

Communications Market Review

January to June 2017

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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 January 2013 to June 2017. The report draws on quarterly and half-yearly 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 that have submitted data to the MCA².

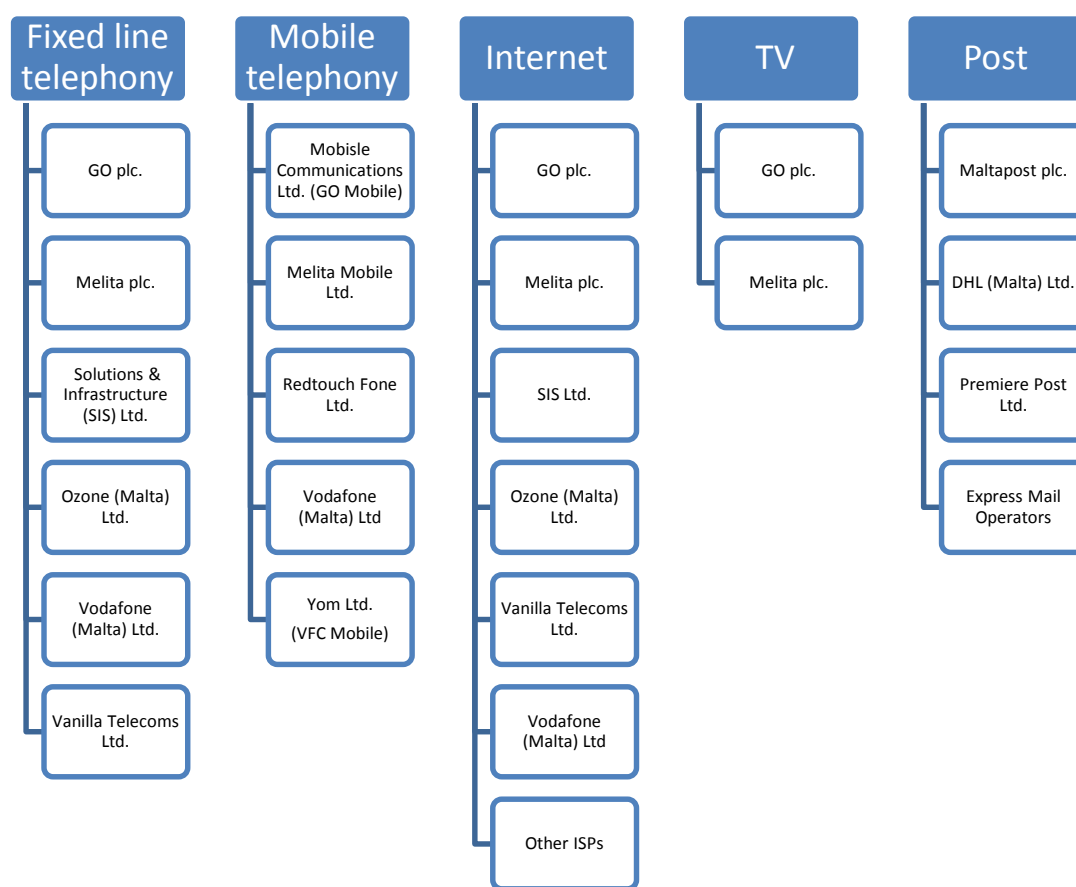


Figure 1: Operators providing quarterly data

This report also refers to findings extracted from publications of third parties in the areas of interest³.

1.1. The reporting period and data cut-off date

The current review presents data and KPIs on a quarterly and half-yearly basis for the period starting Q1 2013 and ending Q2 2017.

¹ Previous CMR publications are available to download for free from the MCA website on the following link: http://mca.org.mt/publications?term_node_tid_depth=585

² SIS Ltd. has notified the MCA in the first quarter of 2017 that it was ceasing operations.

³ 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.

The data cut-off date for implementing changes and updates in the data has been set on the 27th of September 2017. 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 December 2017⁴.

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. Figure 2 below highlights the list of indicators covered in this review.

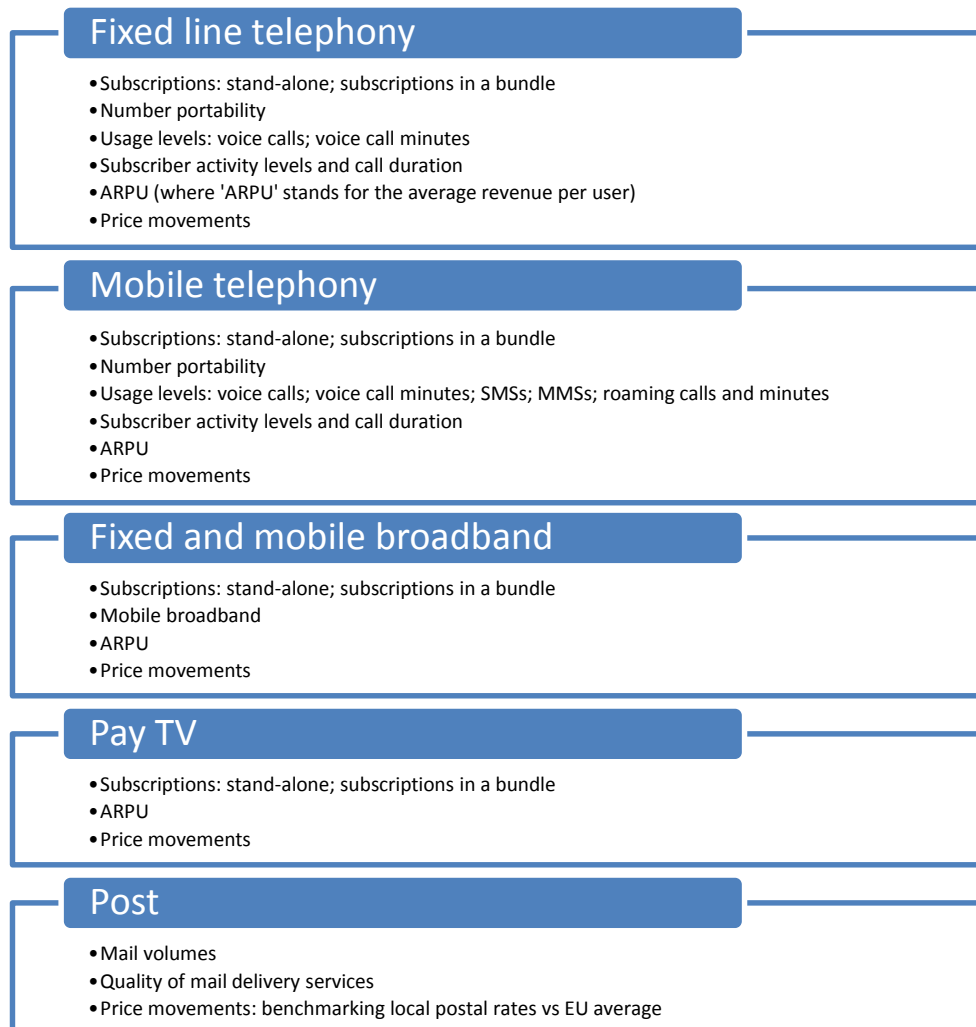


Figure 2: Key market indicators for electronic communications and post

⁴ The MCA publishes a DRS on a regular basis, the latest of which can be found on: <https://mca.org.mt/articles/key-market-indicators-electronic-communications-and-post-q1-2013-q2-2017>

2. Key market outcomes

The first half of 2017 showed more positive results with respect to take up of electronic communications services (ECS) in Malta. Increases in subscriptions materialised across all sectors analysed in this publication, with fixed broadband and mobile telephony leading in terms of subscriber growth. Underlying the increase in take-up of ECS products is the rising proportion of end-users opting for a bundled subscription.

Reflecting a continuation of the growth environment observed over the past years, the fixed broadband sector charged ahead with a 5.0% increase in subscriptions over the 12-month period ending last June. More importantly, subscriber growth figures materialised on the back of an increasing penetration of fast and ultra-fast fixed broadband.

The current report outlines that the number of fast and ultra-fast fixed broadband subscriptions recorded at the end of last June was up by 13.2% compared to 12 months earlier, with this category of products now in use by 63.7% of the local fixed broadband subscriber base. Take-up of fixed broadband in a bundle maintained a strong momentum in the first half of 2017, with the proportion of such subscriptions climbing by 6.6 percentage points year-on-year to reach 81.8% by the end of last June. The increasing number of fixed broadband connections on super-fast download speeds enabled local service providers to improve ARPU by almost 6.1%, from €95.75 in the first half of 2016 to €101.59 in the first half of this year. This increase in ARPU happened at a time when the average price per Mbit was down by 9.3% year-on-year.

Mobile telephony also continued to gain steadily in terms of subscriptions and voice minute volumes, alongside growth that this sector recorded in terms of active usage of data services. Mobile telephony subscriptions at the end of last June totalled 596,808. This figure represents a 3.5% increase over that recorded 12 months earlier. The increase in take-up spurred mobile telephony penetration, which now stands at almost 135.0%.

A trend that has also been on the rise for several years is the shift in voice telephony usage from fixed to mobile. The mobile sector recorded 427.0 million voice call minutes in the first half of 2017, representing an 8.2% increase in traffic volumes compared to the same period a year earlier. This contrasts sharply with developments for the fixed telephony sector, where voice minute traffic volumes dipped by 6.1% year-on-year. The wider availability of voice minute allowances and falling average rates per minute of communication have contributed to the increase in mobile voice traffic volumes. It is however relevant to underline that, notwithstanding the decline in traffic volumes, the fixed telephony subscriber base strengthened year-on-year, with 7,790 more subscriptions reported at the end of the current reporting period. This would indicate that people still value having a fixed line connection at home or at their business premises, even though their usage of the service is falling.

The mobile sector also recorded growth in ARPU for the first half of 2017 compared to the first half of 2016. However, the rate of growth in this respect was rather more subdued in relation to growth rates observed for subscriptions and voice minute traffic volumes. In fact, mobile telephony ARPU in the first half of 2017 stood at €87.17, marginally up by 0.4% from €86.82 in the first half of 2016. This outcome largely reflects the drop in the rate per minute of mobile voice communication and increased utilisation of data and minute allowances. Meanwhile, the observed decline in fixed voice minute traffic volumes alongside the rise in fixed telephony subscriptions had a significant impact on the ARPU for fixed telephony. This indicator slid by of 11.3% from €72.40 in the first half of 2016 to €64.21 in the current reporting period.

The current report also finds that consumers are more actively utilising data services via their mobile devices. In fact, the number of end-users actively using mobile broadband services was up by 63,824 (or by 21.7%) between June 2016 and June 2017. This increase reflects the rising popularity of mobile applications, social networking and other online activities, which all contribute to a stronger take-up of mobile data.

A noticeable change from previous publications is that the pay TV is again venturing in a growth environment, with subscriptions increasing by 4,408 (or by almost 3.0%) year-on-year, from 147,963 subscriptions at the

end of June 2016 to 152,371 subscriptions at the end of the current reporting period. More significantly, the overall picture that emerges is one where less consumers are opting to purchase pay TV on a stand-alone basis. Meanwhile, one of the pay-TV service providers has diluted its stand-alone product line-up. Instead, the proportion of pay TV subscriptions purchased in a bundle went up by 6.8 percentage points between June 2016 and June 2017, from 57.9% to 64.0%. These latest changes in take-up of pay TV also weighed on the sector's revenue side, as evidenced by the year-on-year 2.4% decline in ARPU reported by local service providers.

As for the postal sector, developments were in line to long-term market trends, although declines were contained to one type of mail, namely single piece letter mail. All other mail types, including bulk mail, registered mail and parcel mail recorded an increase in activity in the current review period compared to the same period in 2016. In view of these developments, postal mail volumes reported in the first half of 2017 were down by just 0.5% when compared to the first half of 2016, with declines for single piece letter mail outweighing gains for other types of mail.

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

i. Mobile telephony

- The number of mobile telephony subscriptions totalled 596,808 as at the end of June 2017. This figure is up by 19,893 (or by 3.5%) from 576,915 reported at the end of June 2016. Correspondingly, the mobile penetration rate at the end of the current reporting period stood at 134.7%, up from 131.8% a year earlier.
- The number of post-paid subscriptions was up by 17,104 (or by 9.1%) between June 2016 and June 2017 and the number of pre-paid subscriptions was up by 2,789 (or by 0.7%). As a result, the proportion of the subscriber base for mobile telephony on a post-paid contract increased from 32.5% at the end of 2015 to 34.3% during this period.
- 9.4% of all mobile subscriptions recorded at the end of June 2017 were bundled with some other electronic communications service.
- The number of mobile inward portings totalled 16,101 in the first half of 2017, up by 2,182 (or by 15.7%) from 13,919 inward portings recorded in the same period a year earlier.
- The number of mobile voice call minutes recorded in the first half of 2017 totalled 427.0 million, which is up by 32.4 million (or by almost 8.2%) from 394.7 million recorded in the first half of 2016. On the other hand, the number of mobile voice calls was down by 32.6 (or by 12.5%) from 259.9 million to 227.4 million.
- Given the reported increase in subscriber numbers, usage level per subscription was down in terms of voice calls but up in terms of voice call minutes. Table 1 below outlines these contrasting trends and the continued decline in usage levels per subscription noted in the case of SMSs.

| Mobile telephony | FH 2015 | FH 2016 | FH 2017 |
|---|---------|---------|---------|
| Subscriptions (end of period) | 562,956 | 576,915 | 596,808 |
| Activity levels per subscription | | | |
| Number of voice calls | 471 | 458 | 385 |
| Number of voice call minutes | 685 | 696 | 722 |
| Number of SMSs | 414 | 359 | 279 |
| ARPM (overall) | €0.078 | €0.073 | €0.066 |
| Average rate per SMS (overall) | €0.031 | €0.032 | €0.037 |
| ARPU | €86.89 | €86.82 | €87.17 |

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

- The number of SMSs per subscription fell from an average of 359 per mobile subscription in the first half of 2016 to an average of 279 per mobile subscription in the first half of 2017.
- In line with long-term market trends, mobile telephony maintains the drive towards more competitively priced voice call offers. In fact, the average rate per minute of mobile communications in the first half of 2017 was down by 9.6% to €0.066 from €0.073 in the first half of the previous year.
- The larger subscriber base and the resulting increase in voice call minute traffic volumes and mobile data consumption in the first half of 2017 did contribute to a slight increase in ARPU for the sector when compared to the same period a year earlier. This notwithstanding the decline in rate per minute of mobile communication and the increase in the number of end-users availing of post-paid minute and data allowances. ARPU in the first half of 2016 stood at €87.17, which is up by 0.4% from €86.82 in the first half of 2016.

ii. Fixed line telephony

- The number of fixed line subscriptions totalled 239,582 at the end of June 2017, up by 7,790 (or by 3.4%) from 231,792 a year earlier.
- The number of post-paid subscriptions was up by 9,636 and the number of 'enhanced' subscriptions (the latter type of subscriptions supporting multiple connections at a particular location) was up by 158. In contrast, the number of pre-paid subscriptions was down by 2,004.
- As for the proportion of the local subscriber base by type of subscription at the end of last year, 92.3% were on a post-paid contract, 6.4% were on a pre-paid plan and 1.3% were on an 'enhanced' plan.
- 65.5% of all fixed line telephony subscriptions at the end of the current reporting period were purchased in a bundle with other electronic communications services.
- There were 1,290 fixed line inward portings in the first half of 2017, down from 720 inward portings recorded in the first half of 2016.
- Traffic volumes in the first half of 2017 were lower than recorded during the same period a year earlier. The number of outgoing voice calls was down by 4.7 million (or by 6.7%) and the number of outgoing voice call minutes was down by 15.6 million (or by 6.1%). The decline in traffic volumes combined with a larger subscriber base contributed to a dampening in voice activity levels per subscription. Table 2 below illustrates these trends.

| Fixed line telephony | FH 2015 | FH 2016 | FH 2017 |
|---|---------|---------|---------|
| Subscriptions (end of period) | 228,911 | 231,792 | 239,582 |
| Voice activity levels per subscription | | | |
| Number of voice calls | 338 | 307 | 279 |
| Number of voice call minutes | 1,192 | 1,098 | 1,004 |
| Average rate per minute (ARPM) | €0.030 | €0.028 | €0.028 |
| on-net FTF call | €0.010 | €0.009 | €0.008 |
| off-net FTF call | €0.012 | €0.012 | €0.011 |
| FTM call | €0.158 | €0.143 | €0.134 |
| FTI call | €0.096 | €0.093 | €0.104 |
| Average revenue per user (ARPU) | €76.42 | €72.40 | €64.21 |

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

- ARPU for fixed line telephony in the first half of 2017 was down by 11.3% when compared to the same period a year earlier, from €72.40 to €64.21. This decline mainly reflects the falling voice traffic volumes per user and the increase in take-up of fixed telephony in bundled subscriptions. These bundled subscriptions typically entail a monthly access fee that is cheaper than is the case with the combined total of access fees for electronic communications services purchased on a stand-alone basis.
- The average rate per minute (ARPM) of fixed line communications in the first half of 2017, at €0.028, was relatively unchanged to that recorded in the first half of 2016.

iii. Fixed and mobile broadband

- The number of fixed broadband subscriptions totalled 177,327 at the end of June 2017. This figure is up by 9,319 (or by 5.6%) from 168,008 reported a year earlier.
- The fixed broadband penetration rate (measured as the proportion of the number of active fixed broadband connections to Malta's population) stood at 40.0% at the end of last June, representing an increase of 1.6 percentage points on the corresponding rate at the end of June 2016.

| Fixed broadband | FH 2015 | FH 2016 | FH 2017 |
|---|---------|---------|---------|
| Subscriptions (end of period) | 158,869 | 168,008 | 177,327 |
| less than 5Mbps | 7,316 | 1,311 | 675 |
| greater than or equal to 5Mbps but less than 10Mbps | 615 | 707 | 316 |
| greater than or equal to 10Mbps but less than 20Mbps | 56,112 | 59,690 | 54,455 |
| greater than or equal to 20Mbps but less than 30Mbps | 4,326 | 6,451 | 8,841 |
| greater than or equal to 30Mbps but less than 50Mbps | 83,010 | 37,874 | 31,406 |
| greater than or equal to 50Mbps but less than 100Mbps | 5,839 | 54,857 | 57,434 |
| 100Mbps and more | 1,651 | 7,118 | 24,200 |
| Average rate per Mbps | €1.649 | €1.141 | €1.035 |
| less than 5Mbps | €3.785 | €4.425 | €4.425 |
| greater than or equal to 5Mbps but less than 10Mbps | €4.811 | €4.327 | €4.327 |
| greater than or equal to 10Mbps but less than 20Mbps | €1.715 | €1.543 | €1.440 |
| greater than or equal to 20Mbps but less than 30Mbps | €1.840 | €2.012 | €2.012 |
| greater than or equal to 30Mbps but less than 50Mbps | €1.043 | €1.096 | €0.979 |
| greater than or equal to 50Mbps but less than 100Mbps | €0.730 | €0.625 | €0.623 |
| 100Mbps and more | €0.833 | €0.489 | €0.390 |
| ARPU | €89.34 | €95.75 | €101.59 |

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

- 81.8% of all fixed broadband subscriptions reported at the end of last June were in a bundle. This figure is up by 6.6 percentage points compared to 12 months earlier. In absolute terms, the number of fixed broadband subscriptions purchased in a bundle totalled 145,077 at the end of June 2017.
- The number of fixed broadband subscriptions with download speeds of 30Mbps but less than 100Mbps was down by 4.2%, from 92,731 at the end of 2016 to 88,840 at the end of June 2017. During the same period, the number of subscriptions supporting download speeds of 100Mbps or higher more than doubled, from 7,118 to 24,200.
- Of all fixed broadband subscriptions reported at the end of last June, 83,693 were on the cable platform (equivalent to 47.2% of the total). Meanwhile, DSL-based and wireless-based subscriptions totalled 75,431 (equivalent to 42.5% of the total) and 6,527 (equivalent to 3.7% of the total) respectively. Fibre-to-the-Home (FTTH) subscriptions totalled 11,676 (equal to 6.6% of the total).
- Fixed broadband ARPU in the first half of 2017 stood at €101.59, up by 6.1% from €95.75 in the first half of 2016. ARPU increased despite the fall in the average rate per unit of download speed (or per Mbps) recorded during this period and the increase in subscriptions purchased on a bundle.
- The average rate per Mbps in the first half of 2017 stood at €1.04, down by 9.3% from €1.14 in the first half of 2016.
- The number of people actively utilising mobile broadband services continued to rise in the first half of 2017, from 294,493 at the end of June 2016 to 358,317 at the end of last June.

iv. Pay TV

- The number of pay TV subscriptions totalled 152,371 at the end of June 2017, up by 4,408 (or by 3.0%) from 147,963 a year earlier.
- The number of analogue cable subscriptions was down by 2,014 (or by 35.1%) in twelve months to 3,729 at the end of last June. Meanwhile, the number of DTTV subscriptions fell by 8,209 (or by 16.9%) to 40,444. On the other hand, demand was up for digital cable TV offered by Melita and IPTV offered by GO. The former segment saw the number of subscriptions rise by 7,288 between June 2016 and June 2017 whilst the latter segment saw an increase of 7,343 subscriptions during the same period.

| Pay TV | FH 2015 | FH 2016 | FH 2017 |
|---|---------|---------|---------|
| Subscriptions (end of period) | 148,231 | 147,963 | 152,371 |
| Average market rates for pay TV packages | €22.49 | €22.54 | €19.66 |
| up to 24 channels | €4.50 | €5.00 | €14.99 |
| 25 to 49 channels | €15.66 | €15.66 | €17.00 |
| 50 to 74 channels | €24.99 | €24.99 | - |
| 75 to 99 channels | €23.99 | €23.99 | €21.99 |
| 100 channels or more | €32.99 | €32.99 | €32.00 |
| ARPU | €84.10 | €82.21 | €80.22 |

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

- The share of total pay TV subscriptions on the analogue cable and digital cable platforms stood at 2.5% and 51.5% respectively at the end of June 2017. In the former case, the share is down by 1.4 percentage points from 3.9% at the end of June 2016, whilst in the latter case the share is up by 3.4 percentage points from 48.1%. Meanwhile, the Digital terrestrial TV (DTTV) and Internet Protocol TV (IPTV) platforms accounted for 26.5% and 19.5% of total pay TV subscriptions recorded at the end of current reporting period. The representativeness of the former compared to its standing at the end of June 2016 is down by 6.3 percentage points, whilst that of the latter is up by 4.4 percentage points.
- Take-up of pay TV subscriptions in a bundle went up further during the first six months of 2017. In this respect, the number of bundled pay TV subscriptions went up from 82,324 at the end of June 2016 to 95,109 at the end of June 2017. The percentage of pay TV subscriptions purchased in a bundle at the end of last June stood at 62.4%, which is up by 6.8 percentage points in a year.
- Pay TV ARPU in the first half of 2017 stood at €80.22, down from €82.21 in the first half of 2016.
- MCA workings show that the overall average advertised rate (or average monthly access fee) for pay TV offered on a stand-alone basis stood at €19.66 in the first half of 2016. Whilst this figure is down from €23.99 recorded in the first half of 2016, it has to be noted that this change reflects an overhaul of the stand-alone product line-up offered by Melita. This operator is now offering only one stand-alone pay TV package to residential customers. Variants of this offer can only be availed of when purchased in a bundle with other electronic communications services.

v. Post

- Postal mail volumes delivered in the first half of 2017 totalled 18.6 million items, slightly down by 0.5% from 18.7 million items delivered in the first half of 2016.
- Two types of mail, standard mail and express mail, account for postal mail activity in Malta. 96.7% of all mail activity recorded in the first half of 2017 was standard mail. Express mail accounted for the remaining activity.
- In absolute terms, standard mail activity in the first half of 2017 was down by 0.1 million items (or by 0.8%) when compared to the same period a year earlier. A similar comparison for express mail shows that volumes were up by 9%, from 555,492 mail items to 606,708 mail items.

| Post | FH 2015 | FH 2016 | FH 2017 |
|----------------------------|-------------------|-------------------|-------------------|
| Postal mail volumes | 18,805,302 | 18,693,708 | 18,606,950 |
| Standard mail volumes | 18,370,042 | 18,138,216 | 18,000,242 |
| Single piece letter mail | 6,745,054 | 6,666,419 | 6,346,415 |
| Bulk mail | 11,229,918 | 11,073,850 | 11,286,028 |
| Registered mail | 604,533 | 713,153 | 715,043 |
| Parcel mail | 225,797 | 240,286 | 259,464 |
| Express mail volumes | 435,260 | 555,492 | 606,708 |
| Single piece letter mail | 276,161 | 390,649 | 432,454 |
| Bulk mail | - | - | - |
| Registered mail | - | - | - |
| Parcel mail | 159,099 | 164,843 | 174,254 |

Table 5: Postal mail volumes

- As to developments by type of mail item (standard mail and express mail added together), bulk mail activity accounted for 60.7% of all postal activity recorded in the first half of this year, followed by single piece letter mail at 34.1%, registered mail at 3.8% and parcel mail at 1.4%.

