

# Unaudited Abridged Financial Results

for the half year ended 31 August 2014

HIGHLIGHTS	Subscribers	Network Investment	Revenue	EBITDA
<b>UNAUDITED</b> 31 AUGUST 2014	<b>9 026 332</b>	<b>\$79.5 million</b>	<b>\$392.3 million</b>	<b>\$155.0 million</b>
<b>UNAUDITED</b> 31 AUGUST 2013	<b>8 527 678</b>	<b>\$85.4 million</b>	<b>\$376.6 million</b>	<b>\$169.1 million</b>
<b>PERCENTAGE CHANGE</b>	<b>+5.8%</b>	<b>(6.9%)</b>	<b>+4.2%</b>	<b>(8.3%)</b>

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# ECONET WIRELESS ZIMBABWE LIMITED

## Unaudited Abridged Financial Results

### for the half year ended 31 August 2014



#### CHAIRMAN'S STATEMENT

##### INTRODUCTION

I am pleased to announce that in spite of declining disposable income caused by the prevailing economic conditions resulting in lower spend by consumers across all product and service segments, we have seen revenue growth. Due to this pressure on our customers' disposable incomes, we have deployed innovative strategies to ensure maximum value and service to them. The results of these challenges is reflected in a decline in our EBITDA. However, due to our unique approach to ensuring continued service innovation, the Group continues to play a significant role in economic development and social transformation. Our commitment is demonstrated by the investment we have made of over US\$ 1 billion, since dollarisation in 2009, and its consequent impact on the broader economy. This investment has largely been responsible for the increase in the penetration rate of mobile telephone customers to 106.4% and an increase in the related internet penetration to over 47% as well as other positive spin offs to the economy.

##### STRATEGIC FOCUS

##### Broadband services

The business has achieved exceptional growth in its voice services since its founding. In recent years, in line with technological developments, revenues have diversified to include broadband based communication. In view of this, the business has focused on developing a truly internet protocol (IP) based modern network. The wide fibre rollout of over 9,000 kilometres throughout the country now provides the primary transmission network for our base stations. Coverage and capacity enhancement in high traffic areas remains a key priority for the business. Voice services will remain a critical service offering and will continue to receive the appropriate attention, assuring a full service, high quality offering to our customers.

##### Mobile Money Services

EcoCash is now a key feature of the Zimbabwean financial services landscape and is increasing in its adoption by individuals, small to medium enterprises and large corporates. Innovation, convenience and flexibility have been key drivers in increasing transactional volumes. A unique, first of its kind structure which brings telecommunications and banking in a synergistic relationship has been focal to the current success of the mobile money service. The subscriber base which now stands at over 3.7 million across all economic and social segments is complemented by over 15 000 agents.

The introduction of a mobile wallet linked to a Mastercard allows a customer to access their EcoCash mobile wallet from anywhere in the world. Point of Sale devices that are compatible with the debit card are being deployed to bring added convenience to our customers. There are various EcoCash features that have been launched that bring unparalleled convenience. The EcoCash Diaspora product was launched in partnership with WorldRemit. This product allows the diaspora community to directly send money to a mobile wallet in Zimbabwe. Payroll processing through EcoCash has brought convenience in delivering employee payroll payments. EcoCashSave and EcoCash Loans which provide the ability to open a savings account with Steward Bank from the mobile wallet as well as the ability to borrow instantly using the mobile phone are innovations that have brought increased financial inclusion to the people of Zimbabwe. We plan to continue to pursue change that transforms lives and brings convenience for the benefit of our customers.

##### Service Excellence

Our service promise is delivered through teams of well coordinated, talented and highly motivated individuals. From engineers who build and maintain the network to the service champions and call centre staff who interact directly with our customers, we believe we have built strong and highly capable teams. We endeavour to understand the needs and demands of our customers and to respond accordingly.

This year, we launched a "Platinum" membership card. The card offers Econet Platinum customers unrestricted access to Platinum suites, prioritized service support at contact centres, a dedicated Platinum service champion. Other numerous benefits from the Platinum Club are derived through partners spread across various sectors such as hospitality, car rentals, retail, health and fitness sectors. This is an example of our dedication to customer service excellence.

We continue to build and improve on our network systems and capacity to ensure that we remain the preferred quality provider of telecommunication services. We have the widest voice and data coverage and we continue to invest in coverage, capacity and quality enhancements in order to retain market leadership in customer service and quality.

