutes, which is longer in duration than that recorded in the second half of the previous year.

4.5. Fixed ARPU

The average revenue per user (ARPU) in the fixed line sector for the second half of 2013 was lower than that observed in the second half of the previous year. ARPU for fixed voice services in the second half of 2013 stood at €81.01, which is down from €82.17 in the second half of 2012.

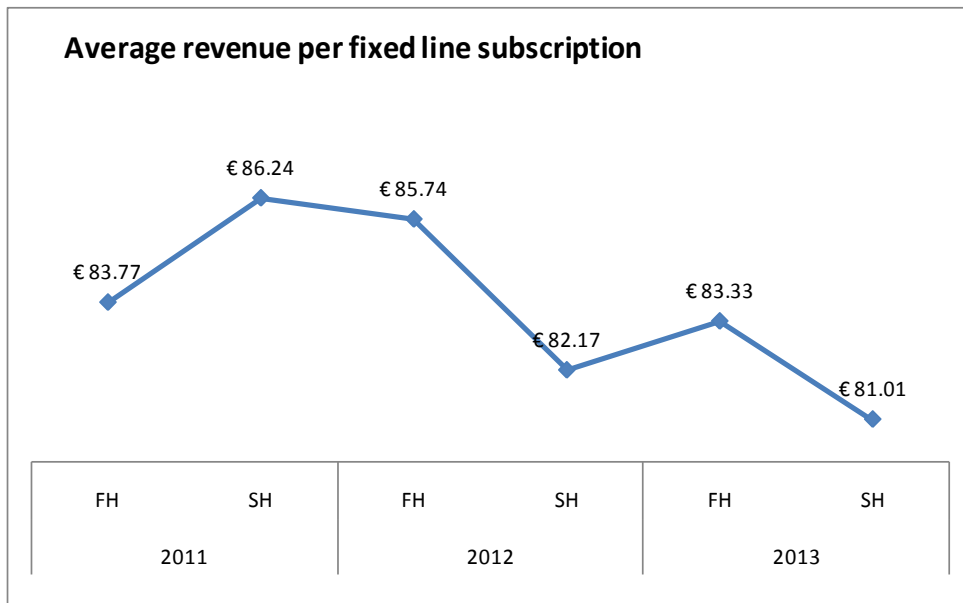


Figure 12: Average revenue per fixed line user

It is worth recalling that the drop in voice traffic volumes is the primary factor behind the fall in fixed telephony ARPU. There could be however other factors that may be contributing to falling ARPU for the sector, such as the strategies implemented by service providers to offer free minute allowances with access.

Methodology used in deriving fixed ARPU figures

Fixed ARPU figures are derived by dividing the total revenues of service providers by the average number of active subscribers, during a given period.

The 'total revenues' heading includes a number of retail revenue elements, namely:

1. revenues from access;
2. revenues from all local and international voice call activity (incl. freephone & premium call activity); and
3. revenues from 'other' activity as specified by the operator.

The average number of active subscribers during a given period is derived by adding the number of active subscriptions at the start of the period plus the number of subscriptions at the end of the said period, divided by two.

4.6. Average rate per minute of fixed line communications

Revenue-based figures in Figure 13 show that the ARPM for the different types of fixed-originated calls in the second half of 2013 was practically unchanged in relation to that observed in the first half of the previous year.

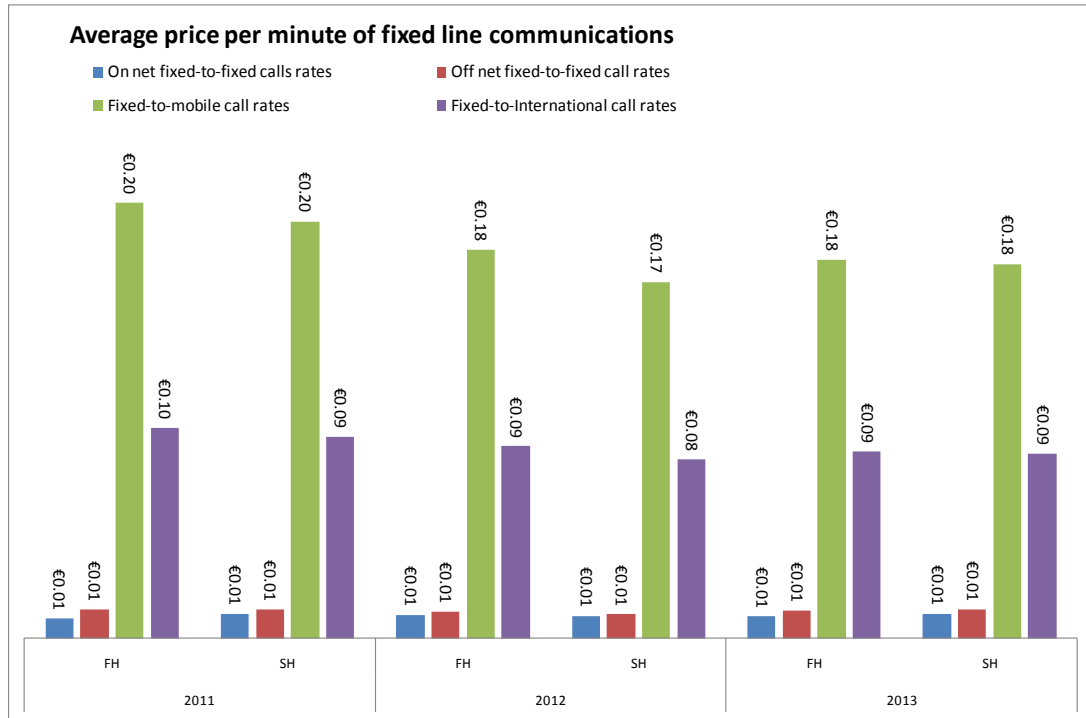


Figure 13: Average cost of a fixed line call derived from revenue-based workings

The ARPM of an on-net FTF call and off-net FTF call was calculated at €0.01.

That for a FTM call stood at €0.18 and that for a FTI call stood at €0.09.

Methodology used in deriving fixed ARPM figures

The average rate per minute of fixed line communications is derived by subdividing voice traffic revenues, but excluding revenues from access fees, VAT and excise tax, by the number of minutes reported under each respective heading.

Figures are to be interpreted with caution, as these are not the actual rates quoted on the market for the different plans and schemes launched by local operators. It must also be noted that local fixed line operators may offer free calls or discounted call rates, such as free on-net calls with bundled offers and cheaper call rates on weekends. This would affect the final outcome for the average rate per minute of fixed line communications.

5. Mobile telephony

The mobile telephony sector continues to offer growth opportunities for local service providers, both in terms of subscriber numbers and usage levels. The growth in subscriptions is mirrored in higher mobile penetration rates, partly driven by an increase in the number of end-users having multiple devices and multiple SIMs in order to avail of lower on-net tariffs and seasonal offers. This drive to better value for money and continued price declines contributed significantly to the impressive growth in voice usage levels.

The major trends for the mobile sector emerging over the course of the current reporting period are highlighted below:

- The mobile penetration rate stood at 137%¹³ at the end of 2013, driven by continued growth in subscriptions.

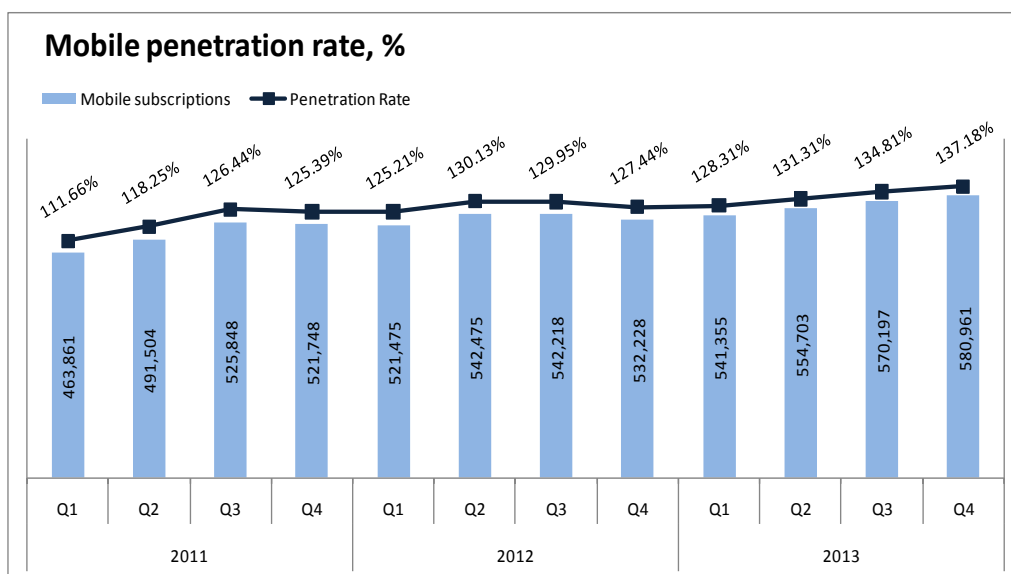


Figure 14: Mobile penetration in Malta

- The number of subscriptions increased under both the prepaid and postpaid segments. Postpaid subscriptions climbed by 8.7% to reach 121,677 by the end of the current reporting period, compared to an increase of 9.3% with respect to prepaid subscriptions, which totalled 459,284.
- Only 9.5% of total mobile subscriptions¹⁴ were bundled with some other electronic communications service. This low take-up of mobile subscriptions on a bundle is mainly a result of service providers typically marketing optional free mobile minute allowances as an add-on to existing dual play and triple play bundle offers, rather than combining mobile access in the final price of the bundle. Furthermore, mobile is considered a personal service rather than a household service.
- Fixed-to-mobile substitution is becoming more evident as clearly underlined by usage trends for the two services. Compared to the second half of 2012, the number of mobile voice calls and voice call minutes recorded in the second half of 2013 were up by 28.7% and 12.7% respectively. Meanwhile, the number of fixed voice calls and voice call minutes was down by 9.4% and 7.8% respectively.

¹³ The mobile penetration rate is measured on the basis of the number of active SIM cards as a proportion of Malta's population.

¹⁴ See footnote 5, page 7.

Figure 15 illustrates that the number of mobile originated voice call minutes has been exceeding the number of fixed originated voice call minutes since Q2 2013. It is also relevant to underline here that the number of mobile-originated voice calls has also been exceeding the number of fixed line-originated voice calls for the last few years.

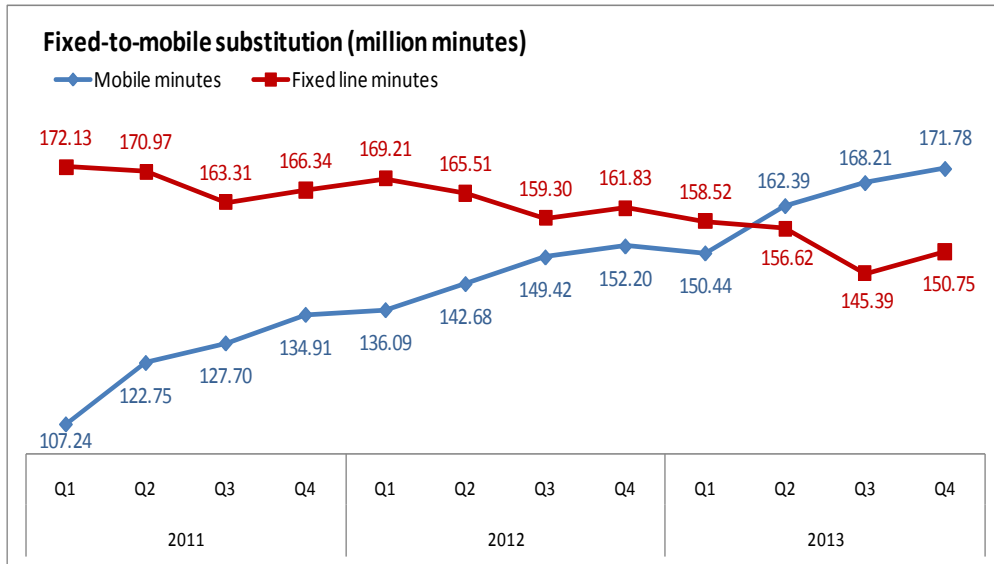


Figure 15: Fixed-to-mobile substitution

- This is likely a result of free minute allowances in mobile plans, cheaper on-net MTM call rates, the introduction of new plans, lower monthly access fees and additional discounts and allowances provided to customers in bundle packages.
- The degree of price competition continues to bear significant weight on the revenue of service providers. It is true that declines in traditional voice services were somewhat softened by revenues from other mobile services, such as mobile data services. However, ARPU for mobile telephony in the second half of 2013 was still down when compared to ARPU in the second half of the previous year.

5.1. Subscriptions

The number of active mobile subscriptions¹⁵ totalled 580,961 as at the end of 2013¹⁶, with prepaid being the fastest growing subscription type since the end of the previous year.

In terms of market prevalence by subscription type, postpaid accounted for 20.9% of total mobile subscriptions as at the end of the reporting period and prepaid for 79.1%.

¹⁵ The number of active mobile subscriptions refers to the number of subscribers having a MSISDN with registered inbound or outbound activity within 90 days of the period stipulated for pre-paid connections and within 30 days of the period stipulated for post-paid connections.

¹⁶ In terms of activity over the 2G and 3G network, 59.7% of all active mobile subscriptions at the end of 2013 registered activity over the 3G network.

The incidence of recording activity over the 3G network is more likely amongst postpaid subscriptions. In fact, as at the end of the reporting period, 55.1% of all prepaid subscriptions reported activity over the 3G network compared to 77.2% of postpaid subscriptions.

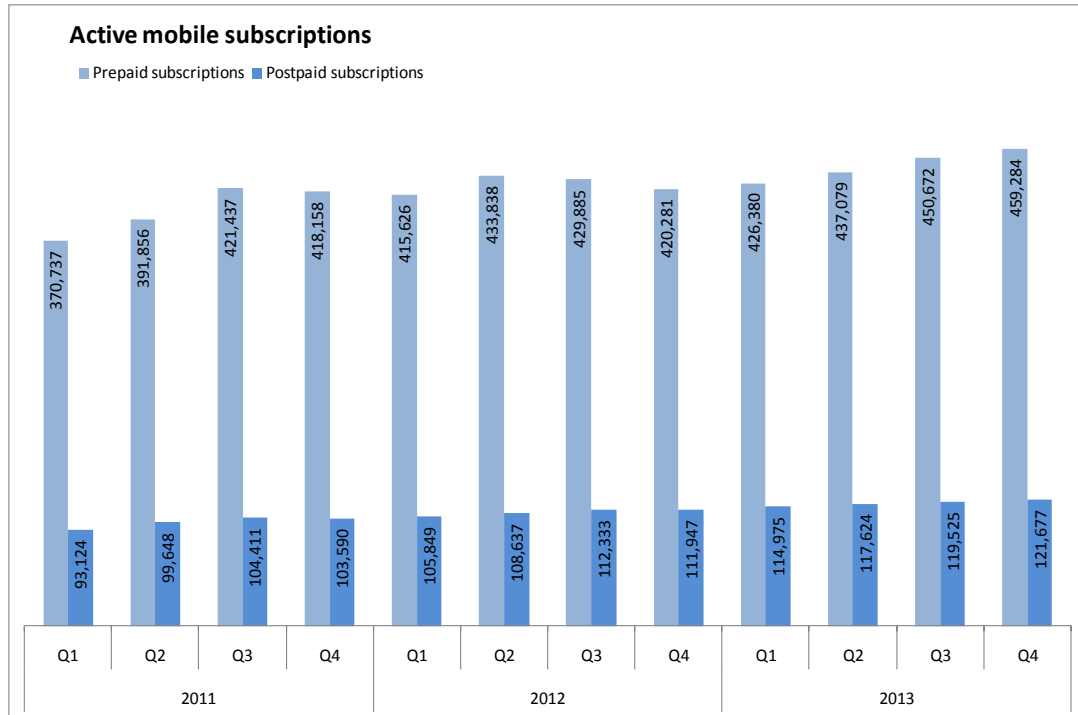


Figure 16: Mobile telephony subscriptions as at end of period

The number of people with multiple handsets and/or SIM cards is likely to have increased further throughout the reporting period, thereby leading to a growing mobile penetration rate. The latter trend has to be understood in the context of end users seeking more competitive mobile call rates, especially from free minute allowances and cheaper on-net call rates.

It is not however that common for end-users to bundle their mobile subscription with some other electronic communications service. In fact, the number of mobile subscriptions purchased in combination with some other electronic communications service increased by 1,903 between January and December of last year. This increase did not keep pace with the overall increase in mobile subscription numbers, which went up by 48,733. As a result, the percentage of mobile subscriptions on a bundle only represented 9.5% of the mobile subscriber base as at the end 2013, which is down from 10.2% a year earlier.

