Vodafone Qatar P.Q.S.C.

Financial results: year ended 31 December 2018

13 February 2019

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Sheikh Hamad Al Thani

Chief Executive Officer

Strategic review

Key Messages | Highlights This Quarter

- **Overall mobility market contracted both in value and in volume of connections*** driven by declining duality as consumer's consolidate their telecom spend to primary SIM and driven by continued erosion of international voice revenue

- **Vodafone has grown both mobility revenue and mobile subscribers for the first time in the past four years.** Vodafone gained +1.7pts mobility revenue market share* driven by strong pre-to-post migrations and the success of postpaid value propositions (Red and Flex)

- **Awarded 3.5 GHz spectrum license to operate 5G commercially** Replacing the trial license. 5G deployments underway.

- **Fibre access network roll out on track** 100% homes passed in several strategic areas, including the Pearl and Lusail. Other areas will be ready for commercial launch in the next quarter.

- **Delivering Shareholder Value** FY18 Net profit of QR 118m and 59% higher QoQ

  The accumulated losses are written-off against share capital without impacting the total equity

- **Proposed dividend** The Board has proposed a cash dividend of 5% per share (QR 0.25 per share) totalling to QR 211.4m. This is subject to shareholder approval in AGA on 4 March 2019

(*) Note – Based on Q1-CY18 through Q3-CY18 - Overall Mobility Market Performance

Financial review

Brett Goschen
Chief Financial Officer

Key points to note & Highlights

Prior year one-offs impacting FY18 Q4 YoY comparisons:

1. Network outage compensation QR 25m
2. One-off postpaid revenue QR 13m

Msheireb Tetra project margin of QR 14m recognized during the quarter

Strong Yearly Financial Performance

Total Revenue increases YoY for first time in 4 years

Positive Net Profit of QR 118m for the first time ever

Free Cash Flow of QR 201m, highest ever

Quarterly higher publicity and commencement of fixed operational costs partially mask the cost optimisation benefits which continue into FY19

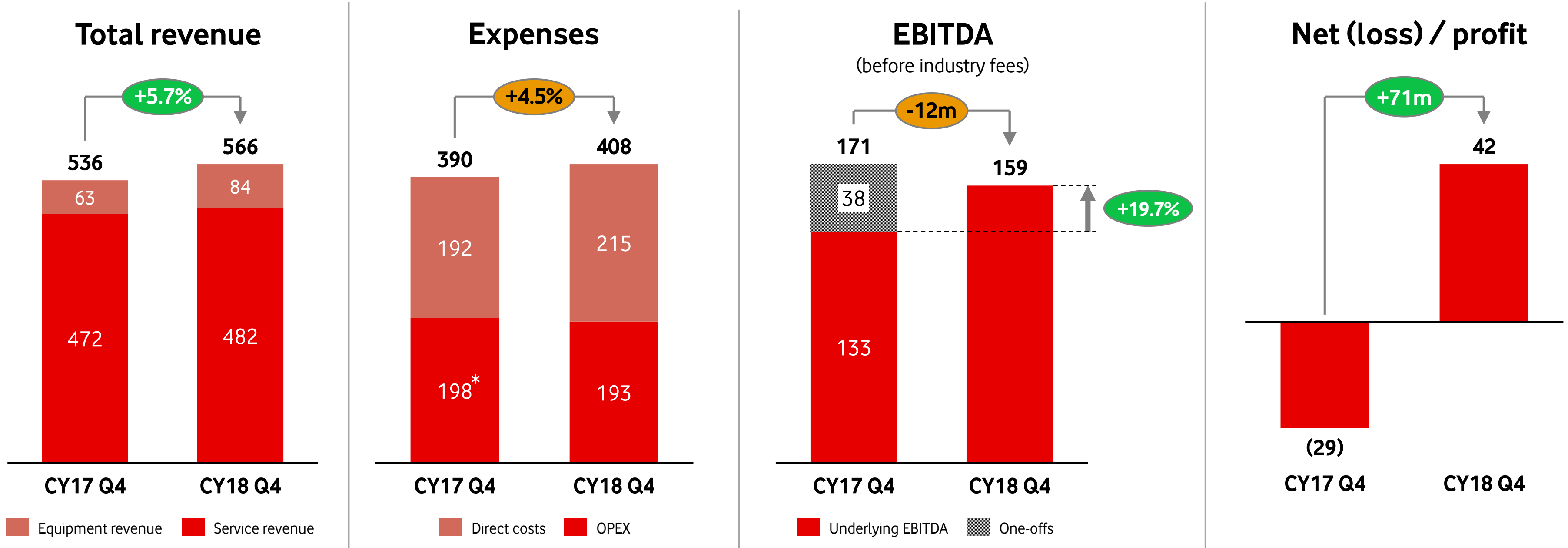
Highest ever Postpaid net additions in a Quarter – 31k

