Vodafone Qatar P.Q.S.C.

Financial results: Half year ended 30 June 2019

30 July 2019

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Quarterly highlights

Hamad Al Thani
Chief Executive Officer

CEO Update | Quarterly Highlights

Profitable Growth Continues

GigaHome - Penetrating the Residential Segment

Infrastructure Investment Accelerated

Growing Despite Competitive Environment

Six Quarters
Consecutive YoY quarterly total revenue growth

4x Footprint Growth
Footprint of our FTTH access network has quadrupled YoY

5G Ahead of Plan
5G sites on air grew 3x vs. last quarter

(5.6%)
Total telecom market value decreased in Q1-19 vs. LY due to lower total ARPU

QR 78m
Net profit recorded in H1-2019

Customer Growth
Broadband customers have doubled YoY

RAN Expansion
Radio access network expansion underway

22.6% RMS
Despite headwinds, VQ grew total RMS in Q1-19 by +1.4pts YoY

Financial review

Brett Goschen
Chief Financial Officer

FY 2019 H1 | Key points to note and highlights

Items impacting YoY comparisons

- Change to Prepaid subscriber definition to align to ITU resulting in 303k higher opening prepaid subscribers
- IFRS 16 application from 1 January 2019 increases EBITDA by QR 44m and decreases Net Profit by QR 5m
- FY18 Q2 had a one-off benefit in OPEX for QR 14m ('one-off')

Strong Financial Performance

- FY19 H1 postpaid revenue increases 18.2% YoY due to growth in subscribers
- Cost optimisation is a key driver of profitability with FY19 H1 underlying OPEX declining 7% YoY

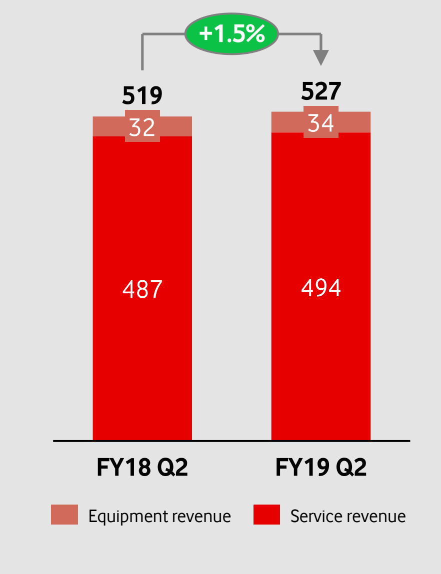
Underlying net profit doubled

- FY19 H1 Net Profit grows above 60% YoY to QR 78m

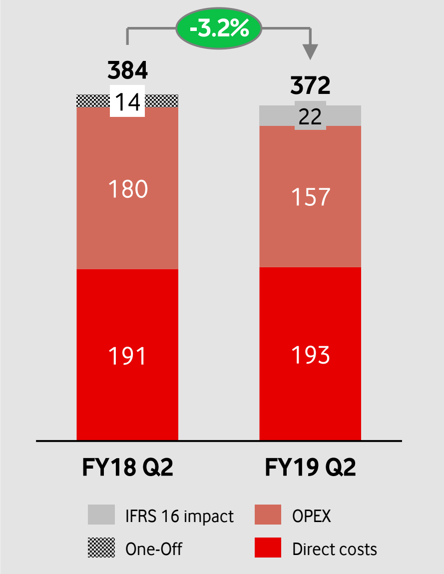
Quarterly Financial Performance (Year on Year) (QR m)