Mobile telephony subscriptions on a bundle	2011				2012				2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Dual Play	4,681	7,022	8,914	10,917	11,971	12,738	13,352	13,567	12,818	12,156	12,514	12,443
Fixed telephony + Mobile telephony	484	433	368	304	304	437	405	-	361	344	325	289
Triple Play	35,361	36,346	37,422	37,734	38,335	39,019	39,738	40,583	41,029	41,339	41,631	42,486
Fixed telephony + Fixed Broadband + Mobile telephony	35,361	36,346	37,422	37,734	38,335	39,019	39,738	40,583	41,029	41,339	41,631	42,486
Quad Play	463,861	491,504	525,848	521,748	521,475	542,475	542,218	532,228	541,355	554,703	570,197	580,961
Number of mobile subscriptions	463,861	491,504	525,848	521,748	521,475	542,475	542,218	532,228	541,355	554,703	570,197	580,961
Number of bundled mobile subscriptions as a percentage of total mobile subscriptions	8.74%	8.91%	8.88%	9.38%	9.71%	9.62%	9.87%	10.17%	10.01%	9.71%	9.55%	9.50%

Table 9: Mobile subscriptions on a bundled offer¹⁷

The increase in take up of multiple mobile subscriptions may be the primary factor behind the falling mobile number portability. There were 41,321 mobile inward portings¹⁸ in 2013, down by 18.8% (or around 9,549 less in absolute terms) than recorded in 2012.

¹⁷ See footnote 5, page 7.

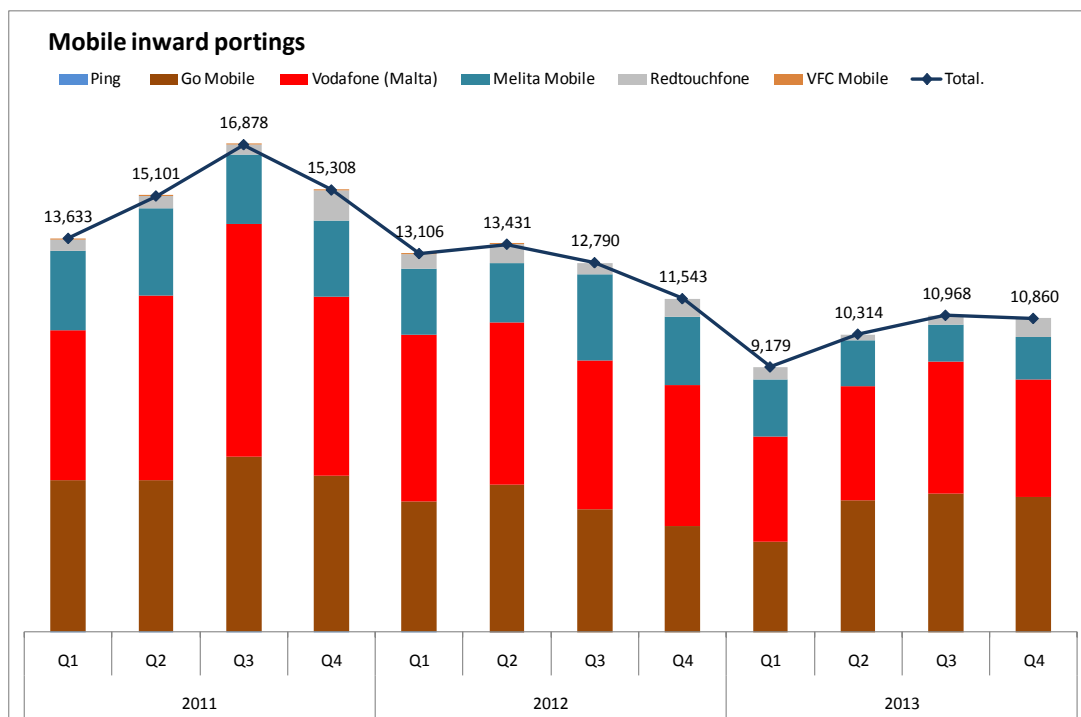


Figure 17: Mobile number portability - number of mobile portings

A disaggregated look at the number of mobile inward portings shows that their number totalled 21,828 in the second half of 2013. 43.4% of all mobile inward portings reported during this period were accounted for by Go Mobile, 39.6% were accounted for by Vodafone (Malta) and a further 12.5% were accounted for by Melita Mobile. Redtouchfone accounted for 4.5% of all mobile inward portings.

5.2. Usage trends for mobile telephony

There is continued strong momentum for mobile voice and SMS traffic volumes, as evidenced by a higher number of voice calls and SMSs and stronger call minute volumes in the second half of 2013 when compared to the corresponding period in 2012.

Voice calls

The number of mobile voice calls in the second half of 2013 amounted to 259.5 million, which is up by 28.7% over the corresponding period a year earlier, when the number of mobile voice calls totalled 201.6 million.

The on-net mobile-to-mobile (MTM) traffic segment was the primary force behind this growth. Here, traffic volumes climbed by nearly 41%, from 126.8 million calls in the second half of 2012 to 178.7 million in the second half of 2013.

This increase coincided with gains reported for other mobile traffic segments. In fact, the number of off-net MTM calls went up by 3.9%, from around 52.3 million in the second half of 2012 to 54.3 million in the same period of 2013, and the number of mobile-to-fixed (MTF) calls were also up by 13.2%, from 19.6 million to 22.1 million.

¹⁸ The total number of mobile users that switch their subscription from one operator to another, whilst keeping the same number. Figures presented above only take into account the number of mobile inward portings.

Voice Calls	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013
National voice calls	71,161,552	83,791,625	83,734,824	84,378,394	82,256,514	85,996,147	97,364,076	101,317,479	98,644,467	120,772,278	128,893,708	126,242,592
Mobile-to-mobile calls	63,791,622	75,156,988	74,942,255	75,269,839	73,179,570	76,844,503	87,581,962	91,534,936	89,354,849	110,883,544	117,928,104	115,069,444
on-net	40,867,369	48,774,403	48,717,711	49,736,515	48,476,570	51,551,723	60,748,921	66,054,869	64,718,875	84,080,806	90,406,898	88,267,645
off-net	22,924,253	26,382,585	26,224,544	25,533,324	24,703,000	25,292,780	26,833,041	25,480,067	24,635,974	26,802,738	27,521,206	26,801,799
Mobile-to-fixed calls	7,369,930	8,634,637	8,792,570	9,108,555	9,076,944	9,151,644	9,782,114	9,782,544	9,289,618	9,888,734	10,965,604	11,173,148
International voice calls	1,034,676	1,171,080	1,437,821	1,440,894	1,429,648	1,693,002	1,943,803	938,121	1,561,012	1,812,293	2,263,862	2,078,765
Total voice calls	72,196,228	84,962,705	85,172,645	85,819,288	83,686,162	87,689,148	99,307,879	102,255,601	100,205,479	122,584,571	131,157,570	128,321,357

Table 10: Outgoing mobile traffic - number of voice calls

The total number of MTI calls was also significantly higher in the second half of 2013, when compared to the same period a year earlier, as illustrated in Table 11 above.

Voice call minutes

Consistent with the increase in the number of mobile-originated calls, call minute volumes maintained their upward trend. The number of mobile voice call minutes totalled almost 340.0 million in the second half of 2013, up by 12.7% from 301.6 million in the corresponding period a year earlier.

Higher on-net MTM minute volumes were again the major contributor to this increase. On-net MTM minutes in the second half of 2013 were up by 27.8 million or 14.5% when compared to on-net traffic levels in the second half of 2012. Meanwhile, off-net MTM minutes were up by 6.8 million or 10.6% and MTF minutes up by 2.9 million or 8.0%.

Voice Minutes	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013
National voice call minutes	104,931,902	119,742,548	123,981,457	131,224,796	132,319,608	138,325,671	144,563,067	147,456,303	146,262,529	157,820,151	162,901,026	166,644,011
Mobile-to-mobile minutes	91,376,321	105,476,754	109,094,003	115,120,886	116,046,299	121,334,177	126,460,541	129,908,021	129,379,493	139,848,648	143,888,593	147,142,988
on-net	65,258,350	75,516,347	78,824,384	84,357,240	85,782,100	89,269,300	93,852,272	98,188,508	98,934,563	106,086,004	108,508,272	111,355,628
off-net	26,117,971	29,960,406	30,269,619	30,763,647	30,264,200	32,064,877	32,608,268	31,719,512	30,444,930	33,762,644	35,380,321	35,787,360
Mobile-to-fixed minutes	13,555,581	14,265,795	14,887,454	16,103,910	16,273,309	16,991,494	18,102,527	17,548,282	16,883,036	17,971,502	19,012,433	19,501,023
International voice call minutes	2,307,279	3,007,443	3,717,642	3,689,070	3,774,590	4,358,344	4,859,104	4,747,563	4,175,091	4,570,780	5,307,604	5,139,585
Total voice call minutes	107,239,180	122,749,991	127,699,099	134,913,866	136,094,198	142,684,015	149,422,171	152,203,866	150,437,620	162,390,931	168,208,630	171,783,596

Table 11: Outgoing mobile traffic - number of voice call minutes

MTI minute volumes were also up, in this case by 0.8 million or 8.8%.

5.3. SMS and MMS activity levels

Whilst mobile voice traffic volumes increased during the reporting period, SMS and MMS usage experienced a decline.

SMS traffic volumes

The number of outgoing text messages totalled 287.2 million in the second half of 2013, down by 13.9% from 333.6 million in the same period a year earlier¹⁹.

This development is mainly attributable to significant drops in both on-net and off-net SMS traffic volumes, which significantly outweighed increases in the number of premium SMSs and SMSs sent from Internet portals.

¹⁹ Including on-net SMSs, off-net SMSs, SMSs sent to foreign mobile networks, SMSs sent from Internet Portal and premium SMSs.

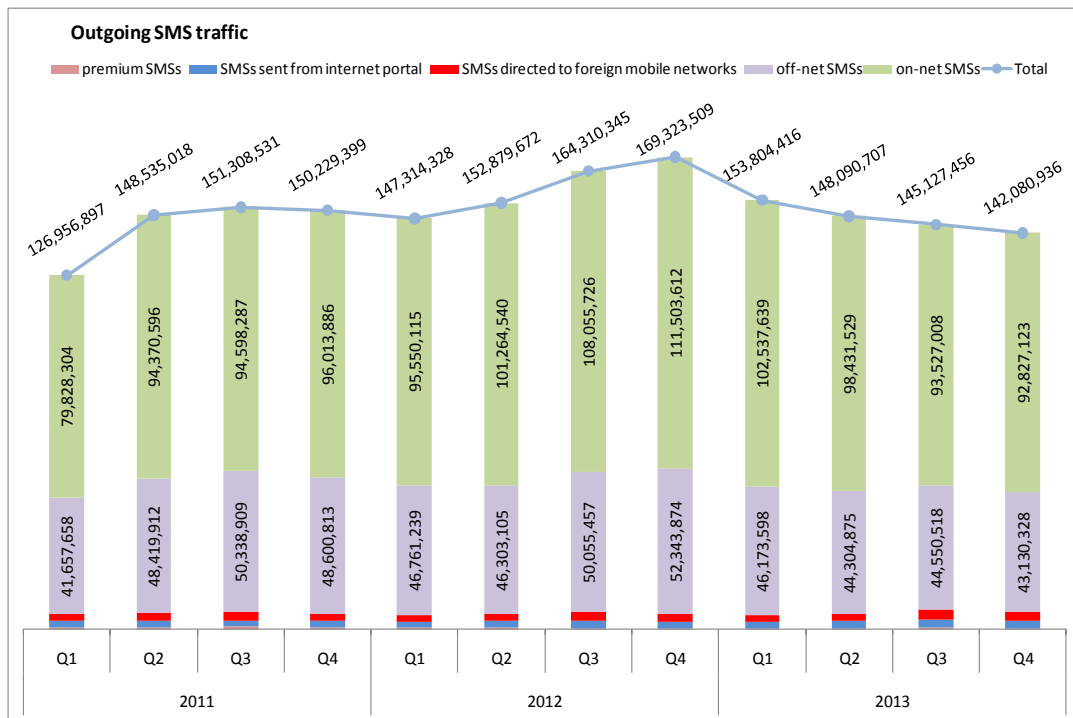


Figure 18: SMS activity - number of outgoing SMSs

The number of on-net SMSs in the second half of 2013 totalled 186.4 million, down by 33.2 million (or 15.1%) from 219.6 million in the second half of 2012. Meanwhile, the number of off-net SMSs was down by 14.7 million (or 14.4%) from 102.4 million to 87.7 million.

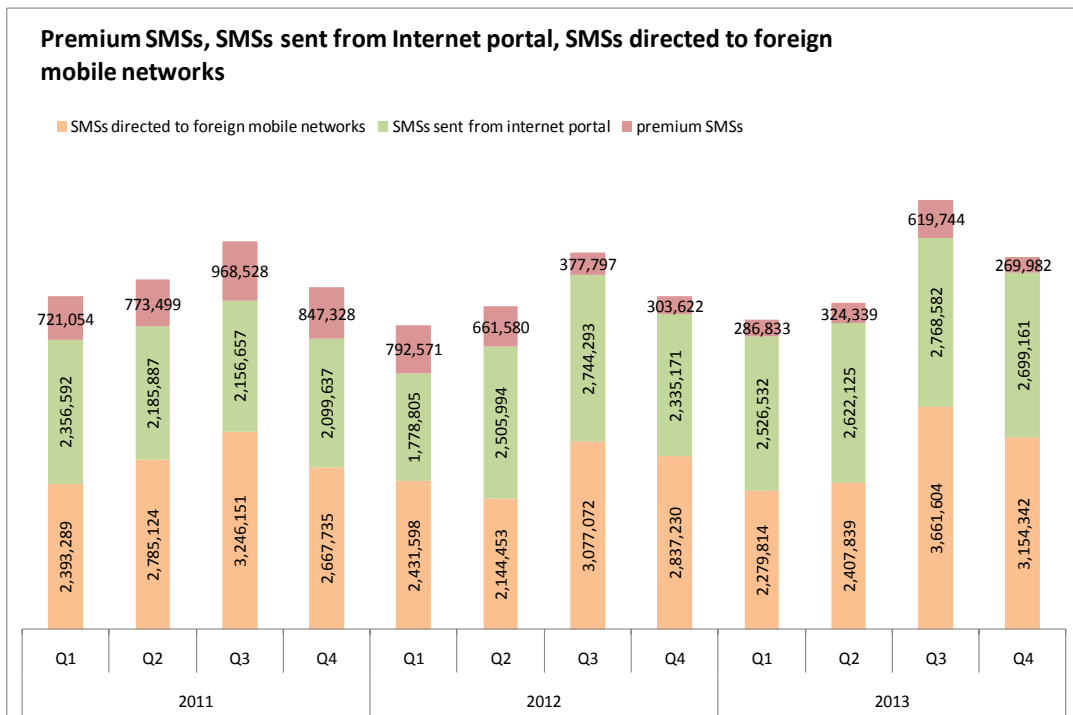


Figure 19: SMS activity - number of outgoing SMSs

On the other hand, the number of SMSs sent from Internet portals was up by 7.6%, from 5.1 million in the second half of 2012 to 5.5 million in the second half of 2013. During the same period, the number of premium SMSs was up by 30.6%, from 0.7 million to 0.9 million.

Another increase was recorded for SMSs directed to foreign mobile networks, with the number of such SMSs totalling 6.8 million in the second half of 2013, up by 15.3% from 5.9 million in the second half of 2012.

MMS traffic volumes

The number of MMSs in the second half of 2013 totalled 107,954. This figure is 18.1% lower than that recorded in the second half of the previous year, when the number of MMSs totalled 131,727.

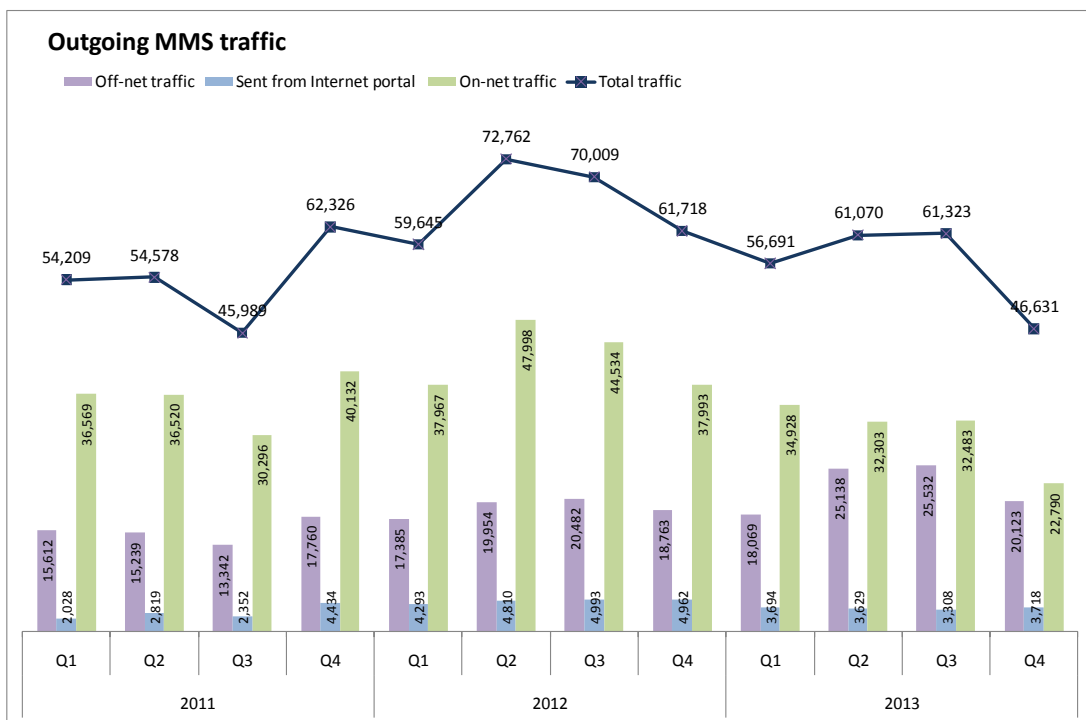


Figure 20: MMS activity - number of outgoing MMSs

5.4. Activity levels per mobile subscription

With a continued strong momentum for uptake in mobile voice telephony services but dwindling SMS and MMS traffic volumes, activity levels are likely to strengthen in the case of the former but weaken otherwise.