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

GO's market share at the end of last June stood at 63.4% compared to Melita's share of almost 35.0%. Meanwhile, the combined market share of other service providers, namely Vodafone Malta, Ozone Malta⁵, SIS⁶ and Vanilla Telecoms stood at 1.7% at the end of the current reporting period, up from 0.6% reported a year earlier. It is noted that this change is fully attributable to the gain in market share recorded by Vodafone Malta. The market share of other smaller operators was relatively unchanged.

| Market shares | GO | Melita | SIS | Ozone Malta | Vanilla Telecoms | Vodafone Malta |
|----------------|--------|--------|-------|-------------|------------------|----------------|
| End of FH 2017 | 63.37% | 34.98% | - | 0.21% | 0.04% | 1.41% |
| End of FH 2016 | 65.47% | 33.96% | 0.07% | 0.31% | 0.03% | 0.15% |
| End of FH 2015 | 65.51% | 33.82% | 0.09% | 0.34% | 0.02% | 0.22% |

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

3.2. Mobile telephony

Vodafone Malta's market share of the local mobile telephony subscriber base declined by 1.4 percentage points between the end of June 2016 and the end of last June, from 44.8% to 43.3%. Melita Mobile absorbed this decline, as its market share improved by 1.6 percentage points during the same period. GO Mobile's market standing was relatively unchanged, with this operator recording a market share of 37.2% at the end of the current reporting period.

Meanwhile, the market share of Redtouch Fone at the end of last June stood at 1.6% of the local mobile telephony subscriber base.

| Market shares | GO Mobile | Vodafone Malta | Melita Mobile | Other |
|----------------|-----------|----------------|---------------|-------|
| End of FH 2017 | 37.21% | 43.34% | 17.88% | 1.57% |
| End of FH 2016 | 37.22% | 44.76% | 16.27% | 1.75% |
| End of FH 2015 | 39.02% | 44.03% | 15.19% | 1.76% |

Figure 4: Market shares in terms of mobile telephony subscriptions as at end of period⁷

⁵ Ozone Malta Ltd. has notified the MCA that it will no longer be offering fixed voice telephony over the Wholesale Line Rental service as from 2017.

⁶ It is noted that SIS Ltd. has notified the MCA that it was ceasing operations in 2017.

⁷ In the first half of 2017, all reported activity is attributable to Redtouch Fone.

3.3. Fixed broadband

The market shares of the largest service providers suffered a setback during the current review period. GO's market share of the local fixed broadband subscriber base was down by 0.8 percentage points in the 12-month period to June 2017. This operator's market share stood at 47.2% at the end of last June. Meanwhile, GO's market share was down by 0.5 percentage points to 49.1%. The combined market share of Ozone Malta and Vanilla Telecoms was also marginally down between June 2016 and June 2017.

On the other hand, Vodafone Malta gained 1.4 percentage points in its market share, from almost 2.0% at the end of June 2016 to 3.4% at the end of last June. SIS Ltd was no longer active at the end of the current reporting period.

| Market shares | GO | Melita | SIS | Ozone Malta | Vanilla Telecoms | Vodafone Malta | IP-based ISPs |
|----------------|--------|--------|-------|-------------|------------------|----------------|---------------|
| End of FH 2017 | 49.12% | 47.20% | - | 0.19% | 0.11% | 3.39% | - |
| End of FH 2016 | 49.62% | 48.00% | 0.06% | 0.21% | 0.12% | 1.99% | - |
| End of FH 2015 | 48.67% | 49.94% | 0.05% | 0.25% | 0.14% | 0.93% | 0.02% |

Figure 5: Market shares in terms of fixed broadband subscriptions as at end of period⁸

3.4. Pay TV

The latest changes in the market shares for GO and Melita show the latter operator gaining percentage points in its market standing.

Year-on-year, Melita's market share was up by almost 2.0 percentage points to reach 54.0% at the end of June 2017. During the same period, GO's market share dropped by the same margin to 46.0%.

| Market shares | GO | Melita |
|----------------|--------|--------|
| End of FH 2017 | 46.02% | 53.98% |
| End of FH 2016 | 47.98% | 52.02% |
| End of FH 2015 | 47.29% | 52.71% |

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

⁸ IP-based ISPs were no longer active as from the end of 2015.

4. Fixed line telephony

The fixed line sector experienced a strong increase in subscriptions during the first six months of 2017. In fact, the number of subscriptions rose by 7,790 over a 12-month period to reach 239,582 by the end of last June. The post-paid segment continues to drive this rise in subscriber numbers, with the number of standard post-paid subscriptions going up by 9,636 and the number of 'enhanced' post-paid subscriptions increasing by 158. The split of fixed telephony subscriptions at the end of the current reporting period was 93.6% post-paid and 6.4% pre-paid.

Two main factors have contributed to the solid increase in post-paid subscriptions. First, more end-users are opting to purchase a fixed telephony subscription in a bundle. Second, Melita has stopped offering pre-paid plans to existing and new customers as from the third quarter of 2016, whilst GO has further consolidated its efforts to switch end-users from pre-paid to post-paid plans.

The data also indicates that more end-users are purchasing their fixed line telephony subscription in a bundle. In fact, the number of stand-alone subscriptions went down by 9,648 (or by 10.5%) in the 12-month period ending last June. Meanwhile, the number of fixed telephony subscriptions purchased in a bundle went up by 17,428 (or by almost 12.5 %).

In terms of traffic levels, the volume of originating fixed line calls and minutes in the first half of 2017 was lower than that recorded in the same period a year earlier. In this regard, the number of fixed line voice calls was down by 4.7 million (or by 6.7%) while the number of fixed voice call minutes was down by 15.6 million (or by almost 6.1%), because of an increasingly evident fixed-to-mobile voice telephony substitution. Given that this decline in fixed line traffic volumes coincided with a strong increase in subscriber numbers for the sector, voice activity levels per subscription were significantly lower in the first half of 2017 when compared to the same period a year earlier. In this regard, the number of voice calls per subscription was down to 279 from 307 whilst the number of voice call minutes per subscription was down to 1,004 from 1,098.

The fall in voice activity levels per subscription largely explains why local service providers have reported lower ARPU for the sector in the first half of 2017 when compared to their reported ARPU in the first half of 2016. In this regard, fixed telephony ARPU in the first half of 2017 totalled €64.21, which is down by 11.3% from a fixed telephony ARPU of €72.40 reported in the first half of the previous year.

4.1. Subscriptions

The number of fixed telephony subscriptions at the end of last June totalled 239,582 compared to 231,792 a year earlier. This corresponds to a year-on-year increase of 7,790 subscriptions.

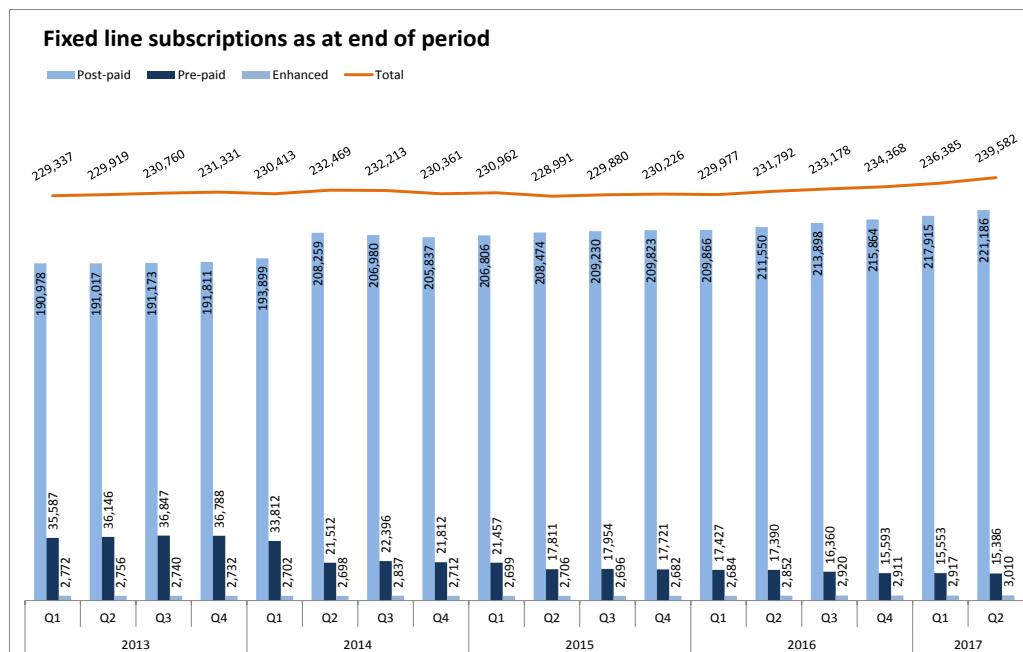


Figure 7: Fixed line telephony subscriptions as at end of period

This review distinguishes between two types of fixed line telephony subscriptions, namely standard subscriptions and enhanced subscriptions.

Standard subscriptions are categorised as either post-paid or pre-paid, with the former type contractually binding the consumer to purchase the service for a specified period (typically two years) and to pay a monthly access fee for the whole duration of the contract term agreement. Pre-paid subscriptions do not entail a contractual term agreement. However, both pre-paid and post-paid subscriptions offer the end-user a single connection at his/her residential unit or business location. Enhanced fixed line telephony subscriptions refer to those subscriptions offering multiple (dual or more) channel connections.

The fixed line subscriber base at the end of last June comprised 221,186 post-paid subscriptions and 15,386 pre-paid subscriptions. Compared to the end of June 2016, the number of post-paid subscriptions was up by 9,636 (or by 4.6%) whilst the number of pre-paid subscriptions was down by 2,004 (or by 11.5%).

There were 3,010 enhanced subscriptions at the end of the current reporting period, up by 158 (or by 5.5%) over a 12-month period.

At the end of June 2017, 92.3% of all fixed line telephony subscriptions were on a standard post-paid contract, which represents a 1.0 percentage point increase compared to 91.3% recorded at the end of June 2016. Meanwhile, pre-paid subscriptions accounted for 6.4% of the local fixed telephony subscriber base, down from 7.5% a year earlier, whilst the proportion of enhanced subscriptions was slightly up to 1.3%.

Subscriptions on a bundle

The first six months of 2017 saw a notable increase in the number of fixed telephony subscriptions purchased in a bundle. In absolute terms, the number of fixed line telephony subscriptions purchased in a bundle increased by 17,438 (or by almost 12.5%) from 139,532 at the end of June 2016 to 156,970 at the end of last June.

| Fixed line telephony subscriptions in a bundle | 2013 | | 2014 | | 2015 | | 2016 | | 2017 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | FH | SH | FH | SH | FH | SH | FH | SH | FH |
| Fixed telephony subscriptions on a dual play contract | 33,056 | 33,715 | 39,137 | 47,948 | 52,230 | 57,870 | 62,844 | 67,215 | 67,120 |
| Fixed telephony + mobile telephony | 12,156 | 12,443 | 13,427 | 11,112 | 8,985 | 7,850 | 7,502 | 7,258 | 6,597 |
| Fixed telephony + fixed broadband | 10,068 | 11,349 | 15,979 | 29,890 | 36,927 | 44,179 | 49,622 | 54,413 | 55,227 |
| Fixed telephony + pay TV | 10,832 | 9,923 | 9,731 | 6,946 | 6,318 | 5,841 | 5,720 | 5,544 | 5,296 |
| Fixed telephony subscriptions on a triple play contract | 15,459 | 21,376 | 22,477 | 25,490 | 26,718 | 27,525 | 28,613 | 30,540 | 40,675 |
| Fixed telephony + fixed broadband + mobile telephony | 344 | 289 | 312 | 620 | 630 | 139 | 84 | 58 | 37 |
| Fixed telephony + fixed broadband + pay TV | 15,115 | 21,087 | 22,165 | 24,870 | 26,088 | 27,386 | 28,529 | 30,482 | 40,638 |
| Fixed telephony subscriptions on a quad play contract | 41,339 | 42,486 | 44,069 | 44,429 | 45,683 | 46,988 | 48,075 | 49,900 | 49,175 |
| Fixed telephony + fixed broadband + pay TV + mobile telephony | 41,339 | 42,486 | 44,069 | 44,429 | 45,683 | 46,988 | 48,075 | 49,900 | 49,175 |
| Total number of fixed telephony subscriptions in a bundle | 89,854 | 97,577 | 105,683 | 117,867 | 124,631 | 132,383 | 139,532 | 147,655 | 156,970 |
| Number of fixed telephony subscriptions as at end of period | 229,919 | 231,331 | 232,469 | 230,361 | 228,991 | 230,226 | 231,792 | 234,368 | 239,582 |
| Percentage of fixed telephony subscriptions in a bundle | 39.08% | 42.18% | 45.46% | 51.17% | 54.43% | 57.50% | 60.20% | 63.00% | 65.52% |

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

Table 6 shows that 65.5% of all fixed line telephony subscriptions recorded at the end of June 2017 were in a bundled package of electronic communications services⁹. This figure was up by five percentage points when compared to the end of June 2016.

4.2. Fixed line inward portings

The number of fixed line inward portings¹⁰ recorded in the first half of 2017 totalled 1,290, up by 570 (or by 79.2%) from 720 portings reported in the first half of 2016.

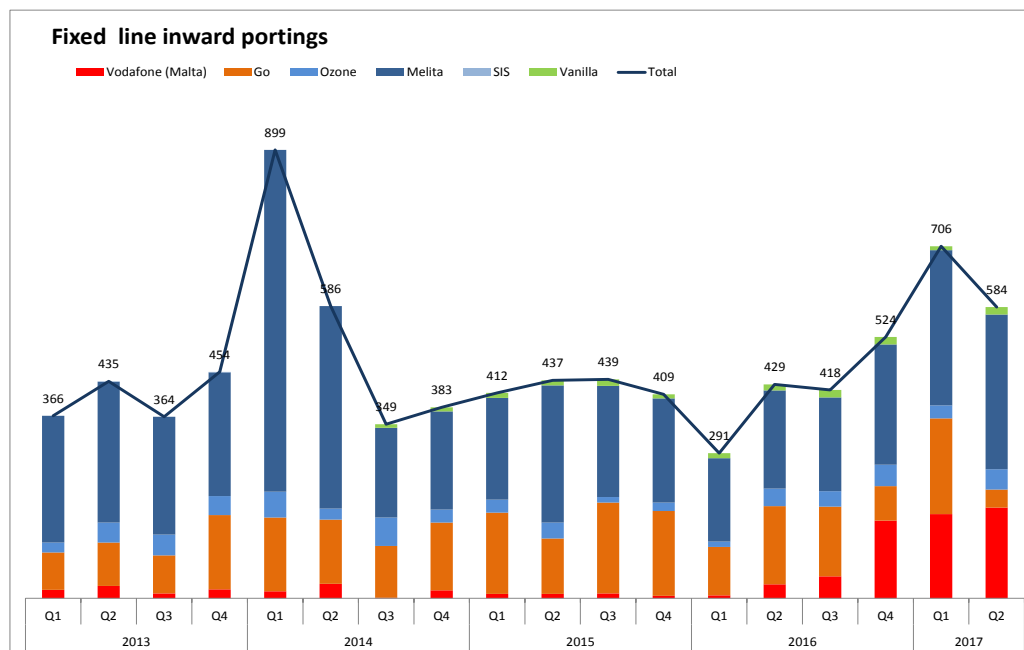


Figure 8: Fixed line number portability - number of inward portings

Melita accounted for 48.1% of all inward portings reported in the first half of 2017, followed by Vodafone Malta at 27.2% and GO at 17.7%. During the same period, Ozone Malta and Vanilla Telecoms accounted for 5.2% and 1.8% of inward portings respectively.

⁹ Locally, only fixed line subscriptions on a post-paid contract can be purchased in a bundle with other electronic communications services.

¹⁰ The term 'fixed line inward 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.

Market share developments for the different operators also indicate that fixed line portability during this period mostly came about because of end-users switching from GO to Melita and Vodafone.

4.3. Usage trends for fixed line telephony

Fixed line traffic volumes in the first half of 2017 were down when compared to traffic volumes reported in the same period a year earlier. The number of landline calls was down by 4.7 million (or by 6.7%) from 70.8 million in the first half of 2016 to 66.1 million. The number of fixed line voice call minutes was also down, in this case by 15.6 million (or by 6.1%), from 253.6 million to 238.0 million.

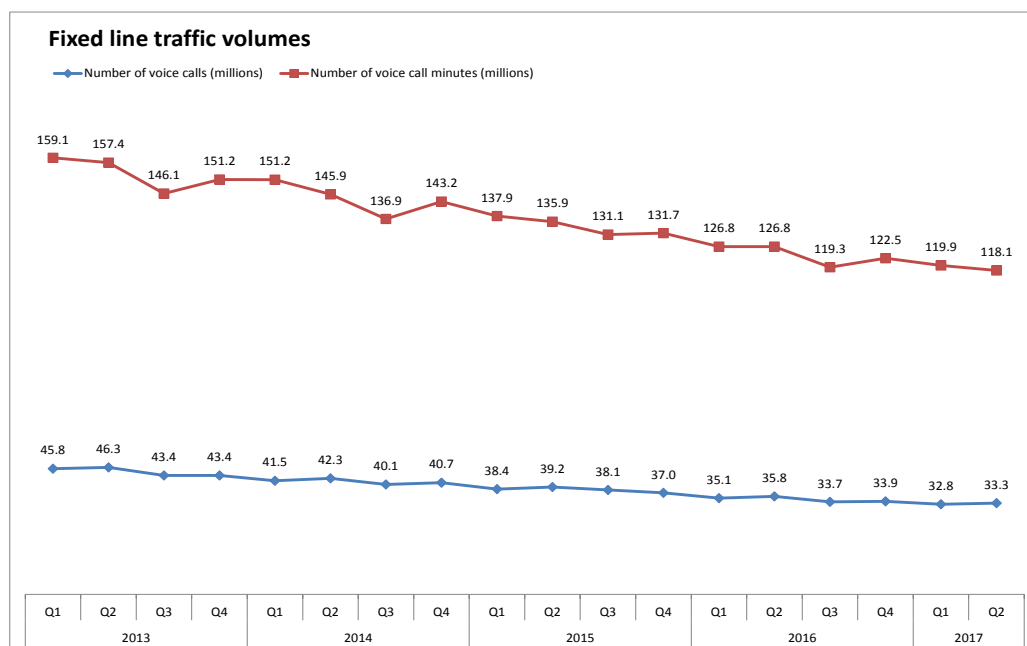


Figure 9: Voice traffic originating from local fixed line networks

Total fixed line traffic volumes referred to in Figure 9 encompass the national voice traffic segment and the international voice traffic segment. The former refers to volumes of fixed voice calls and voice minutes originated and terminated in Malta, whilst the latter traffic segment refers to volumes of fixed voice calls and voice minutes originated locally and terminated in a foreign territory. The following sections will focus on the relevant developments for these traffic segments.

4.3.1 National voice traffic volumes

National fixed line traffic volumes in the first half of 2017 amounted to 65.6 million voice calls and 229.3 million voice call minutes. This means that, on average, each fixed telephony subscriber made approximately 282 national voice calls and 986 national voice call minutes during the period under review.

National voice calls

The number of national fixed line voice calls in the first half of 2016 totalled 63.9 million, down by 4.7 million (or by 6.8%) from 68.5 million in the corresponding period a year earlier.

A further drill down of these figures would show that most of the components of the national traffic segment registered a decline in volumes.

The number of on-net FTF calls fell by almost 3.0 million (or by 8.3%), from 35.6 million in the first half of 2016 to 32.6 million in the first half of 2017. At the same time, the number of off-net FTF calls dropped by 1.7 million (or by 11.2%), from 15.1 million to 13.4 million, and the number of FTM calls was marginally down by 0.1 million (or by 0.3%), from 16.6 million to 16.5 million.

| Fixed voice calls (national) | 2012 | | 2013 | | 2014 | | 2015 | | 2016 | | 2017 |
|------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | FH | SH | FH | SH | FH | SH | FH | SH | FH | SH | FH |
| Total | 93,253,424 | 91,072,184 | 88,230,089 | 83,794,407 | 81,061,884 | 78,122,647 | 75,080,520 | 72,657,406 | 68,547,147 | 65,563,474 | 63,858,315 |
| Fixed -to-fixed (FTF) | 71,106,727 | 68,614,478 | 67,982,076 | 63,912,398 | 61,829,592 | 58,333,116 | 56,188,852 | 53,829,105 | 50,621,535 | 48,005,094 | 45,981,776 |
| on-net FTF | 51,767,904 | 49,553,582 | 48,651,217 | 45,868,914 | 44,020,136 | 41,187,247 | 39,631,778 | 37,723,423 | 35,555,002 | 34,006,980 | 32,594,971 |
| off-net FTF | 19,338,823 | 19,060,896 | 19,330,859 | 18,043,484 | 17,809,456 | 17,145,869 | 16,557,074 | 16,105,682 | 15,066,533 | 13,998,114 | 13,386,805 |
| Fixed-to-mobile (FTM) | 20,692,609 | 20,917,476 | 18,688,835 | 18,362,387 | 17,543,834 | 18,127,981 | 17,490,548 | 17,404,228 | 16,572,110 | 16,190,347 | 16,517,323 |
| Other | 1,454,088 | 1,540,230 | 1,559,178 | 1,519,622 | 1,688,458 | 1,661,550 | 1,401,120 | 1,424,073 | 1,353,502 | 1,368,033 | 1,359,216 |

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

The 'other' national calls component¹¹ did however register a 0.4% increase in traffic volumes, with the number of calls reported in the first half of 2017 totalling 1.4 million.

National voice call minutes

In terms of national voice call minutes, traffic volumes in the first half of 2017 totalled 225.7 million. This figure is down by 14.2 million (or by 5.9%) from 239.9 million minutes reported in the first half of 2016.

The number of on-net FTF traffic voice minutes was down by 10.3 million (or by almost 7.0%), from 147.5 million in the first half of 2016 to 137.2 million in the first half of 2017. Meanwhile, the number of off-net FTF minutes was down by 4.6 million (or by 7.4%), from 62.1 million to 57.5 million.

| Fixed voice call minutes (national) | 2012 | | 2013 | | 2014 | | 2015 | | 2016 | | 2017 |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | FH | SH | FH | SH | FH | SH | FH | SH | FH | SH | FH |
| Total | 314,021,005 | 300,574,025 | 297,752,857 | 279,628,212 | 280,368,533 | 263,568,719 | 258,636,682 | 248,023,544 | 239,931,933 | 229,280,304 | 225,729,880 |
| Fixed -to-fixed (FTF) | 279,148,307 | 264,934,516 | 265,708,234 | 248,045,344 | 249,682,050 | 231,976,896 | 228,062,609 | 216,988,931 | 209,588,785 | 198,933,848 | 194,717,465 |
| on-net FTF | 202,010,148 | 190,009,017 | 189,659,199 | 177,296,513 | 178,064,325 | 163,134,907 | 160,680,942 | 152,164,197 | 147,487,069 | 140,732,212 | 137,236,132 |
| off-net FTF | 77,138,159 | 74,925,499 | 76,049,036 | 70,748,832 | 71,617,725 | 68,841,990 | 67,381,667 | 64,824,734 | 62,101,716 | 58,201,636 | 57,481,332 |
| Fixed-to-mobile (FTM) | 31,562,195 | 32,081,886 | 28,531,576 | 27,941,261 | 26,892,375 | 27,867,348 | 27,223,360 | 27,436,775 | 26,774,772 | 26,633,512 | 27,244,519 |
| Other | 3,310,503 | 3,557,623 | 3,513,046 | 3,641,606 | 3,794,108 | 3,724,475 | 3,350,713 | 3,597,839 | 3,568,376 | 3,712,943 | 3,767,896 |

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

On the other hand, the number of national FTM voice minutes totalled 27.2 million in the first half of 2017, which is up by 0.5 million (or by 1.8%) from 26.8 million minutes recorded in the first half of 2016. The number of 'other' national voice minutes was up by 0.2 million (or by 5.6%), from 3.6 million in the first half of 2016 to 3.8 million in the first half of 2017.