FY19 Q2 v FY18 Q2

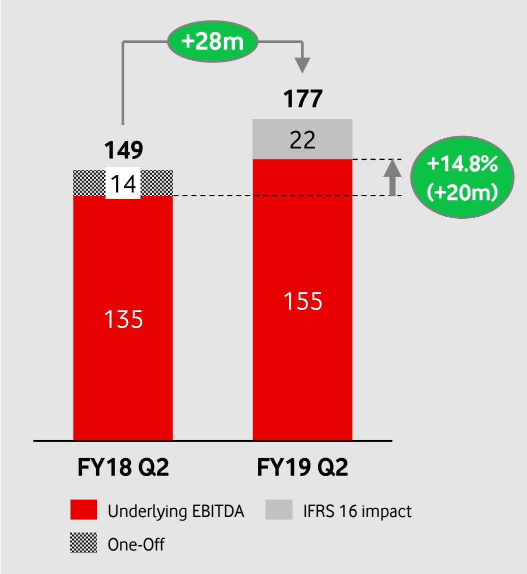
Total revenue



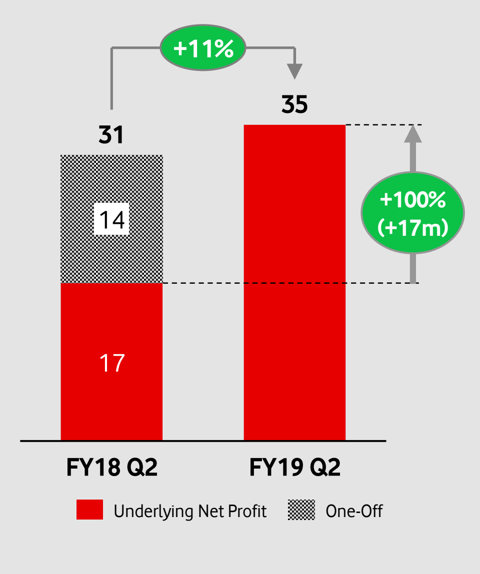
Expenses



EBITDA



Net profit

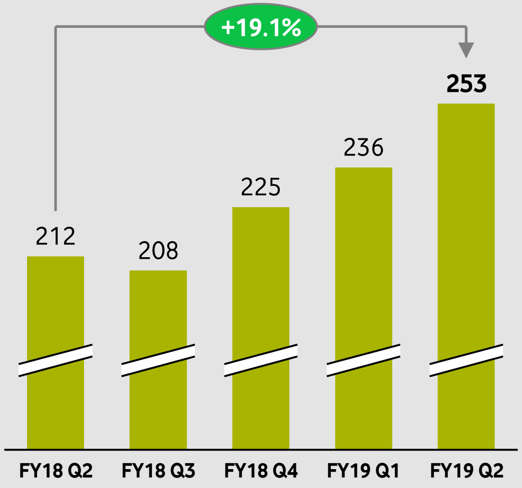


1. **Total Revenue increased by 1.5%** driven by postpaid subscriber growth offset by a declining prepaid market
2. **Expenses (excl. IFRS 16 and one-off) lower by 3.2%** due to cost optimisation program partially offset by higher postpaid and broadband acquisition costs
3. **EBITDA (excl. IFRS 16 and one-off) 14.8% higher** due to higher net service revenue and lower expenses
4. **Net profit (excl. one-off) doubled YoY to QR 35m** as a result of higher EBITDA

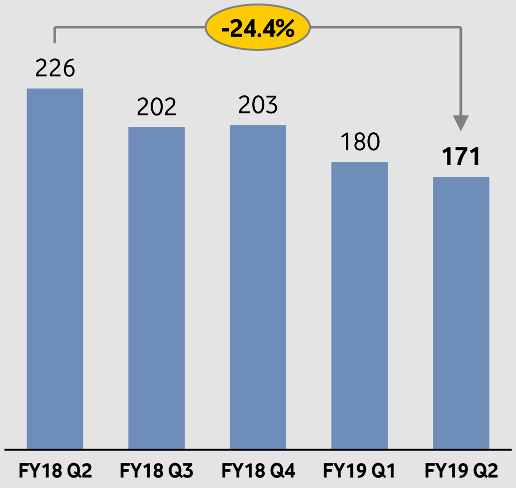
Service Revenue (QR m)