Voice call activity levels per subscription

The average number of voice calls per active subscription went up from around 375 in the second half of 2012 to around 457 in the second half of 2013, driven by strong increase in activity related to the on-net MTM call segment, which represents the largest segment of voice call activity recorded by active mobile subscriptions.

In this regard, the average number of on-net MTM calls per active subscription increased from around 236 in the second half of 2012 to 315 in the second half of 2013. Meanwhile, the number of off-net calls per active subscription went slightly down from around 97 to around 96.

Another small increase in activity within the same timeframe was recorded for the MTF call segment, which saw the average number of calls per active subscription going up from around 36 to around 39. The average number of MTI calls per active subscription was also up, from 5 to around 8.

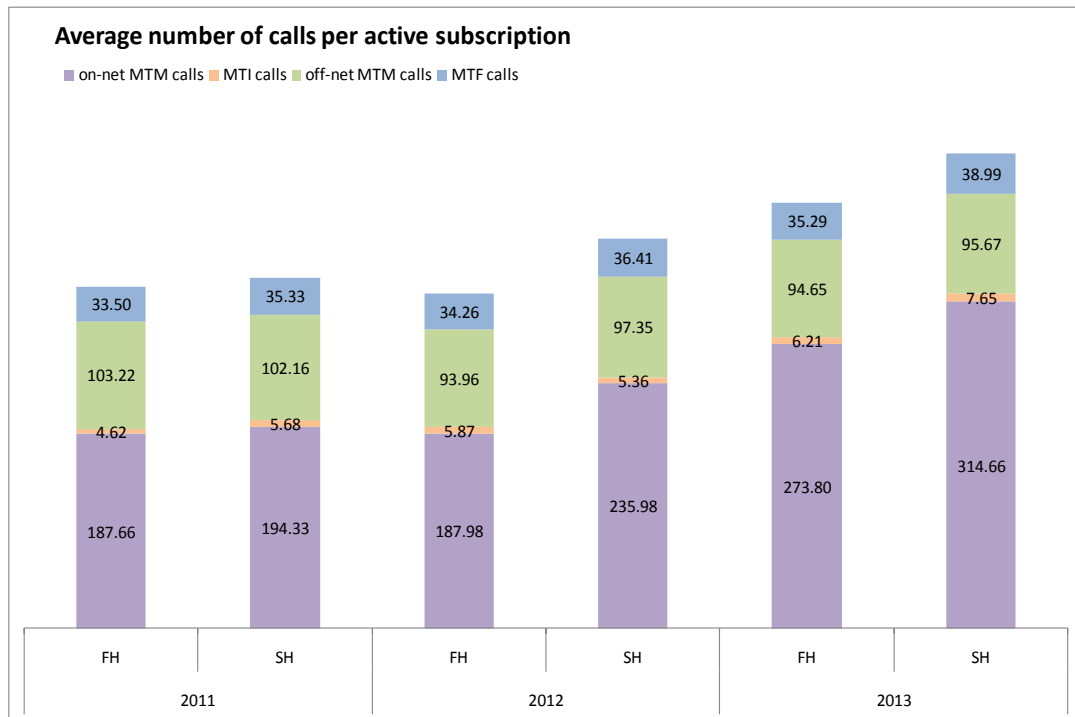


Figure 21: Average number of calls per active subscription

SMS activity levels per mobile subscription

Given that growth in subscriber numbers coincided with a fall in SMS traffic volumes, the number of SMSs per active subscription in the second half of 2013 was significantly lower than that recorded in the second half of the previous year, as clearly illustrated in Figure 22, below.

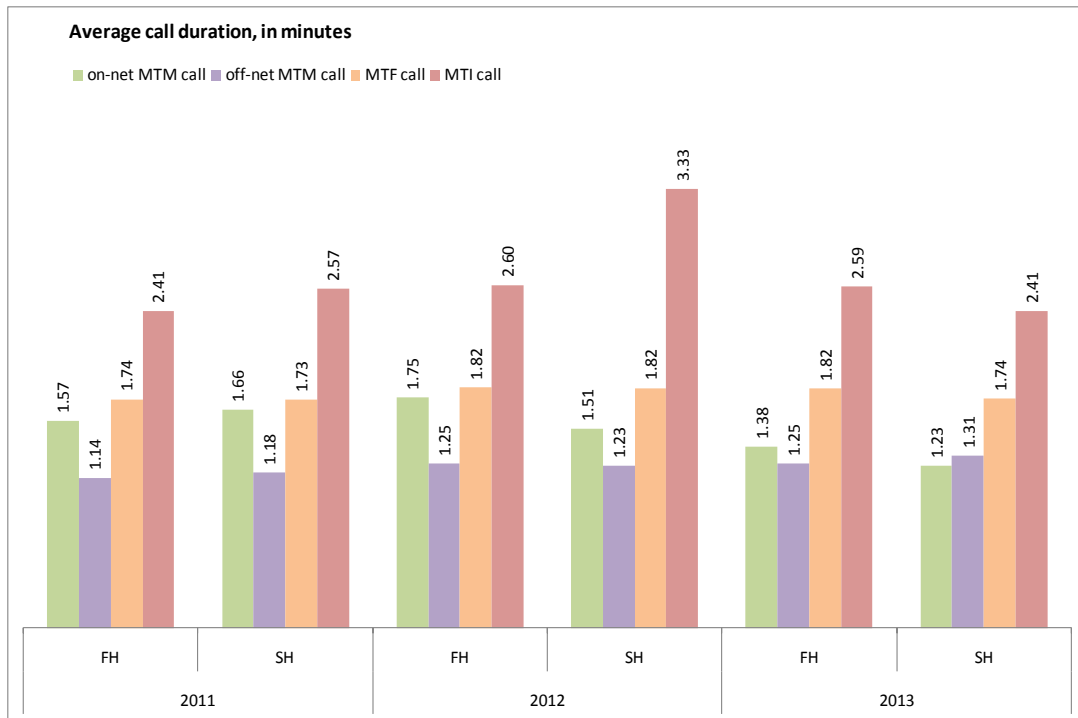


Figure 22: Subscriber activity - average number of SMSs per active subscription

This development reflects the current shifts in consumer preferences, whereby cheaper on-net call rates and free on-net minute allowances have led mobile users to opt for the convenience of making an instant on-net call rather than texting a message. This decline may also partly be the result of the increased use of social media and messaging apps.

Improved SMS activity levels per subscription in the reference period could however be observed for the traffic segment concerning SMSs sent from Internet portals, premium SMSs and SMSs directed to foreign mobile networks.

5.5. Average mobile call duration

Lower mobile call rates are also likely to contribute significantly to an increased number of calls that last longer, on average. Nevertheless, this trend is not always as straightforward as it may sound given that there could be various factors that influence outcomes, particularly in a market where service providers constantly launch new offers and promotional discounts to enhance take-up and usage. It may be the case that end users substitute SMSs to mainly on-net voice calls that are of a short duration as a result of these offers.

The results for average call duration for the second half of 2013 have therefore to be seen in this context. The average mobile call duration in this period was 1.3 minutes (or 78 seconds) compared to 1.5 minutes (or 90 seconds) in the second half of 2012. This change is largely explained by a drop in the average call duration of an on-net MTM call.

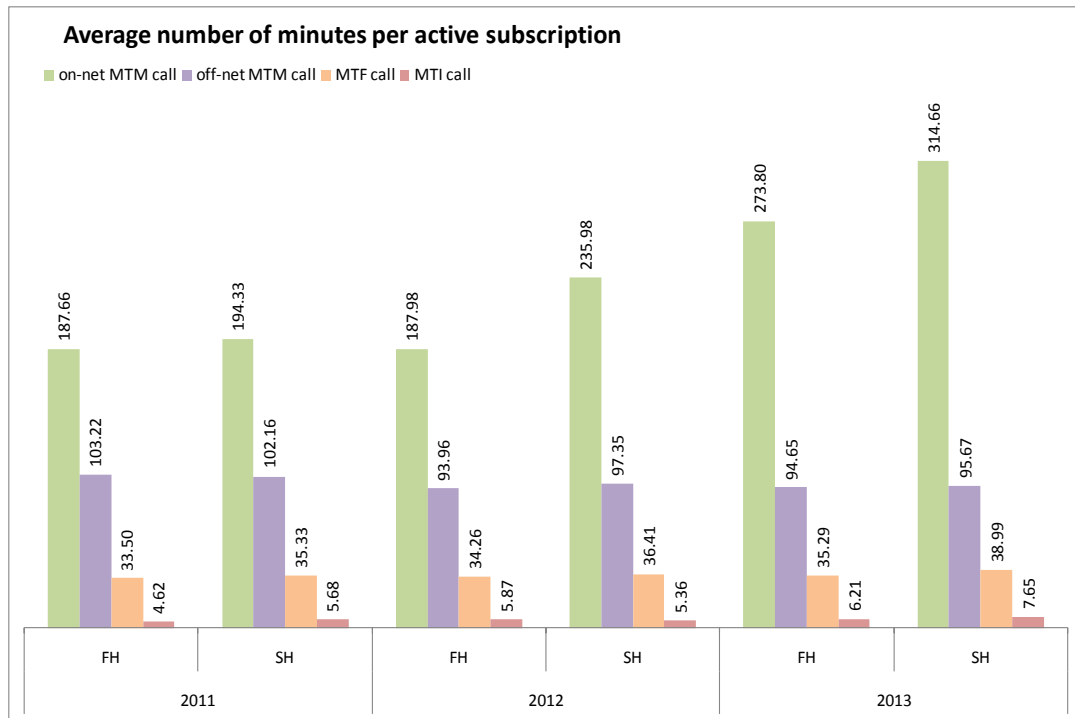


Figure 23: Average duration of an outgoing mobile call

As already explained earlier on, however, this fall may have coincided at a time when service providers offered free on-net minute allowances that consumers utilised for very short calls instead of text messaging.

5.6. International roaming activity levels

The level of international roaming activity²⁰ depends on two main factors, namely the frequency and pattern of travel by end-users and the relative roaming charges that apply for calls and SMSs. It is of relevance to underline here that Malta has seen a stronger inflow and outflow of tourists in the second half of 2013 than in the corresponding period a year earlier. Meanwhile, the number of Maltese travelling abroad has also increased. This happened at a time when retail prices for roaming voice and text messaging were going down. Hence, the generally observed increase in outgoing and incoming roaming traffic volumes.

5.6.1 Outbound roaming activity

This type of roaming activity refers to voice call, SMS, and data services operated on foreign mobile networks by local subscribers when roaming abroad.

²⁰ From a technical perspective, international roaming encompasses any activity registered by mobile subscribers whilst travelling abroad. In this regard, end-users would be using voice-roaming services when making or receiving calls via their mobile subscription while abroad. They would be using SMS roaming services when sending or receiving an SMS via their mobile subscriptions. End-users can also send or receive data while abroad over their mobile. Such services are generally referred to as data roaming services.

Data for inbound and outbound roaming calls is currently under review and should therefore be interpreted with caution.

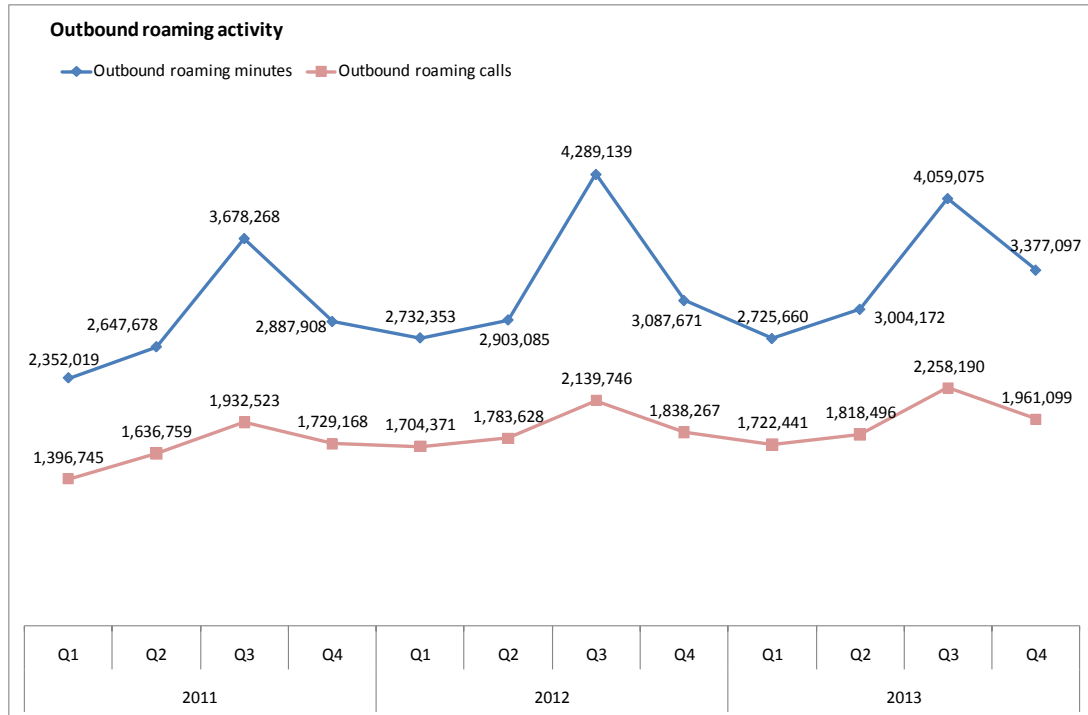


Figure 24: Outbound roaming activity

The number of outbound roaming calls totalled 4.2 million in the second half of 2013, up by 6.1% from almost 4.0 million in the second half of 2012. Traffic volumes were also stronger in terms of outbound roaming minutes, which went up by 0.8%.

5.6.2 Inbound roaming activity

This type of roaming activity refers to call, SMS and data services operated on local mobile networks by foreign subscribers when roaming in Malta.

The number of inbound roaming calls totalled 12.3 million in the second half of 2013, which is reportedly down by 2.0% over the corresponding period in 2012.

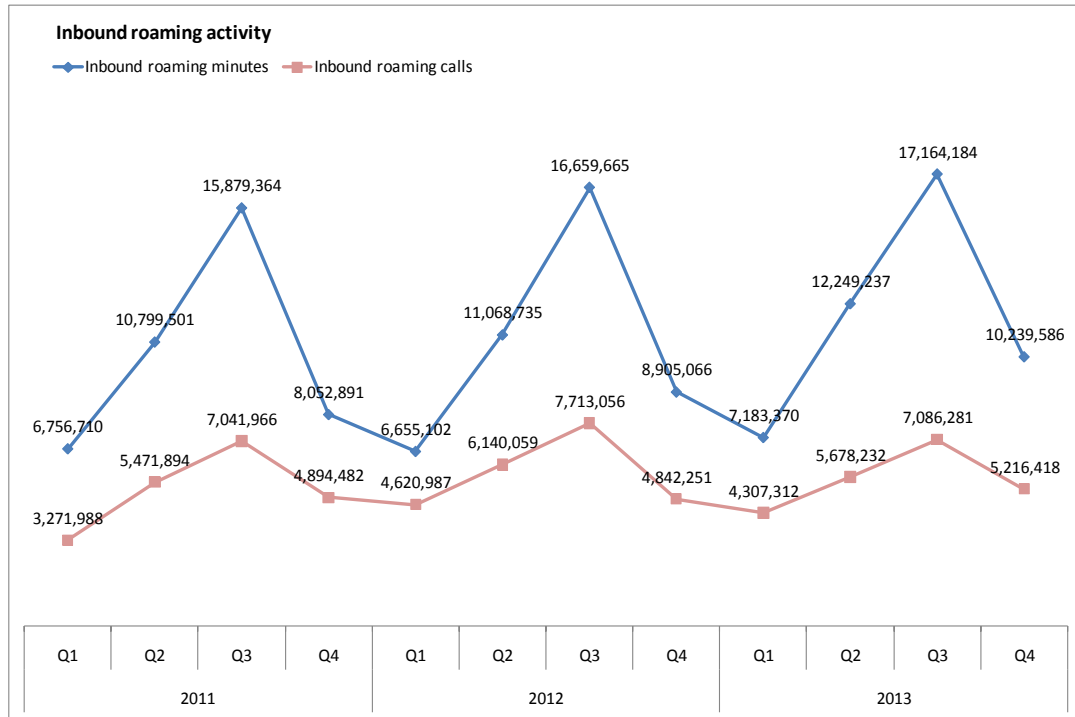


Figure 25: Inbound roaming activity

However, this decline has been compensated for by an increase in the number of inbound roaming minutes, which went up by 7.2%, from 25.6 million in the second half of 2012 to 27.4 million in the second half of last year. This increase goes to suggest that lower roaming prices enticed foreign travellers roaming in Malta to make calls that lasted longer rather than making several calls of a shorter duration. This may also explain why the number of inbound roaming calls in the current reporting period was less than recorded in the corresponding period a year earlier.