Highest CAPEX in 15 quarters – QR 270m

Investments into Fixed and 5G (both in CAPEX and OPEX) continues

Quarterly Financial Performance (Year on Year) (QR m)

CY18 Q4 v CY17 Q4



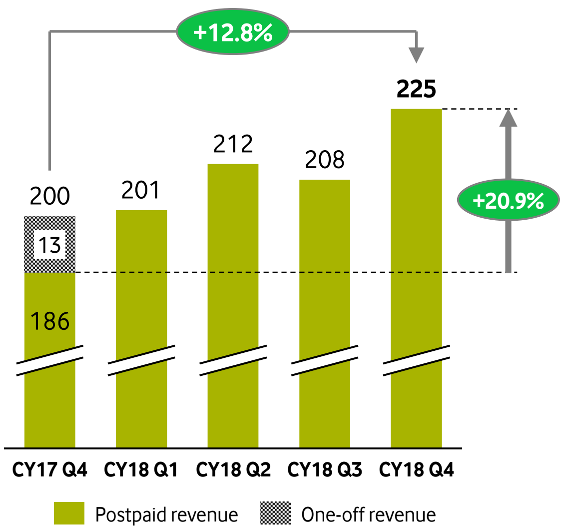
** Adjusted for one-offs in FY17Q4 – network outage compensation QR 25m (OPEX)*

1. **Total Revenue increased by 5.7%** driven by postpaid subscriber growth, Msheireb & handset revenue, offset by slowing prepaid market
2. **Underlying expenses 4.5% higher** (excl. network outage compensation last year) due to higher revenue, higher postpaid gross additions, higher equipment costs and fixed operating costs offset by lower OPEX from the cost optimisation program
3. **Underlying EBITDA 19.7% higher** due to higher service revenue, lower underlying OPEX and recognition of Msheireb margin
4. **Net profit QR 71m higher** driven by QR 80m lower amortisation costs and higher underlying EBITDA (excluding one-off benefits in CY17 Q4)

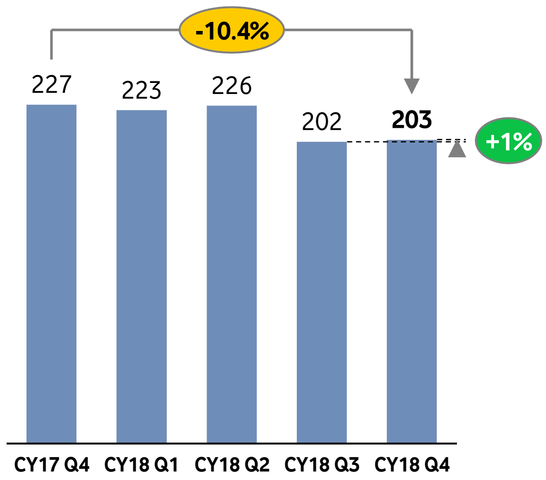
Service Revenue (QR m)