FY19 Q2 v FY18 Q2

Postpaid Revenue



Prepaid Revenue



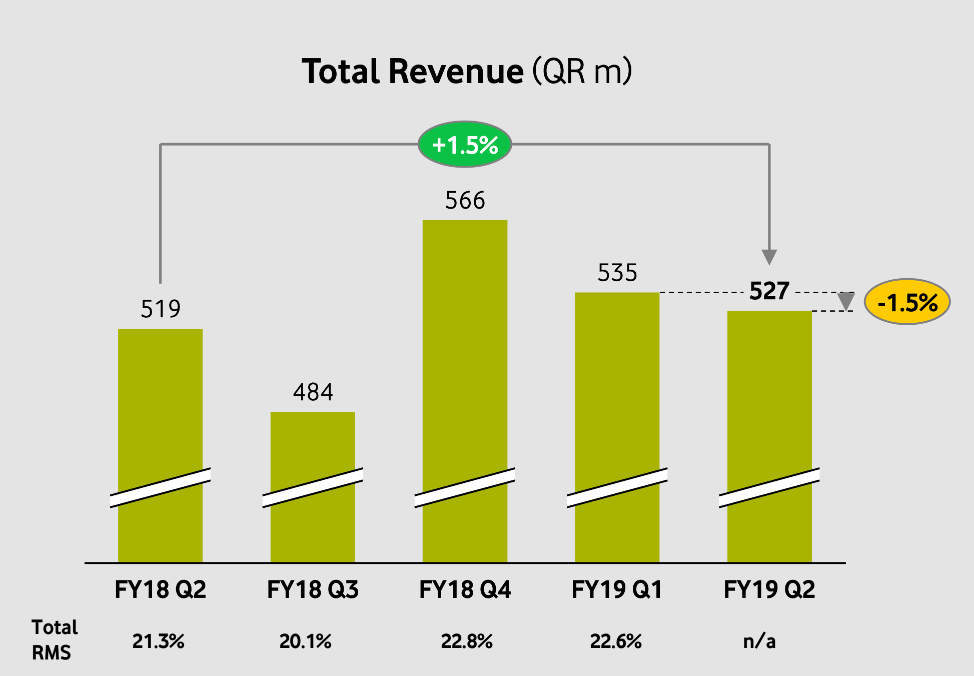
Total Service Revenue

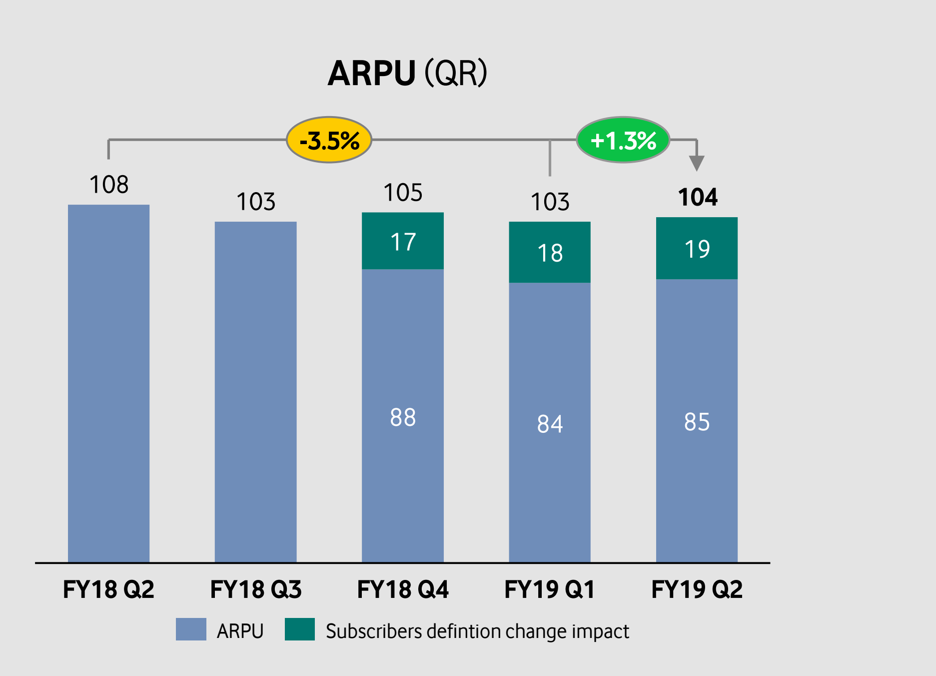
Service Revenue 1.3% higher YoY:

1. Postpaid revenue increased by 19.1% primarily due to subscriber growth
2. Prepaid revenue 24.4% lower due to pre-to-post migrations, reduction of local termination rates and a declining prepaid market
3. Service revenue grew 1.3% due to postpaid and high-speed broadband growth (GigaHome)