5.7. Mobile ARPU

The average revenue per user (ARPU) in the mobile sector for the second half of 2013 was lower than that observed in the second half of the previous year. Mobile ARPU in the second half of 2013 stood at €82.82, which is down from €86.38 in the second half of 2012.

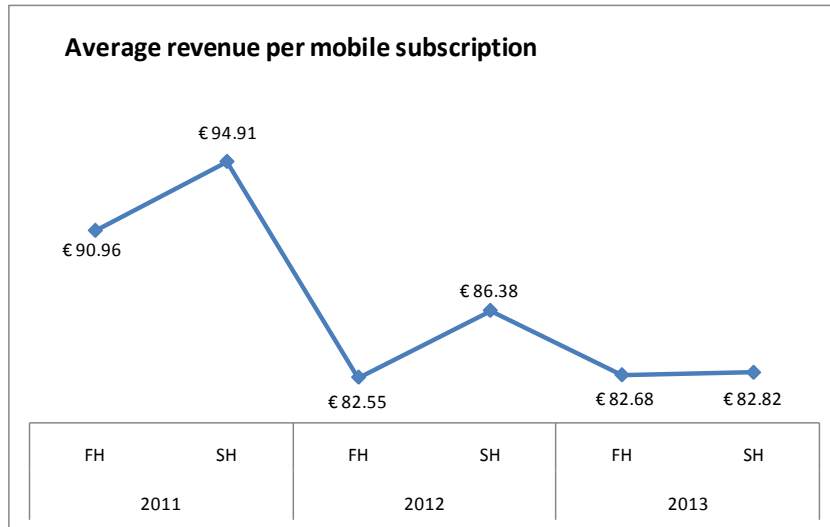


Figure 26: Average revenue per mobile user

This trend is indicative of falling retail prices, which are likely to translate into better value for money for the consumer.

Methodology used in deriving mobile ARPU figures

Mobile ARPU figures are derived by dividing total revenues of service providers by the average number of active subscriptions, during a given period.

The 'total revenues' heading includes a number of retail revenue elements, namely:

1. revenues from all outgoing voice activity (excluding interconnection revenues);
2. revenues from SMS and MMS activity;
3. revenues from monthly access fees;
4. revenues from data services; and
5. revenues from outbound roaming activity (but excl. revenues from inbound roaming activity).

The average number of active subscribers during a given period is derived by adding the number of active subscriptions at the start of the period plus the number of subscriptions at the end of the said period, divided by two.

5.8. Pricing developments for mobile telephony

Service providers compete on the market by launching new offers and new pricing models to entice new customers to their network and to retain existing ones. Some of the most common pricing models allow for free minute and SMS allowances, cheaper on-net call rates, hybrid plans combining prepaid elements to postpaid plans, bundling of calls and data within a package or even bundling of calls targeting different social groups / contact networks and different time zones at preferential rates. This whole mix of plans and offers makes it difficult to determine the exact price paid by the end-user to make a mobile voice call and / or to send an SMS.

In order to bring some clarity into the picture, a metric has been devised with a view to determining how retail mobile call and SMS rates are developing over time. The metrics in question relate to the average revenue per minute (ARPM) calculation for mobile voice services and the average rate per SMS calculation for text-based services. In the former case, figures are derived by dividing domestic and international mobile voice traffic revenues (including voice related access revenues but excluding roaming revenues), by the

number of minutes reported under each respective heading²¹. In the latter case, figures are derived by dividing SMS-related revenues by the number of SMSs made during the period.

5.8.1 The average rate per minute of mobile communications

Figure 27 shows that the average rate per minute of mobile communications for a domestic call stood at €0.088 in Q4 2013, down by 11.4% from €0.098 in Q4 2012²².

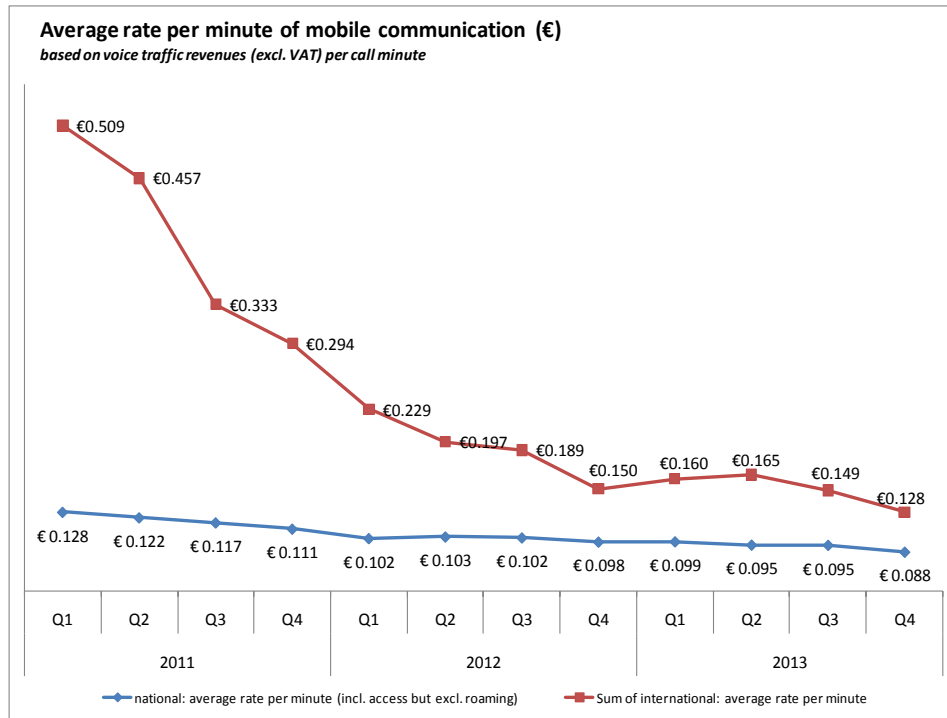


Figure 27: Average rate per minute of mobile communications

Meanwhile, the average rate per minute of mobile communications for an international call over the mobile network was also down, this time by 14.7%, from €0.150 in Q4 2012 to €0.128 in Q4 2013.

5.8.2 The average rate per SMS

In terms of the average rate per SMS, Figure 28 illustrates that, in Q4 2013, the consumer on average paid €0.019 and €0.063 for a domestic and an internationally bound SMS, respectively.

²¹ In this calculation, revenues from VAT, excise tax, and retail roaming services are excluded.

²² It is again noted here that local mobile operators may offer free calls or discounted call rates, such as on weekends and evenings, and also in the case of particular schemes for closed user groups and bundled products. However, the current calculations do not take these factors into account.

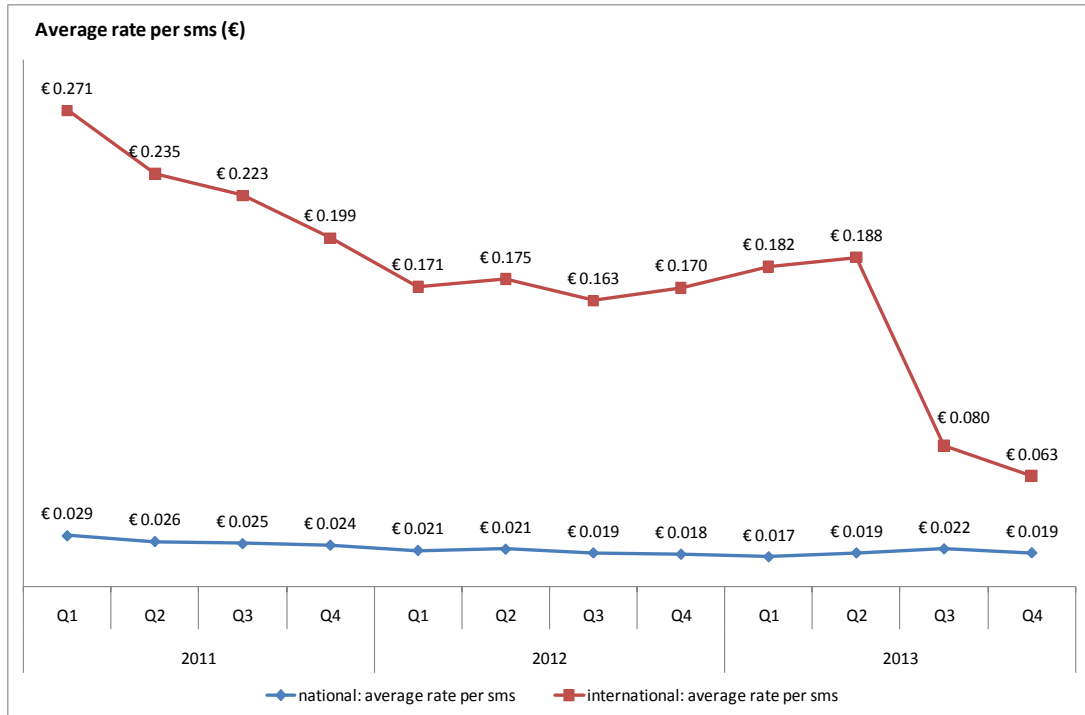


Figure 28: Average rate per domestic and international SMS

6. Fixed and mobile broadband

The broadband sector has shown a strong performance in the period under review, with take-up of both fixed and mobile broadband increasing at a fast rate. This is in line with a trend that has been in place for years now, mainly due to significant competition, more affordable data services and attractively priced offers.

The following outlines the salient developments for the sector:

- The number of fixed broadband connections went up by 7,252 (or by 5.3%) during the 12-month period to December 2013 and the penetration rate (number of active connections per population) reached 33.8% by the end of the year.
- Meanwhile, the number of active mobile broadband subscriptions also showed significant growth, with the number of active users increasing by 4.8% between July 2012 and July 2013.
- Underlying the above-mentioned increases in take-up are more affordable plans offering higher speeds, improved quality and usage allowances and the proliferation of devices over which consumers can access these services, such as smartphones, tablets etc.
- The trend of bundling fixed broadband with other electronic communications services persisted in the second half of 2013. The share of bundled fixed broadband subscriptions went up from 44.2% at the end of 2012 to 52.6% at the end of last year.
- Price-quality competition in the fixed broadband sector remains strong, even though the average advertised rate per Mbps did not change significantly during 2013. In this regard, end users paid €1.846 per Mbps in Q4 2013.
- ARPU for service providers in Q4 2013 was lower to their ARPU in Q4 2012. This is mainly a result of service providers upgrading their end users to higher download / upload speeds, without increasing rates proportionally.

6.1. Fixed broadband subscriptions

The number of fixed broadband subscriptions totalled 143,010 at the end of 2013, which is up by 5.3% since the end of the previous year, when the number of subscriptions totalled 135,758²³.

The number of subscriptions recorded as at the end of 2013 corresponds to a fixed broadband penetration rate of 33.8%.

²³ For the purpose of this report, fixed broadband Internet subscriptions refer to those connections that are *always on* and have a speed of 128kbps or more.

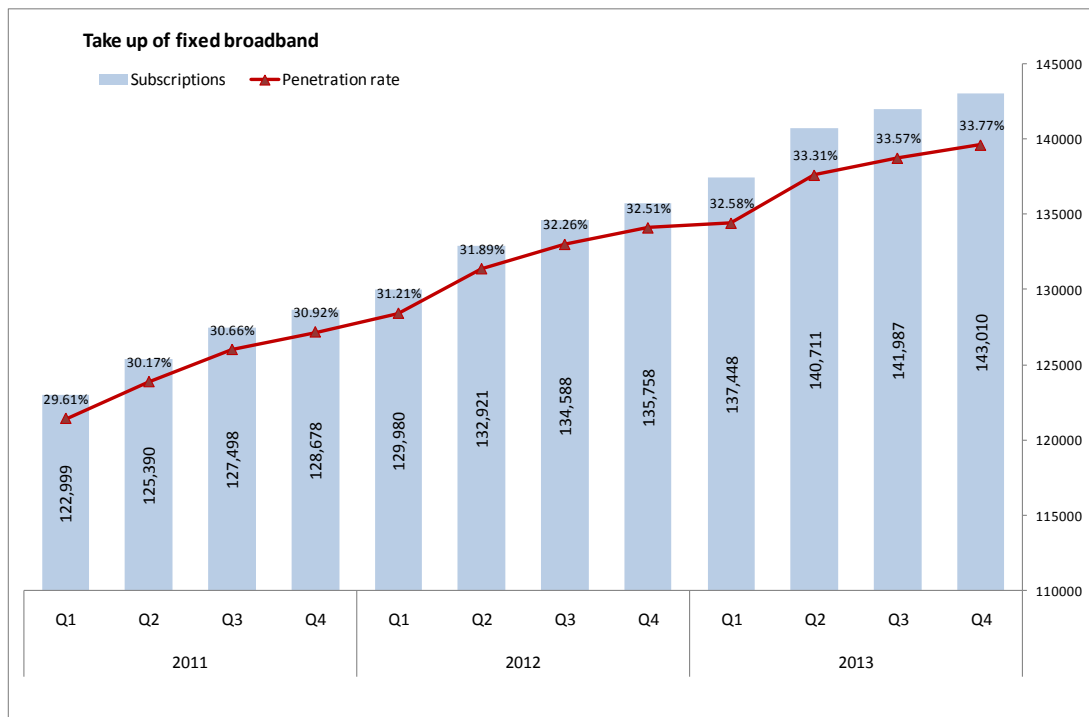


Figure 29: Take-up of fixed broadband and penetration

In line with developments over the last few years, the number of end-users opting to purchase their fixed broadband subscription in combination with other electronic communications products and services in a bundle continued to increase.

Fixed broadband subscriptions on a bundle	2011				2012				2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Dual Play	7,319	7,013	7,239	8,035	6,524	6,222	9,188	6,080	10,038	10,068	10,270	11,349
Fixed broadband + Fixed telephony	7,319	7,013	7,239	8,035	6,524	6,222	9,188	9,653	10,038	10,068	10,270	11,349
Triple Play	7,589	6,798	5,872	7,136	8,653	9,802	10,430	9,794	9,665	15,459	18,358	21,376
Fixed broadband + Fixed telephony + Pay TV	7,105	6,365	5,504	6,832	8,349	9,365	10,025	9,794	9,304	15,115	18,033	21,087
Fixed broadband + Fixed telephony + Mobile telephony	484	433	368	304	304	437	405	-	361	344	325	289
Quad Play	35,361	36,346	37,422	37,734	38,335	39,019	39,738	40,583	41,029	41,339	41,631	42,486
Fixed broadband + Fixed telephony + Pay TV + Mobile telephony	35,361	36,346	37,422	37,734	38,335	39,019	39,738	40,583	41,029	41,339	41,631	42,486
Number of fixed broadband subscriptions	122,999	125,390	127,498	128,678	129,980	132,921	134,588	135,758	137,448	140,711	141,987	143,010
Number of bundled fixed broadband subscriptions as a percentage of total fixed broadband subscriptions	40.87%	40.00%	39.63%	41.11%	41.17%	41.41%	44.10%	44.22%	44.19%	47.52%	49.48%	52.59%

Table 12: Fixed broadband subscriptions on a bundled offer²⁴

In this regard, the number of fixed broadband subscriptions on a bundled offer totalled 75,211 at the end of the current review period. The latter figure represents almost 52.6% of all fixed broadband subscriptions recorded at the time.

6.2. Fixed broadband subscriptions by access technology

A breakdown of fixed broadband subscriptions between DSL, cable and fixed wireless shows that cable subscriptions surpassed DSL subscriptions at the end of 2013. The former category accounted for 49.3% of all fixed broadband subscriptions at the end of last year. DSL subscriptions accounted for almost 49.0% of total subscriptions, whilst fixed wireless accounted to nearly 1.7% of total subscriptions²⁵.

²⁴ See footnote 7, page 5.

²⁵ The number of fixed wireless broadband subscriptions was revised downwards following a resubmission of figures by the relevant service provider.

Compared to 12 months earlier, cable improved its relative market presence by 1.6 percentage points. Meanwhile, DSL’s relative presence in the market weakened by 1.2 percentage points, whilst that of fixed wireless fell by 0.4 percentage points.