CY18 Q4 v CY17 Q4

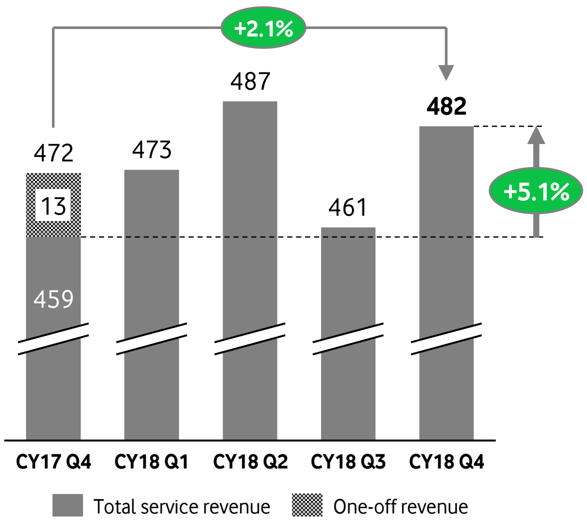
Postpaid Revenue



Prepaid Revenue



Total Service Revenue

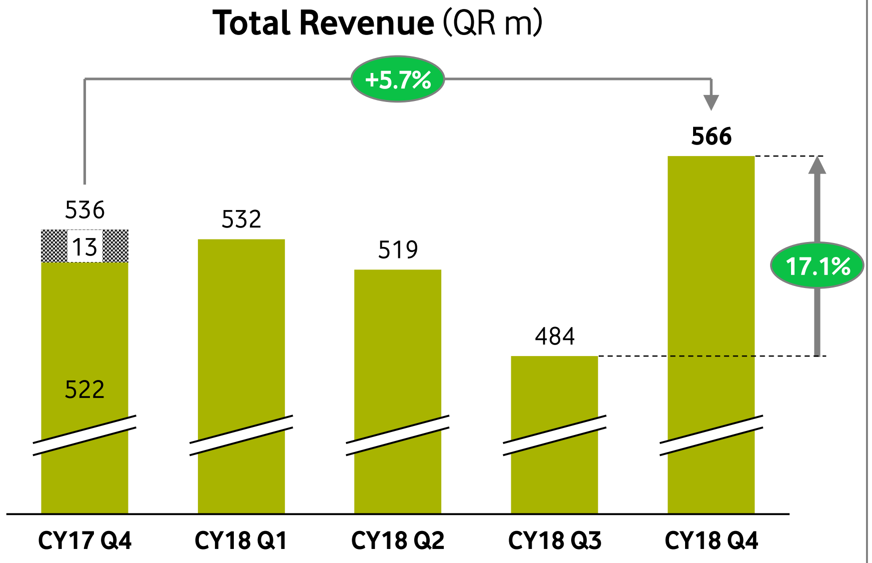


Service Revenue 5.1% higher YoY (excluding one-off revenue):

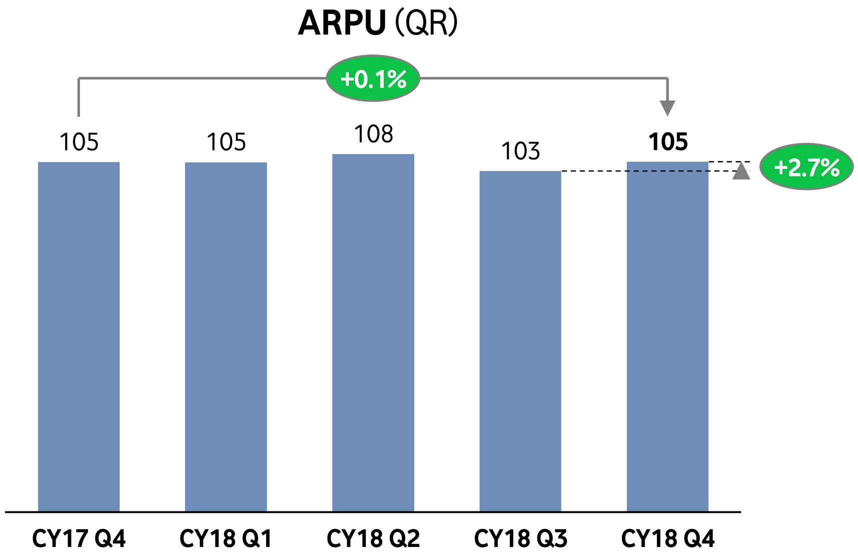
1. Underlying Postpaid revenue increased by 21% primarily due to growth in subscribers
2. Prepaid revenue 10.4% lower due to pre to post migration, reduction of local termination rates and the slowing prepaid market
3. Underlying Service revenue increased by 5.1% due to postpaid subscriber growth

Total Revenue & ARPU

CY18 Q4 v CY17 Q4



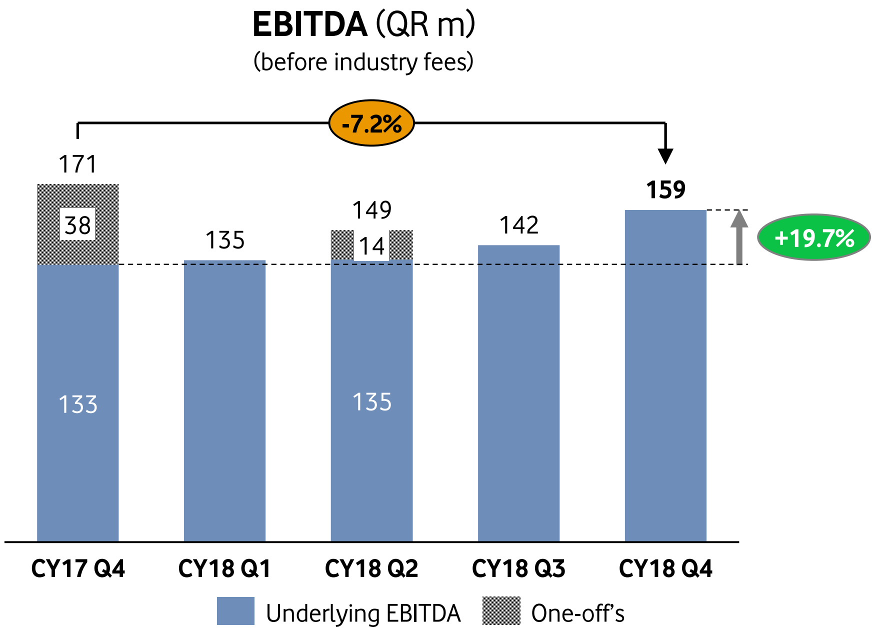
	CY17 Q4	CY18 Q1	CY18 Q2	CY18 Q3	CY18 Q4
Total RMS	21.7%	21.2%	21.3%	20.1%	N/A

