

ECONET WIRELESS ZIMBABWE LIMITED

TRADING UPDATE FOR THE NINE MONTHS TO NOVEMBER 2019

ECONOMIC ENVIRONMENT

During the period under review, the country's macro-economic fundamentals continued to deteriorate characterised by low industry output, high unemployment, a rapidly weakening local currency and the re-emergence of hyperinflation.

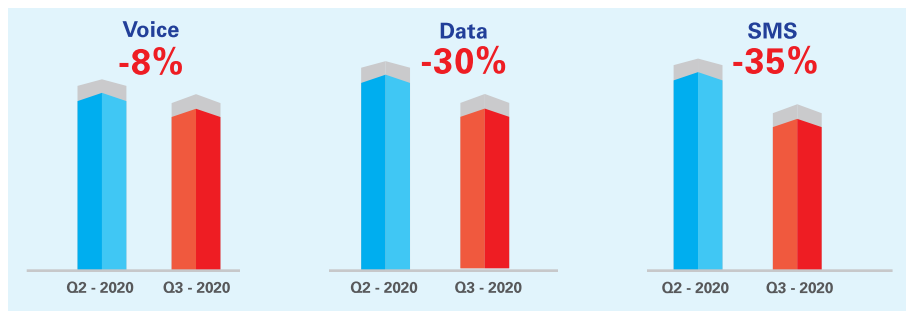
TARIFFS

Although tariff increases were approved by POTRAZ in August and October 2019, our tariffs continue to lag behind inflation and given the rapid local currency depreciation since February 2019, the tariffs are now at sub-economic levels. The Company together with the other industry players continues to engage with POTRAZ in an effort to go back to a tariff regime that will ensure continued viability of the sector as well as ensure that quality of service standards are maintained.

BUSINESS PERFORMANCE

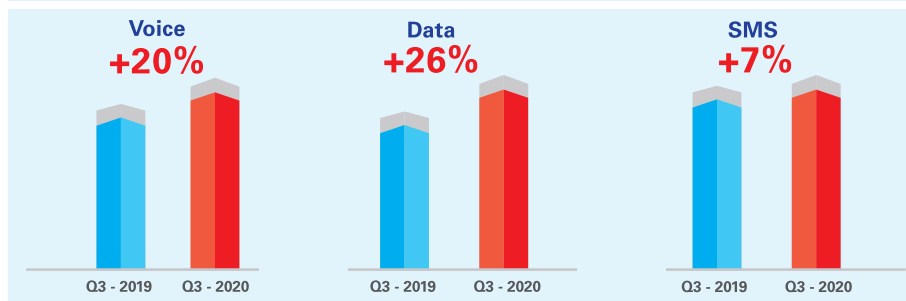
Third quarter performance

Traffic volumes declined from the previous quarter following the headline tariff adjustments in August 2019 and October 2019. The business continues to customise consumer packages to maintain affordability in light of the depressed consumer disposable incomes whilst pricing within the confines of responsible business practice.



Year to date performance

Compared to the same period in the prior year, the Company has grown its market share driven by volume growth in voice minutes, data and SMS traffic. This is reflective of the strong demand in the market for our products and services. The Company remains the leader in the sector with a customer market share of about 70%.



Operations

In addition to the sub-economic tariff, erratic grid power supply and escalating fuel costs significantly impacted base station running costs. Management continues to devise innovative solutions to manage the power situation. Deployment of solar equipment and hybrid batteries across our base stations and switching centres is now at an advanced stage.

Foreign currency position

The depreciation of the local currency is expected to negatively impact the financial performance of the Group. However, our investment in Liquid Telecom Holdings more than offsets our exposure to foreign currency vendor obligations resulting in a net positive foreign currency asset position.

Financial performance

The Board and Management are of the view that the financial performance trend for the third quarter of FY2020, was in line with the recently published results for the half year period ended 31 August 2019.

OUTLOOK

The Company will continue to focus on market leadership through understanding its customers and providing service quality that is unparalleled in this market. Due to hyperinflation, cost containment and cash flow management are key focus areas for the remainder of the financial year.

By order of the Board

C. A. Banda
Company secretary

15 January 2020

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