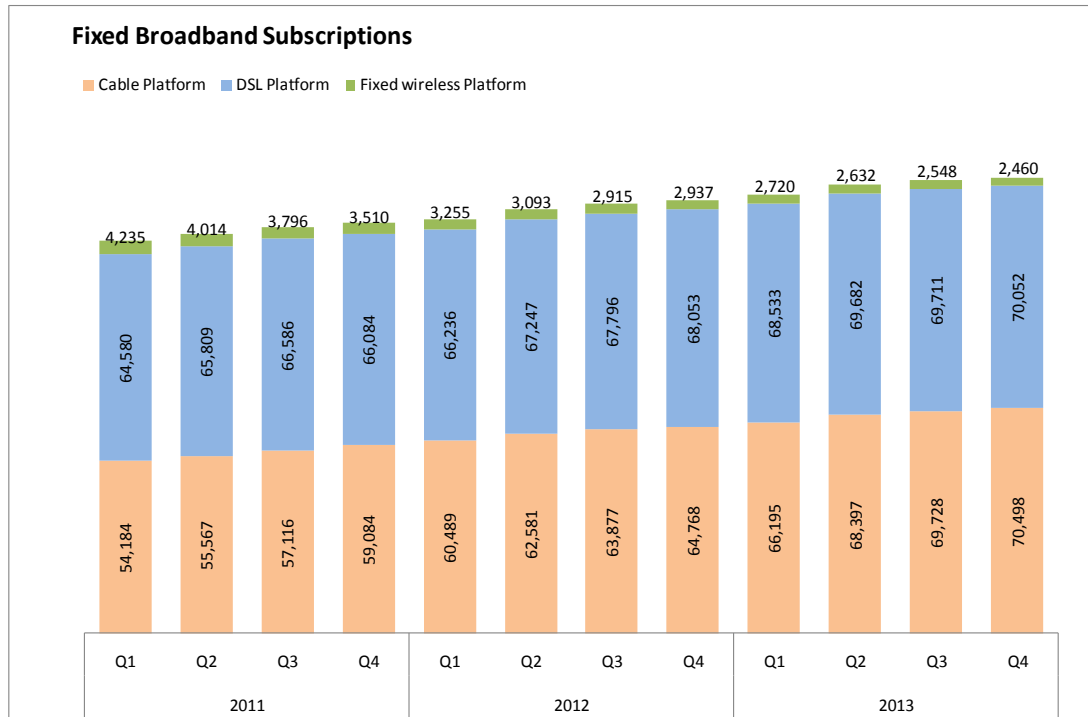


Figure 30: Broadband Internet subscriptions as at end of period - by technology

In absolute terms, DSL and cable access technologies recorded an increase in the number of subscriptions in the 12-month period ending December 2013. However, cable emerges as the fastest growing subscription type, with subscriptions increasing by 5,730 or nearly 9.0%. DSL subscriptions increased by 1,999 or 2.9%. On the other hand, the number of fixed wireless subscriptions fell by 477 or 16.2%.

6.3. Fixed broadband subscriptions by speed²⁶

Surveys carried out by the MCA show that consumers are spending more time browsing, streaming and carrying out other activities online. Correspondingly, their demand for data and data intensive applications is also considered to be on the rise, especially as service providers upgrade download speeds.

As at the end of 2013, the number of fixed broadband subscriptions allowing for a download speed of less than 10Mbps accounted for 13.3% of the local subscriber base, significantly down from around 22.3% as at the end of 2012. In absolute terms, the number of subscriptions under this category decreased by 11,336 to a total of 18,950 as at the end of the current reporting period.

²⁶ Quoted figures refer to advertised speeds.

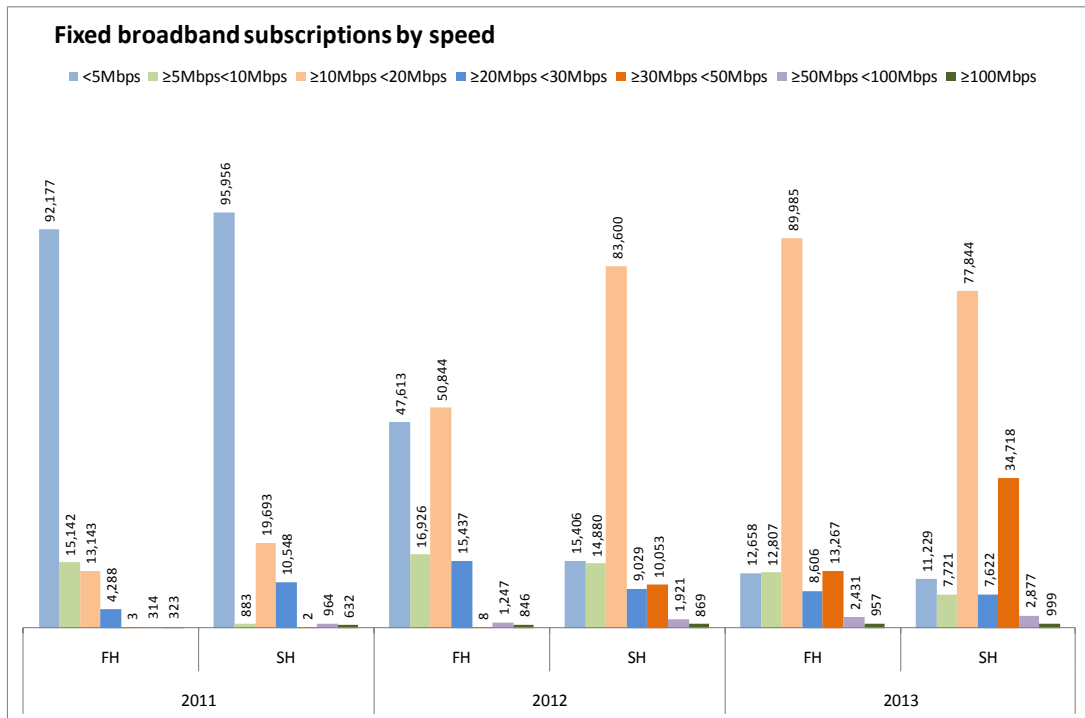


Figure 31: Fixed broadband subscriptions as at end of period, by speed

The category encompassing fixed broadband subscriptions allowing for a download speed of 10Mbps but less than 30Mbps accounted for the lion’s share of the subscriber base and stood at 59.8% at the end of 2013, which is however down from 68.2% at the end of 2012. In absolute terms, the number of subscriptions under this category fell by 7,163.

Meanwhile, the number of fixed broadband subscriptions allowing for a download speed of 30Mbps but less than 100Mbps totalled 37,595 at the end of 2013, which is up by 25,621 from 11,974 subscriptions at the end of 2012. This category accounted for 26.3% of the fixed broadband subscriber base recorded at the end of the reporting period.

The number of subscriptions with a download speed of 100Mbps or more only increased marginally in the period under review.

6.4. Fixed broadband subscriptions by access technology and download speed

A further look at fixed broadband subscriptions on the basis of access technology and download speeds shows that 94.6% of all fixed wireless broadband subscriptions recorded at the end of 2013 allowed for a download speed of less than 10Mbps. The rest, at 5.4%, allowed for a download speed of 10Mbps up to, but not including, 30Mbps.

Meanwhile, with respect to DSL, 13.5% of all subscriptions on this technology platform allowed for a download speed of less than 10Mbps; 82.1% allowed for a download speed of 10Mbps up to, but not including 30Mbps; and just 4.4% allowed for a download speed of 30Mbps but less than 50Mbps. No DSL-based subscriptions had a connection allowing for a download speed of 50Mbps or more.

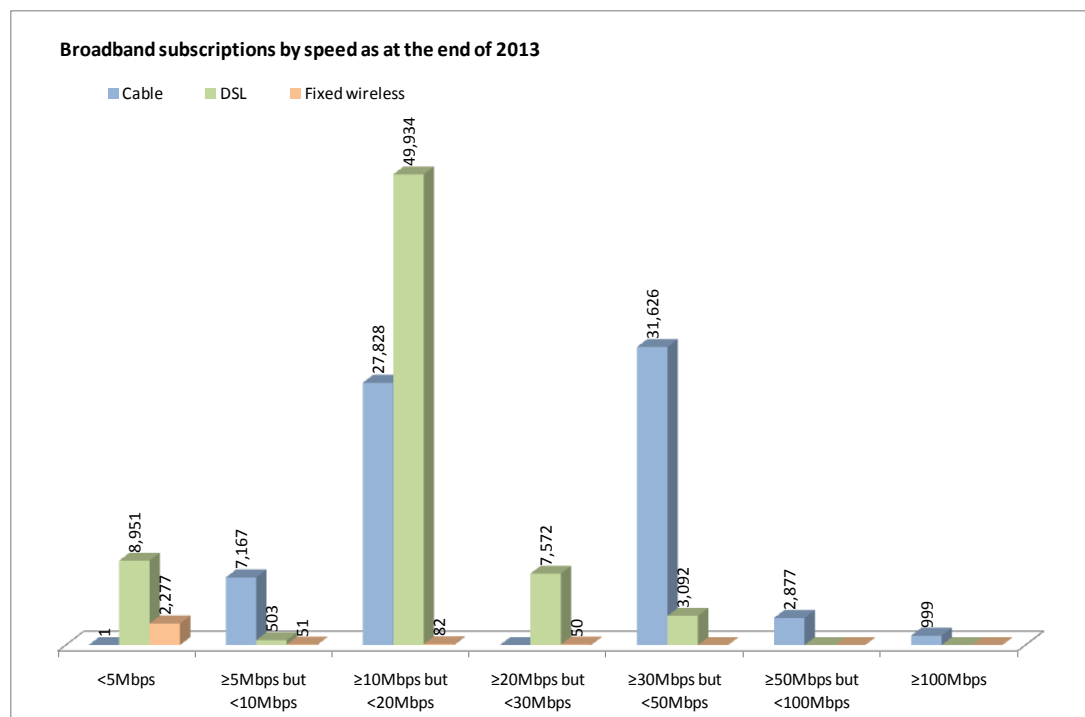


Figure 32: Broadband Internet subscriptions as at end of period - by connection speed

With respect to fixed broadband subscriptions on the cable platform, Figure 32 shows that 10.2% of all subscriptions on this platform allowed for a download speed of less than 10Mbps. Another 39.5% allowed for a download speed of 10Mbps, up to, but not including 30Mbps and a further 48.9% allowed for a download speed 30Mbps up to, but not including 100Mbps. Only 1.4% of cable-based subscriptions allowed for a download speed of 100Mbps or more.

6.5. Take-up and usage of mobile broadband

The share of those using their mobile connection for data access and internet connectivity purposes is increasing, with mobile broadband activity registering strong growth. Essentially, demand for mobile broadband has been propelled by the proliferation of smartphones and the launch of new plans that allow for higher data rates and improved data allowances.

The term mobile broadband used in this review encompasses data access and internet connectivity services offered over the following devices:

- 3G-enabled mobile handsets, especially smartphones; and
- portable computers and tablets, enabled by USB dongles / keys and built-in broadband cards.

For the sake of consistency, the methodology used to measure the take-up of mobile broadband in Malta corresponds with that adopted by the EU Commission when measuring progress in this area across the EU²⁷. Locally, mobile broadband via 3G-enabled mobile phones can be purchased either in a bundle with other mobile services or else as an add-on to standard mobile voice telephony.

²⁷ The EU Commission states that, for the sake of clarity, what is measured for mobile BB is the number of users, and not the number of transactions, since the overall objective is to measure a penetration per 100 population. For example, in country X, there are ten 3G equivalent phone users (mainly used for voice communication), but only two out of these ten users actually accessed advanced data services in the last 90 days. In addition there are four users who use their modems/USB keys/cards provided by a mobile operator to access BB data via their laptops, since there is, for example, no wired connection available to them.

Figure 33 illustrates that, in the 12-month period ending July 2013, the number of active mobile broadband connections via 3G-enabled mobile subscriptions increased by approximately 14.5%, from an average of 188,000 in the period January to July 2012 to an average of 215,000 in the corresponding period of 2013.

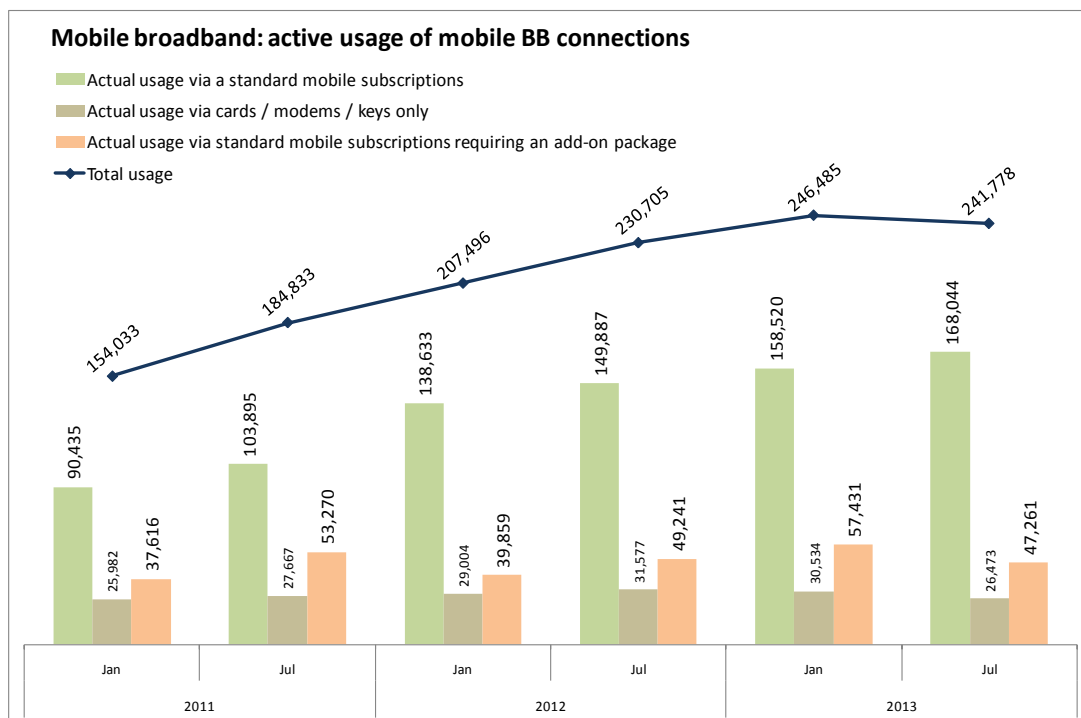


Figure 33: Mobile broadband active connections as at end of period²⁸

Meanwhile, the number of active mobile broadband connections via dedicated data service cards/modems/keys dropped from around 30,000 in the period January to July of 2012 to around 28,500 in the same period last year. This may be a result of the consumer’s increasing preference for data access and internet connectivity via mobile handsets.

Mobile broadband penetration

Despite the significant increase in the number of active mobile subscriptions in the reporting period, Malta’s take-up of mobile broadband (or mobile broadband penetration)²⁹ is rapidly catching up with the EU average.

²⁸ Data is under review and subject to change.

²⁹ The data is provided on the EU Commission’s Digital Agenda Scoreboard. Link: [http://digital-agenda-data.eu/charts/see-the-evolution-of-an-indicator-and-compare-countries#chart={'indicator-group':'mobile','indicator':'mbb_penet','breakdown-group':'total','breakdown':'TOTAL_MBB','unit-measure':'subs_per_100_pop','ref-area':\['EU27'\]}](http://digital-agenda-data.eu/charts/see-the-evolution-of-an-indicator-and-compare-countries#chart={'indicator-group':'mobile','indicator':'mbb_penet','breakdown-group':'total','breakdown':'TOTAL_MBB','unit-measure':'subs_per_100_pop','ref-area':['EU27']})

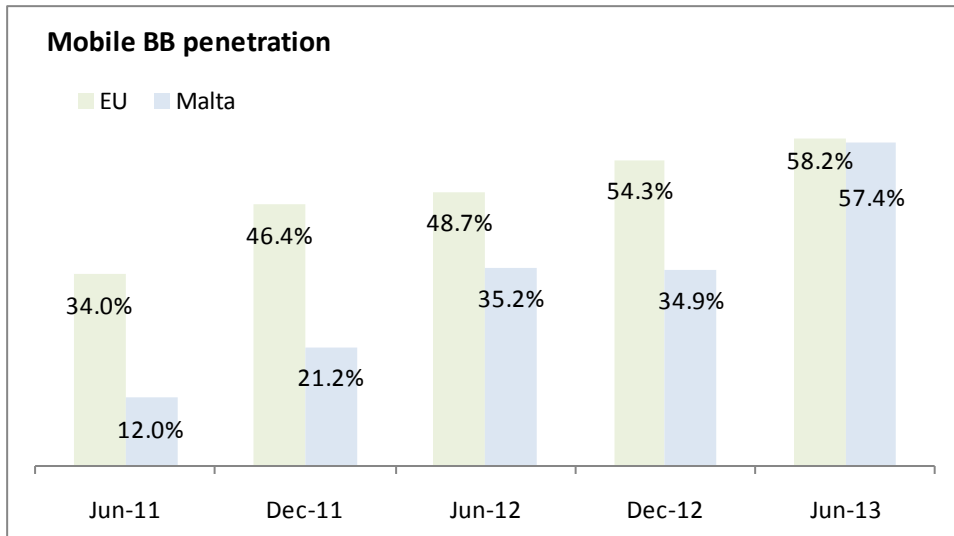


Figure 34: Mobile broadband penetration (active end-users/100 people), as at end of period

Figure 34 illustrates that, in June 2013, Malta’s mobile broadband penetration rate per 100 people stood at 57.4%, compared to an EU average of 58.2%.

6.6. Fixed broadband ARPU

The average revenue per user (ARPU) for fixed broadband in the second half of 2013 stood at €85.56, down from €89.11 in the same period a year earlier.