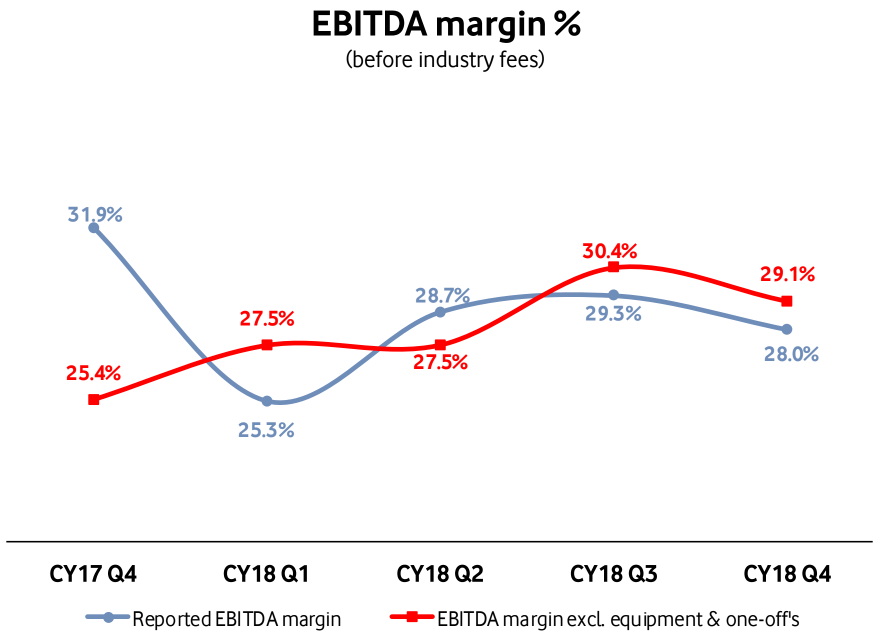


1. **Total revenue increased 17.1% QoQ** due to postpaid growth and higher equipment sales
2. **ARPU stable YoY** due to increase in the contribution of postpaid subscribers to the total base **and 2.7% higher QoQ** driven by higher postpaid mix and seasonality

EBITDA & Underlying EBITDA margin

CY18 Q4 v CY17 Q4



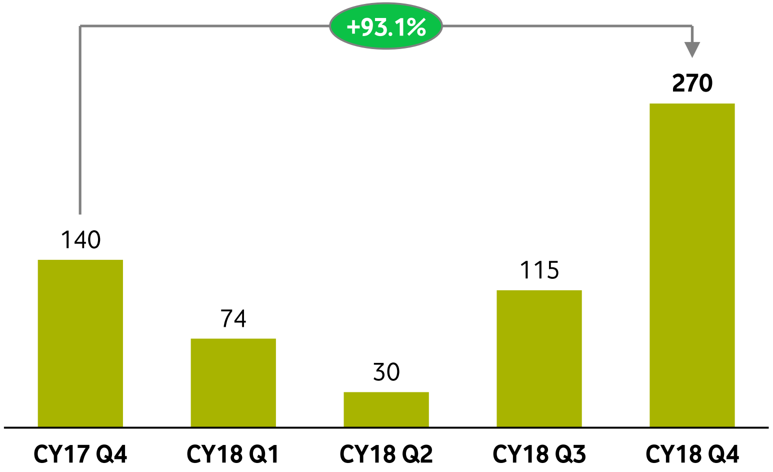


1. **Underlying EBITDA increases 19.7%** due to higher service revenue, lower underlying OPEX and Msheireb margin
2. **EBITDA margin of 29.1%** excluding equipment business

CAPEX (QR m)