4.3.2 International voice traffic volumes

During the first half of 2017, fixed line telephony users made 2.2 million fixed-to-international (FTI) voice calls and 12.3 million fixed-to-international voice call minutes. This translates into approximately 9 international voice calls and around 52 international voice call minutes per active fixed telephony subscriber during this period.

Compared to the first half of 2016, the number of fixed-to-international (FTI) voice calls was down by 0.05 million (or by 2.2 %), whilst the number of international voice call minutes was down by 1.4 million (or by 10.1 %).

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

4.4. Activity levels and call duration

With the decline in traffic volumes coinciding with an increase in subscriptions, activity levels per subscription (i.e. the average number of voice calls and voice call minutes per active fixed line subscription) in the first half of 2017 dipped compared to activity levels recorded in the first half of the previous year.

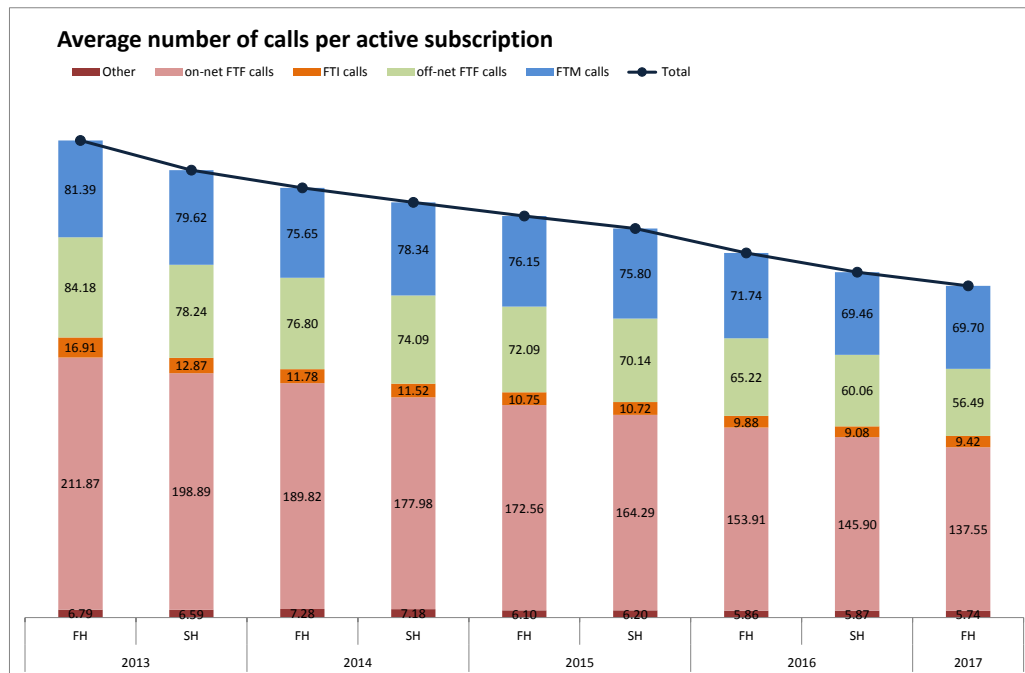


Figure 10: Average number of calls per active subscription

Figure 10 illustrates that each active fixed line subscription accounted for an average of around 279 calls in the first half of 2017¹², down from around 307 voice calls per subscription in the first half of 2016. This drop mainly reflects the negative developments for on-net FTF, off-net FTF traffic volumes.

In terms of fixed voice call minutes, each fixed line subscription accounted for an average of 1,004 in the first half of 2017 compared to 1,098 in the first half of the previous year. This development is mainly attributable to the drop in on-net traffic.

As for the average duration of an outgoing fixed line call, this stood at 3.6 minutes (or 3 minutes and 36 seconds) during the first half of 2017, which is just slightly higher from that recorded in the first half of the previous year.

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

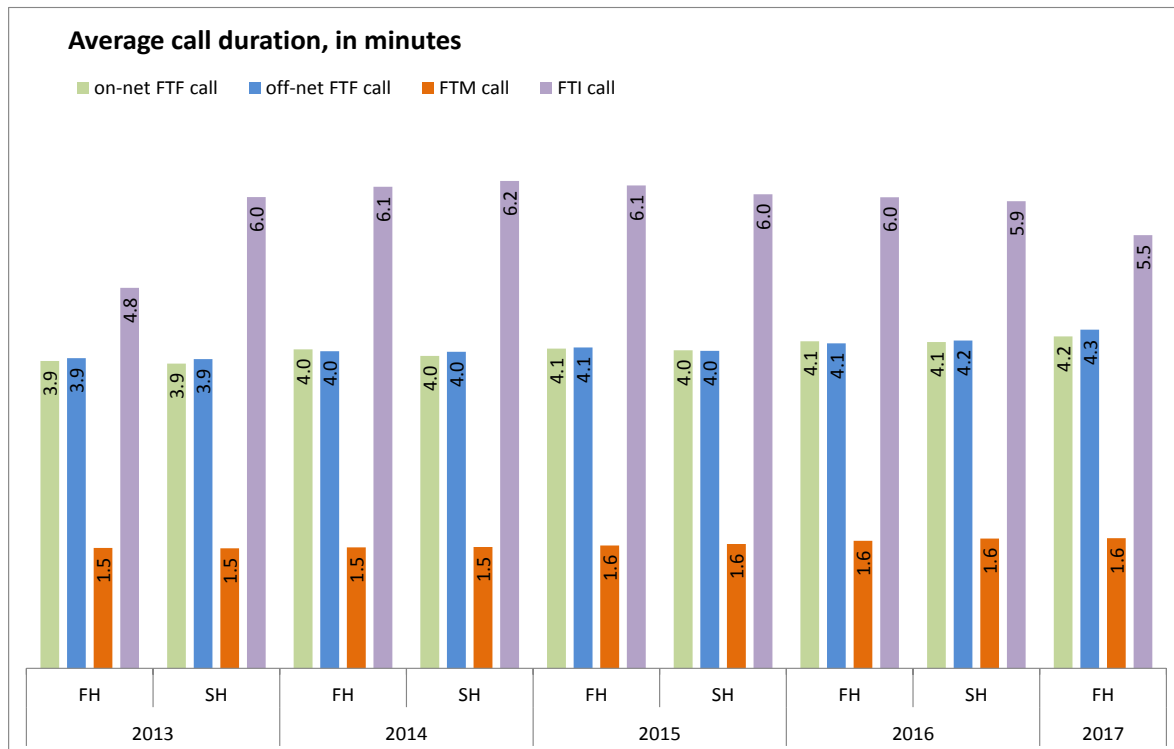


Figure 11: Average duration of an outgoing fixed line call

As to the average length of fixed line calls according to type, Figure 11 illustrates that the average duration of a FTI call stood at around 5 minutes and 30 seconds in the first half of 2017. Meanwhile, the average duration of a FTM call stood at 1 minute and 36 seconds for a FTM call. On-net FTF calls and off-net FTF calls on average lasted around four minutes and 18 seconds during the same period.

4.5. Fixed ARPU

The average revenue per user (ARPU) in the fixed line sector totalled €64.21 in the first half of 2017. This is down by 11.3% compared to the ARPU level observed in the first half of the 2016, which stood at €72.40.

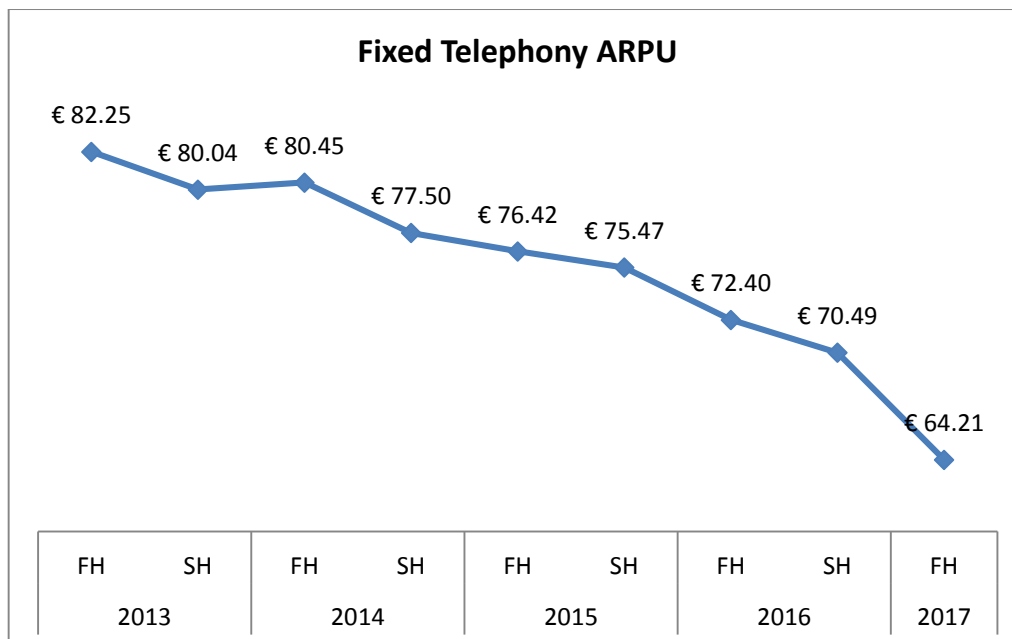


Figure 12: Average revenue per fixed line user

The growth in the fixed telephony subscriber base did not stave off ARPU declines for the sector, as the shift of voice traffic volumes to mobile persisted during the review period. The substitution of traffic from fixed to mobile also coincided with the continued increase in uptake of fixed telephony in bundled subscriptions. The latter factor has a significant impact on ARPU given that service providers occasionally offer discounts and promotional offers related electronic communications services purchased in a bundle, apart from the fact that bundle access fees are lower than when the services in a bundle are purchased on a stand-alone basis.

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 corresponds to the number of active subscriptions at the start of the period plus the number of subscriptions at the end of the same period, divided by two.

4.6. Average rate per minute of fixed line communications

The first half of 2017 has not seen any significant change in the overall ARPM of a fixed line call¹³. However, a look at the ARPM on the basis of the type of call that is being made shows that, in the case of an on-net FTF call, the ARPM for such a call on average stood at €0.008 in the first half of 2017. This rate is down by 7.6% when compared to the ARPM of an on-net call in the first half of 2016. In the case of an off-net FTF call, the ARPM was down by 6.9%, from €0.012 to €0.011. The ARPM for FTM calls was also down, in this case by 5.8%, from €0.143 in the first half of 2016 to €0.134 in the first half of 2017. These changes fit the scenario whereby more end-users are opting for fixed telephony in bundled subscriptions, which typically allow for a FTM call allowance, over and above other allowances for on-net and off-net FTF calls.

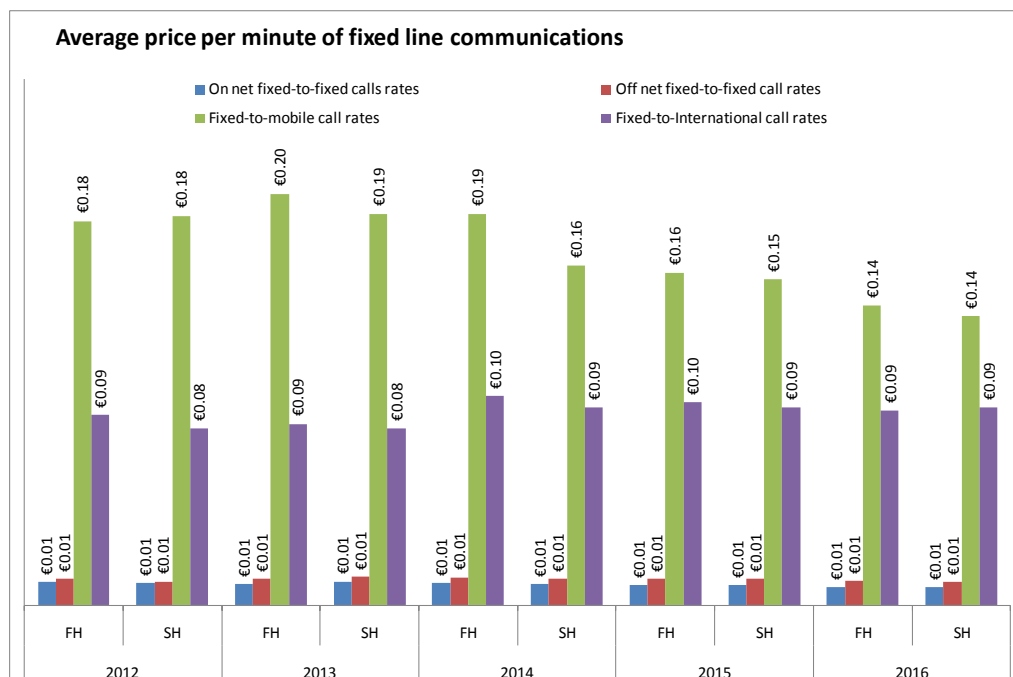


Figure 13: Average cost of a fixed line call derived from revenue-based workings

In contrast to the above-mentioned declines, the ARPM for a FTI call was up by 12.6%, from €0.093 in the first half of 2016 to €0.104 in the first half of 2017.

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 is also 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 outcome for the average rate per minute of fixed line communications.

¹³ Workings do not take into account monthly access fees from fixed telephony plans and traffic volumes and revenues from free phone calls, premium calls and payphone calls.

5. Mobile telephony

The first half of 2017 experienced a further expansion in the local mobile telephony subscriber base, alongside a further increase in demand for voice and data services. Year-on-year, the number of mobile telephony subscriptions was up by 3.5%, from 576,915 at the end of June 2016 to 596,808 at the end of last June.

A significant development in the current review period is the continued growth in post-paid segment of the market. Here, the subscriber base saw a 12.3% rise in subscriptions, which in absolute terms means an increase of 17,104 post-paid subscriptions in the 12-month period ending June 2017. Alongside this increase, local service providers reported that the pre-paid segment of the market saw a modest rise in the number of subscriptions, in this case by 2,789 (or by 0.7%). In view of these changes, the proportion of post-paid subscriptions to the local mobile subscriber base reached 34.3% by the end of June 2017, up by 1.8 percentage points from a proportion of 32.5% a year earlier. The overall increase in subscriptions resulted in a higher mobile penetration rate, up from 131.8% at the end of June 2016 to 134.7% at the end of last year¹⁴.

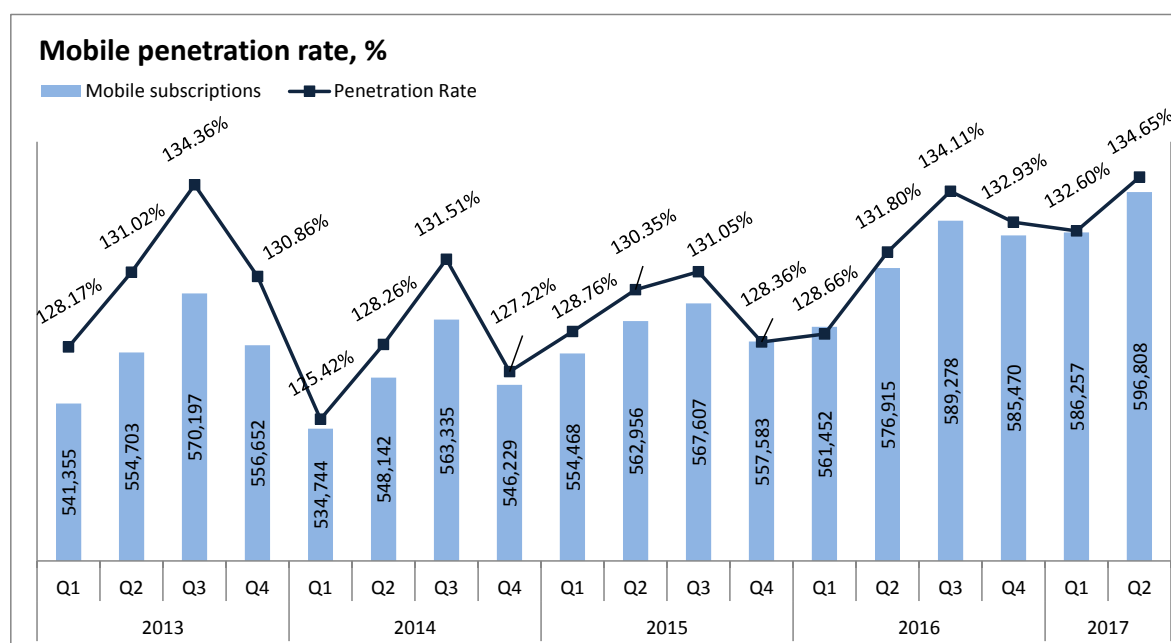


Figure 14: Mobile penetration in Malta

Despite the increase in mobile subscriptions during the review period, the proportion of those purchased in a bundle stood at just 9.4% by the end of June 2017, down from 9.7% at the end of June 2016. This reflects the prevailing preference of end-users to keep their mobile subscription as a personal service, as opposed to other electronic communications services that several people share in a particular household / business premises.

Mobile telephony continues to consolidate its position as the most commonly used form of communication in Malta, with usage of voice and data services via mobile rising rapidly year-on-year. Upon comparing the first half of 2017 to the same period a year earlier, voice call minute volumes were up by 32.4 million (or by 8.2%). Preliminary figures available to the MCA indicate that mobile data volumes consumed in the first half of 2017 totalled 2.1 billion megabytes, up by 36.2% from 1.6 billion megabytes in the first half of 2016. Meanwhile, SMS text messaging was less utilised, as evidenced by the decline in SMS traffic volumes, which were down by almost 39.0 million (or by 19.1%) in the first half of 2017 compared to the corresponding period a year earlier. As already noted in previous CMR publications, these developments reflect the changes in the

¹⁴ The mobile penetration rate corresponds to the proportion of Malta's population owning an active SIM card.

profile of the local mobile subscriber base and the evolution of consumer preferences. For example, the steady improvements in the minute and data allowances accompanying post-paid plans have actually enticed more end-users to opt for such plans and thus to make use of the allowances that come with them.

The increase in the number of end-users benefiting from minute allowances has also contributed to the decline observed in the average rate per minute (ARPM) of mobile communication. In fact, the ARPM of mobile communication in the first half of 2017 stood at €0.066, which is down by 9.6% from €0.073 in the first half of 2016.

The improving mobile voice minute allowances and the decline in the ARPM for mobile communication strengthened fixed-to-mobile (FTM) substitution in the current review period. Figure 15 clearly indicates that end-users are increasingly making use of mobile voice calling rather than fixed line calling. It is noted that the number of mobile-originated voice call minutes has been exceeding the number of fixed-originated voice call minutes since 2013¹⁵. The gap between the two continued to widen in the period under review.

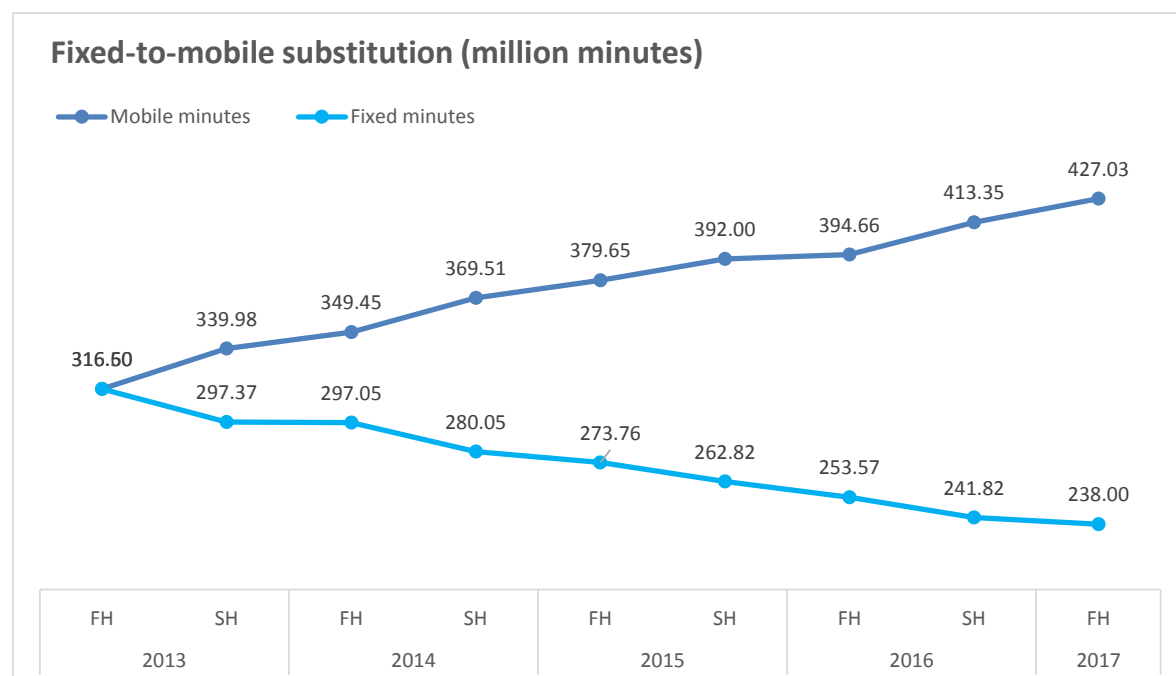


Figure 15: Fixed-to-mobile substitution

Higher take-up of mobile telephony and traffic growth in voice minute and data volumes did compensate for the falling ARPM of mobile communication, as evidenced by the trends observed for mobile telephony ARPU. In fact, mobile telephony ARPU in the first half of 2017 totalled €87.17, which is 0.4% higher than the ARPU reported in the first half of the previous year.

5.1. Subscriptions

The number of active mobile subscriptions¹⁶ totalled 596,808 as at the end of June 2017, up by 19,893 (or by 3.5%) from 576,915 a year earlier. The number of mobile subscriptions on a post-paid contract at the end of

¹⁵ 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.

¹⁶ 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.

the current reporting period totalled 204,525. This figure corresponds to 34.3% of all mobile subscriptions registered at the time, up from 32.5% a year earlier. Meanwhile, the number of mobile subscriptions on pre-paid terms totalled 392,283 at the end of the current review period. This figure corresponds to 65.7% of the local mobile subscriber base, down from 67.5% a year earlier.