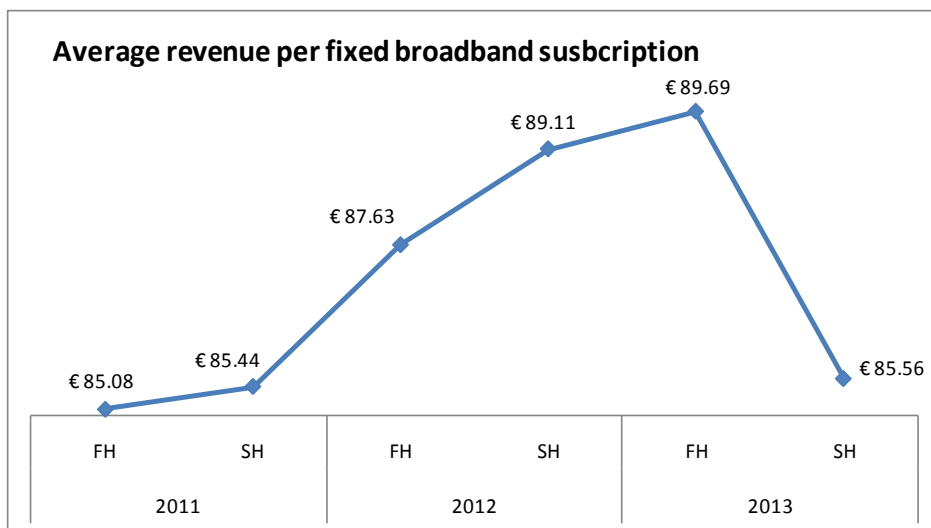


Figure 35: Average revenue per broadband user

This decline in ARPU may be a result of service providers upgrading their end users to higher download / upload speeds and package rates not necessarily going up at the same rate.

Methodology used in deriving fixed broadband ARPU figures

ARPU for fixed broadband reflects the average quarterly spend by users for data access and internet connectivity services provided over fixed access technology. The figures are derived by dividing the total retail revenues of service providers by the total number of subscriptions, during a given period.

The revenue element is composed of the total retail revenues from subscriptions to broadband services, excluding revenues from installation and connection fees.

The average total number of subscriptions is calculated by taking the sum of the total subscriptions at the start and the end of the quarter under consideration divided by two.

6.7. Average rate per Mbps

The key factor influencing the average rate per Mbps metric is the bandwidth offered with the fixed broadband product. Hence, when figures are broken down into different product portfolios categorised according to download speed, what generally emerges is a lower price per Mbps for products delivering faster download speeds compared to products delivering slower speeds.

Figure 36 shows increases in the price per Mbps, particularly for broadband products with a download speed of 5Mbps but less than 10Mbps. Only slight increases in the price per Mbps were reported for categories encompassing broadband products with a download speed of 10Mbps but less than 20Mbps and broadband products with a download speed of 20Mbps but less than 30Mbps. Otherwise, the rate per Mbps was unchanged.

As a result of the above-mentioned price increases, the overall average rate per Mbps for the local fixed broadband product portfolio went slightly up from €1.75 in Q4 2012 to €1.85 in Q4 2013.

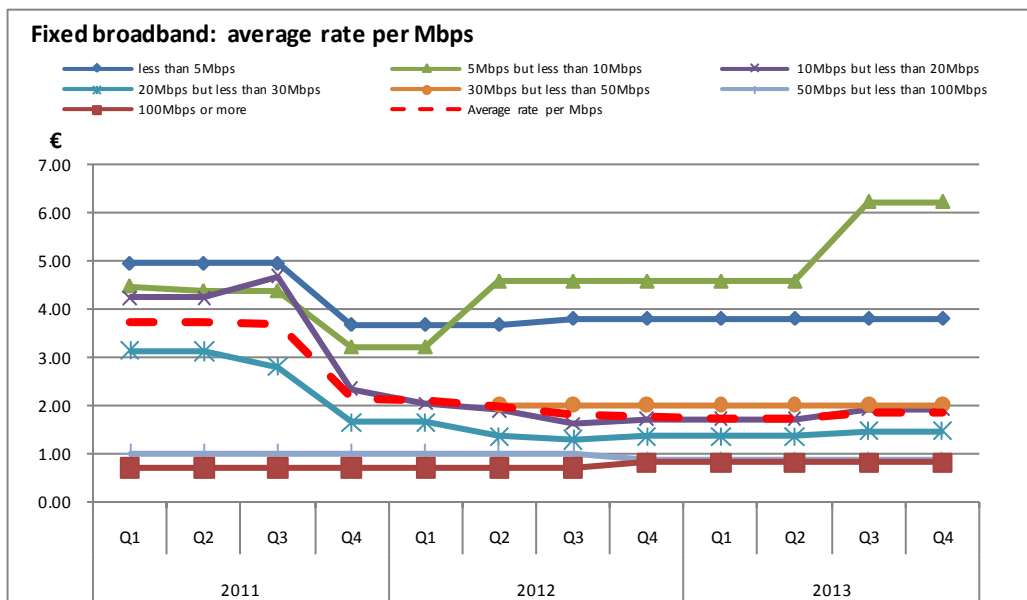


Figure 36: Average price per Mbps of fixed broadband for packages

It is also relevant to underline that the above-mentioned increases are mainly a result of changes in the product line up of service providers and not actual increases in advertised rates. In such instances, service providers discontinued products with lower broadband speeds and introduced new products supporting higher speeds. This generally pushed up the average advertised rate in those categories at the lowest end of

the scale, but ultimately this change did not have much impact on the average rate at the higher end of the scale given that some products were even discontinued at the higher end of the scale.

Note

The MCA considers the average advertised rate of fixed broadband per unit of download speed (i.e. per Mbps) as a proxy measure of how pricing for local fixed broadband products develops over time.

Figure 36 illustrates movements in the average advertised rate per Mbps on a more disaggregated level. To this effect seven fixed broadband categories are identified, according to different brackets of headline download speeds, as follows:

- products with a download speed of less than 5Mbps;
- products with a download speed equal to or greater than 5Mbps but less than 10Mbps;
- products with a download speed equal to or greater than 10Mbps but less than 20Mbps;
- products with a download speed equal to or greater than 20Mbps but less than 30Mbps;
- products with a download speed equal to or greater than 30Mbps but less than 50Mbps;
- products with a download speed equal to or greater than 50Mbps but less than 100Mbps; and
- products equal to or greater than 100Mbps.

7. Pay TV

Despite the emergence of new ways to watch TV shows and movies, challenging the old pay television model, the number of those signing up for pay TV services offered by local service providers actually grew in 2013.

This is in part attributable to efforts by service providers themselves to offer new services in combination with the traditional ones, such as premium content channel packs and High Definition (HD) TV services. Service providers also launched technology that give customers the opportunity to view TV whilst on the move and to avail of advanced viewing features, such as the record, pause and rewind options for live television programming.

The inclusion of pay TV in bundle offers has proven to be a rewarding strategy for services providers in terms of customer attraction and retention. The number of pay TV subscriptions on a bundle package reached a new high at the end of last year, with around 52% of local subscriptions opting for such packages.

This high rate of pay TV subscriptions on a bundle has also to do with the potential savings benefiting consumers when purchasing such offers instead of stand-alone products.

7.1. Pay TV subscriptions

There were 148,905 pay TV subscriptions at the end of 2013, up by 1,009 or 0.7% since the end of 2012.

This increase also coincided with a noticeable rise in the number of end users opting to purchase their pay TV subscription in a bundle rather than separately. In fact, the number of bundled pay TV subscriptions totalled 73,496 (or almost 52% of all digital-based and IP-based subscriptions) at the end of 2013, up by 17.3% from 62,678 (or almost 45% of all digital-based and IP-based subscriptions) at the end of the previous year.

Digital & IP Pay TV subscriptions on a bundle	2011				2012				2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Dual Play	16,951	17,502	17,875	16,545	15,315	15,681	12,750	12,301	11,312	10,832	10,545	9,923
Pay TV + Fixed telephony	16,951	17,502	17,875	16,545	15,315	15,681	12,750	12,301	11,312	10,832	10,545	9,923
Triple Play	7,105	6,365	5,504	6,832	8,349	9,365	10,025	9,794	9,304	15,115	18,033	21,087
Pay TV + Fixed telephony + Fixed Broadband	7,105	6,365	5,504	6,832	8,349	9,365	10,025	9,794	9,304	15,115	18,033	21,087
Quad play	35,361	36,346	37,422	37,734	38,335	39,019	39,738	40,583	41,029	41,339	41,631	42,486
Pay TV + Fixed telephony + Fixed Broadband + Mobile telephony	35,361	36,346	37,422	37,734	38,335	39,019	39,738	40,583	41,029	41,339	41,631	42,486
Number of digital & IP Pay TV subscriptions	133,022	136,014	138,024	139,571	138,636	139,213	140,002	139,380	140,405	141,085	141,370	141,410
Number of subscriptions on a bundle as a percentage of digital & IP Pay TV subscriptions	44.67%	44.27%	44.05%	43.78%	44.72%	46.02%	44.65%	44.97%	43.91%	47.69%	49.66%	51.97%

Table 13: Pay TV subscriptions on a bundled offer³⁰

³⁰ See footnote 5, page 7.

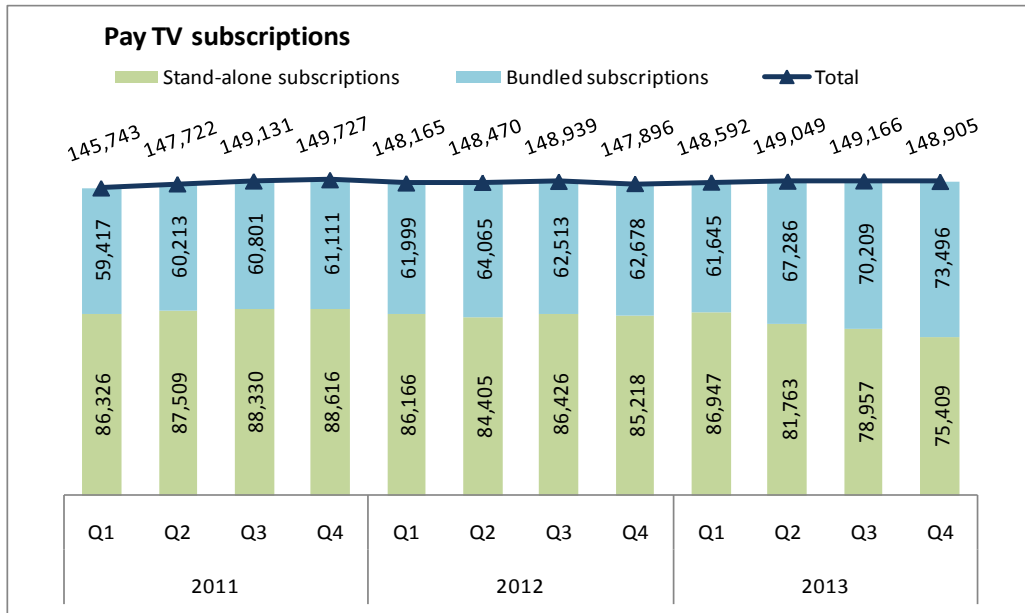


Figure 37: Pay TV subscriptions as at end of period

It is or relevance to underline that, locally, analogue cable pay TV subscriptions are no longer offered, neither on a stand-alone basis nor in a bundle. Table 14 therefore excludes analogue cable pay TV subscriptions from the total number of subscriptions.

7.2. Pay TV subscriptions by technology platform

There are four technology platforms over which pay TV services are currently available. These are the digital terrestrial (DTTV) platform and the Internet Protocol television (IPTV) platform, which are owned by GO, and the analogue cable and digital cable platforms, which are owned by Melita³¹.

Figure 38 shows the breakdown of pay TV subscriptions between these platforms. The number of DTTV subscriptions totalled 62,284 by the end of 2013, which is slightly down since the end of the previous year. Meanwhile, the number of IPTV subscriptions more than doubled during the same period, to reach a total of 5,954.

The number of DTTV and IPTV subscriptions at the end of 2013 corresponds to 41.8% and 4.0% of all Pay TV subscriptions respectively.

³¹ Melita also offers video on-demand services over its IPTV hybrid network, as an add-on to its IP-based digital cable TV.

There are to date no authorised satellite broadcasters or satellite pay TV platforms in Malta.

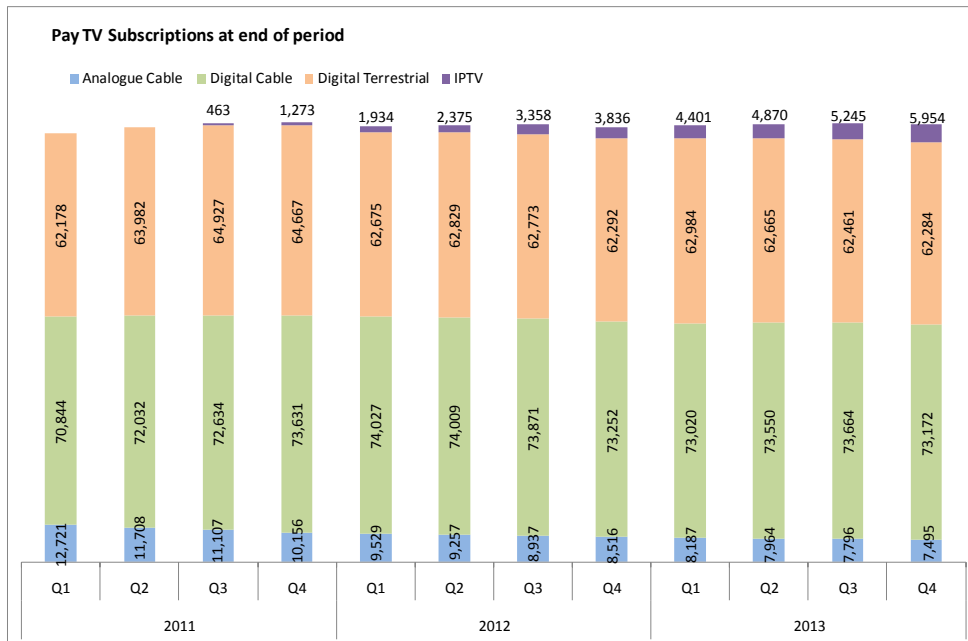


Figure 38: Pay TV subscriptions as at end of period

The increases in subscriptions recorded above coincided with a drop of 1,021 analogue cable TV subscriptions and 80 digital cable TV subscriptions. As at the end of the current reporting period, digital cable still featured as the pay TV platform with the highest number of subscriptions and accounted for 49.1% of the local pay TV subscriber base. The analogue cable platform accounted for 5.0% of the local Pay TV subscriber base.

Focus on DTTV and Cable Digital platforms

As at the end of the period under review, the number of DTTV subscriptions and digital cable subscriptions totalled 62,284 and 73,172 respectively.

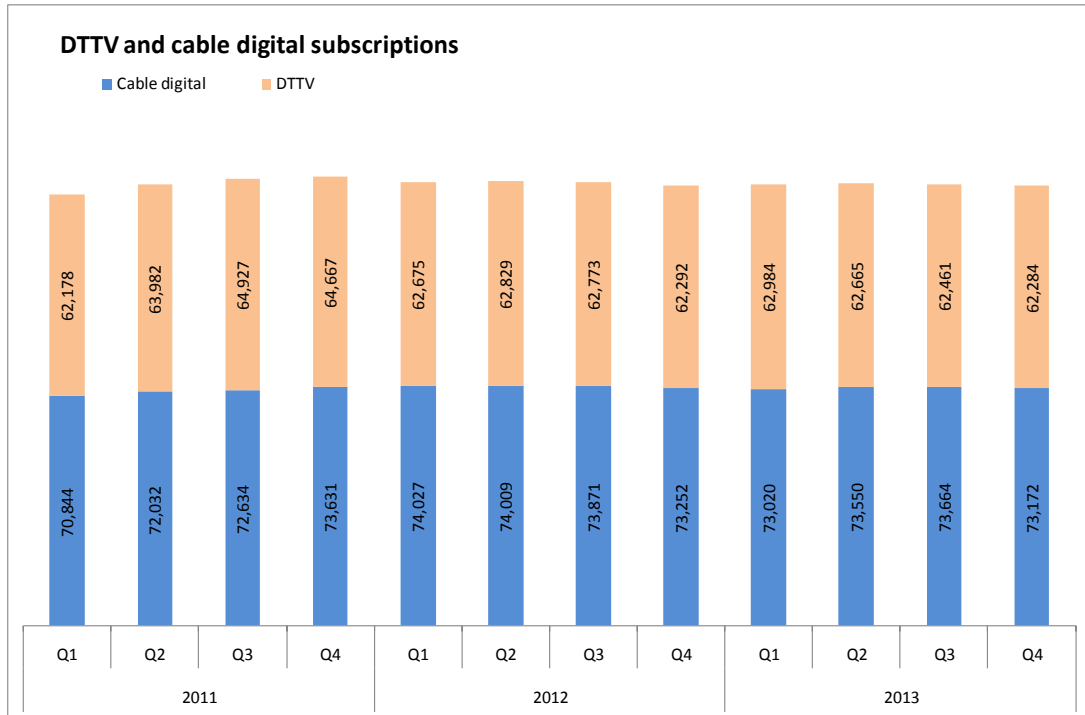


Figure 39: Pay TV subscriptions on DTTV and digital cable platforms as at end of period

As at the end of the current reporting period, the digital cable platform accounted for 54.0% of all digital pay TV subscriptions, unchanged since the end of the previous year, and the DTTV platform accounted for the remaining share at 46.0%.

7.3. Pay TV ARPU

The average revenue per user (ARPU) for pay TV in the second half of 2013 stood at €80.15, down from €85.56 in the same period a year earlier.