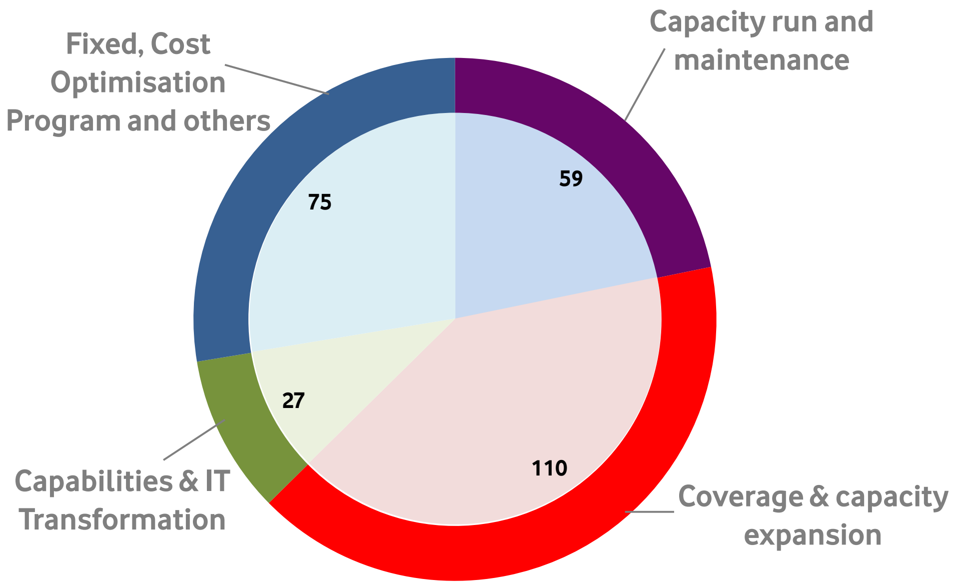
CY18 Q4 v CY17 Q4

Total CAPEX



	CY17 Q4	CY18 Q1	CY18 Q2	CY18 Q3	CY18 Q4
CAPEX Intensity	26.1%	14.0%	5.7%	23.7%	47.8%

Quarterly CAPEX Mix

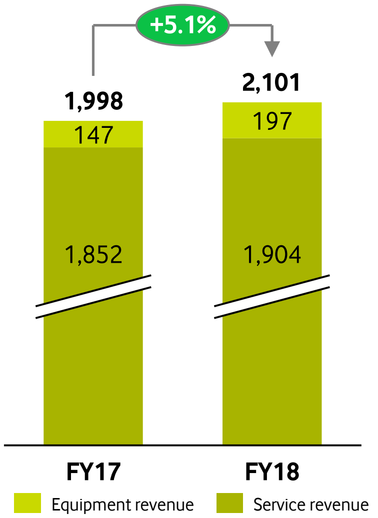


CAPEX investment QR 270m focusing on:

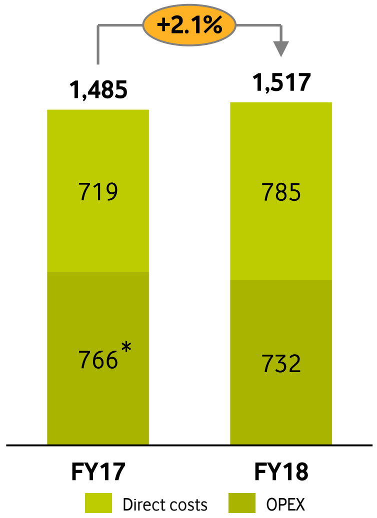
1. Mobile (including 5G) & fixed coverage expansion
2. Capacity augmentation including the investments to maintain the network
3. Development of new commercial capabilities and products
4. Investments to reduce future expenses identified by Cost Optimisation Program

FY18 Financial performance (Year on Year) | FY17 v FY18 (QR m)

Total revenue



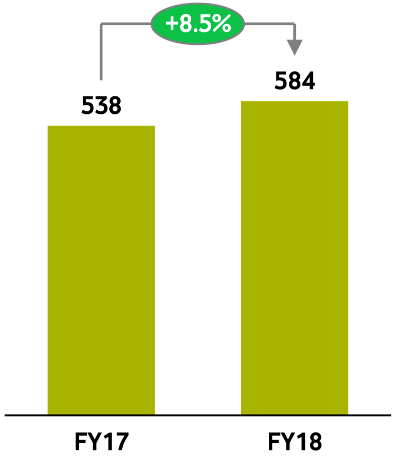
Expenses



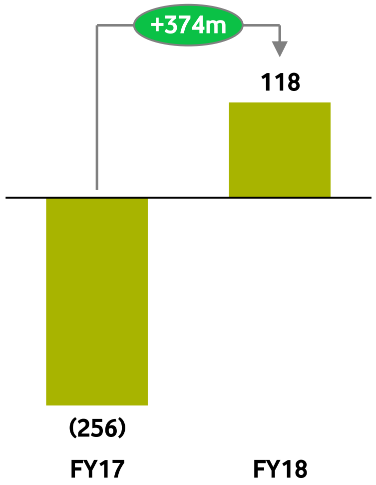
Adjusted for one-offs in FY17Q4 – network outage compensation QR 25m (OPEX)

EBITDA

(Before industry fees)



Net (loss) / profit



1. **Total revenue increased by 5.1%** led by growth in postpaid, fixed and equipment revenue partially offset by lower prepaid revenue
2. **Higher expenses** due to higher equipment sales and service revenue offset by lower OPEX (cost optimisation program)
3. **EBITDA increased by 8.5%** due to higher revenue and lower OPEX
4. **Net profit for the year is QR 374m higher** driven by EBITDA flow through and lower amortization costs (mobile license extension benefit of QR 319m)