##### OPERATIONAL PERFORMANCE OVERVIEW

##### Products and services

Econet remains the leading innovator in the telecommunications sector in Zimbabwe. Our integrated pricing strategies are valued by our customers as evidenced by the exceptional growth in WhatsApp, Facebook, Short Messaging Services (SMS) bundles. The introduction of Facebook on simple handsets, that do not have direct access to the internet, was greatly appreciated by our customers who cannot afford smart devices. Cognisant of the current economic hurdles, we introduced a service called airtime credit scheme to allow our customers to borrow airtime when they have zero airtime balances.

We unveiled a unique e-education product offering called EcoSchool, which was successfully piloted with the faculty of Health Sciences at the University of Zimbabwe. Through this platform, scholars and educators are provided with affordable and reliable access to world-class educational content from several global sites.

As a way of expanding the overlay services, we introduced Content services. In support of the mobile broadband data strategy, we increased uptake of smart phones into the market through the introduction of low priced smart handsets. Under this initiative, customers had the benefit of acquiring smart phones on a 24 month contract. As a result of these initiatives, we have significantly contributed to the increase of the smart phone penetration rate, which now stands at over 15%.

##### FINANCIAL PERFORMANCE

Revenue for the first six months ended 31 August 2014 was US\$392.3 million, an increase of 4.2% compared to the same period in the previous year. The Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA) margin was at 40% compared to 45% in the previous year. We believe this decline illustrates our willingness to share the economic challenges our customers face. We will continue to focus on ensuring that the business achieves margin improvement through focus on cost management and improved efficiencies in order to sustain growth.

Capital expenses such as depreciation and amortisation increased by 32% to US\$60.4 million in line with the growth of the asset base and as a result of the amortisation of the licence renewal fee of US\$ 137.5 million. In the ten years of hyperinflation, meaningful investment in the network was not possible and we have largely invested in the current business capacity over the last 5 years. This has resulted in a significant increase in depreciation and amortisation costs relative to other telecommunications companies over the same period.

Although revenue growth has slowed, this is in a context of declining revenues in most other industry sectors in the economy and lower economic growth. We continue to invest in new products and services that allow for the continued growth of revenues through innovative services and this has resulted in margin pressures for the business. By so doing, the business is capturing opportunities that will allow it to drive revenue growth and margin improvement in the future as the revenues in these new products and services continue to grow and initial investment costs decline.

Our success has allowed us to contribute a total of about US\$ 1 billion, since dollarisation, to the fiscus in the form of various statutory payments such as corporate taxes, levies and licence fees.

##### SOCIO-ECONOMIC DEVELOPMENT

Over 76 000 children have benefited from our various Trusts. The Capernaum Trust has transformed the lives of over 75 000 beneficiaries across 2 033 institutions of learning. There are 21 learning hubs nationwide providing computers, libraries and e-learning platforms. To date the Joshua Nkomo Scholarship Fund (JNSF) has assisted over 870 academically gifted students from all provinces in the country.

##### OUTLOOK

The declining real GDP growth rate, which now stands at 3.1% for 2014, according to Government forecasts, as well as the widening balance of payments deficit, amongst other factors, will continue to put strain on the economy and consequently on our customers. We are cognisant of these market factors and we will continue to seek ways of delivering value to our customers, shareholders and other stakeholders in a sustainable manner.

We are excited about the prospects presented by the growth in data, EcoCash and other overlay services. Our business is firmly established as a leader in the market through its relentless pursuit for relevant solutions. The key pillars of infrastructure that are expected to drive future growth have been laid and we continue to invest in new technology that will improve our business and enhance customer experience. Our people are passionate and committed to the business and we continue to recruit, train and attract the best talent that is available. We believe in the future of the business and of our country.

##### APPRECIATION

I would like to thank our customers, shareholders, regulators, our strategic partners, and other stakeholders for their continued support. To my fellow Board members, I extend my appreciation for your continued guidance.

**DR J MYERS**  
CHAIRMAN OF THE BOARD

14 October 2014

#### DIVIDEND ANNOUNCEMENT

NOTICE is hereby given that at its meeting held on 14 October 2014, the Board of Directors declared a dividend in respect of the half year ended 31 August 2014, of US cents 0.61 per share.

The dividend will be payable to shareholders registered in the books of the Company at the close of business on Friday 7 November 2014. The share transfer books and register of members will be closed from the close of business on Friday 7 November 2014 to 9 November 2014, both dates inclusive.

Payment of the dividend will be done on, or about Friday 28 November 2014.

Withholding tax will be deductible at 10% where applicable.