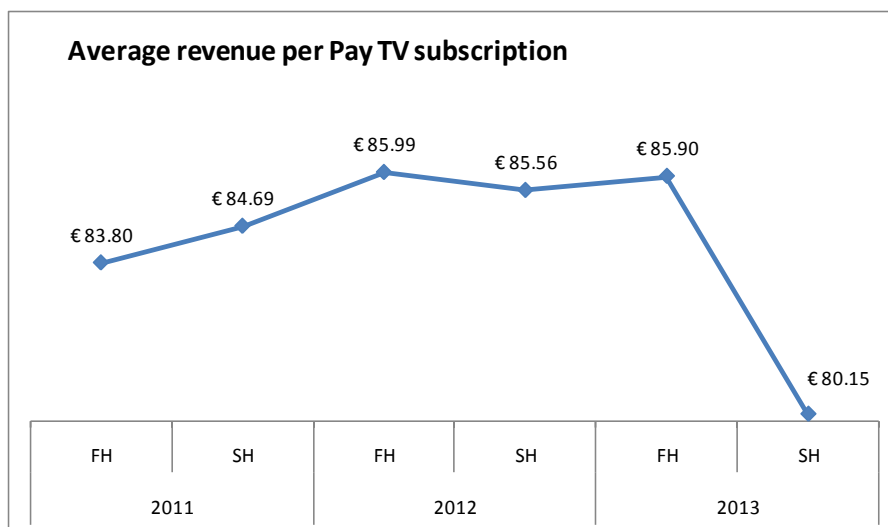


Figure 40: Average revenue per Pay TV user

Methodology used in deriving pay TV ARPU figures

ARPU for pay TV reflects the average quarterly spend by users for pay TV services. The figures are derived by dividing the total retail revenues of service providers by the total number of subscriptions, during a given period.

The revenue element is composed of the total retail revenues from pay TV subscriptions, but excludes revenues from premium services³², installations and connections.

The average total number of subscriptions is calculated by taking the sum of the total subscriptions at the start and the end of the quarter under consideration divided by two.

7.4. Average advertised rates for Pay TV

This section presents an overview of the average advertised rates for pay TV services offered in Malta. For ease of reference and practicality, the evaluation seeks to capture price movements for five distinct pay TV package categories, with each category bundling a particular number of channels, as illustrated in Figure 41 below.

Average advertised rates for all channel categories at the end of 2013 were unchanged when compared with the respective rates at the end of the previous year.

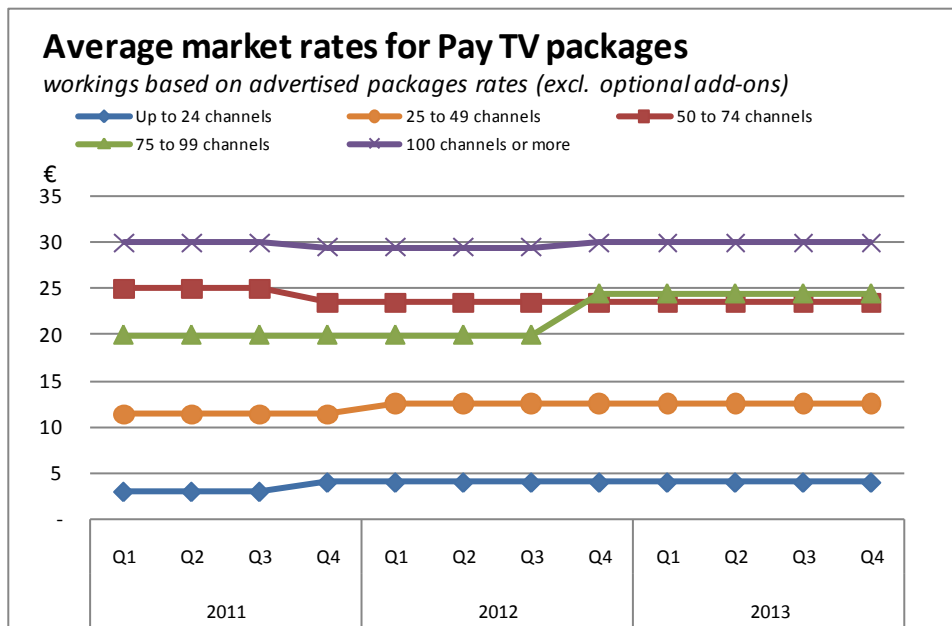


Figure 41: Average market rates for Pay TV packages³³

There were some adjustments in the channel line-up of some pay TV packages. However, these were not much influential on the final pricing outcomes. It is also of note here that calculations presented above do

³² Revenues from premium-related services include revenues from Sports, Movies, and VOD subscriptions.

³³ The 'up to 24 channel' category only includes GO's Bronze TV package.

The '75 to 99 channel' category included GO's *Gold Interactive TV* package (excluding the optional HD channel line-up) and Melita's *Large* pay TV package. The former package previously featured under the '100 channels or more' category.

The '100 channels or more' category only includes Melita's *Extra Large* pay TV package.

not take into account billing charges, as it is considered that local service providers typically offer customers an opportunity to avoid these charges.

8. Post

In 2013, postal mail volumes continued in line with recent trends, whereby overall mail volumes decreased because of further dips in traditional letter mail activity.

The most salient developments for the sector are briefly listed below:

- Different trends can be observed for letter post and bulk mail volumes on one side and registered mail and parcel mail volumes on the other. On the bright side, volumes were up in terms of bulk, registered and parcel mail items. However, these increases were not enough to offset declines in the traditional letter mail activity.
- The local postal sector remains characterised by two types of postal service providers, namely service providers operating within the scope of the universal service area³⁴, which need a licence to operate, and service providers operating outside the scope of the universal service area³⁵.

The postal operator providing services in the universal service area – Maltapost – continues to score very highly in terms of reliability and timeliness of postal delivery of local ordinary and bulk mail. High score levels in postal delivery are essential for repeat business and customer loyalty in this business.

- By a comparison of results on an EU level, Malta's postal rates for a *domestic standard letter* and an *outbound letter within the EU* in 2013 were significantly lower than those recorded for the EU average.

8.1. Postal mail volumes

Postal mail activity in 2013 weakened when compared to activity recorded in the previous year. This is mainly a result of developments in the latter part of 2013, when mail volumes were significantly lower than recorded in the corresponding period a year earlier. This decline offset higher mail volumes recorded in the first half of 2013 when compared to the first half of 2012.

³⁴ The Universal Service refers to the delivery and collection, on every working day, of a minimum set of postal services to any person who requests such services. The universal service covers both inland and cross-border services and includes the following minimum facilities: the clearance, sorting, transport and distribution of postal articles up to 2kg; the clearance, sorting, transport and distribution of postal parcels up to 20kg; services for registered and insured articles; and a basic counter service throughout Malta.

A postal service shall be considered to be within the universal service area (also referred to as within the scope of the universal service) if:

- the postal service is within the description of the universal services as set out in the Postal Service Act (Cap 254 of the Laws of Malta) (the 'Act'); or
- if the postal service is within the description of the universal service set out in the Act, but the collection and delivery is not made on each of the working days as required in the Act, or the postal service is not provided throughout Malta, or the postal service is not provided at an affordable uniform price; or
- the postal service is of a kind that, having regard to postal service users, could reasonably be said to be interchangeable with a postal service that falls within the description a universal service set out in aforementioned Act.

For a detailed description of the postal services that are considered as forming part of the Universal Services including the definition of those services that are considered as falling within the scope of the Universal Service area, kindly refer to the MCA's decision entitled 'Specific Aspects of the Universal Postal Service', which was published on the 25th March 2011. Link to decision: <http://www.mca.org.mt/article/decision-specific-aspects-universal-postal-service-mcad11-0227-0>

³⁵ These are couriers/express mail service providers, who operate under a general authorisation regime without the burden of the universal service obligation. Of significant relevance here is the increase in the number of private postal operators currently competing with the incumbent Maltapost in the parcel mail business.

In absolute terms, postal mail volumes handled by local postal operators³⁶ in the second half of 2013 totalled 20.3 million mail items, down by 0.7 million (or by 3.2%) when compared to postal mail volumes recorded in the second half of 2012.

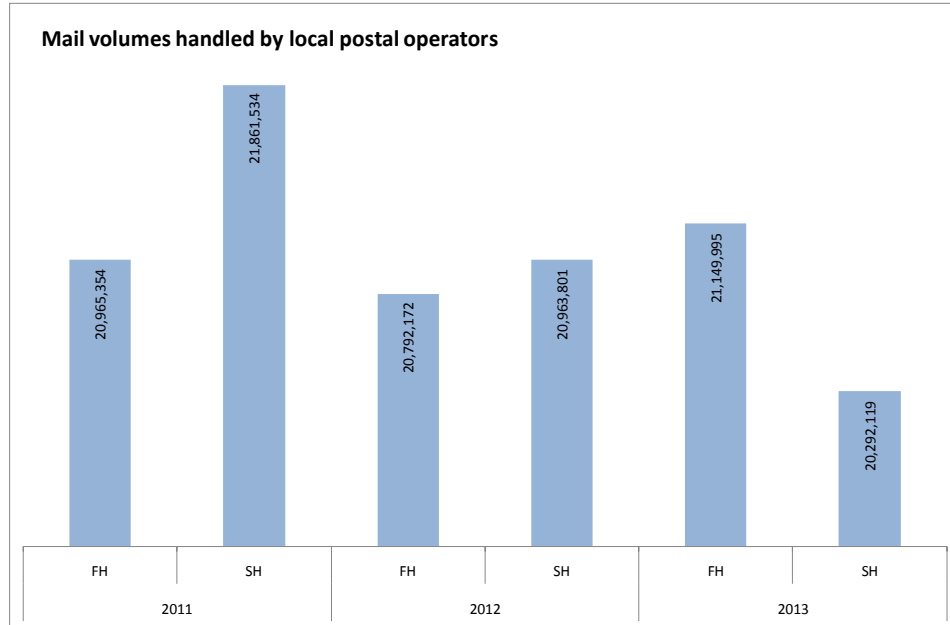


Figure 42: Postal activity - number of handled mail items³⁷

Measuring postal mail volumes by service area i.e. as to whether postal activity is handled under the universal service area or competitive area, provides a clearer picture as to which activity has actually contributed negatively or positively to growth in overall postal activity.

Figure 42 shows that mail volumes in the universal service area account for the lion's share of all postal activity in Malta. Regarding the composition of postal mail activity in the second half of 2013, the universal service area accounted for 98.3% of total mail volumes. The competitive area accounted for the remaining share, at 1.7%.

³⁶ Maltapost plc (the designated Universal Service Provider, hereafter also referred to as "the USP"), DHL International Ltd., and Premiere Post Ltd. provide services within the universal service area. As part of its universal service obligation Maltapost is obliged to provide a set of services, outside the reserved area.

Another 16 postal operators (courier and express services) are registered as providing services outside the scope of the universal service area.

³⁷ Figure 41 shows that postal mail volumes are generally higher in the second half of each year as a result of higher activity registered during the Christmas period. However, this has not been the case for 2013, given that activity levels in the first half of the year were boosted by national elections.

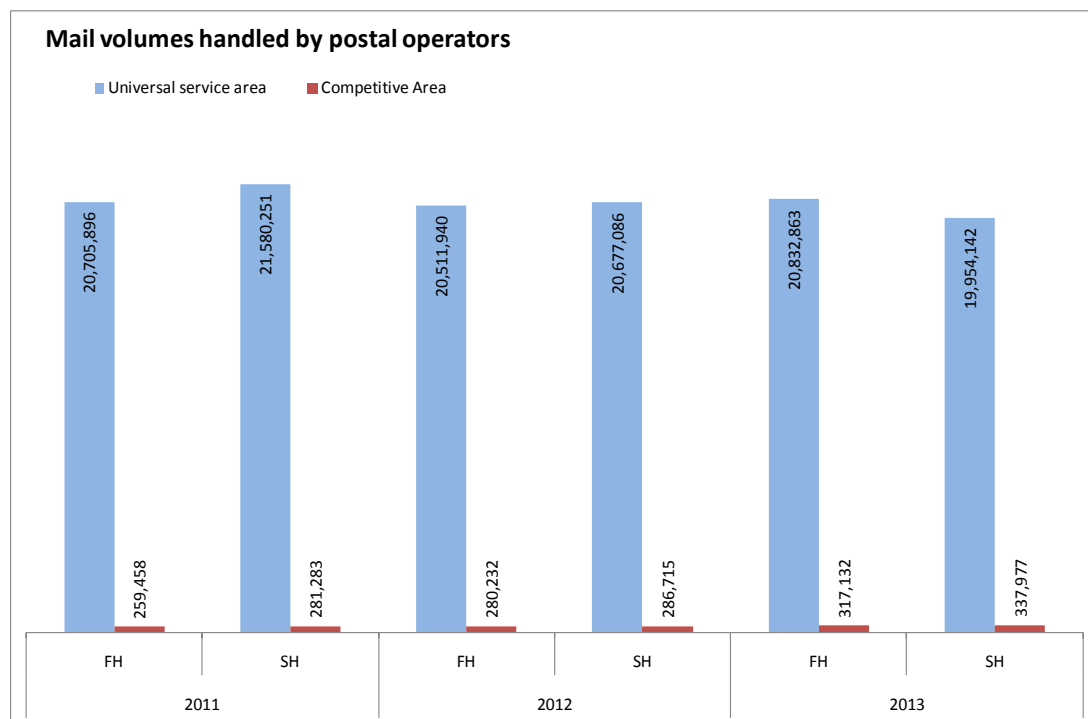


Figure 43: Postal activity - number of handled mail items by postal area

The number of postal mail items handled under the universal service totalled nearly 20.0 million, down by 0.7 million or 3.5% when compared to the second half of 2012. Meanwhile, postal mail activity in the competitive area continues to show strong increases, with mail volumes up by 17.9% to 0.3 million items.

8.2. Postal mail volumes by type of mail

There are four different segments of postal mail. These are letter post mail, parcel mail, bulk mail and registered mail³⁸.

Letter post mail accounted for 41.5% of all mail items handled during the current review period. In absolute terms, the number of letter post items totalled 8.4 million in the second half of 2013, which is down by 11.9% from 9.6 million items in the second half of 2012.

³⁸ These different types of mail are defined below:

- Single piece letter-post mail (also referred to as ordinary mail) is the ordinary day-to-day correspondence posted by individuals and businesses (other than bulk letter-post mail), at street letterboxes or over the counter at postal outlets.
- Bulk letter-post mail (also referred to as bulk mail) consists of a substantial number of similar letter-post items deposited with MaltaPost at the same place and time, to be transported and distributed to the addressees indicated on each of the postal articles.
- The registered letter-post mail service (also referred to as registered mail) refers to a service providing a flat-rate guarantee against risks of loss, theft or damage and supplying the sender, where appropriate upon request, with proof of the handing in of the postal article or of its delivery to the addressee.

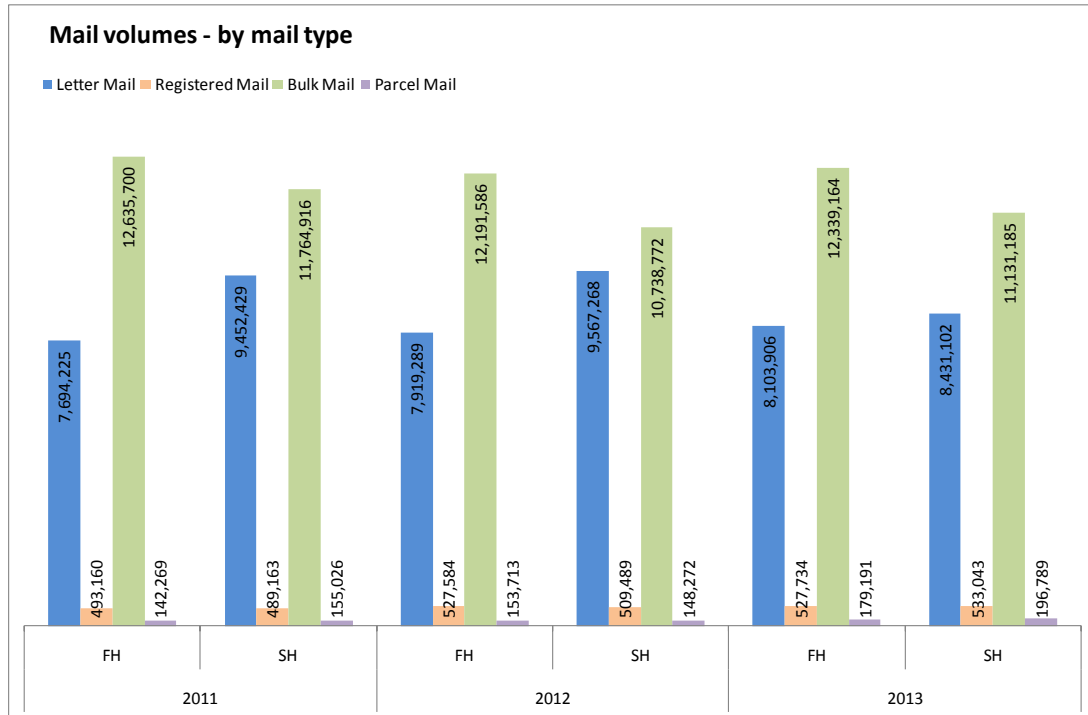


Figure 44: Postal activity - number of handled mail items by postal area

Total registered mail items handled in the second half of 2013 amounted to 0.5 million, which is equivalent to 2.6% of all mail items handled during the period. When compared with the second half of 2012, registered mail volumes were up by 4.6%.