Statement of income

Year ended 31 December 2018

QR m	Year ended 31 Dec 18 (Audited)	Year ended 31 Dec 17 (Unaudited)	9 months ended 31 Dec 17 (Audited)	12 Months YoY
Revenue	2,101	1,998	1,481	103
Interconnection and other direct expenses	(785)	(719)	(541)	(66)
Employee salaries and benefits	(236)	(231)	(175)	(5)
Network, rentals and other operational expenses	(496)	(535)	(383)	39
Other income	-	25	25	(25)
Earnings before financing income/costs, tax, depreciation, amortisation and industry fee	**584**	538	407	46
Industry fee	(12)	-	-	(12)
Earnings before financing income/costs, tax, depreciation and amortisation	**573**	538	407	34
Depreciation	(256)	(265)	(193)	9
Amortisation	(169)	(498)	(371)	329
Loss on disposal of property, plant and equipment	(0)	(4)	(4)	4
Operating profit/ (loss)	**147**	(229)	(161)	376
Wakala contract cost	(29)	(25)	(18)	(5)
Other financing costs	(6)	(5)	(4)	(0)
Profit from mudaraba	5	2	1	3
Profit/ (Loss) for the year/ period	**118**	(256)	(182)	374
Basic and diluted earnings/ (loss) per share (in QR per share)	**0.14**	(0.30)	(0.22)	0.44

Commentary 12 months YoY:

1. **Revenue increased QR 103m** due to growth in postpaid and equipment revenue (incl. Msheireb margin) offset by impact of slowing prepaid market
2. **Interconnect and other direct expenses increased by QR 66m** driven by higher equipment costs and higher acquisition costs (Postpaid growth)
3. **Network, rentals and other operational expenses QR 39m lower** due to cost saving program initiatives and **other income QR 25m lower** due to the one-off network outage compensation received in FY17
4. **Industry fees payment QR 12m** commenced from FY18 as it is first year to report a net profit
5. **Depreciation and amortization QR 338m lower** due to license extension benefit QR 319m and due to benefit of assets coming out of their useful lives

Statement of Financial Position

As at 31 December 2018

QR m	Dec-18	Dec-17	Var
Property, plant and equipment	1,292	1,202	90
Intangible assets	4,428	4,461	(33)
Trade and other receivables	26	25	1
Total non-current assets	**5,746**	**5,688**	**58**
Inventories	35	36	(0)
Trade and other receivables	300	302	(2)
Cash and bank balances	401	199	203
Total current assets	**736**	**536**	**200**
Total assets	**6,483**	**6,225**	**258**
Share capital	4,227	8,454	(4,227)
Legal reserve	51	41	10
Retained earnings/(Acc losses)	312	(4,024)	4,336
Total equity	**4,591**	**4,472**	**119**
Wakala contract	-	818	(818)
Provisions and trade payables	156	158	(1)
Total non-current liabilities	**156**	**976**	**(820)**
Wakala contract	820	-	820
Trade and other payables	916	777	139
Total current liabilities	**1,736**	**777**	**959**
Total equity and liabilities	**6,483**	**6,225**	**258**

Assets

1. **Property, plant and equipment increased by QR 90m** due to CAPEX during the year of QR 347m (Noor and 5G) offset by depreciation of QR 256m
2. **Intangible assets declined QR 33m** driven by amortization of QR 169m and disposals QR 6m offset by CAPEX during the year of QR 142m

Equity

3. **Equity increased by QR 119m** due to the net profit for the year of QR 118m, the IFRS 9 and IFRS 15 opening balance adjustment QR 4m offset by contribution to social and sports fund QR 3m

Liabilities

4. **Wakala contract liabilities** are due in November 2019 and hence classified as a current liability
5. **Current liabilities increased QR 139m** majorly due to higher Q4 CAPEX in FY18 (QR 130m higher), which will be settled in FY19

Key changes effective 1 January 2019

Prepaid Customer Definition Change

Customer definition

Prepaid	**Revising current definition:** any customer with a recharge in last 30 days **to any chargeable activity in last 90 days**
Post-paid	**No change**

Rationale

Aligning more closely to customer definition of International Telecom Union **(ITU) &** Communication and Regulatory Authority **(CRA)**

Impact

Reported prepaid subscribers will increase by ~300k, lowering prepaid and overall company ARPU

New accounting standard for Leases (IFRS 16)