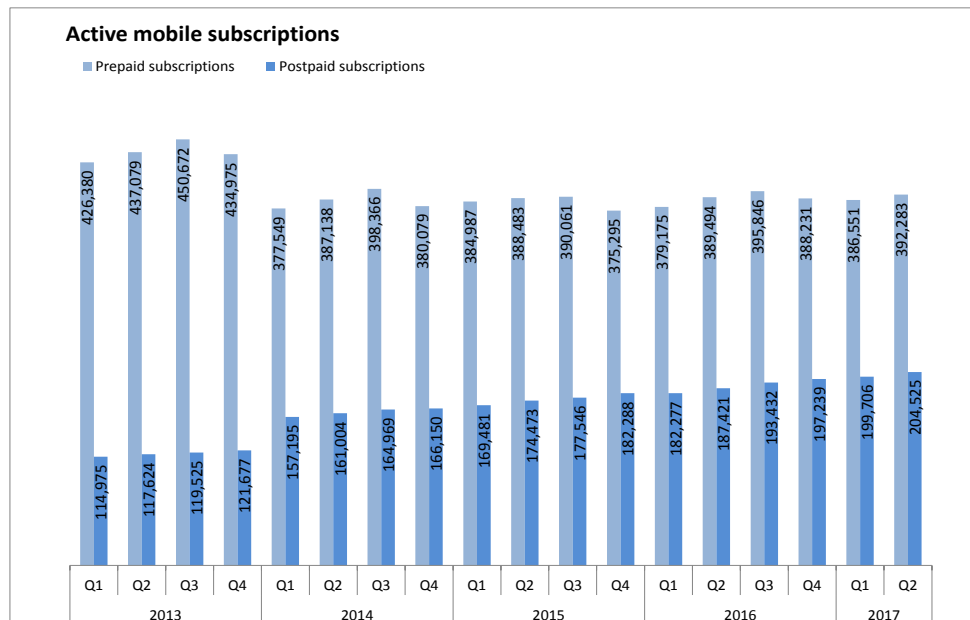


Figure 16: Mobile telephony subscriptions as at end of period

Subscriptions on a bundle

Table 9 illustrates that the number of mobile telephony subscriptions in a bundle was just slightly up by 148 (or by 0.3%) in the 12-month period to June 2017. The proportion of mobile subscriptions on a bundle stood at 9.4% at the end of the current reporting period. As already highlighted at an earlier stage, local end-users tend to prefer purchasing their mobile subscription on a stand-alone basis as a service for personal consumption, rather than as a service to be shared with other end-users.

| Mobile telephony subscriptions in a bundle | 2013 | | 2014 | | 2015 | | 2016 | | 2017 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | FH | SH | FH | SH | FH | SH | FH | SH | FH |
| Mobile telephony subscriptions on a dual play contract | 12,156 | 12,443 | 13,427 | 11,112 | 8,985 | 7,850 | 7,502 | 7,258 | 6,597 |
| Mobile telephony + fixed telephony | 12,156 | 12,443 | 13,427 | 11,112 | 8,985 | 7,850 | 7,502 | 7,258 | 6,597 |
| Mobile telephony subscriptions on a triple play contract | 344 | 289 | 312 | 620 | 630 | 139 | 84 | 58 | 37 |
| Mobile telephony + fixed telephony + fixed broadband | 344 | 289 | 312 | 620 | 630 | 139 | 84 | 58 | 37 |
| Mobile telephony subscriptions on a quad play contract | 41,339 | 42,486 | 44,069 | 44,429 | 45,683 | 46,988 | 48,075 | 49,900 | 49,175 |
| Mobile telephony + fixed telephony + fixed broadband + pay TV | 41,339 | 42,486 | 44,069 | 44,429 | 45,683 | 46,988 | 48,075 | 49,900 | 49,175 |
| Total number of mobile telephony subscriptions in a bundle | 53,839 | 55,218 | 57,808 | 56,161 | 55,298 | 54,977 | 55,661 | 57,216 | 55,809 |
| Number of mobile telephony subscriptions as at end of period | 554,703 | 556,652 | 548,142 | 546,229 | 562,956 | 557,583 | 576,915 | 585,470 | 596,808 |
| Percentage of mobile telephony subscriptions in a bundle | 9.71% | 9.92% | 10.55% | 10.28% | 9.82% | 9.86% | 9.65% | 9.77% | 9.35% |

Table 9: Mobile subscriptions on a bundled offer

5.2. Mobile inward portings

There were 16,101 mobile inward portings¹⁷ in the first half of 2017, up by 2,182 (or by 15.7%) compared to the first half of the previous year. This means that, on average, three out of every 100 subscribers have switched mobile operator in the current reporting period.

¹⁷ This term corresponds to 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.

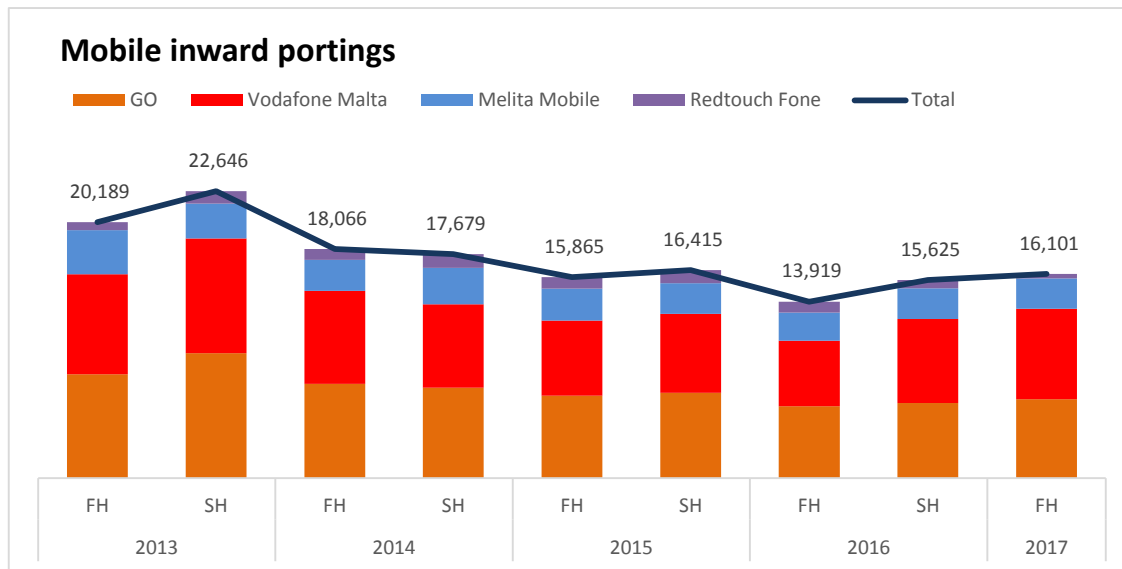


Figure 17: Mobile number portability - number of mobile portings

At an operator level, Vodafone Malta accounted for 44.4% of all mobile inward portings reported in the first half of 2017, followed by GO Mobile at 38.2% and Melita Mobile at 14.9%. Redtouchfone accounted for approximately 2.1% of all mobile inward portings reported in the period under consideration.

5.3. Usage trends for mobile telephony

Comparing mobile voice traffic volumes recorded in the first half of 2017 with traffic volumes recorded in the same period a year earlier shows growth in terms of minute volumes alongside a drop in the number of calls made. The improved minute allowances, the higher take-up of post-paid mobile telephony plans and the general decline in the ARPM for mobile communication enticed end-users to change their calling patterns, by spending more time per call made rather than making a higher number calls that are of a short duration. The trend in the current review period was also for end-users to make less use of SMS, as evidenced by declining traffic volumes for this service.

5.2.1 Voice calls

The number of mobile voice calls in the first half of 2017 amounted to 227.4 million, which is down by 32.6 million (or by 12.5%) from 259.9 million in the first half of 2016.

| Mobile voice calls | 2012 | | 2013 | | 2014 | | 2015 | | 2016 | | 2017 |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | FH | SH | FH | SH | FH | SH | FH | SH | FH | SH | FH |
| Total | 171,361,818 | 201,557,865 | 222,398,680 | 257,724,150 | 251,391,213 | 266,265,025 | 261,196,465 | 274,656,869 | 259,931,283 | 252,890,126 | 227,370,751 |
| Mobile-to-mobile (MTM) | 150,010,581 | 179,111,283 | 201,056,673 | 233,219,821 | 229,223,906 | 242,625,698 | 237,813,657 | 248,146,406 | 236,647,482 | 224,160,687 | 200,922,414 |
| on-net MTM | 100,014,801 | 126,798,175 | 148,809,195 | 178,683,109 | 174,294,465 | 183,107,111 | 177,725,948 | 183,376,949 | 172,775,579 | 155,781,776 | 130,578,138 |
| off-net MTM | 49,995,780 | 52,313,108 | 52,247,478 | 54,536,712 | 54,929,441 | 59,518,587 | 60,087,709 | 64,769,457 | 63,871,903 | 68,378,911 | 70,344,276 |
| Mobile-to-fixed (MTF) | 18,228,588 | 19,564,658 | 17,824,243 | 20,452,242 | 18,443,136 | 19,163,833 | 19,176,332 | 20,336,816 | 19,340,803 | 23,356,467 | 20,751,694 |
| Mobile-to-international (MTI) | 3,122,650 | 2,881,924 | 3,517,764 | 4,052,087 | 3,724,171 | 4,475,494 | 4,206,476 | 6,173,647 | 3,942,998 | 5,372,972 | 5,696,643 |

Table 10: Outgoing mobile traffic - number of voice calls

This decline came on the back of a significant fall in the number of on-net mobile-to-mobile (MTM) calls, which were down by 42.2 million (or by 24.4%) from 172.8 million in the first half of 2016 to 130.6 million in the first half of 2017. The decline in on-net calling outweighed gains recorded in terms of the number of off-net MTM calls, mobile-to-fixed (MTF) calls and mobile-to-international (MTI) calls. Call volumes were up by 6.5 million (or by 10.1%) in the case of off-net MTM calls, by 1.4 million (or by 7.3%) in the case of MTF calls and by 1.8 million (or by 44.5%) in the case of MTI calls.

5.2.2 Voice call minutes

Mobile voice call minute volumes were higher in the current reporting period when compared to the same period a year earlier. An increase in volumes materialised across all voice traffic segments.

The number of mobile voice call minutes totalled 427.0 million in the first half of 2017, up by 32.4 million (or by almost 8.2%) from 394.7 million in the first half of 2016.

| Mobile voice call minutes | 2012 | | 2013 | | 2014 | | 2015 | | 2016 | |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | FH | SH | FH | SH | FH | SH | FH | SH | FH | SH |
| Total | 278,778,213 | 301,626,037 | 316,595,055 | 339,975,169 | 349,449,383 | 369,508,631 | 379,645,131 | 391,996,179 | 394,663,889 | 412,929,157 |
| Mobile-to-mobile (MTM) | 237,380,477 | 256,368,562 | 271,614,107 | 291,904,514 | 302,343,734 | 318,839,211 | 328,242,026 | 332,491,267 | 342,331,655 | 355,826,664 |
| on-net MTM | 175,051,399 | 192,040,781 | 205,020,567 | 219,863,900 | 224,440,686 | 231,550,138 | 234,871,600 | 234,096,857 | 235,093,966 | 240,856,728 |
| off-net MTM | 62,329,077 | 64,327,781 | 66,593,540 | 72,040,614 | 77,903,048 | 87,289,073 | 93,370,425 | 98,394,410 | 107,237,689 | 114,969,936 |
| Mobile-to-fixed (MTF) | 33,264,802 | 35,650,809 | 36,001,708 | 38,029,700 | 37,279,753 | 39,565,696 | 39,894,002 | 42,412,245 | 41,464,160 | 44,120,924 |
| Mobile-to-international (MTI) | 8,132,934 | 9,606,666 | 8,979,240 | 10,040,955 | 9,825,896 | 11,103,724 | 11,509,103 | 17,092,667 | 10,868,074 | 12,981,569 |

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

Disaggregating this increase by the type of traffic shows that on-net MTM minutes were up by 10.8 million (or by almost 4.6%); off-net MTM minutes were up by 16.5 million (or by 15.4%); MTF minutes were up by 2.8 million (or by 6.6%) and MTI minutes were up by 2.3 million (or by 23.7%).

5.4. SMS and MMS activity levels

In line with long-term market trends, SMS traffic volumes maintained their downward trajectory, with volumes recorded in the first half of 2017 being lower than recorded during the same period in 2016. MMS activity in the first half of 2017 was also lower than reported in the corresponding period a year earlier.

5.4.1 SMS traffic volumes

The number of outgoing text messages totalled 164.7 million in the first half of this year, down by almost 39.0 million (or by 19.1%) from 203.7 million in the same period of 2016¹⁸.

This development is again mainly attributable to a large drop in the number of on-net SMSs, although other traffic segments registered declines as well.

¹⁸ Including on-net SMSs, off-net SMSs, SMSs sent to foreign mobile networks, SMSs sent from Internet Portal and premium SMSs.

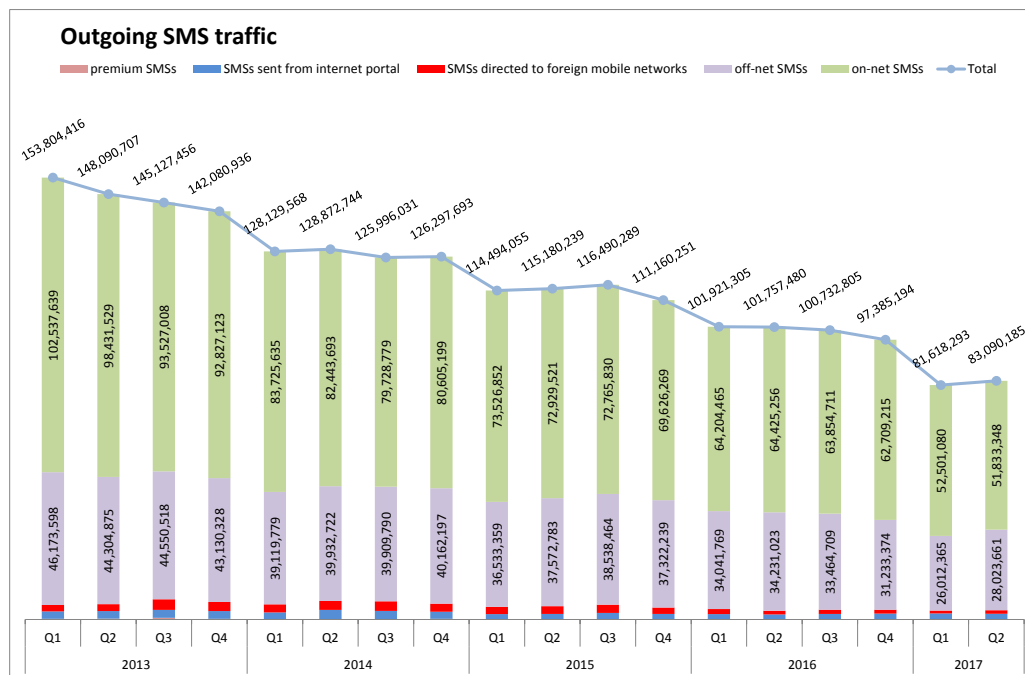


Figure 18: SMS activity - number of outgoing SMSs (1)

The number of on-net SMSs in the first half of 2017 totalled 104.3 million, down by 24.3 million (or by 18.9%) from 128.6 million in the first half of 2016. Meanwhile, the number of off-net SMSs was down by 14.2 million (or by 20.9%) from 68.3 million to 54.0 million and the number of premium SMSs declined by 0.04 million (or by 20.6%).

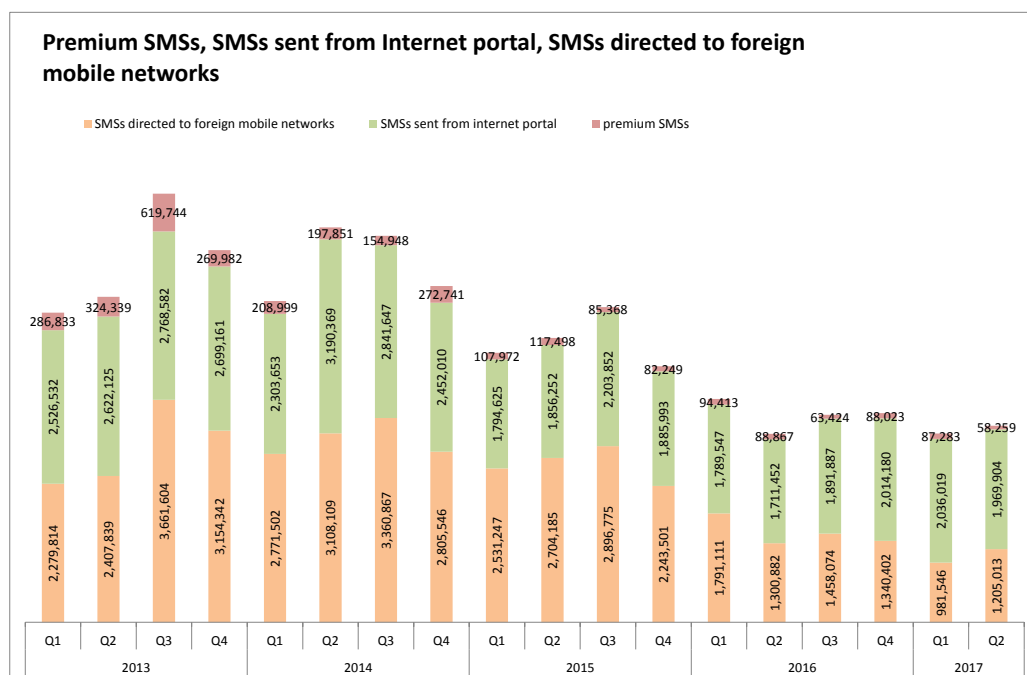


Figure 19: SMS activity - number of outgoing SMSs (2)

Other volume declines were recorded for SMSs directed to foreign mobile networks, which were down by 0.9 million (or by 29.3%) from 3.1 million in the first half of 2016 to 2.2 million in the first half of 2017. In contrast

to the above-mentioned declines, the number of SMSs sent from Internet portals increased by 0.5 million (or by 14.4%) from 3.5 million in the first half of 2016 to 4.0 million in the current reporting period.

5.4.2 MMS traffic volumes

The number of MMSs in the first half of this year totalled 84,784. This figure is down by 9,259 (or by 9.9%) from 94,043 MMSs recorded in the first half of 2016.

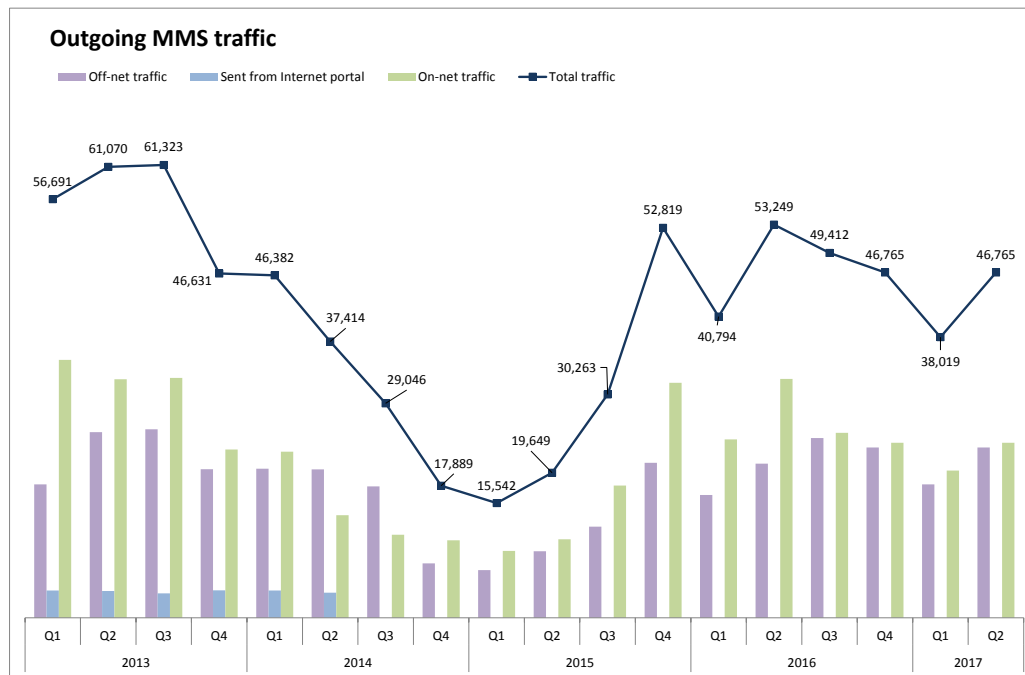


Figure 20: MMS activity - number of outgoing MMSs

5.5. Activity levels per mobile subscription

Developments in activity levels per mobile subscription depend on the rate of growth in traffic volumes and the change in the number of subscriptions.

5.5.1 Voice call activity levels per subscription

During the first half of 2017, mobile telephony subscriptions and mobile voice minute volumes were on the rise. Growth in voice call minutes outpaced growth in subscriber numbers. Hence, the number of voice call minutes per subscription was up from 696 in the first half of 2016 to 722 in the first half of 2017.

On-net traffic continues to represent the largest portion activity recorded by the sector. However, the average number of on-net voice call minutes per subscription was only slightly up from 414 in the first half of 2016 to 416 in the first half of 2017.

Gains in voice minute activity levels for the off-net MTM segment were more significant as the average number of off-net MTM voice call minutes per subscription was up from 189 to 209. Meanwhile, the average number of MTF voice call minutes per subscription was up from 73 to 75. MTI voice minute activity levels was also up, from an average of 19 per subscription in the first half of 2016 to an average of 22 in the first half of 2017.

Comparing activity levels in terms of the number of voice calls shows that average traffic per subscription was lower in the first half of 2017 compared to the same period a year earlier. This is because the number of mobile calls in the current review period was down when compared to the same period in 2016. This decline coincided with an expanding subscriber base. As a result, the number of outgoing mobile calls per subscription was down in the first half of 2017 compared to the first half of last year. Disaggregating the trends by traffic segment shows a big drop in activity levels for on-net MTM traffic, which went down from an average of 305 calls per subscription in the first half of 2016 to an average of 221 calls in the first half of 2017. On the other hand, activity levels per subscription improved year-on-year in the case of off-net MTM calls, MTF calls and MTI calls. The corresponding figures are presented in the chart below.

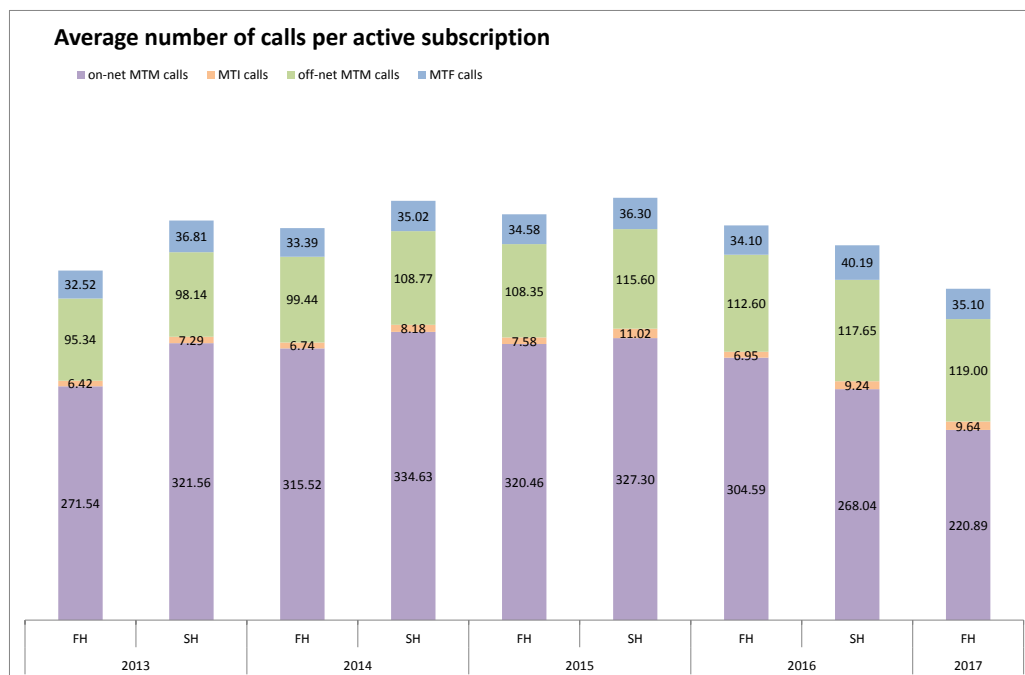


Figure 21: Average number of calls per active subscription

5.5.2 SMS activity levels per subscription

As already highlighted at an earlier stage, SMS traffic volumes in the first half of 2017 were down when compared to volumes reported in the same period a year earlier. In combination with the increase in the number of mobile subscriptions, the decline in SMS traffic volumes resulted in lower activity levels per subscriber for this type of traffic.

