MASHONALAND HOLDINGS LIMITED "THE GROUP"

TRADING UPDATE FOR THE SECOND QUARTER ENDED 31 MARCH 2020

Operating environment

The operating environment during the quarter ended 31 March 2020 remained challenging; characterised by rising inflation, depreciating exchange rate, erosion of disposable income and shortages of electricity, fuel and foreign currency. ZIMSTATS resumed publication of annual inflation figures, which stood at 676.39% as at 31 March 2020. Month-on-month inflation was on an upward trend closing at 26.59% in March 2020.

On 29 March 2020, in response to the COVID-19 pandemic, Government gazetted S.I. 85 of 2020 allowing the use of foreign currency (in the form of free funds) in paying for domestic transactions in response to the COVID-19 pandemic. In addition, the Reserve Bank fixed the interbank rate at 1:25. Disparities between the official interbank rate and parallel rates renders the interbank rated market constrained in processing foreign payments.

Interest rates, ranging from 30% to 40%, which remain negative in real terms, have negatively affected the debt finance and mortgages market. Interest rates remain far higher than property investment returns, which is indicative of the high risk in the market.

The COVID-19 pandemic, which had its first reported case in China in December 2019, has since spread worldwide impacting businesses globally. Zimbabwe's first reported case was in March 2020, which led to the government implementing a national lockdown to curb the spread of the virus.

Reduced capacity utilisation across the economy, the COVID-19 induced lockdown, and a continual decline in purchasing power continue to put pressure on demand for real estate space. Rent reviews are becoming more difficult as the tenants' rent paying capacity continues to erode. The national lockdown, whilst necessary, has had an impact on tenants' beneficial occupation, putting pressure on collection and space absorption.

Financial Highlights and Operations update

The following are key financial highlights for the quarter ended 31 March 2020:

- Rental income at ZWL 20.1 million increased by 44% compared to same period last year. Rental income is adjusted for inflation in line with requirements of International Accounting Standard 29 *Financial Reporting in Hyperinflationary*

Economies). The increase in rental income is attributable to a positive impact of rent reviews during the quarter.

In line with market practice, the Group was reviewing rentals on a quarterly basis in an attempt to salvage value.

- Occupancy level at 31 March 2020 grew to 79.2%, up 3% compared to the same period last year.

- Property expenses to revenue ratio for the quarter was 17% compared with property expenses to revenue ratio of 18% achieved during the same period last year. Minor repair and maintenance expenses were incurred during the period under review.

- Administrative expenses to revenue ratio for the quarter ended 31 March 2020 was 26% compared with 31% which was achieved in the previous period.

Investment properties and developments

The Group maintained the fair values on investment property that were determined at 30 September 2019.

The Group spent ZWL 472,000 on refurbishment of its existing investment properties.

Consultancy fees amounting to ZWL 1.1 million were spent on various projects that are currently underway.

The construction of the 25-cluster houses in Westgate is to commence in Q3 of 2020 and cost management measures, including pre-purchases of raw materials, will be put in place to ensure successful delivery of the project.

Impact of COVID

As mentioned above, Government introduced a lockdown effective 27 March to end 19 April. The lockdown was further extended with reduced restrictions and is currently in force up to 17 May 2020. Essentially, the lockdown prevented over 70% of the Group’s tenants from being physically present in the leased premises, as they are classified non-essential. The major impact has been a drop in collections levels for April 2020, which closed at 70% down from the average of 95%, which was testament to the Group’s strong tenant base.

The Group has also engaged all its service providers and reduced levels of service in line with requirements, without compromising quality, to reduce building operating costs during these difficult times.

Forecast assessment of solvency for the quarter shows reduced insolvency risk under the Worst-Case Scenario.

Business Continuity Plan

Following the declaration of the lockdown by the Government, the Company commenced with its Business Continuity Plan, with all essential services working off-site. Other highlights of the plan include decongestion of the work place. The Group has also provided sanitisers, surgical gloves, masks and screening thermometers for all its multi-tenanted buildings.

Outlook

In the short to medium term, the operating environment is likely to remain challenging. In light of the surging inflation, the Company will continue to explore opportunities to preserve shareholder value primarily through implementation of pre-leased developments and revitalization of existing buildings to ensure future-fit. Despite the development sub-market becoming more risky, the company will put in place measures to enable implementation of some of its construction projects.

Honey & Blanckenberg

Represented by Batanai Peresuh

Company Secretary

15 May 2020