

## SPECIAL TRADING UPDATE

### OPERATING ENVIRONMENT

#### Economic environment

The country has continued to experience a general decline in economic activity and aggregate demand across all sectors of the economy in the wake of the national lockdown and depressed disposable incomes.

#### Impact of COVID-19 pandemic on the business

The World Health Organisation (WHO) declared COVID-19 as a pandemic on 11 March 2020 which led to the declaration of a state of national disaster in Zimbabwe on 17 March 2020. In order to contain and manage the spread of the virus, a national lockdown was implemented from 30 March 2020 initially for a period of 21 days ending 19 April 2020. The lockdown was extended at various stages initially to 49 days ending 17 May 2020 and then extended indefinitely as government continues to monitor the situation.

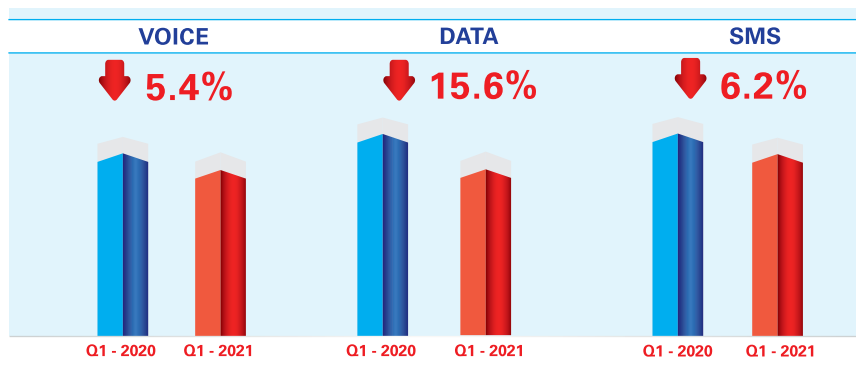
The Company implemented various initiatives from the start of the pandemic to ensure the safety of our customers and employees as well as minimise business disruption. The telecommunications sector was designated as an essential service provider and we were therefore permitted to operate at scaled down levels during the lockdown period.

- Over 90% of our staff were telecommuting in April 2020. We have adopted a phased approach to the reopening of the Company's offices with over 70% of our staff still working from home. We expect that even after the lockdown is lifted, telecommuting will become our preferred way of doing business for those functions and activities that can be performed remotely.
- Our shops and contact centres were closed in line with the stay-at-home orders and restrictions of movement and social gatherings. However, we continued to serve our customers through contactless channels. At the beginning of May, our shop layouts were adapted to conform to the physical distancing and safety guidelines and have since re-opened to serve customers.
- The Company actively participated in building COVID-19 awareness amongst our staff, customers and the nation at large in partnership with the Higherlife Foundation and our sister company, Cassava Smartech Zimbabwe Limited. In addition to donations of PPE, test kits and insurance cover for health practitioners, the Group also set up a crowd funding campaign to mobilise resources to fight the pandemic.
- The Group also facilitated communications channels for reporting suspected COVID-19 cases as well as set up emergency response, isolation and critical care centres.

### BUSINESS PERFORMANCE

#### Revenue performance

Voice, data and SMS traffic declined by 5.4%, 15.6% and 6.2% respectively compared to similar period last year. Voice and data services constitute over 80% of the Company's revenue base. Although data traffic has been increasing since the start of the national lockdown due to more people working from home, making use of digital video conferencing channels, increased e-learning activity as well as the increased social media activity, the increase was not sufficient to offset the overall decline in real revenues caused by the lockdown as well as the declining economic fundamentals.



#### Operations

The regulatory tariff increases continue to lag behind inflation and have not yet factored the full impact of the exchange rate depreciation and hyperinflation. The company together with the other players in the industry continues to engage with the regulator to implement tariffs that will ensure the viability of the sector as well as enable operators to continue meeting the regulatory quality of service standards.

Within the quarter, the interbank exchange rate depreciated 38% from ZW\$17 to ZW\$25 against the United States Dollar. The cost of providing our services is increasing in line with market trends, where the alternative market rate is used for reference pricing. The telecommunications regulator has adopted the Telecommunications Pricing Index (TPI) as the tool for setting tariffs. However, the frequency and responsiveness to rapid market changes has been slow resulting in our real tariffs being severely undermined. This means that we are not able to pay our vendors for software licences and certain upgrades required to increase our capacity and maintain the quality of service that our customers have come to expect from us.

National demand for electricity dropped during the lockdown period and grid power was mostly available for our switching centres and base stations. However, we anticipate that power and fuel supply challenges will persist in the post lockdown period. In this regard, the company continues to prioritise the deployment of solar equipment and hybrid batteries across our base stations and switching centres.

#### Financial performance

The hyper inflationary environment and currency depreciation have depressed real tariffs and significantly impacted operating costs and increased foreign exchange losses. The Board and management are of the view that financial performance will continue to be weighed down by the deteriorating environment. As part of the business survival strategy, the Company targets to reduce operating expenditure by 20% and made a call to our partners and suppliers to help the Company meet this target.

### OUTLOOK

The operating environment remains very volatile and uncertain. We anticipate that depressed demand will continue in the short term. As such, cost containment and cash flow management are key focus areas for the company as we navigate this crisis. The Company's digital transformation roadmap has been designed to ensure that we continue to provide quality service to all our customers even under these circumstances.

By order of the Board

**C. A. Banda**  
Company secretary

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