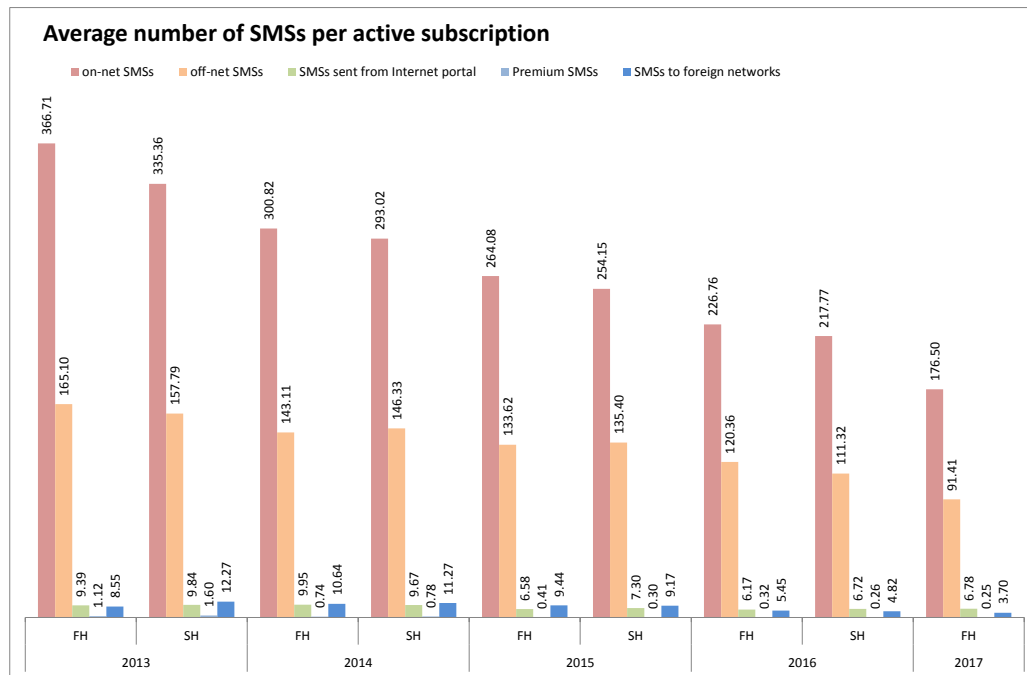


Figure 22: Subscriber activity - average number of SMSs per active subscription

In fact, the number of SMSs per active subscription in the first half of 2017 amounted to 279, down from 359 in the first half of 2016. Figure 22 illustrates that only the traffic segment concerning SMSs sent from the Internet portal registered an increase in activity levels.

As already observed in previous publications, this development mainly reflects the ongoing increase in usage of mobile voice services as opposed to a falling use of texting services. This is in part due to the improved availability of minute allowances and the increasing popularity of social networking platforms and OTT services.

5.6. Average mobile call duration

As minute allowances improve and the ARPM for mobile communications declines, a mobile-originated voice call would most likely last longer, as latest trends seem to suggest. Nevertheless, such iteration is not always straightforward given that there are various factors at play, particularly in a market where service providers constantly launch new offers and promotional discounts to enhance take-up and usage, which may influence pricing outcomes and consumer preferences. For example, cheaper call rates and free minute allowances may entice end-users to substitute SMSs with on-net MTM voice calls that are of a shorter duration.

Overall, the average mobile call duration in the first half of 2017 was 1.88 minutes (or approximately 1 minute and 53 seconds), which is lengthier to what has been reported for the first half of 2016, at 1.52 minutes (or approximately 1 minute and 32 seconds).

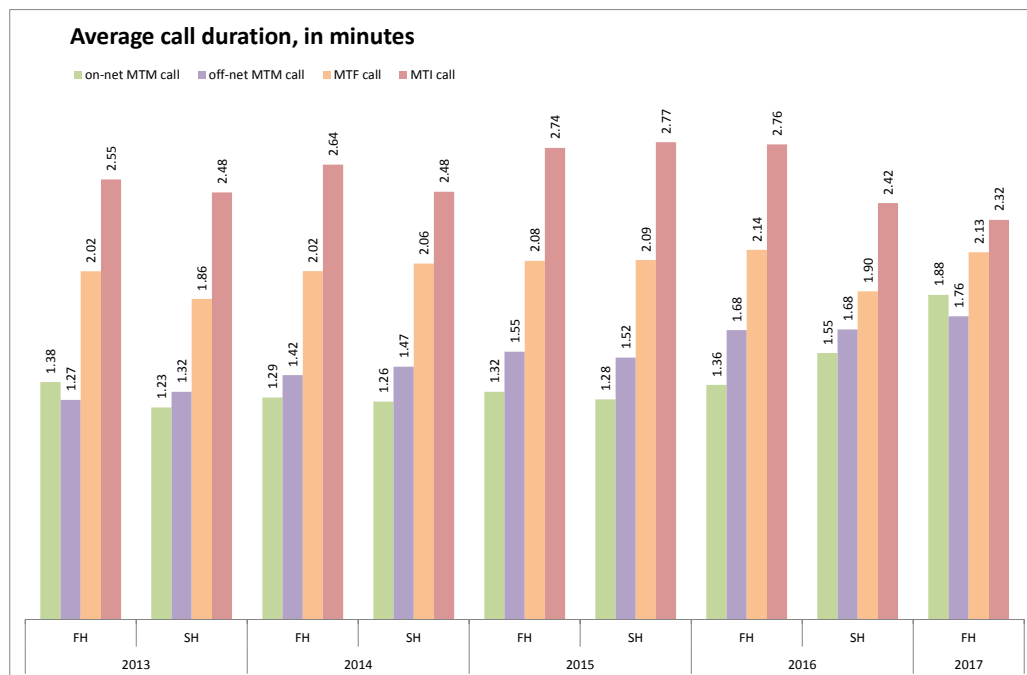


Figure 23: Average duration of an outgoing mobile call

This result is in line with the trends observed over the last few years, mainly that the wider availability of minute allowances, and their respective impact on the average rate per minute of mobile communications, contribute to longer calls and lower use of SMS. The impact has been significant for on-net MTM calling, given that the duration of on-net calls improved from an average of 1.55 minutes (or 1 minute and 33 seconds) in the first half of 2016 to 1.88 minutes (or 1 minute and 53 seconds) in the first half of 2017.

5.7. International roaming activity levels

The level of international roaming activity¹⁹ 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 continues to experience a consistently higher inflow and outflow of tourists. Meanwhile, the number of Maltese travelling abroad is also on the rise. These trends coincided with a period of falling roaming charges, both in the case of voice calls and text messaging.

5.7.1 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.

¹⁹ 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.

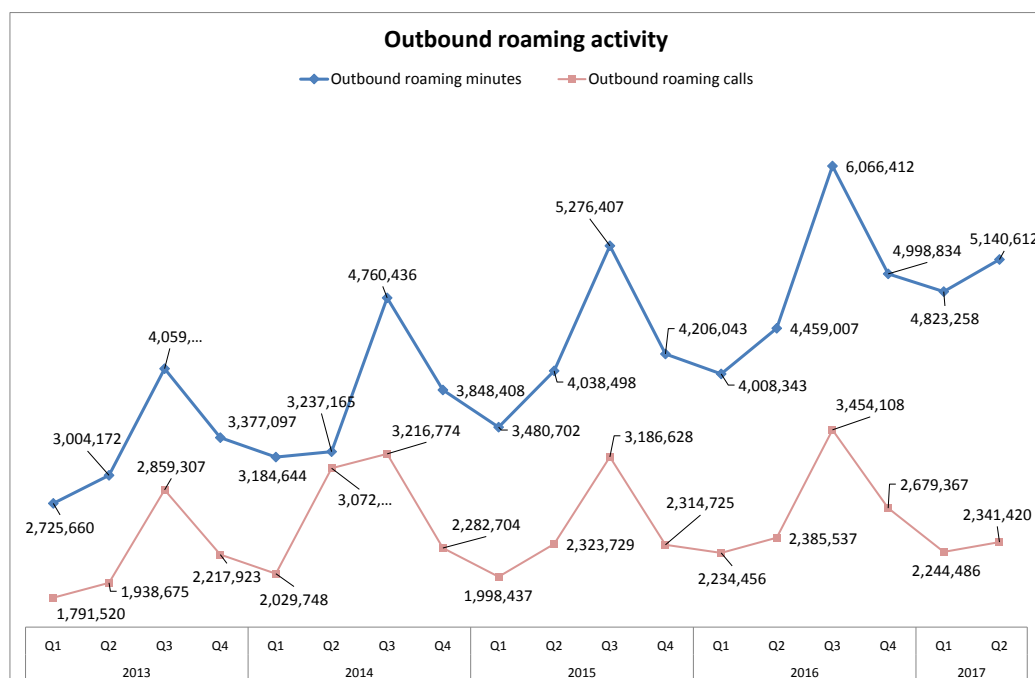


Figure 24: Outbound roaming activity

The number of outbound roaming calls totalled 4.6 million in the first half of 2017, down 0.7% when compared to the same period a year earlier. Meanwhile, the number of outbound roaming minutes in the first half of 2017 totalled 9.9 million, up by 1.5 million (or by 17.7%), from 8.5 million in the first half of 2016. These developments are a result of more people travelling abroad and the implementation of lower roaming call charges. The fall in roaming call charges enticed mobile end-users to make less calls but of a lengthier duration whilst travelling.

5.7.2 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 13.2 million in the first half of 2017, which is down by 1.5 million (or by 10.0%) from 14.7 million in the corresponding period a year earlier. This is again most likely a result of the decline in roaming call charges, which enticed end-users to make lengthier calls whilst travelling abroad rather than a larger number of calls with a short duration.

This is confirmed by figures observed for inbound roaming activity in terms of voice traffic minutes.

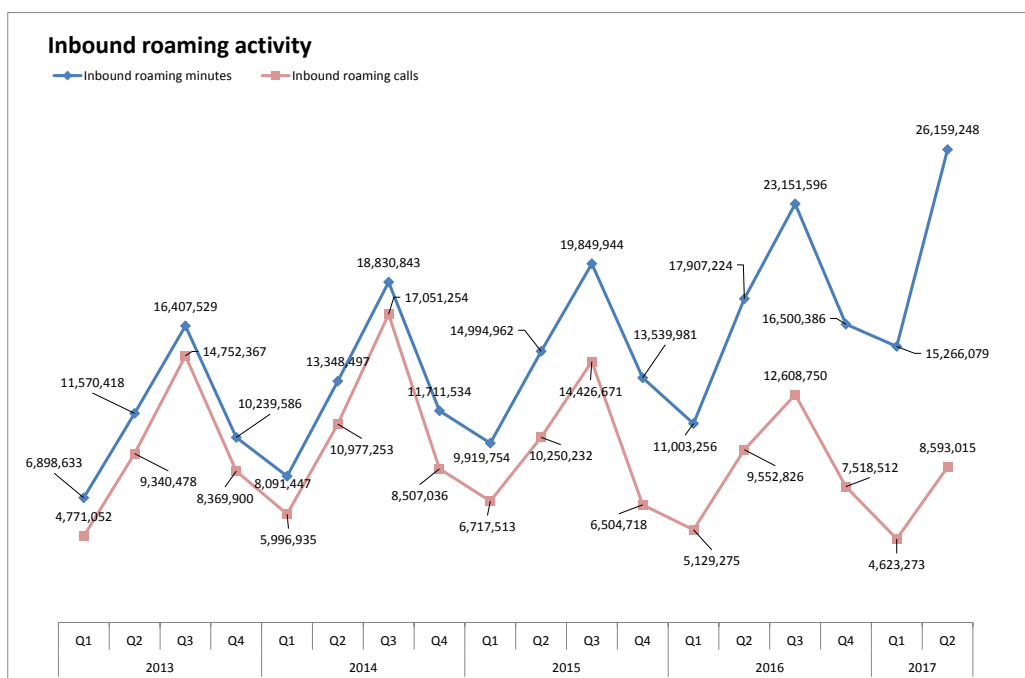


Figure 25: Inbound roaming activity

In fact, the number of inbound roaming minutes went up by 12.5 million (or by 43.3%), from 28.9 million in the first half of 2016 to 41.4 million in the first half of this year.

5.8. Mobile ARPU

The average revenue per user (ARPU) in the mobile sector in the first half of 2017 stood at €87.17, which is slightly up by 0.4% from €86.82 in the first half of 2016.

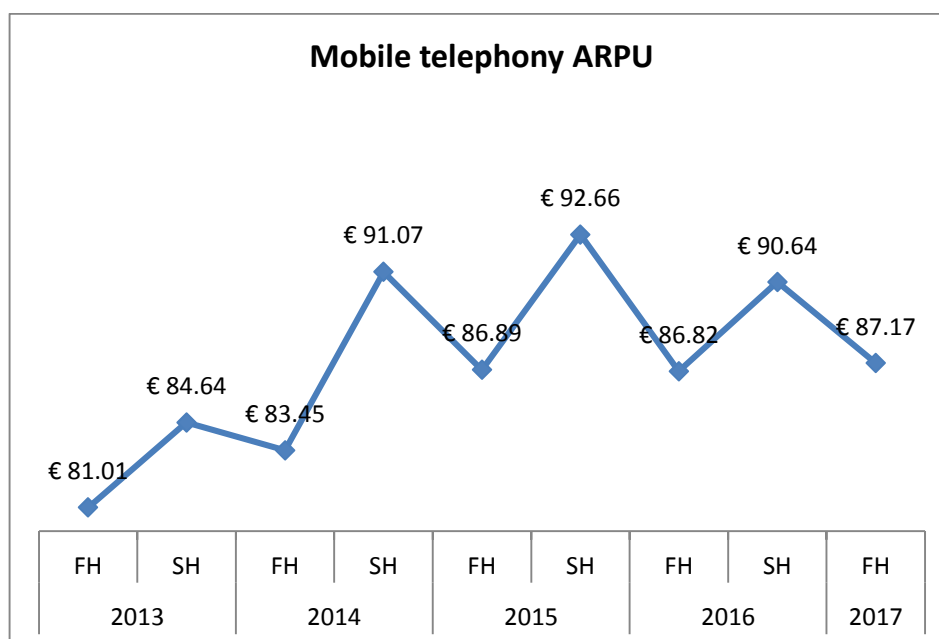


Figure 26: Average revenue per mobile user

An expanding subscriber base and surging data traffic volumes, driven by the increasing proportion of mobile phones now being used to actively connect to the internet, generated sufficient revenues as to make up for declines recorded in terms of voice and messaging services.

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.

5.9. Pricing developments for mobile telephony

It is difficult to determine the exact price paid by the end-user to make a mobile voice call and / or to send an SMS, given the wide array of plans currently on offer and the availability of call and SMS allowances. To this effect, the MCA has developed a metric whereby it maps price movements in mobile voice calls and SMSs by taking into account changes in the average revenue per call minute and the average revenue per SMS on the basis of figures supplied by local service providers²⁰.

Figure 27 (below) shows that the average rate per minute of mobile communication was down in the first half of 2017 when compared to the average rate recorded in the first half of the previous year. The average rate per minute of mobile communication for a domestic call stood at €0.065 in the first half of 2017, down by almost 10.0% from an average of €0.072 in the first half of 2016²¹.

²⁰ The MCA carries out a regular exercise to calculate the average rate per minute of mobile voice call services and the average rate per SMS. 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 heading. In the latter case, figures correspond to the division of SMS-related revenues by the number of SMSs made during the period.

In these calculations, revenues from VAT, excise tax, and retail roaming services are excluded.

²¹ 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.

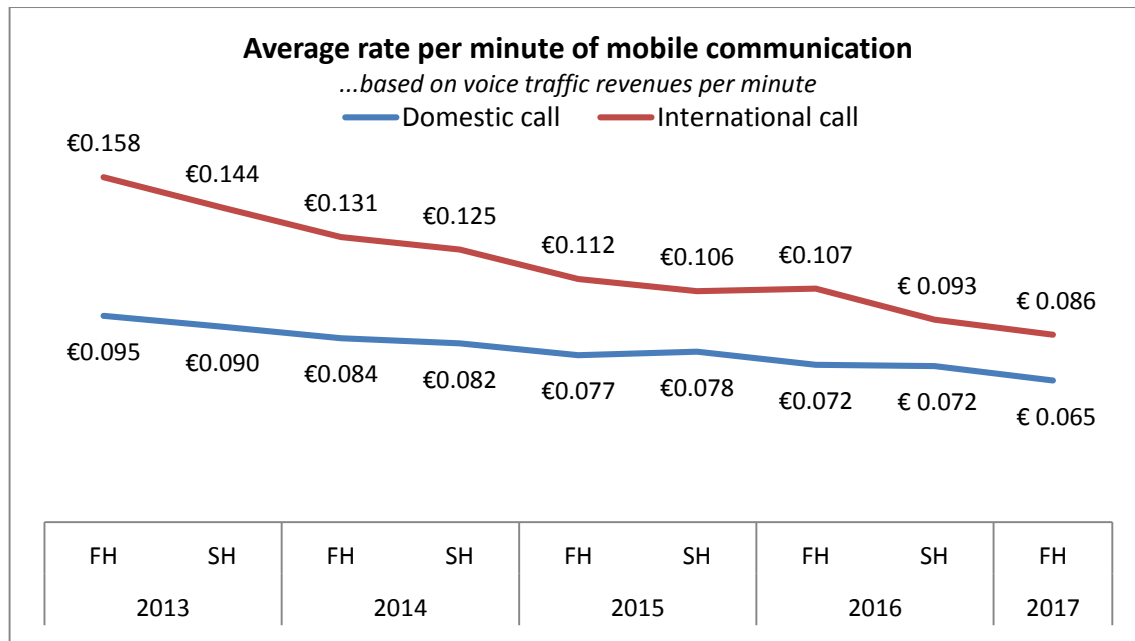


Figure 27: Average rate per minute of mobile communications

Meanwhile, the average rate per minute of mobile communication for an international call over the mobile network was also down, this time by almost 20.0%, from €0.107 in the first half of 2016 to €0.086 in the first half of 2017.

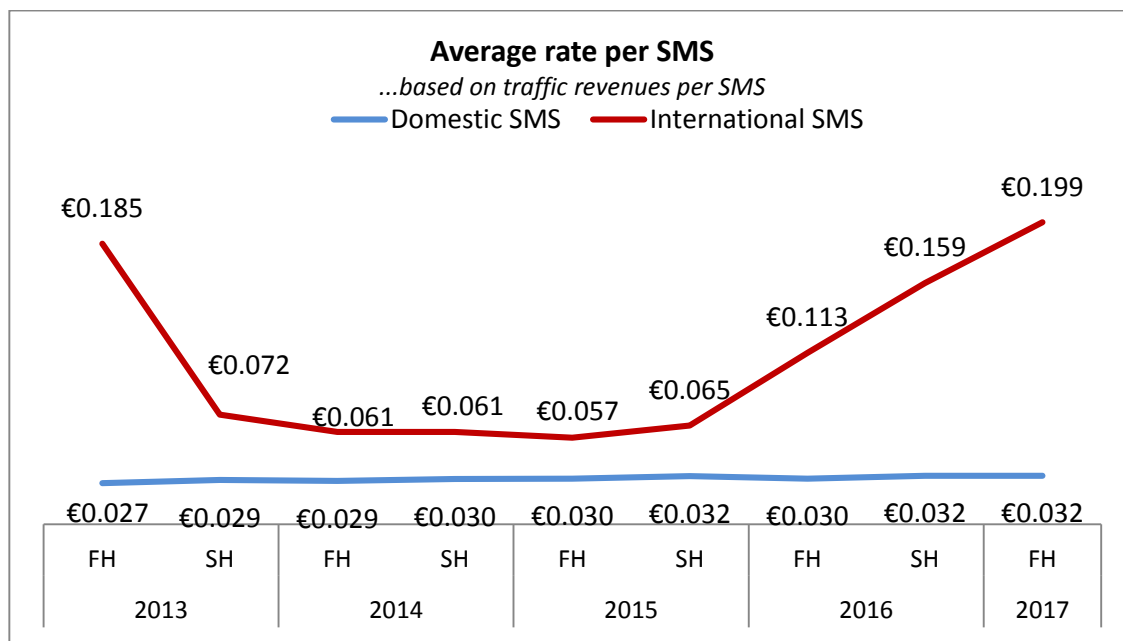


Figure 28: Average rate per domestic and international SMS

In terms of the average rate per SMS, Figure 28 illustrates that, in the first half of 2017, the consumer on average paid €0.032 for a domestically bound SMS and €0.200 for an internationally bound SMS²².

²² Figures for internationally bound SMS are provisional pending some clarifications from service providers.

6. Fixed and mobile broadband

The fixed broadband sector experienced further growth in the subscriber base during the first half of 2017, with demand for fast and ultra-fast broadband rising considerably. Year-on-year, the total number of fixed broadband subscriptions rose by 5.6% to reach 177,327 by the end of June 2017. The fixed broadband penetration rate improved accordingly, from 38.4% at the end of June 2016 to 40.0%, given that growth in subscriptions surpassed population growth.

Regarding the different download speeds currently on offer in Malta, subscriptions supporting fast and ultra-fast download speeds (i.e. download speeds of 30Mbps or more) jumped by 13.2%. The number of subscriptions supporting download speed of 30Mbps or more totalled 113,040 by the end of the current reporting period. This figure corresponds to 63.7% of the local fixed broadband subscriber base²³. In absolute terms, the number of fixed broadband subscriptions supporting download speeds of 30Mbps or more was up by 13,191 year-on-year.

The number of fixed broadband subscriptions purchased in a bundle also increased steadily in the first half of 2017. Compared with the end of June 2016, the proportion of fixed broadband subscriptions purchased in a bundle to the total fixed broadband subscriber base recorded at the end of last June was up by 6.6 percentage points, from 75.2% to 81.8%. For the end-user, the purchase of a fixed broadband subscription in a bundle typically helps in reducing the monthly access fees that he/she would incur with purchasing the service on a stand-alone basis. This is because local service providers offer bundled packages including fixed broadband at a discount, also in the form of lower set-up charges and / or lower rental fees for equipment when signing up for bundled packages.

The changes implemented by local service providers in the dual-play product line up encompassing fixed broadband have contributed to the consistent drop observed in the average rate per Mbps during the first half of 2017. Overall, the decline in the average rate per Mbps suggests a more competitive cost-to-quality relationship for the consumer. The average rate per Mbps in the first half of 2017 stood at €1.04, down by 9.3% from €1.14 in the first half of 2016.

Despite the reported decline in the average rate per Mbps and the increase in the number of fixed broadband subscriptions purchased in a bundle, fixed broadband ARPU in the first half of 2017 climbed to a higher level than was recorded in the first half of the previous year, to €101.59 from €95.75.

The first half of 2017 also registered a further increase in the uptake and usage of mobile broadband services, both via standard mobile subscriptions and subscriptions to devices such as dongles and internet keys. There were around 358,317 end-users actively using mobile broadband services at the end of last June, up by 21.7% from 294,493 a year earlier.

6.1. Fixed broadband subscriptions

The number of fixed broadband subscriptions totalled 177,327 at the end of June 2017. This figure is up by 9,319 (or by 5.6%) from 168,008 fixed broadband subscriptions recorded at the end of June 2016²⁴.

The number of fixed broadband subscriptions recorded at the end of last June equates to a fixed broadband penetration rate of 40.0%, an increase of 1.6 percentage points over a 12-month period.

²³ Reference is to 'headline' (or 'advertised') download speeds.

²⁴ 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.