Total Revenue & ARPU

FY19 Q2 v FY18 Q2

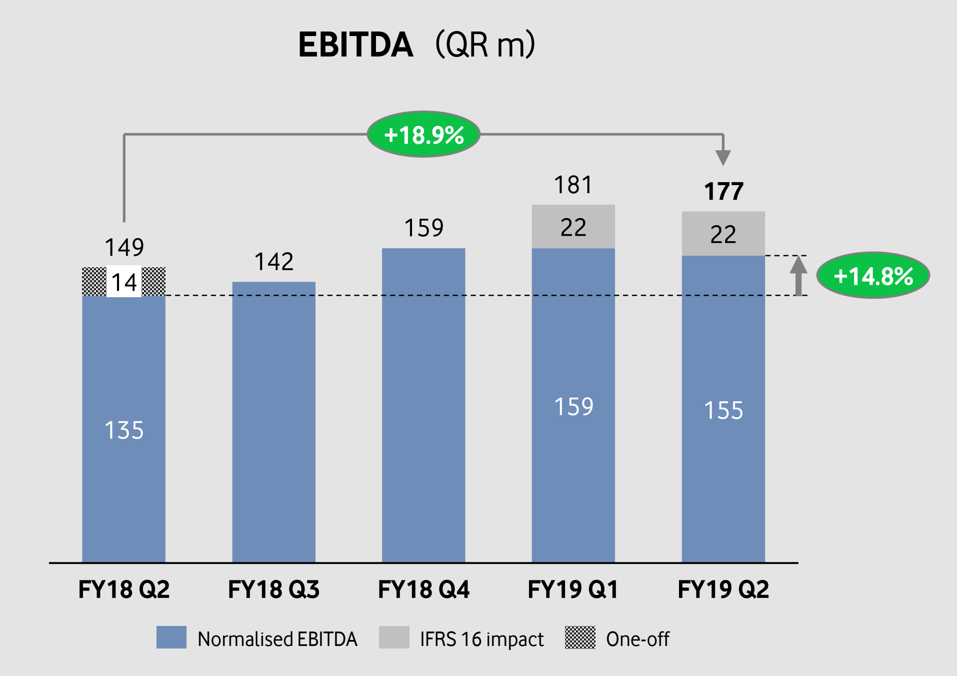


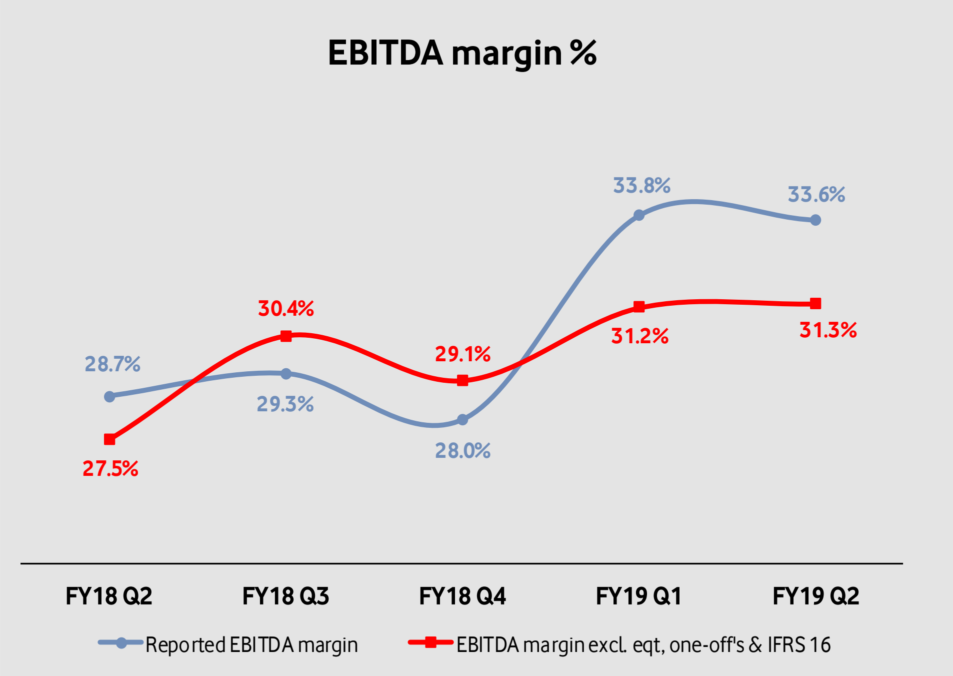


1. **Total revenue decreased 1.5% QoQ** due to the Msheireb project revenue in previous quarter
2. **ARPU YoY decline by QR 4** primarily due to reduction in termination rates

EBITDA & Underlying EBITDA margin

FY19 Q2 v FY18 Q2



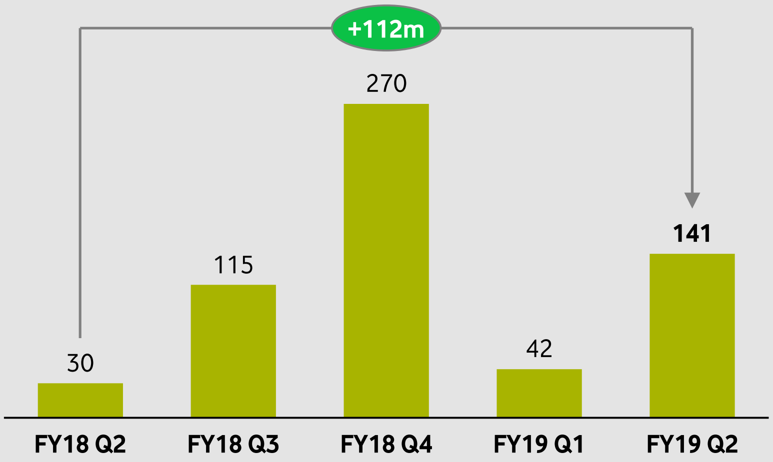


1. **EBITDA increases 18.9%** due to higher net service revenue, the cost optimisation program and benefit of IFRS 16
2. **Continuing growth in EBITDA margin at 31.3%** excluding equipment business and IFRS 16 impact