By Order of the Board

**C A BANDA**  
GROUP COMPANY SECRETARY

14 October 2014

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half year ended 31 August 2014

	Unaudited 31 August 2014	Unaudited 31 August 2013
<b>(All figures in US\$ 000)</b>		
<b>Revenue</b>	<b>392,342</b>	<b>376,558</b>
Earnings before interest, taxation, depreciation and amortisation	154,976	169,089
Depreciation, amortisation and impairment	(60,403)	(45,746)
<b>Profit from operations</b>	<b>94,573</b>	<b>123,343</b>
Finance income	418	942
Finance costs	(17,449)	(18,212)
<b>Profit before taxation</b>	<b>77,542</b>	<b>106,073</b>
Taxation	(27,923)	(35,506)
<b>Profit after taxation</b>	<b>49,619</b>	<b>70,567</b>

##### Other comprehensive income

Other comprehensive income net of tax	220	(69)
<b>Total comprehensive income for the half year</b>	<b>49,839</b>	<b>70,498</b>

##### Profit for the half year attributable to:-

EWZL shareholders	49,959	70,506
Non-controlling interest	(340)	61
<b>Profit for the half year</b>	<b>49,619</b>	<b>70,567</b>

##### Total comprehensive income for the half year attributable to:-

EWZL shareholders	50,179	70,437
Non-controlling interest	(340)	61
<b>Total comprehensive income for the half year</b>	<b>49,839</b>	<b>70,498</b>

##### Earnings per share

Basic and diluted earnings per share (cents)	3.2	4.5
Number of shares in issue	1,640,021,430	1,640,021,430
Weighted average number of shares in issue	1,558,426,364	1,567,440,039

#### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 August 2014

	Unaudited 31 August 2014	Audited 28 February 2014
<b>(All figures in US\$ 000)</b>		
<b>ASSETS</b>		
Property, plant and equipment and Intangible assets	904,386	884,150
Other non-current assets	31,044	24,425
Deferred taxation	20,435	19,238
Financial instruments	15,132	15,142
Banking current assets	105,931	66,271
Other current assets	190,584	164,438
<b>Total assets</b>	<b>1,267,512</b>	<b>1,173,664</b>

##### EQUITY AND LIABILITIES

##### EQUITY

Share capital and share premium	40,741	37,449
Retained earnings	622,907	561,883
Other reserves	1,702	463
Attributable to equity holders of the parent	665,350	599,795
Non-controlling interest	3,584	3,924
<b>Total equity</b>	<b>668,934</b>	<b>603,719</b>

##### LIABILITIES

Deferred taxation	113,477	109,838
Long-term interest-bearing debt	147,515	134,852
Current liabilities	304,943	305,892
Banking current liabilities	32,643	19,363
<b>Total liabilities</b>	<b>598,578</b>	<b>569,945</b>
<b>Total equity and liabilities</b>	<b>1,267,512</b>	<b>1,173,664</b>

#### CONSOLIDATED STATEMENT OF CASHFLOWS

For the half year ended 31 August 2014

	Unaudited 31 August 2014	Unaudited 31 August 2013
<b>(All figures in US\$ 000)</b>		
<b>Cash generated from operations</b>	<b>150,325</b>	<b>209,361</b>
Income tax paid	(33,369)	(22,987)
<b>Net cash generated from operations</b>	<b>116,956</b>	<b>186,374</b>

##### Investing activities

Acquisition of Property, plant and equipment and Intangible assets	(80,013)	(205,286)
Increase/(decrease) in deposits due to banks and customers	13,280	(12,515)
(Increase)/decrease in loans and advances to bank customers	(38,641)	45,162
Other investing activities	328	(1,467)
<b>Net cash used in investing activities</b>	<b>(105,046)</b>	<b>(174,106)</b>

##### Cash flows from financing activities

Finance costs	(20,314)	(19,710)
Dividend paid	(20,030)	-
Proceeds from sale of shares	34,386	-
Proceeds from borrowings	66,113	3,161
Repayment of borrowings	(48,913)	(34,008)
<b>Net cash flows from/(used in) financing activities</b>	<b>11,242</b>	<b>(50,557)</b>

Net increase/(decrease) in cash and cash equivalents	23,152	(38,289)
Cash and cash equivalents at the beginning of the year	71,331	78,229
<b>Cash and cash equivalents as at 31 August</b>	<b>94,483</b>	<b>39,940</b>

##### Comprising:

Short-term investments	4,501	554
Bank balances and cash	89,982	39,386
<b>Cash and cash equivalents as at 31 August</b>	<b>94,483</b>	<b>39,940</b>

#### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 August 2014

	Share capital and share premium	Retained earnings	Other	Attributable to equity holders of the parent	Non-controlling interest	Total
<b>(All figures in US\$ 000)</b>						
<b>Balance at 1 March 2013</b>	<b>35,697</b>	<b>453,139</b>	<b>569</b>	<b>489,405</b>	<b>3,478</b>	<b>492,883</b>
Profit for the period	-	70,506	-	70,506	61	70,567
Transfer to regulatory reserve	-	(601)	1,942	1,341	-	1,341
Other	1,286	1,499	(69)	2,716	331	3,047
<b>Balance at 31 August 2013</b>	<b>36,983</b>	<b>524,543</b>	<b>2,442</b>	<b>563,968</b>	<b>3,870</b>	<b>567,838</b>
<b>Balance at 1 March 2014</b>	<b>37,449</b>	<b>561,883</b>	<b>463</b>	<b>599,795</b>	<b>3,924</b>	<b>603,719</b>
Profit for the period	-	49,959	-	49,959	(340)	49,619
Dividend paid	-	(20,030)	-	(20,030)	-	(20,030)
Other	-	-	1,239	1,239	-	1,239
Shares issued	3,292	31,095	-	34,387	-	34,387
<b>Balance at 31 August 2014</b>	<b>40,741</b>	<b>622,907</b>	<b>1,702</b>	<b>665,350</b>	<b>3,584</b>	<b>668,934</b>

#### SUMMARISED SEGMENT INFORMATION

	31 August 2014			31 August 2013		
	Cellular Network Operations	Other segments	Total	Cellular Network Operations	Other segments	Total
<b>(All figures in US\$ 000)</b>						
Revenue & Net interest income (from external customers)	380,287	12,055	392,342	363,848	12,710	376,558
Depreciation, amortisation and impairments	(58,296)	(2,107)	(60,403)	(43,246)	(2,500)	(45,746)
Segment profit/(loss)	46,617	3,002	49,619	82,995	(12,428)	70,567
Segment assets	1,056,049	211,463	1,267,512	964,561	170,583	1,135,144
Segment liabilities	538,613	59,965	598,578	524,220	43,085	567,305

This is a summarised segment report showing the Group's major segments, Cellular Network Operations and other segments. Included in "Other" are the results of the following segments: Steward Bank, Transaction Payment Solutions, Beverages, Investments and Administration.

#### NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 August 2014

##### 1. General information

The main business of Econet Wireless Zimbabwe Limited ("the Group") is mobile telecommunications and related value added services. The abridged consolidated financial results incorporate the subsidiaries and associates.

These financial statements are presented in United States dollars being the currency of the primary economic environment in which the Group operates.

##### 2. Accounting policies

The Group reports in terms of International Financial Reporting Standards ("IFRS"). The principal accounting policies of the Group have been applied consistently in all material respects with those of the previous year.

##### 3. Statement of compliance

The interim results which are summarised by these abridged Group financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB), which include standards and interpretations approved by the IASB as well as the Standing Interpretations Committee (SIC).

The abridged financial statements do not include all the information and disclosures required to fully comply with IFRS and should be read in conjunction with the Group's annual financial statements as at 28 February 2014 which were distributed at the Company's AGM.

	Unaudited 31 August 2014	Unaudited 31 August 2013
<b>4. Depreciation and amortisation of Property, plant and equipment and Intangible assets</b>	\$60.4 million	\$45.7 million
<b>5. Commitments for capital expenditure</b>	\$59.2 million	\$83.3 million

The capital expenditure will be funded through internal and external resources; and supplier credit.

##### 6. Investments

Financial investments are split into listed and unlisted investments. The carrying amounts of the investments are equal to the market value and director's valuation respectively.

##### 7. Earnings per share

	Unaudited 31 August 2014	Unaudited 31 August 2013
<b>Earnings</b>		
Profit for the half year attributable to ordinary shareholders	\$50.0 million	\$70.5 million
<b>Number of shares</b>		
Weighted number of ordinary shares for the purposes of basic and diluted earnings per share calculation	1,558,426,364	1,567,440,039
Basic and diluted earnings per share (cents)	3.2	4.5

##### 8. Contingent Liabilities

There is no material financial impact arising from events that occurred since publication of the last annual financial statements.

##### 9. Events after reporting date

There have been no significant events after reporting date at the time of issuing this press release.

##### 10. Going concern

The Directors have assessed the ability of the company to continue operating as a going concern and believe that the preparation of these abridged half year financial results on a going concern basis is appropriate.

**Tip-offs Anonymous**  
**Deloitte & Touche**

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