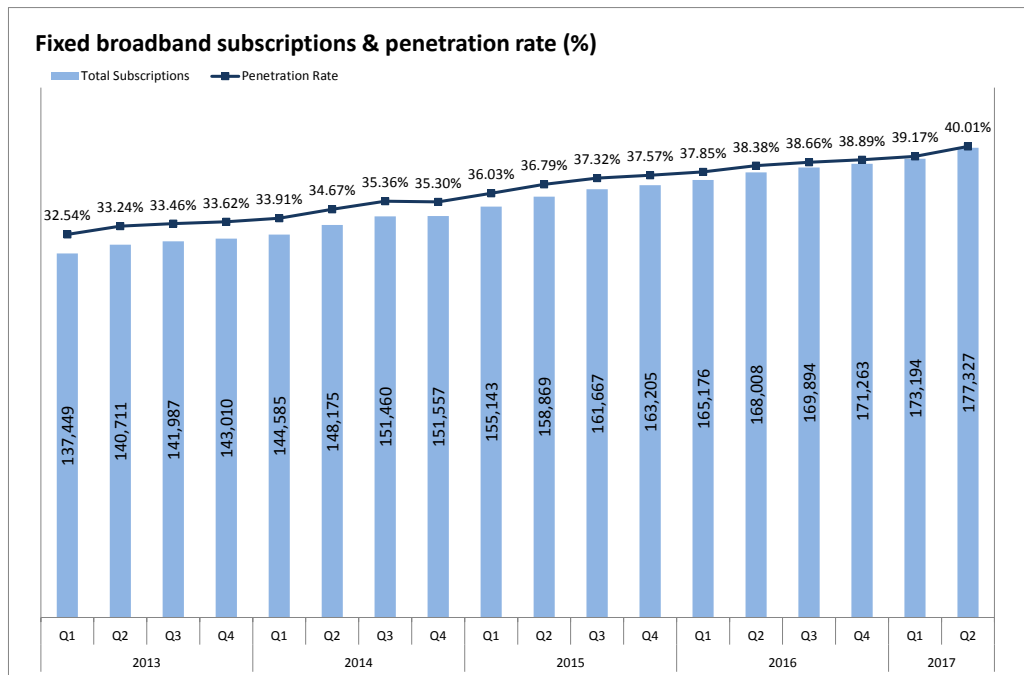


Figure 29: Take-up of fixed broadband and fixed broadband penetration

| Fixed broadband subscriptions in a bundle | 2013 | | 2014 | | 2015 | | 2016 | | 2017 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | FH | SH | FH | SH | FH | SH | FH | SH | FH |
| Fixed broadband subscriptions on a dual play contract | 10,068 | 11,349 | 15,979 | 29,890 | 36,927 | 44,179 | 49,622 | 54,413 | 55,227 |
| Fixed broadband + fixed telephony | 10,068 | 11,349 | 15,979 | 29,890 | 36,927 | 44,179 | 49,622 | 54,413 | 55,227 |
| Fixed broadband subscriptions on a triple play contract | 15,459 | 21,376 | 22,477 | 25,490 | 26,718 | 27,525 | 28,613 | 30,540 | 40,675 |
| Fixed broadband + fixed telephony + mobile telephony | 344 | 289 | 312 | 620 | 630 | 139 | 84 | 58 | 37 |
| Fixed broadband + fixed telephony + pay TV | 15,115 | 21,087 | 22,165 | 24,870 | 26,088 | 27,386 | 28,529 | 30,482 | 40,638 |
| Fixed broadband subscriptions on a quad play contract | 41,339 | 42,486 | 44,069 | 44,429 | 45,683 | 46,988 | 48,075 | 49,900 | 49,175 |
| Fixed broadband + fixed telephony + pay TV + mobile telephony | 41,339 | 42,486 | 44,069 | 44,429 | 45,683 | 46,988 | 48,075 | 49,900 | 49,175 |
| Total number of fixed broadband subscriptions in a bundle | 66,866 | 75,211 | 82,525 | 99,809 | 109,328 | 118,692 | 126,310 | 134,853 | 145,077 |
| Number of fixed broadband subscriptions as at end of period | 140,711 | 143,010 | 148,175 | 151,557 | 158,869 | 163,205 | 168,008 | 171,263 | 177,327 |
| Percentage of fixed broadband subscriptions in a bundle | 47.52% | 52.59% | 55.69% | 65.86% | 68.82% | 72.73% | 75.18% | 78.74% | 81.81% |

Table 12: Fixed broadband subscriptions on a bundled offer

The take-up of fixed broadband subscriptions in bundled packages continued to see a rapid rise. Effectively, fixed broadband is the electronic communications product that is the most commonly purchased in a bundle. In this regard, the number of fixed broadband subscriptions purchased in combination with some other electronic communications service on a bundle totalled 145,077 at the end of the current review period. The latter figure is equivalent to 81.8% of all fixed broadband subscriptions recorded at the time, which represents an increase of 6.6 percentage points over a 12-month period.

6.2. Fixed broadband subscriptions by type of access technology

A breakdown of fixed broadband subscriptions by technology shows that there were 83,693 cable-based subscriptions at the end of June 2017, up by 3,046 (or by 3.8%) from 80,647 subscriptions a year earlier.

DSL-based subscriptions and FTTH-based subscriptions totalled 75,431 and 11,676 respectively at the end of last June. The DSL subscriber base went down by 561 connections over a 12-month period since the end of June 2015, whilst the subscriber base for FTTH registered an increase of 4,204 subscriptions over the same period.

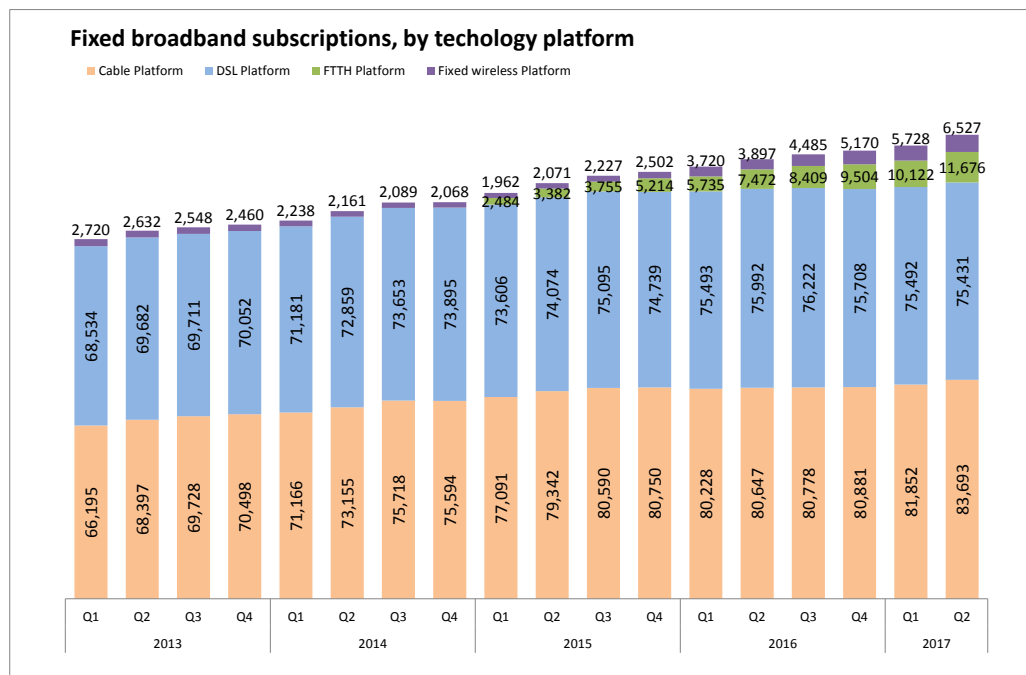


Figure 30: Broadband Internet subscriptions as at end of period - by technology

As for the number of fixed wireless connections, these totalled 6,527 at the end of June 2017, up by 2,630 (or by 67.5%) from 3,897 a year earlier. This big change follows the launch of new fixed broadband products by Vodafone (Malta) in 2016.

In view of the changes observed above, cable's market share fell by 0.8 percentage points, from 48.0% at the end of June 2016 to 47.2% at the end of the current reporting period. DSL also lost market share, in this case by 2.7 percentage points, from 45.2% to 42.5%.

In contrast, the market share of fixed wireless increased by 1.4 percentage points from 2.3% to 3.7%, whilst that of FTTH improved by 2.1 percentage points, from 4.5% to 6.6%.

6.3. Fixed broadband subscriptions by speed²⁵

Take-up of fixed broadband continued to strengthen in the case of products supporting higher download speeds, i.e. products supporting download speeds of 30Mbps or more.

Figure 31 illustrates that the number of fixed broadband subscriptions supporting download speeds of less than 30Mbps at the end of June 2017 totalled 64,287. This figure is down by 3,872 (or by 5.7%) year-on-year.

Meanwhile, the number of fixed broadband subscriptions allowing for a download speed of 30Mbps but less than 100Mbps was down by 3,891 (or by 4.2%), from 92,731 to 88,840.

The above-mentioned declines materialised after a number of subscriptions upgraded to the 100Mbps option.

²⁵ Quoted figures refer to advertised speeds.

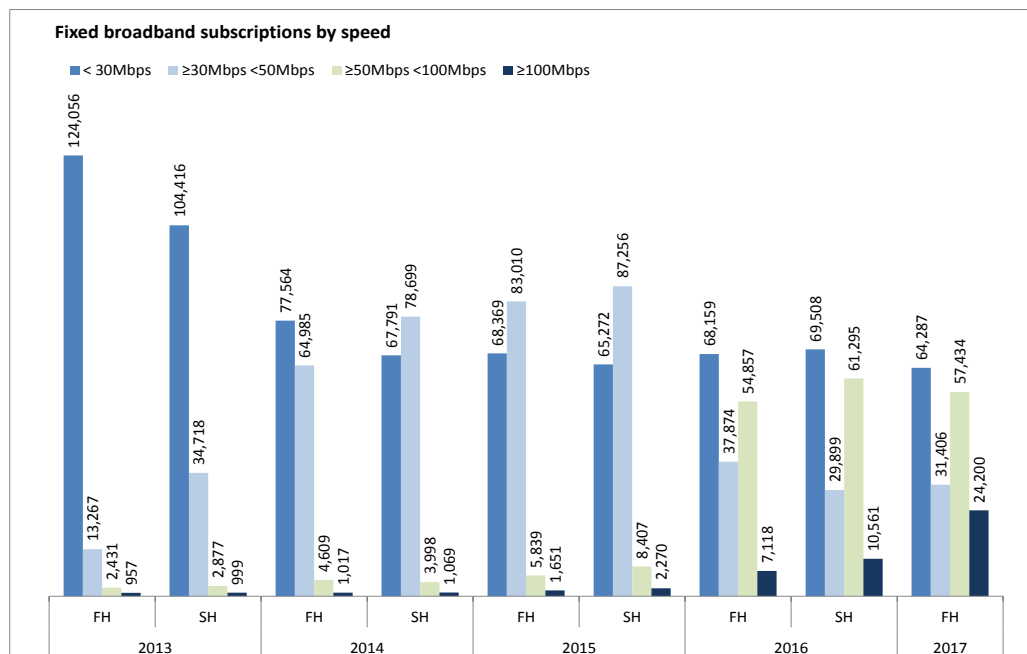


Figure 31: Fixed broadband subscriptions as at end of period, by speed

In fact, the number of fixed broadband subscriptions availing of a download speed of 100Mbps or more was up from 7,118 at the end of June 2016 to 24,200 at the end of the current reporting period.

6.4. Fixed broadband subscriptions by access technology and download speed

This section provides an overview of how the local fixed broadband subscriber base stratifies in terms of access technology and downloads speed.

Regarding fixed wireless subscriptions reported at the end of June 2017, 6.3% of the total allowed for a download speed of less than 20Mbps. The biggest chunk, at 93.2%, allowed for a download speed of 20Mbps but less than 30Mbps. Just 0.5% of all wireless fixed broadband connections supported download speeds ranging between 30Mbps and 100Mbps. None of wireless subscriptions allowed for a download speed of 100Mbps or more.

Meanwhile, with respect to DSL, 69.6% of all subscriptions on this technology platform allowed for a download speed of less than 30Mbps and 28.5% allowed for a download speed of 30Mbps but less than 50Mbps. Just 2% of subscriptions allowed for a download speed of between 50Mbps and 100Mbps.

45.5% of all subscriptions registered under the FTTH platform allowed for a download speed of less than 30Mbps, 50.6% allowed for a download speed of 30Mbps but less than 100Mbps and almost 4.0% allowed for a download speed of 100Mbps or more.

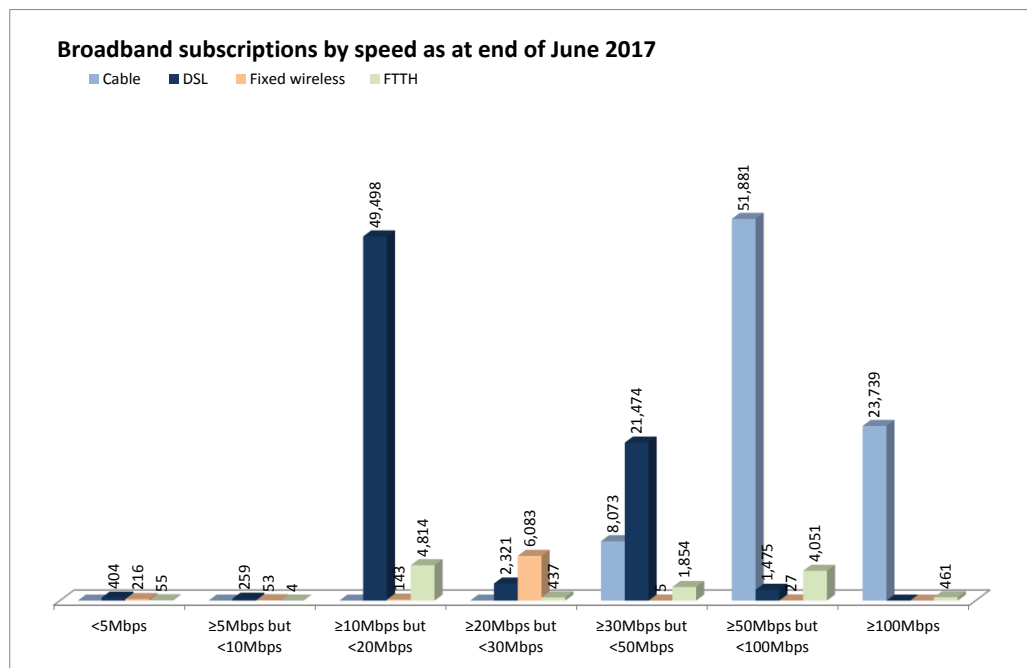


Figure 32: Broadband Internet subscriptions as at end of period - by technology & connection speed

With respect to cable-based fixed broadband subscriptions, Figure 32 illustrates that 9.7% of these allowed for a download speed of 30Mbps but less than 50Mbps, 62.0% allowed for a download speed of 50Mbps but less than 100Mbps and 28.4% allowed for a download speed of 100Mbps or more.

6.5. Fixed broadband ARPU

The average revenue per user (ARPU) for fixed broadband in the first half of 2017 stood at €101.59, up by 6.1% from €95.75 in the same period a year earlier.

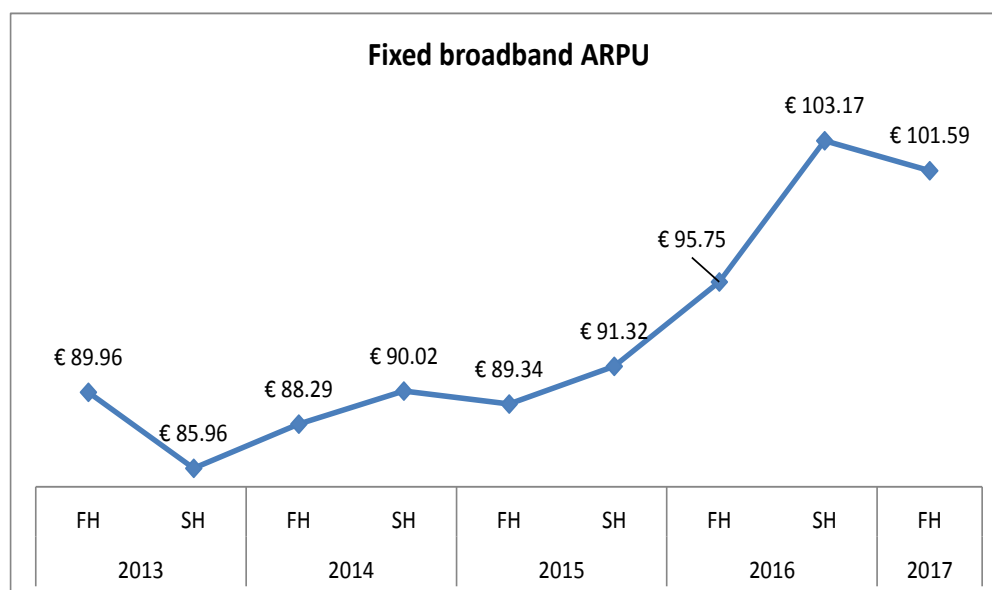


Figure 33: Average revenue per broadband user

This increase in ARPU reflects the ability of local service providers to consolidate their subscriber base and to accelerate the migration of end-users to plans supporting higher download speeds. The increase in take-up of fast and superfast fixed broadband connections enabled local service providers to get a higher premium on their sales. At the same time, end-users availed of higher download speeds and of promotional offers and discounts that apply with bundled subscriptions.

Methodology used in deriving fixed broadband ARPU figures

ARPU for fixed broadband corresponds to the average half-yearly spend by end-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 takes the sum of the total subscriptions at the start and the end of the quarter under consideration divided by two.

6.6. Average rate per Mbps

The rate that Maltese consumers pay for bandwidth has gone down in the first half of 2017, in line with long-term market developments. An overall trend that has now become standard for the service is that consumers pay an even lower rate per Mbps for products delivering faster download speeds compared to products delivering slower download speeds.

The average rate per Mbps in the first half of 2017 stood at €1.04, down by 9.3% when compared to an average rate of €1.14 in the first half of the previous year²⁶.

Shifting the focus to a specific point in time, namely to the end of June 2017, Figure 34 illustrates that, in the case of products supporting download speeds of 10Mbps but less than 20Mbps, the average rate per Mbps was marginally lower than the average rate recorded at the end of June 2016. The corresponding rates are €1.54 at the end of June 2016 and €1.44 at the end of last June.

On the other hand, the average rate per Mbps was lower for broadband products supporting download speeds of 30Mbps or more²⁷. On a more disaggregated level, the average rate per Mbps for products supporting download speeds of 30Mbps but less than 50Mbps was down by 10.7%, from €1.10 at the end of June 2016 to €0.98 at the end of last June. Meanwhile, the average rate per Mbps for products supporting download speeds of 50Mbps but less than 100Mbps was relatively unchanged, at €0.62.

In the case of broadband products supporting a download speed of 100Mbps or more, the average rate per Mbps was markedly down, this time by 20.3%, from €0.49 to €0.39.

The changes highlighted above mainly reflect the changes undertaken by the largest service providers in their product line-up, for both stand-alone fixed broadband and bundled plans including fixed broadband. In the first half of 2017, Melita confirmed the 250Mbps product as a nationwide service and this plan therefore featured in the determination of the average rate per Mbps for the period. The 250Mbps plan was not available on a nationwide scale in the first half of 2016. Hence, the significant drop observed in the average rate per Mbps for broadband plans supporting download speeds of 100Mbps or more. Other significant changes by this operator relate to the introduction of the new dual-play product line-up. This change contributed to lower the average rate per Mbps, given that the monthly access fee applicable in the case of

²⁶ The average rate per Mbps calculation in this report takes into account fixed broadband plans that are available nationwide on a stand-alone subscription or on dual play bundled packages. Plans that are on a triple-play or quad-play bundle are not taken into account. Also, expenses incurred by the end-user, such as installation fees and other charges, do not feature in the calculations when determining the average rate per Mbps.

²⁷ Plans not available nationwide do not feature in this category for the purposes of deriving the average rate per Mbps.

such plans would typically end up being cheaper than was the case if the products comprising the bundle were purchased on a stand-alone basis.

GO has also implemented a number of changes in its fixed broadband product line-up, particularly in the case of businesses. This operator implemented changes both in the case of stand-alone offers and in the case of bundled plans. The new bundle product line up included an entry-level 35Mbps plan that supported a higher download speed without any change in the monthly access fee. In the case of stand-alone plans, the monthly access fee for the entry-level option was cheaper than was the case with the old line-up, in those instances where the business user committed to a 2-year contract term agreement.

Vodafone Malta has also updated its offer when it comes to its dual play plan encompassing 30Mbps fixed broadband and fixed telephony. This operator started offering this plan at a cheaper monthly access fee to end-users that were already Vodafone customers to some other type of service.

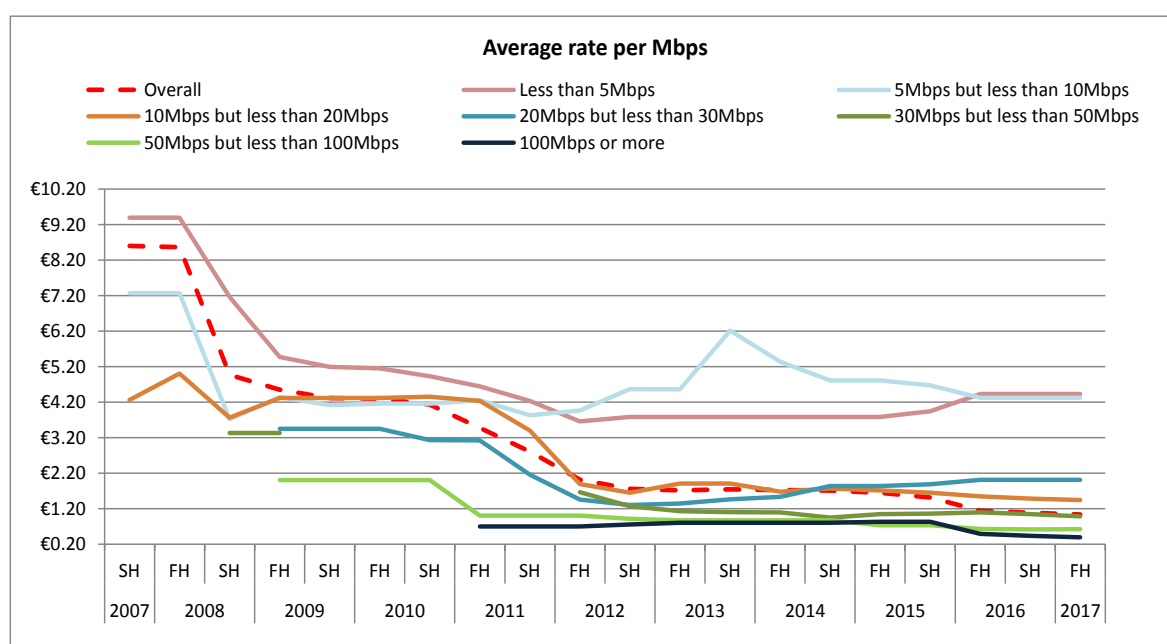


Figure 34: Average price per Mbps of fixed broadband for packages

There has been no change in the average rate per Mbps for broadband products supporting download speeds of less than 10Mbps and download speeds of 20Mbps but less than 30Mbps.

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, 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.

The calculation of the rate of fixed broadband per unit of download speed for the different products featuring in the above-mentioned categories is derived by dividing the relevant monthly access fee by the supported download speed. The final rate per Mbps figure for each category is based on a simple average of the rate per Mbps figures for the different products involved.

6.7. Take-up and usage of mobile broadband

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 EU²⁸. Locally, mobile broadband via 3G-enabled mobile phones can be purchased in a bundle or as an add-on or acquired with other mobile telephony services.

Figure 35 illustrates that the number of users actively accessing mobile broadband services via 3G-enabled mobile subscriptions totalled 358,317 at the end of June 2017. This figure is up by 63,824 (or by 21.7%) from 294,493 at the end of June 2016.

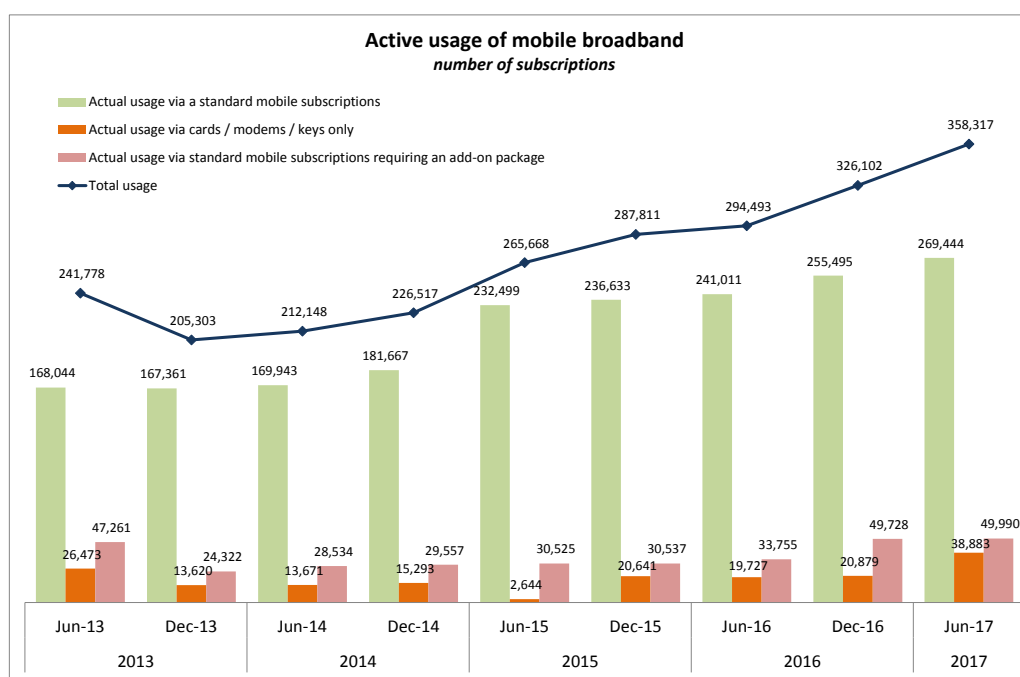


Figure 35: Mobile broadband active connections as at end of period²⁹

Stronger active usage of mobile broadband reflects developments across all associated segments of the market. For example, the number of active mobile broadband connections via dedicated data service cards/modems/keys was up from 19,156 at the end of June 2016 to 38,883 at the end of the current reporting period. During the same period, the number of standard mobile subscriptions that actively used a mobile data add-on rose by 48.1%.