Accounting for leases

1. Long term leased assets will be recognized at discounted value of future payments as an asset with a corresponding lease liability in the balance sheet
2. The asset will be depreciated and finance costs charged on leased liability (un-winding of discount)
3. Effectively, EBITDA will increase due to lower OPEX but depreciation and finance costs will increase
4. Net profit adversely impacted during the initial years due to discounting impact on the higher liability in the initial years (therefore higher finance cost)

Impact in FY19*

- **EBITDA to increase by ~QR 80m** (lower OPEX)
- Depreciation to increase by ~QR 65m and finance costs by ~QR 25m
- **Net profit to decline by ~QR 10m**

** Current initial estimates based on leases as at 31 December 2018*

We are attending:
Annual European & Emerging Markets Telecoms Conference

When: 19 / 20 March 2019
Where: London
Organised by: Citi Group

Register with the below link:
https://starcite.smarteventscloud.com/Citi/2019/CommunicationServicesConference/Investor

Or

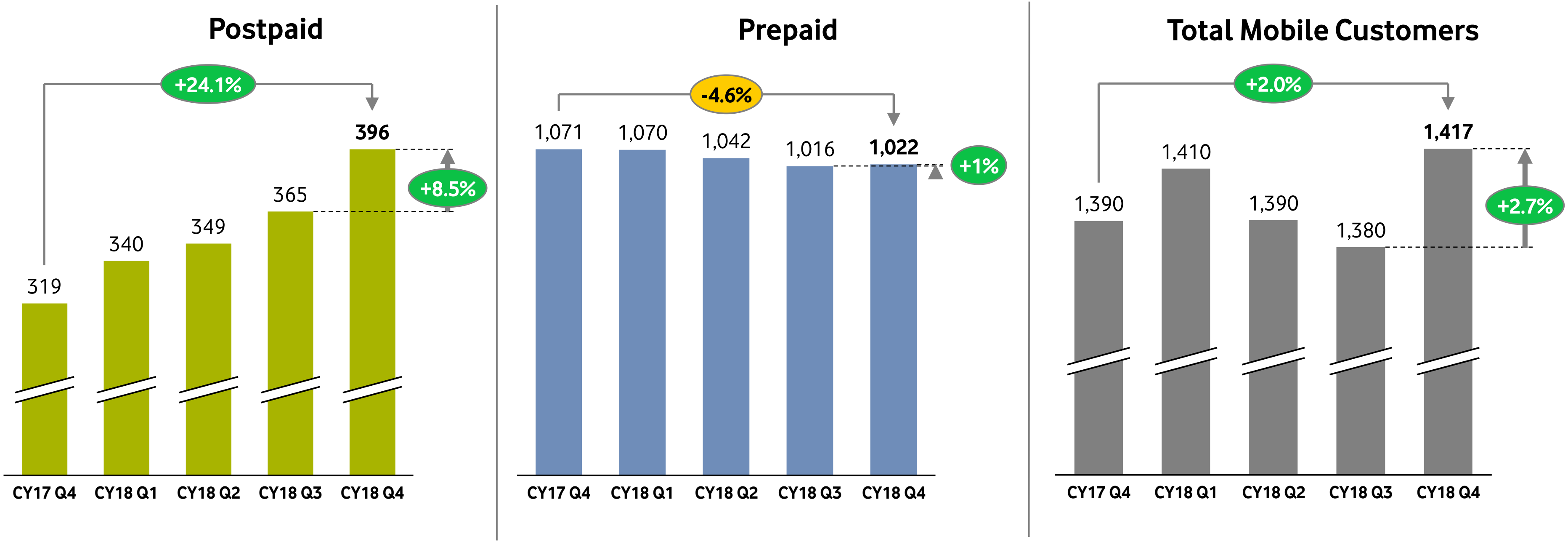
Contact our Investor Relations Team:
InvestorRelationsQatar@vodafone.com

Questions ?

Appendix

Mobile Customers ('000s)