Bulk mail items totalled 11.1 million in the reporting period, or 54.9% of total mail volumes, and parcel mail items totalled nearly 0.2 million, equivalent to 1.0% of total mail volumes. Compared to mail volumes recorded in the second half of 2012, bulk mail items and parcel mail items were up by 3.7% and 32.7% respectively. It is recalled that the major contributor to these increases is the ongoing growth in online shopping carried out by consumers.

8.3. Postal mail volumes by activity heading

This section distinguishes between three postal mail activity headings: domestic mail; outbound cross border mail³⁹; and inbound cross border mail⁴⁰.

Domestic mail volumes fell by 3.5% in the second half of 2013 when compared to the corresponding period a year earlier, from 16.3 million mail items to 15.8 million mail items.

³⁹ Domestically-originated mail forwarded to foreign destinations.

⁴⁰ Foreign-originated mail forwarded to Malta.

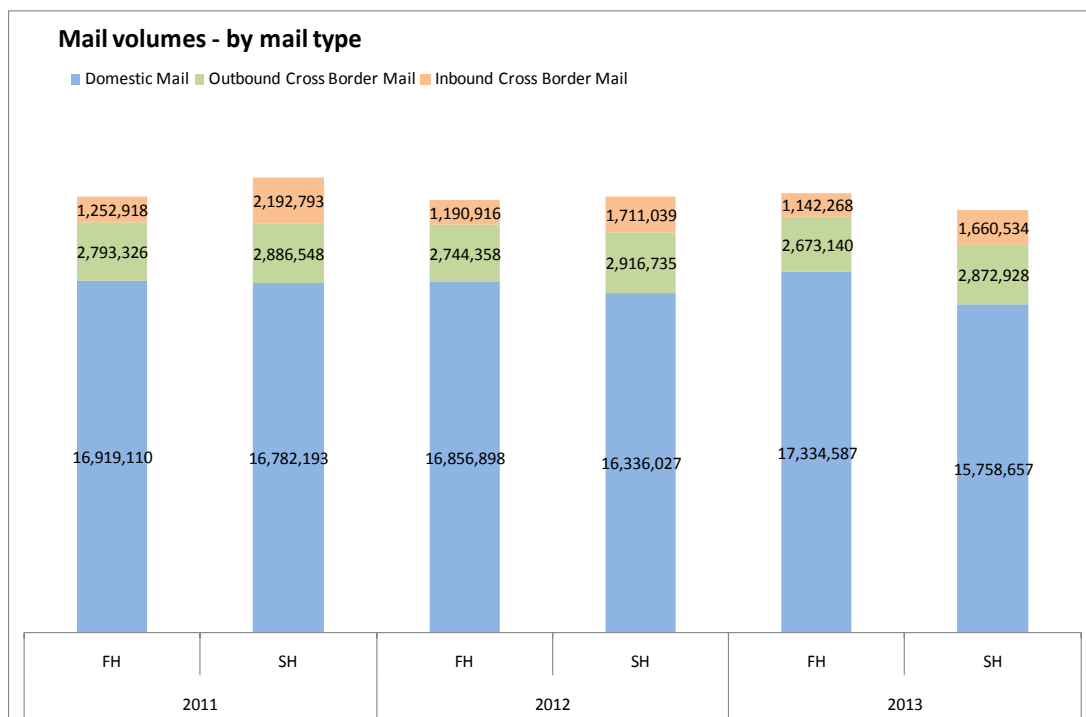


Figure 45: Postal activity - number of handled mail items by type of mail

Volumes of outbound cross border mail and inbound cross border mail in the second half of 2013 totalled 1.7 million items and 2.9 million items respectively. In both cases, volumes were down when compared to activity levels recorded in the second half of 2012.

8.4. Quality of postal delivery service

The MCA has established a methodology, based on a series of Quality of Service (QoS) targets, to determine whether or not Maltapost is meeting its universal service obligations for the delivery of different mail items. These QoS targets are set in accordance to the MCA Decision⁴¹ on the quality performance measurement of postal items delivered within the defined service standard. QoS data is based on the full calendar year⁴².

8.4.1 QoS – local ordinary mail and bulk mail

The QoS targets for the delivery to destination of local ordinary mail and bulk mail on the next day (D+1) has been set at 94%.

⁴¹ Link to MCA Decision concerning the 'Review of Quality of Service Targets and Requirements to be achieved by Maltapost plc': http://www.mca.org.mt/sites/default/files/articles/QoS_Review_-_DN.Nov_10.pdf

⁴² In terms of the MCA Decision Notice on the measurement of MaltaPost's Quality of Service, MaltaPost is required to attain the standards set by the Authority over a given financial year (October to September).

It is however of note that the QoS data presented in this report is adjusted to reflect developments over a standard calendar year, not a financial one.

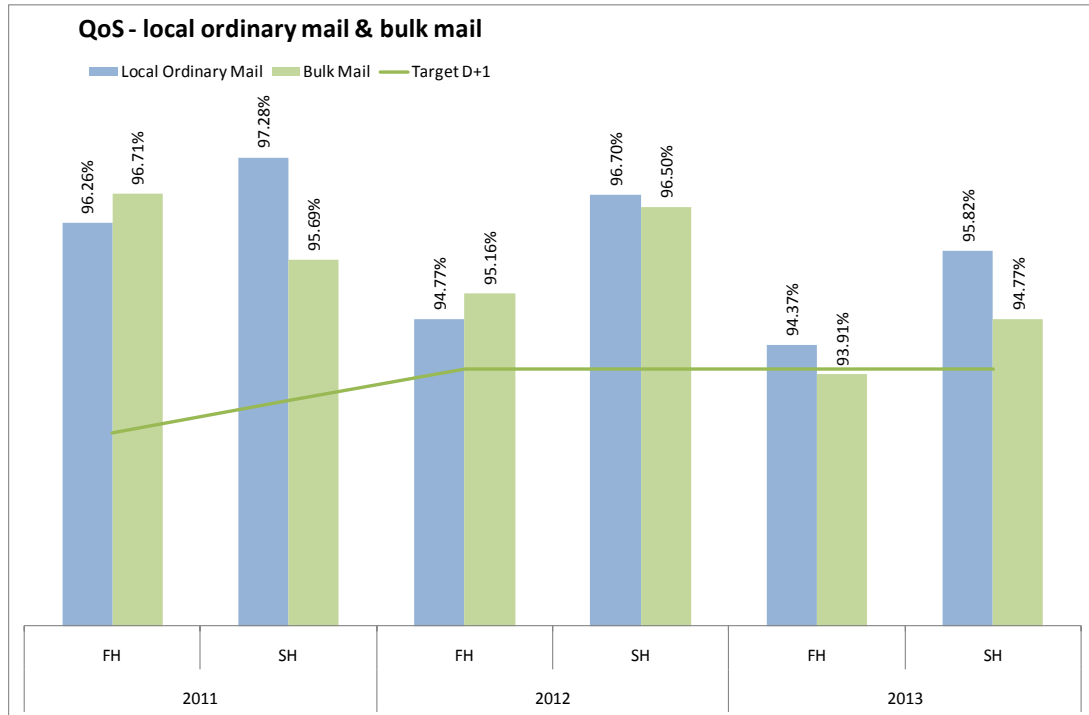


Figure 46: Quality of service - local ordinary and bulk mail

Figure 46 illustrates that Maltapost has generally met and exceeded these targets in 2013.

8.4.2 QoS – local registered mail and priority inbound parcels

The QoS targets for the delivery to destination of local registered mail and priority inbound parcels has been set at 98%.

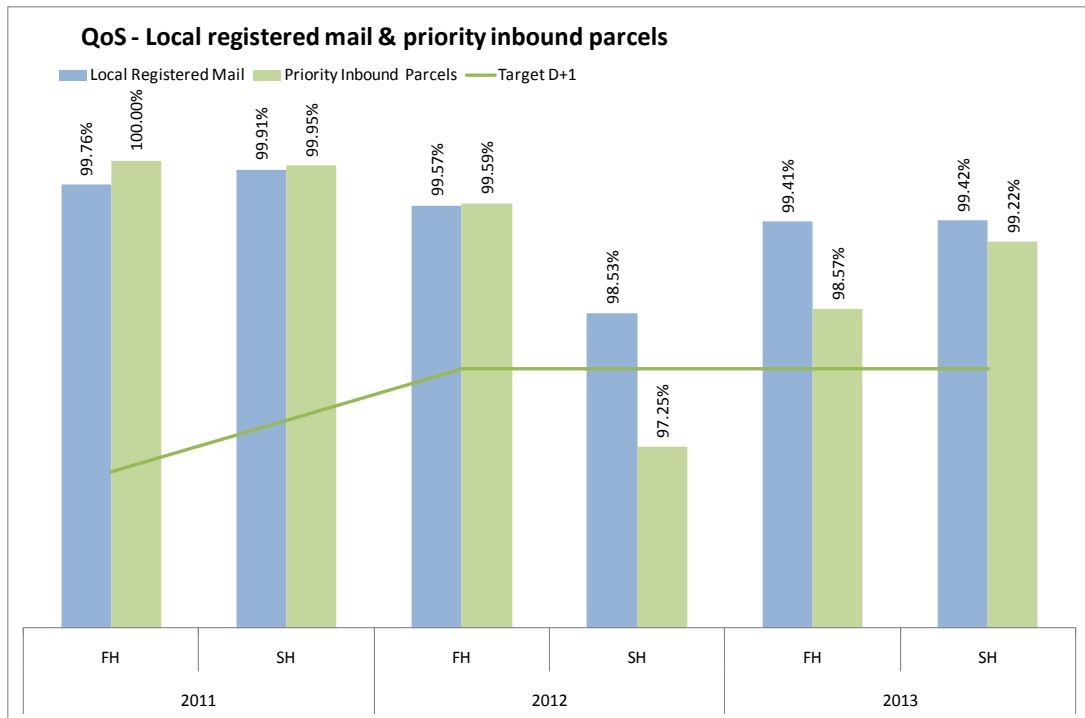
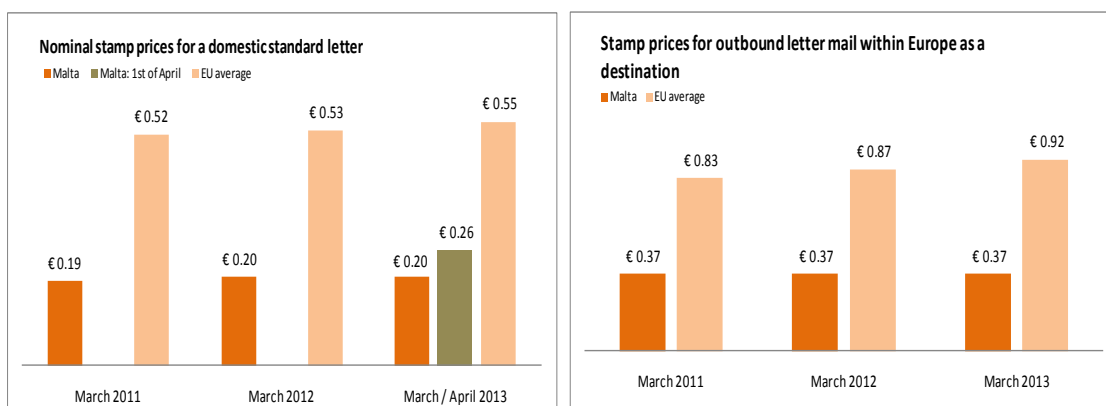


Figure 47: Quality of service - local registered mail and priority inbound parcels

Figure 47 illustrates that, last year, Maltapost has met and exceeded all the set targets for the traffic under consideration.

8.5. Postal rates: Malta vs the EU

The latest publication by Deutsche Post entitled ‘Letter Prices in Europe 2013’ shows that Malta’s nominal prices for a *domestic standard letter* and an *outbound letter within the EU* were the lowest across the EU⁴³. The respective rates are provided in Figure 48, below.



⁴³ Link to latest publication: http://www.dpdhl.com/en/media_relations/media_library/documents/letter_price_survey_europe.html

The publication findings are based on a survey taking ‘into account all postage rate changes that were known at the time of its printing (March 2013)’ across the 27 EU Member States, the EFTA countries of Norway and Switzerland.

The MCA accepts no responsibility or liability whatsoever with regard to material accessed, operated and/or downloaded from the link provided.

Figure 48: Nominal stamp prices in Malta and the EU

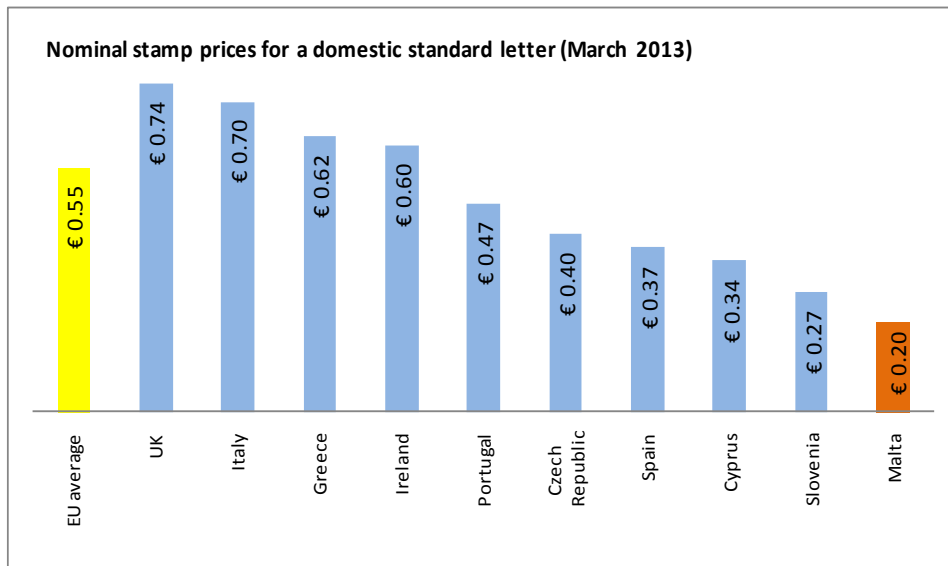


Figure 49: Comparison with selected EU countries

The postal rate of a domestic standard letter in Malta illustrated in Figure 49 is dated, given that this rate actually went up to €0.26 as from the 1st of April 2013. This increase however is not likely to dent Malta's position, when benchmarked with that of other EU Member States.

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11. Glossary of Terms

ARPU	Average revenue per user. Selected revenue items of the operator divided by the average number of active subscriptions during the period.
Broadband	A service or connection to the Internet which is 'always on' and has a speed of more than 128kbps. The number of active broadband subscriptions refers to subscriptions/connections having recorded a transaction within 90 days of the period stipulated.
Dial-up	The number of active dial-up subscriptions refers to those subscriptions/connections which made a call to an Internet number (2188, or 2186) within the last 90 days.
DSL	Digital Subscriber Line. A high-speed transmission technology mainly applied for Internet and video file access service. DSL services allow voice and data to share the same infrastructure and usually require a splitter at the customer's premises to separate voice and data traffic from the line. Forms of DSL include ADSL, HDSL, and VDSL.
DTTV	Digital Terrestrial Television. The term refers to a delivery platform primarily for television programmes in digital format, using the DVB-T standard.
FH	First half of the year, referring to the period January to June.
FNO	Fixed network operator. A provider which owns a fixed line network.
FTF	Fixed-to-fixed traffic.
FTI	Fixed-to-international traffic.
FTM	Fixed-to-mobile traffic.
ISPs	Internet Service Providers. An ISP is a point of access to the Internet for small business and individual users. The ISP provides its customers with access to its router which relays traffic to web servers on the Internet.
Mbps	Megabits per second ("MBit/s") or millions of bits per second. Unit applied to measure the transmission speed of digital information.
MCA	Malta Communications Authority.
MMS	Multimedia Messaging Service. MMS extends the short messaging service ("SMS") to include longer text, graphics, photos, audio clips, video clips, or any combination of the above, within certain size limits.
MNO	Mobile network operator. A provider which owns a mobile network.
MPR	Mobile penetration rate. The MPR is a term used to describe the number of active mobile subscriptions (or SIM cards) as a percentage of total population.
MTM	Mobile-to-mobile traffic.

MTF	Mobile-to-fixed traffic.
MTI	Mobile-to-international traffic.
MVNO	Mobile Virtual Network Operator. An MVNO is a mobile operator that usually would not have a licence to use radio spectrum but would have access to the radio networks of one or more of the current mobile operators and would be able to offer services using that spectrum.
Off-net activity	Activity between two or more connections on different networks.
On-net activity	Activity between two or more connections on the same network.
Pay TV	Television services (generally a channel or set of channels) paid for by the user, by means of subscription or other ways of service payment.
Q	Quarter of the year. Q1 refers to first quarter (January to March), Q2 refers to second quarter (April to June), Q3 refers to third quarter (July to September), Q4 refers to fourth quarter (October to December).
QoS	Quality of Service. A statistical measure of a system or service. May also be used to set varying priorities for traffic.
Service provider	A supplier of electronic communications and postal services, to third parties, either through its own network or through a network of another operator.
SH	Second half of the year, referring to the period July to December.
SMS	Short message service. This refers to short text messages which can be sent from one mobile phone to another, usually up to 160 characters. Such messages can also be sent from the Internet to a mobile phone.
Universal service	The basic level of telecommunications services which should be available to all customers.
USO	Universal Service Obligations. A provision in Maltese law requiring certain operators to provide certain services to all specified persons who may reasonably request them.
VAT	Value Added Tax.

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13. Contact

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