²⁸ 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.

²⁹ Data is under review and subject to change. It is noted that figures for the 'actual usage via standard mobile subscriptions requiring an add-on package' have been revised since the previous CMR publication.

6.6. Mobile broadband penetration

Malta's take-up of mobile broadband (or mobile broadband penetration)³⁰ remains well below that recorded at an EU level.

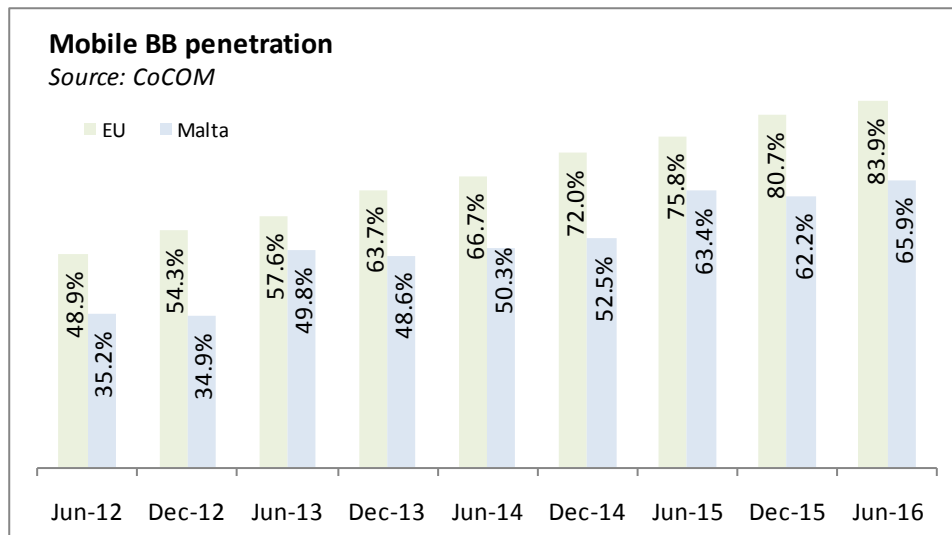


Figure 36: Mobile broadband penetration (active end-users/100 people), as at end of period

Figure 36 illustrates that, according to latest available data from the Digital Agenda Scoreboard, Malta's mobile broadband penetration rate per 100 people stood at 65.9% at the end of June 2016, compared to an EU average of 83.9%³¹.

³⁰ The data is available on the EU Commission's Digital Agenda Scoreboard.

³¹ Data beyond June 2016 is currently not available on the Commission's Digital Agenda Scoreboard.

7. Pay TV

The pay TV sector experienced a rebound in take up in the 12-month period ending June 2017, as the number of subscriptions rose by about 4,400 (or by 3.0%). This increase materialised despite the rising popularity of online TV platforms and online streaming services in general.

Pay TV services in Malta are currently offered by authorised providers over four different platforms, namely analogue cable (which is no longer marketed and is only offered to existing clients), digital cable, digital terrestrial (DTTV) and Internet Protocol (IPTV). Notably, IPTV continued to outperform all the other segments, with subscriptions for this service increasing by 7,343 (or by 32.9%) in the 12-month period under review. The digital cable platform also registered a healthy performance as subscriptions went up by 7,288 (or by 10.2%) during the same period. Meanwhile, the analogue cable and digital terrestrial TV (DTTV) segments registered a fall in subscriptions.

Another significant trend concerning the take-up of pay TV relates to the increase in the number of subscriptions purchased in a bundle with other electronic communications services. As a result, the proportion of pay TV subscriptions in a bundle climbed further in the current reporting period, from 55.6% at the end of June 2016 to 62.4% at the end of last June.

The demand dynamics of the pay TV market has left a mark on the revenue side, most likely a result of the rise of pay TV subscriptions forming part of a bundle, even considering in this respect that one of the service providers has diluted its line-up when it comes to stand-alone pay TV products. In fact, pay TV ARPU in the first half of 2016 totalled €80.22, down from €82.21 recorded in the same period a year earlier.

7.1. Pay TV subscriptions

There were 152,371 pay TV subscriptions at the end of last June³², up by 4,408 (or by almost 3.0%) from 147,963 subscriptions a year earlier. The number of subscriptions purchased on a stand-alone basis continued to decline in the first six months of 2017, whilst those subscriptions on a bundled package increased.

³² This figure excludes forms of subscriptions to Over-the-Top (OTT) Video-on-Demand (VoD) offerings or internet-only streaming services. No data on take-up of such subscriptions is available to the MCA since these providers are not authorised locally.

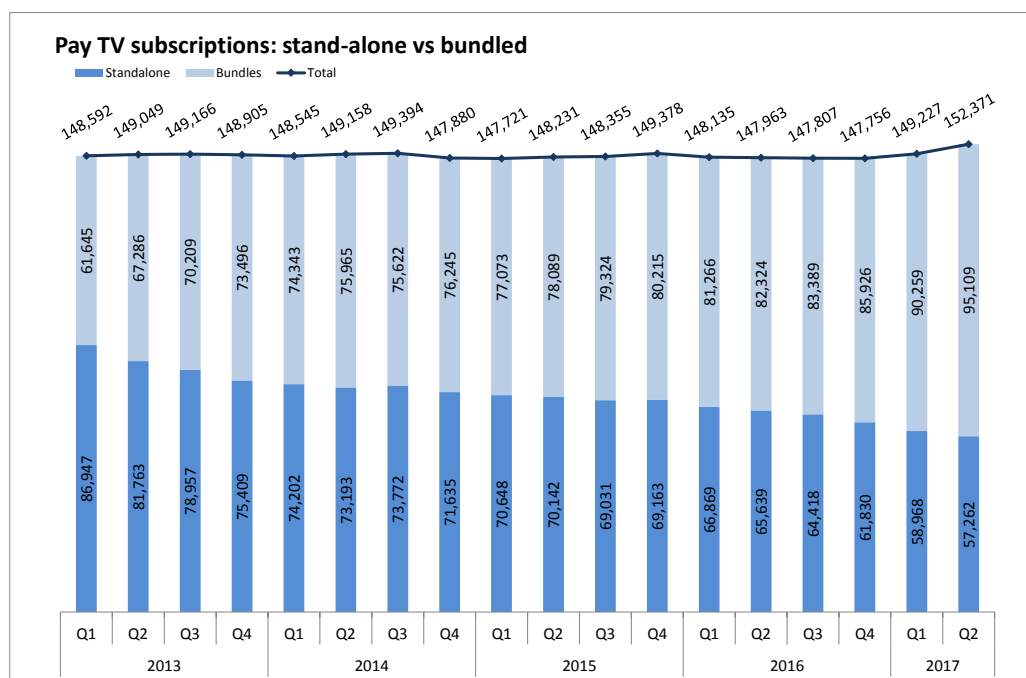


Figure 37: Pay TV subscriptions as at end of period

| Pay TV subscriptions in a bundle | 2013 | | 2014 | | 2015 | | 2016 | | 2017 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | FH | SH | FH | SH | FH | SH | FH | SH | FH |
| Pay TV subscriptions on a dual play contract | 10,832 | 9,923 | 9,731 | 6,946 | 6,318 | 5,841 | 5,720 | 5,544 | 5,296 |
| Pay TV + fixed telephony | 10,832 | 9,923 | 9,731 | 6,946 | 6,318 | 5,841 | 5,720 | 5,544 | 5,296 |
| Pay TV subscriptions on a triple play contract | 15,115 | 21,087 | 22,165 | 24,870 | 26,088 | 27,386 | 28,529 | 30,482 | 40,638 |
| Pay TV + fixed telephony + fixed broadband | 15,115 | 21,087 | 22,165 | 24,870 | 26,088 | 27,386 | 28,529 | 30,482 | 40,638 |
| Pay TV subscriptions on a quad play contract | 41,339 | 42,486 | 44,069 | 44,429 | 45,683 | 46,988 | 48,075 | 49,900 | 49,175 |
| Pay TV + fixed telephony + fixed broadband + mobile telephony | 41,339 | 42,486 | 44,069 | 44,429 | 45,683 | 46,988 | 48,075 | 49,900 | 49,175 |
| Total number of pay TV subscriptions in a bundle | 67,286 | 73,496 | 75,965 | 76,245 | 78,089 | 80,215 | 82,324 | 85,926 | 95,109 |
| Number of pay TV subscriptions as at end of period | 149,049 | 148,905 | 149,158 | 147,880 | 148,231 | 149,378 | 147,963 | 147,756 | 152,371 |
| Percentage of pay TV subscriptions in a bundle | 45.14% | 49.36% | 50.93% | 51.56% | 52.68% | 53.70% | 55.64% | 58.15% | 62.42% |

Table 13: Pay TV subscriptions on a bundled offer

Table 13 shows that the number of bundled pay TV subscriptions totalled 95,109 at the end of last June. This figure is up by 12,785 (or by 15.5%) from 80,215 at the end of June 2016.

7.2. Pay TV subscriptions by technology platform

Local end-users can avail themselves of pay TV services delivered over four technology platforms. These are the digital terrestrial television (DTTV) platform and the Internet Protocol television (IPTV) platform, which are owned by GO, and the analogue cable TV and digital cable TV platforms, which are owned by Melita³³.

Figure 38 shows the breakdown of pay TV subscriptions between these platforms. The number of DTTV subscriptions totalled 40,444 at the end of last June, which is down by 8,209 (or by 16.9%) from 48,653 a year earlier.

³³ 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.

The analogue cable platform has also registered a decline in subscriptions, in this case by 2,014 (or by 35.1%), from 5,743 at the end of June 2016 to 3,729 at the end of last June. It is also relevant to underline that Melita is no longer offering analogue cable pay TV subscriptions to new subscribers³⁴.

In contrast to the above-mentioned declines, the number of digital cable subscriptions went up by 7,288 (or by 10.2%), from 71,226 at the end of June 2016 to 78,514 at the end of last June.

In the case of the IPTV segment, the number of subscriptions was up by 7,343 (or by 32.9%) from 22,341 to 29,684.

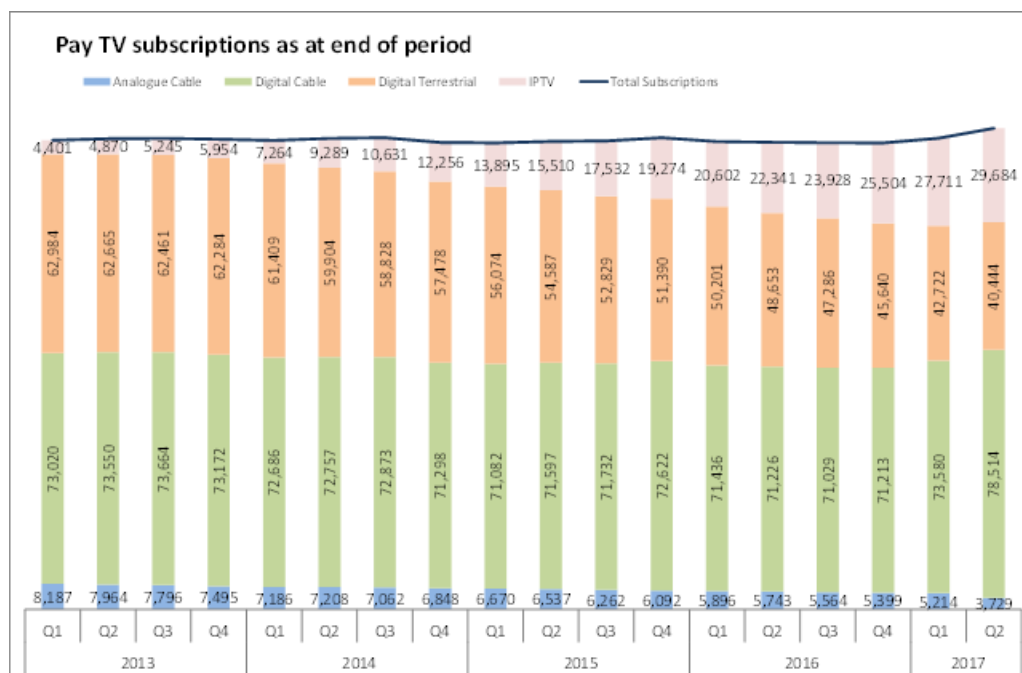


Figure 38: Pay TV subscriptions as at end of period

Regarding market shares by platform, IPTV continued to consolidate its standing with its share rising from 15.1% at the end of June 2016 to 19.5% at the end of last June. Another consolidation relates to the market share of digital cable. Here, the market share improved by 3.4 percentage points, from 48.1% at the end of June 2016 to 51.5% at the end of June 2017.

In contrast to these gains, the market share of DTTV fell to 26.5%, from 32.9% a year earlier, whilst that for analogue cable TV was down to 2.5% from 3.9%.

7.3. Pay TV ARPU

The average revenue per user (ARPU) for pay TV in the first half of 2017 stood at €80.22, down by 2.4% from €82.21 in the same period a year earlier.

³⁴ Melita has also notified the MCA that it shall be discontinuing the service to existing customers as from September 2017. Affected end-users will be offered an alternative package, for which they can subscribe on an opt in basis.

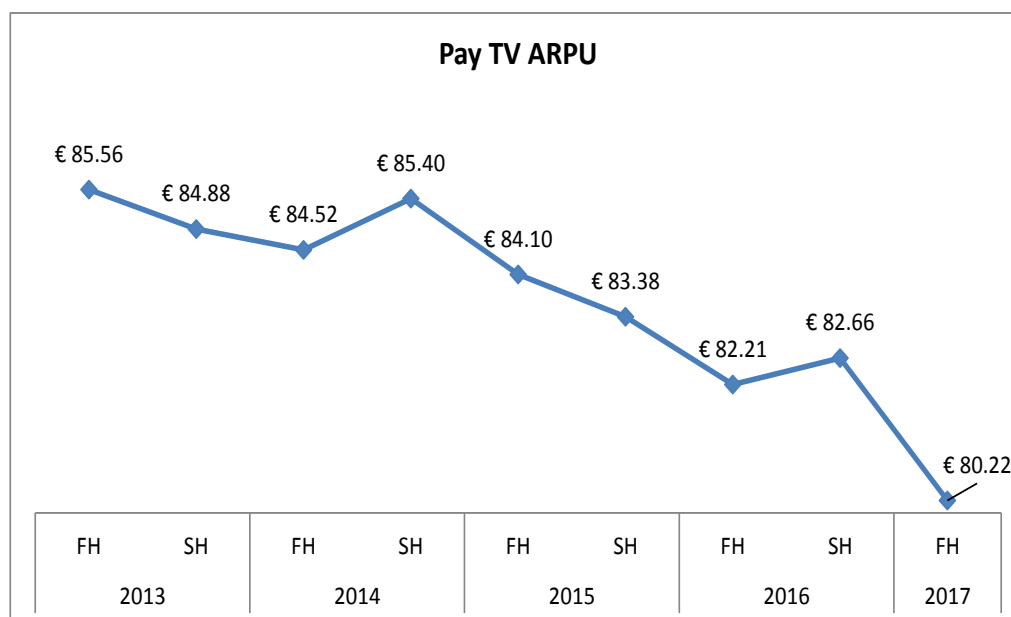


Figure 39: Average revenue per Pay TV user

This downward move in Pay TV ARPU tallies with the trend observed in recent years. The increasing take-up of pay TV plans in bundled subscriptions did leave a mark on ARPU for the sector, given that such subscriptions come with TV-related promotional discounts and offers to the end-user.

Methodology used in deriving pay TV ARPU figures

ARPU for pay TV reflects the average half-yearly 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 services³⁵, installations and connections.

To derive the average total number of subscriptions, the MCA sums the total subscriptions at the start and the end of the quarter under consideration and divides the total by two.

7.4. Average advertised rates for stand-alone Pay TV

This section presents an overview of the average advertised rates (or average advertised monthly access fees) for pay TV services offered on a stand-alone basis in Malta. For ease of reference and practicality, the evaluation seeks to capture price movements for five distinct pay TV categories, with each category bundling plans listing a particular number of channels³⁶.

The average advertised rate paid by end-users for pay TV services in the first half of 2017 was 12.7% lower than that observed in the first half of the previous year. However, this decline reflects two important changes, separately implemented by GO and Melita. It has already been reported in the previous CMR that GO has stopped offering the Bronze and the Gold pay TV plans, which were the only ones featuring under the pay TV categories encompassing packages listing 'up to 24 channels' and '50 to 74 channels' respectively. Given that this change materialised in November 2016, the latter channel category has not been featuring in the calculations of the average pay TV advertised rate since the fourth quarter of 2017. Only Melita is now

³⁵ Revenues from premium-related services include revenues from Sports, Movies, and VOD subscriptions.

³⁶ Calculations for the average advertised rates for pay TV only take into account products offered on a stand-alone basis.

featuring in the channel category encompassing 'up to 24 channels' following a change in this operator's pay TV product line-up implemented in January 2017 when it stopped offering its 'Medium', 'Large' and 'XL' stand-alone TV plans. Instead, this operator launched the 'Starter' plan, on a stand-alone basis, encompassing a line-up of 20 channels at a monthly access fee of €9.99 subject to a 2-year contract. A monthly access fee of €19.99 would apply when this pay TV product is on month-on-month payment terms. Other pay TV packages encompassing a larger number of channels are available from Melita, but only in a bundle with other electronic communications products. Hence, these packages do not feature in the calculation of the average pay TV advertised rates and the respective figures presented in this publication.

Given the above-mentioned changes, the average advertised rate of the pay TV category encompassing 'up to 24 channels' went up to €14.99 in the first half of 2017 from €5.00 a year earlier. On the other hand, the average advertised rate for the pay TV channel category encompassing '75 to 99 channels' went down to €21.99 in the current reporting period, from €23.99 during the same period a year earlier. That for the pay TV channel category encompassing '100 channels or more' has also gone down, from €32.99 to €32.00.

Meanwhile, GO has introduced the Bronze Interactive package in the third quarter of 2016 at a monthly access fee of €19. This product features in the pay TV package category encompassing '25 to 49 channels' together with the Silver package of the same operator. As already highlighted at an earlier stage, Melita's Medium package no longer features in this pay TV category. As a result, the average advertised rate for this pay TV category went up from €15.66 in the first half of 2016 to €17.00 in the first half of 2017.

The overall conclusion from the above is that whilst at face value end-users may be availing of a lower advertised rate for local pay TV packages, choice has been somewhat restricted when it comes to stand-alone offers.

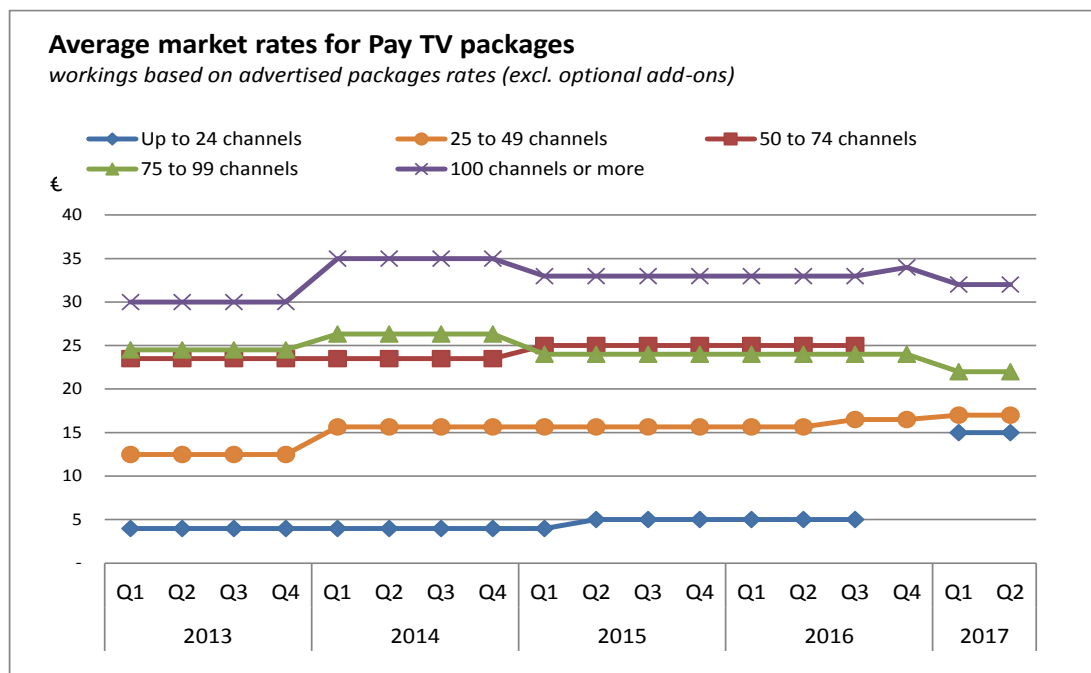


Figure 40: Average market rates for Pay TV packages

It is of note here that the figures presented above do not take into account billing charges i.e. those charges that come into force if the end-user requires paper bills and / or opts not to pay its bills via direct debit.

8. Post

Overall, the rate of decline in mail volumes has somewhat subsided in the first half of 2017, as the reported declines were much lower than the historical average. In fact, postal mail volumes were down by just 0.5% in the first half of 2017, when compared to the same period a year earlier.

The overall loss in postal mail volumes is attributed to the decline observed for single-piece letter mail, which outweighed gains in activity for bulk mail, registered mail and parcel mail. The latter type of mail has seen a sustained rise in volumes along the years, mainly resulting from a more robust eCommerce activity and other related transactions.

Malta's postal rates for a *domestic standard letter* and an *outbound letter within the EU* last year benchmarked well below the EU average, as evidenced by a report published by Deutsche Post highlighting postal rates in March 2017³⁷.

8.1. Postal mail volumes

Postal mail items delivered by local postal operators³⁸ in the first half of 2017 totalled 18.6 million. This figure is down slightly by around 0.1 million (or by 0.5%) from 18.7 million postal mail items delivered in the same period a year earlier.

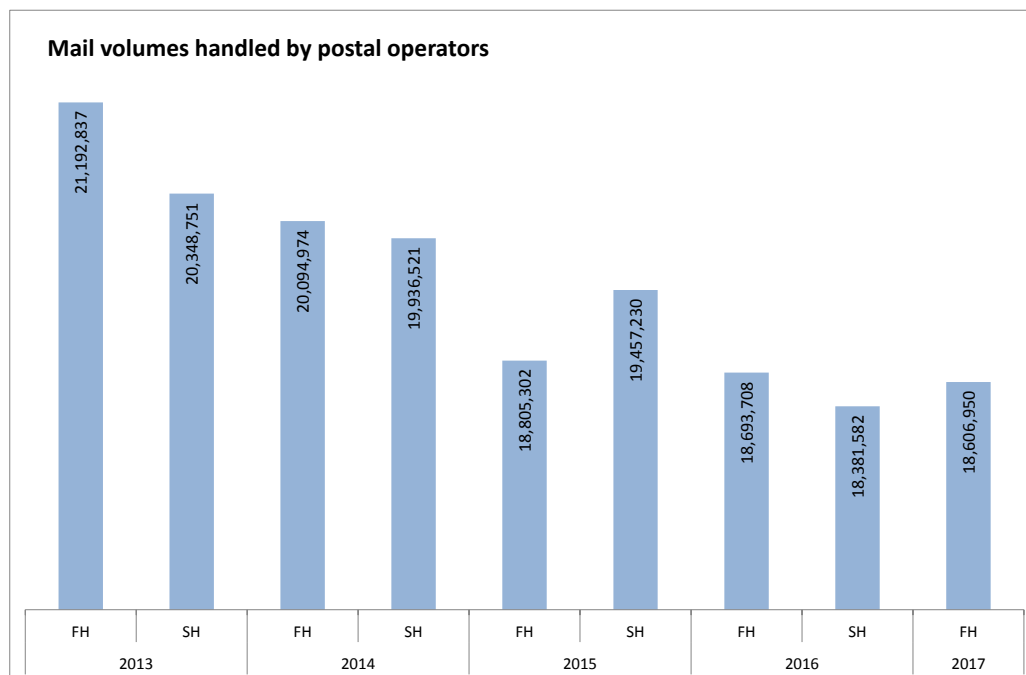


Figure 41: Postal activity - mail volumes handled by local service providers

³⁷ The report states that 'the only letter products included (in the assessment) were those with quality criteria enabling them to be compared to one another, in particular with regard to transit time'.