CY18 Q4 v CY17 Q4

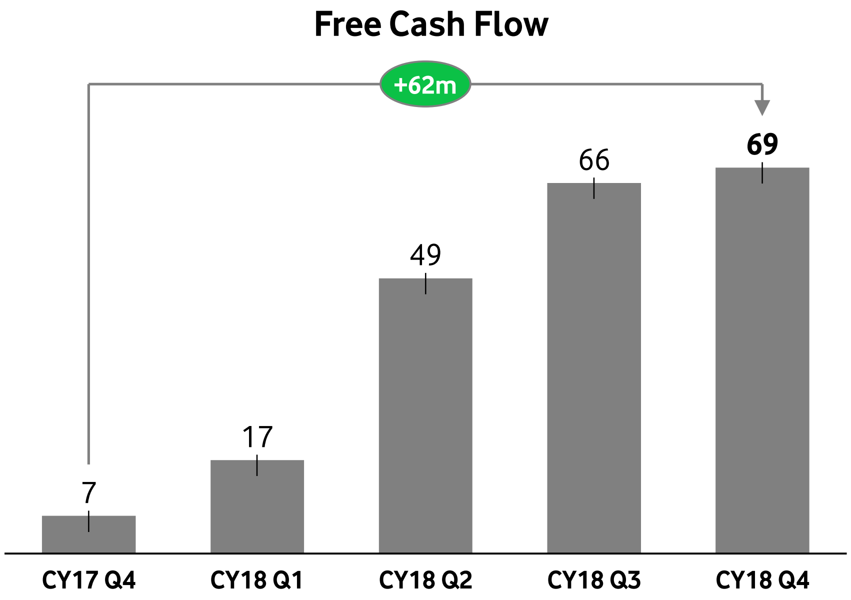


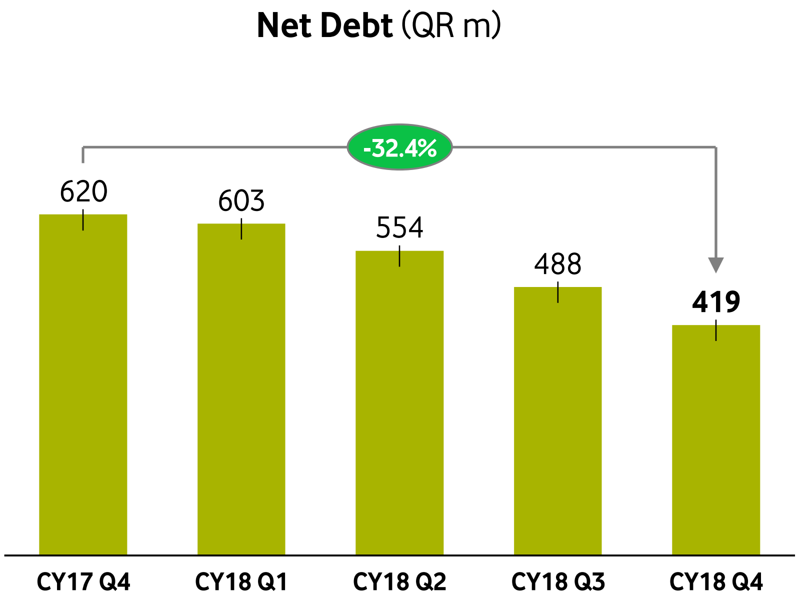
Total Mobile Customers 2% higher YoY:

1. Postpaid: 24.1% growth led by Flex, Red and Enterprise plans
2. Prepaid: 4.6% lower due to slowing prepaid market, pre to post migration and reduction in market sim duality

Free Cash Flow & Net Debt (QR m)

CY18 Q4 v CY17 Q4





1. **Free Cash Flow increased QR 62m YoY** due to higher EBITDA and timing of CAPEX settlements, expected in CY19 H1
2. **Lower Net Debt** due to continued strong cash flows

Financial Summary

For Year Ended 31 December 2018

QR m (unless otherwise stated)	Year ended Dec-18	Year ended Dec-17	*YoY Growth (%)*
Mobile Customers (000)	**1,417**	1,390	*2%*
Total Revenue	**2,101**	1,998	*5.1%*
Service Revenue	*1,904*	*1,852*	*2.8%*
EBITDA (before industry fees)	**584**	538	*8.5%*
EBITDA Margin %	*27.8%*	*26.9%*	*0.9pp*
Net Profit Excl Amortization	202	146	*37.9%*
Net Profit / (Loss)	**118**	(256)	*n/a*
Profit (Excl Amortization) per Share (QR)	0.24	0.17	*37.9%*
Profit / (Loss) per Share (QR)	0.14	(0.30)	*n/a*
Capital Expenditure	**489**	321	*(52.5%)*
Movement in Net Debt	**201**	151	*33.2%*

1. **Customer Base higher,** largely due to growing postpaid subs offset by impact of slowing prepaid market and reduction in market sim duality
2. **Total Revenue increase** led by growth in postpaid, fixed and higher equipment sales partially offset by lower prepaid revenue
3. EBITDA margin improved by 0.9pp to 27.8% with an **EBITDA increase of 8.5%** majorly due to higher revenue, Msheireb margin and lower expenses (cost optimisation program)
4. **Net Profit is QR 374m higher** driven by EBITDA flow through and lower amortisation costs (mobile license extension benefit of QR 319m)
5. **Capital Expenditure 53% higher** due to investments in 5G, fixed program and cost optimisation initiatives
6. **Net Debt reduced by QR 201m** to QR 419m, lowest ever

Thank You

The Future Is Exciting

For more information visit our website:
www.vodafone.qa/en/investor-relations

Or email us:
InvestorRelationsQatar@vodafone.com