³⁸ 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) provide services outside the scope of the universal service area.

Figure 42 illustrates that standard mail volumes account for the lion's share of all postal activity recorded in Malta. Regarding the composition of postal mail activity in the current reporting period, standard postal mail activity accounted for 96.7% of total postal mail volumes. Express mail activity accounted for the remaining share, at 3.3%.

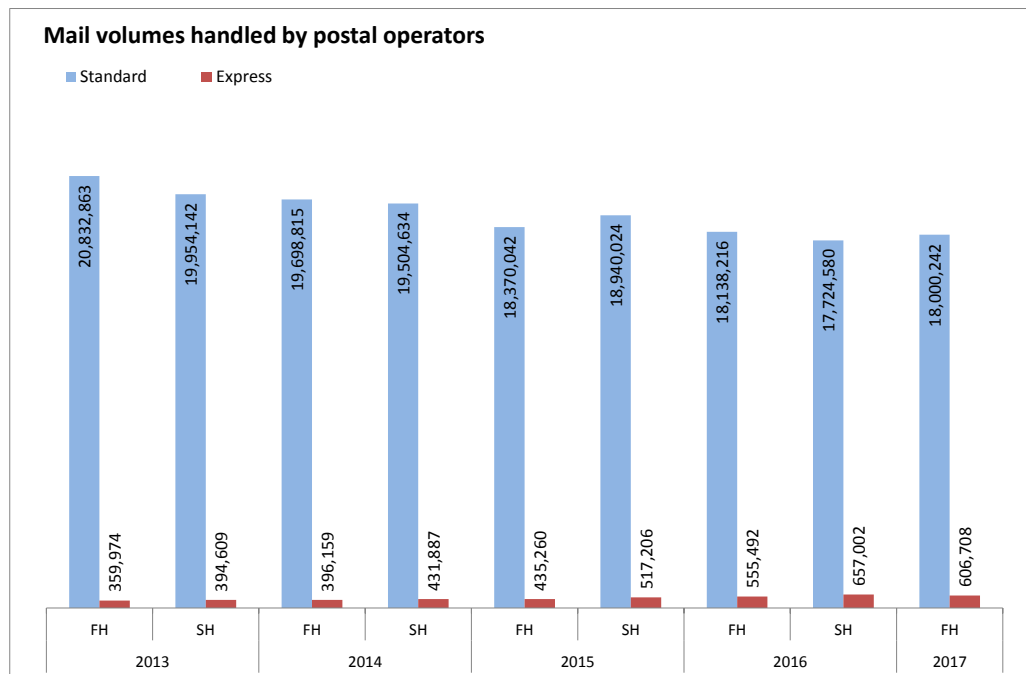


Figure 42: Postal activity - number of handled mail items by type of mail activity³⁹

The number of standard postal mail items handled in the first half of 2017 totalled 18.0 million, down by 0.1 million (or by 0.8%) when compared to the same period a year earlier.

Meanwhile, the number of express postal mail items delivered in the first half of last year totalled 606,708. This figure is up by 51,216 (or by 9.2%) from 555,492 express mail items delivered in the first half of 2016.

8.2. Postal mail volumes by type of mail

There are four different segments of postal mail. These are single piece letter mail, parcel mail, bulk mail and registered mail⁴⁰.

³⁹ Reference is made in this document to express mail activity and standard mail activity. The former type of mail activity encompasses the accelerated and secure worldwide delivery of mail items, be it for important letters, documents or parcels, through express mail or courier service providers. The services offered by these providers is characterised throughout by a degree of speed, tracking and managerial control (that exceed that applied to the fastest standard category of the basic universal letter post and parcel services). The distinguishing characteristic of a courier service provider is that it focuses on the delivery of express mail items that are in possession of an employee of the company at all stages of its journey.

Standard mail activity encompasses services related to the delivery of single piece letter mail, bulk mail, registered mail and parcel mail.

⁴⁰ 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.

Single piece letter-post mail accounted for 34.1% of all mail items handled during the current review period. In absolute terms, the number of letter-post items totalled 6.3 million in the first half of 2017, which is down by 0.3 million (or by 4.8%) from volumes registered in the first half of 2016.

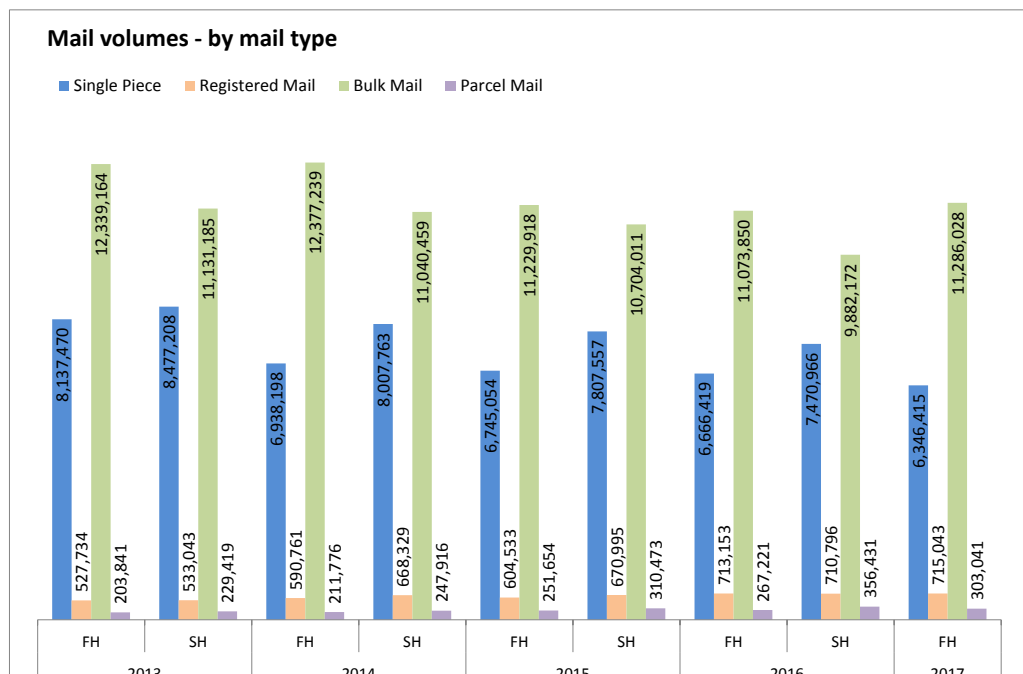


Figure 43: Postal activity - number of handled mail items by type of mail item

Bulk mail items totalled 11.3 million in the first half of 2017, which is equivalent to 60.7% of total mail volumes delivered during this period. Compared to volumes recorded in the first half of 2016, bulk mail items were up by 0.2 million items (or by 1.9%).

The number of registered mail items handled in the first half of 2017 totalled 0.7 million, which is equivalent to 3.8% of all postal mail items handled during the period. When compared with the first half of 2016, registered mail volumes were up by 1,890 items (or by 0.3%).

Parcel mail items totalled 0.3 million in the first half of 2017, which is equivalent to 1.4% of total postal mail volumes recorded in the current review period. Compared to mail volumes recorded in the first half of 2016, parcel mail items were up by 19,178 (or by almost 8.0%).

8.3. Postal mail volumes by activity heading

This section distinguishes between three postal mail activity headings according to destination: domestic mail; outbound cross border mail⁴¹; and inbound cross border mail⁴².

Domestic mail volumes delivered in the first half of 2017 totalled almost 15.0 million items. This figure is slightly up by 0.1% compared to the figure recorded in the same period a year earlier.

- 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.

⁴¹ These mail items originate locally for delivery to foreign destinations.

⁴² Foreign-originated mail forwarded to Malta.

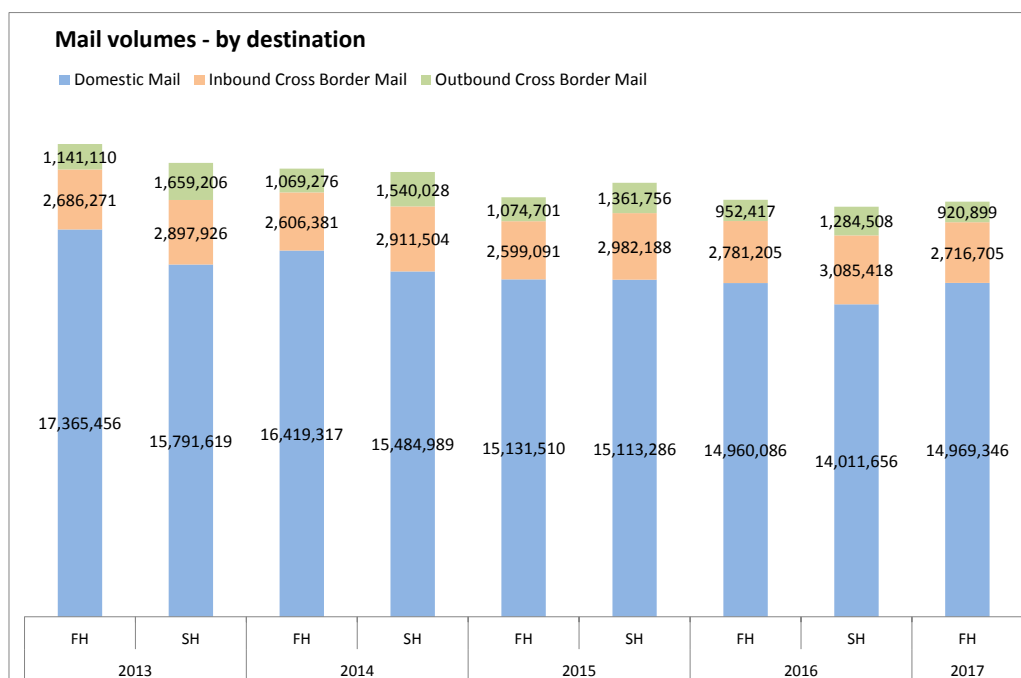


Figure 44: All postal activity - number of handled mail items by destination

Volumes of outbound cross border mail and inbound cross border mail in the first half of 2017 totalled 0.9 million items and 2.7 million items respectively. Figure 44 illustrates that, in the case of inbound cross border mail, volumes recorded in the current reporting period were down by 0.06 million items (or by 2.3%), compared to volumes recorded in the first half of 2016. Meanwhile, volumes for outbound cross border mail were down by 0.3 million mail items (or by 3.3%).

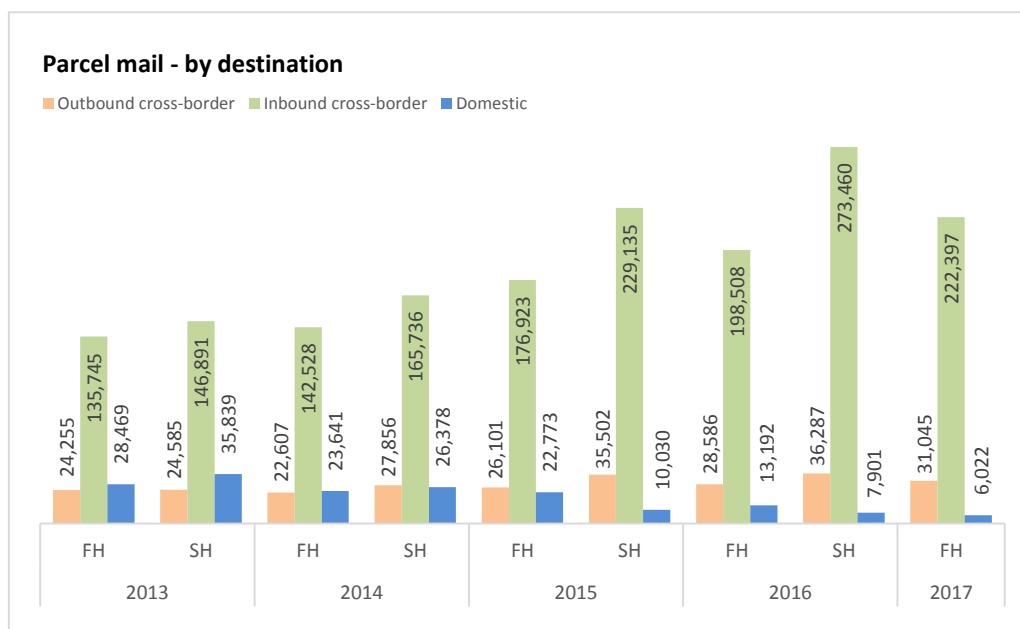


Figure 45: Parcel mail activity - number of handled mail items by destination

A further drill down for postal activity by destination shows that, specifically for parcel post, volumes of outbound cross border mail and inbound cross border mail in the first half of 2017 totalled 31,045 items and 222,397 items respectively. Figure 45 illustrates that, in the case of inbound cross border mail, volumes

recorded in the current reporting period were up by 12.0%, compared to volumes recorded in the first half of 2016. Also, volumes for outbound cross border mail were up by 8.6%. In contrast to these increases, domestic parcel mail volumes were down by around 54%, when comparing activity reported for the first half of 2017 to that reported in the first half of the previous year.

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 Maltapost is meeting its universal service obligations for the delivery of different mail items. These QoS targets are set in accordance with the MCA Decision⁴³ on the quality performance measurement of postal items delivered within the defined service standard. QoS data corresponds to the full calendar year⁴⁴.

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 95%.

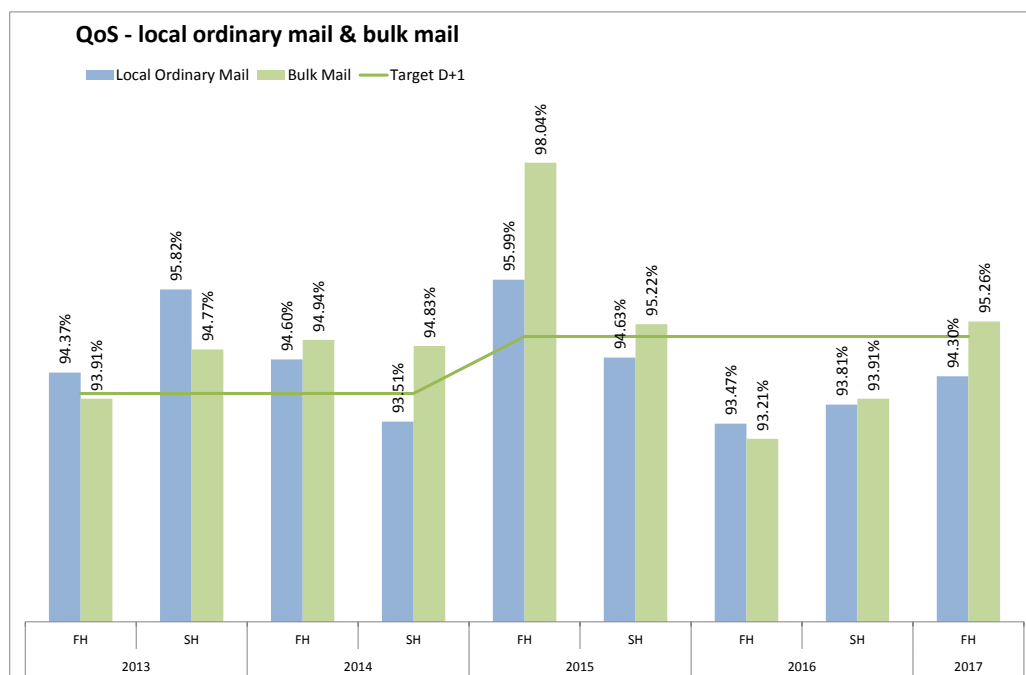


Figure 46: Quality of service - local ordinary and bulk mail

Figure 45 illustrates that Maltapost did not reach the established target for local ordinary mail in the first half of 2017. However, the established target for bulk mail was slightly exceeded.

⁴³ 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

⁴⁴ 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.

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%.

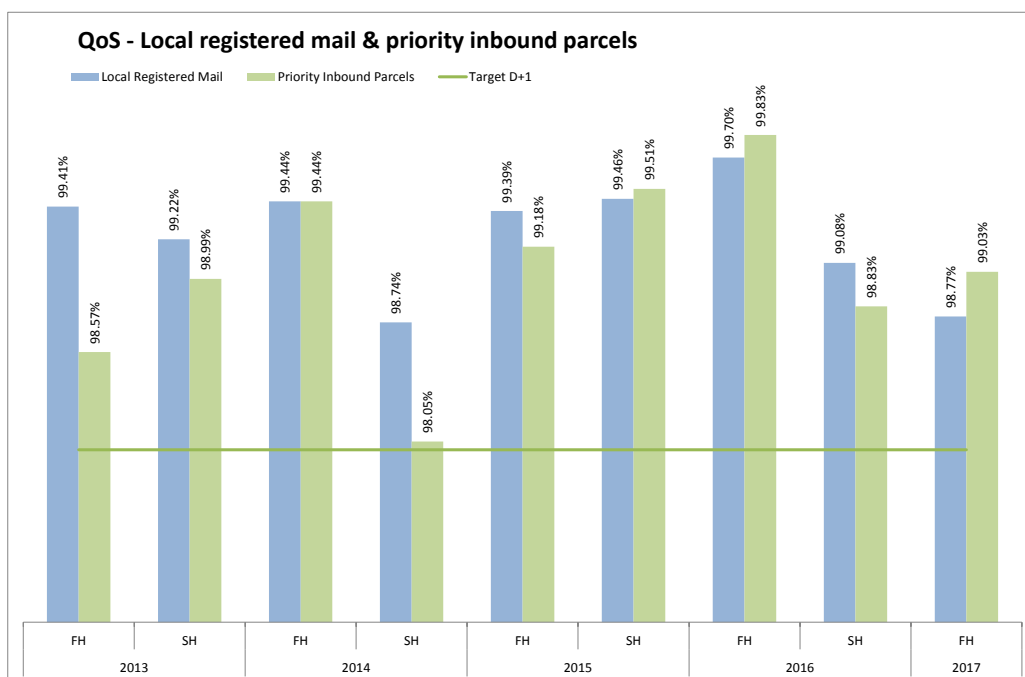


Figure 47: Quality of service - local registered mail and priority inbound parcels

Figure 46 illustrates that, last year, Maltapost has met and exceeded all the set targets for the mail activities under consideration.

8.5. Postal rates: Malta vs EU

The March 2017 publication by Deutsche Post entitled 'Letter Prices in Europe' shows that Malta's nominal prices for a domestic standard letter and an outbound letter within the EU continue to benchmark at the bottom (or close to the bottom) of the ranking⁴⁵.

The report quotes Malta's nominal price for a domestic standard letter and for letter mail within Europe at €0.26 and €0.59 respectively. The former rate corresponds to a standard letter mail item weighing up to 50 grams, whilst the latter rate corresponds to an outbound cross-border letter mail item weighing up to 30 grams. Other rates would apply in case of letter mail having higher weight steps.

⁴⁵ Link to March 2017 publication: www.dpdhl.com/en/media_relations/media.../letter_price_survey_europe.html

The publication findings are based on certain considerations that are clearly explained in the document published by Deutsche Post.

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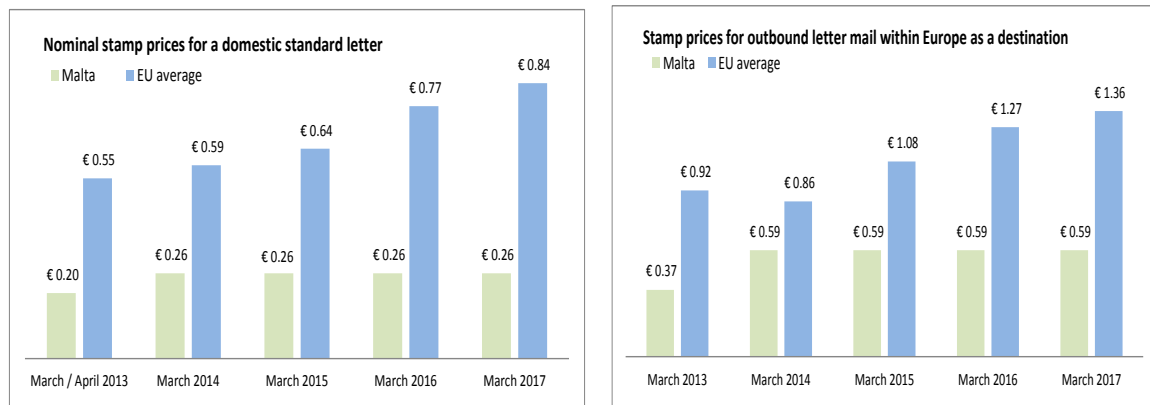


Figure 48: Nominal stamp prices in Malta and the EU

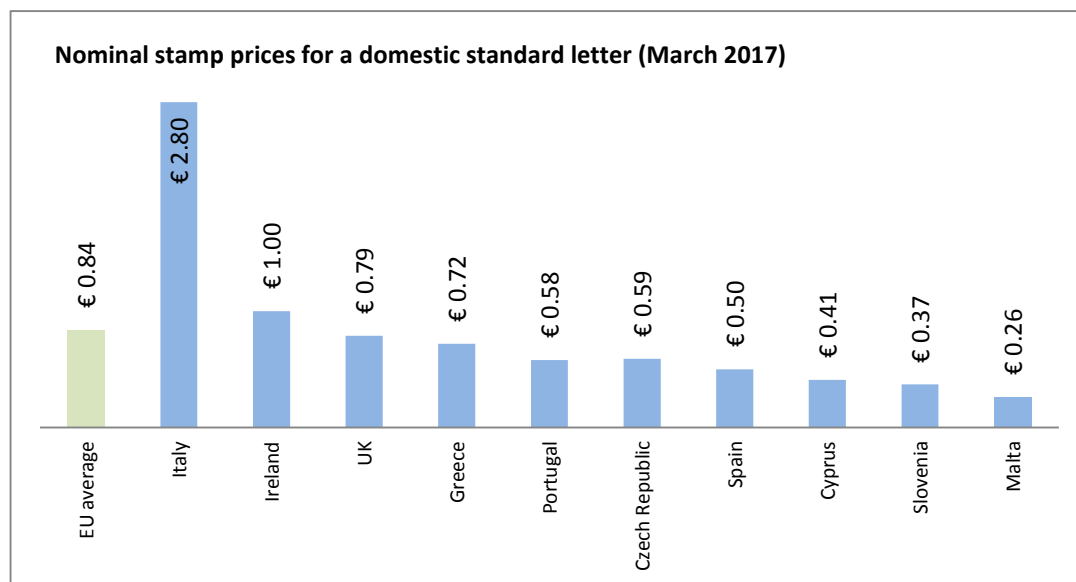


Figure 49: Comparison with selected EU countries

It is relevant to note here that there were no changes in local postage rates for domestic standard mail and outbound letter mail in the first half of 2017. The rates have remained unchanged since 2014.

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11. Glossary of Terms

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| 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

For any queries, kindly contact via email kevin.r.caruana@mca.org.mt.

Queries may also be posted or faxed to the address below.

Malta Communications Authority

Valletta Waterfront, Pinto Wharf,
Floriana FRN 1913
Malta
Europe

Contact numbers

tel: +356 21 336840
fax: +356 21 336846