CAPEX (QR m)

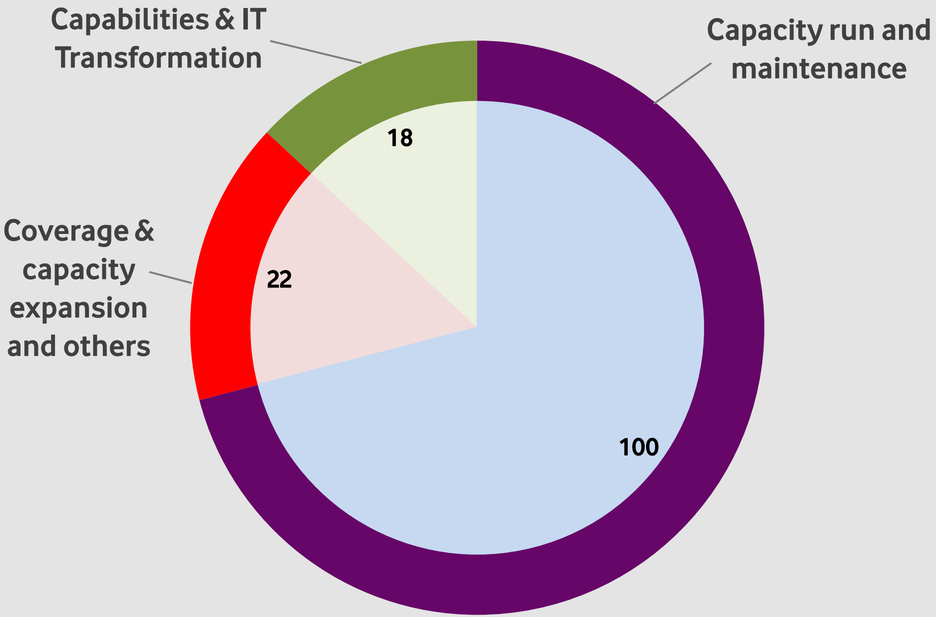
FY19 Q2 v FY18 Q2

Total CAPEX



CAPEX Intensity	5.7%	23.7%	47.8%	7.9%	26.8%

Quarterly CAPEX Mix

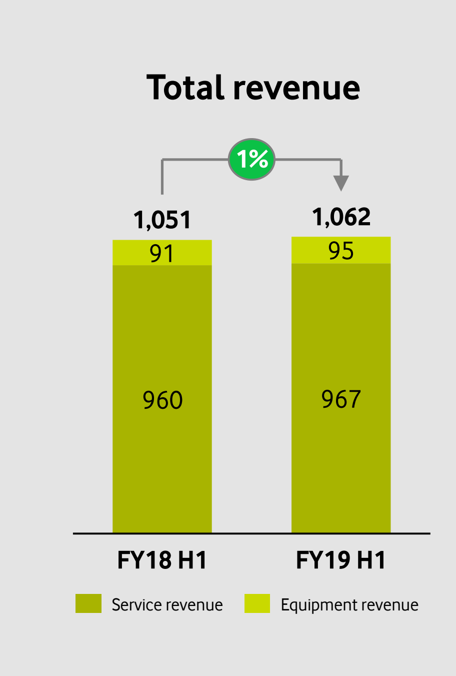


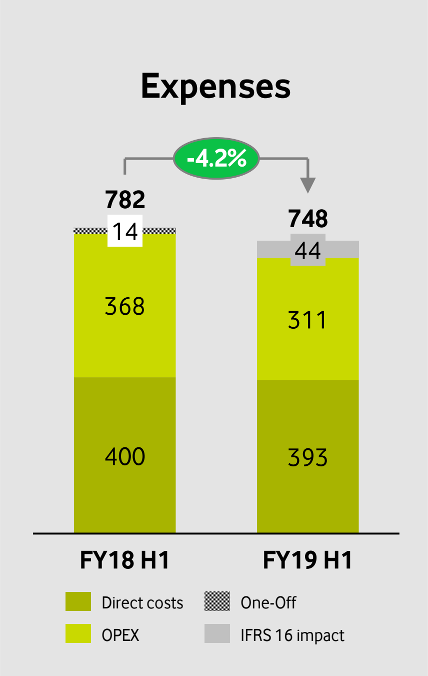
CAPEX investment QR 141m focusing on:

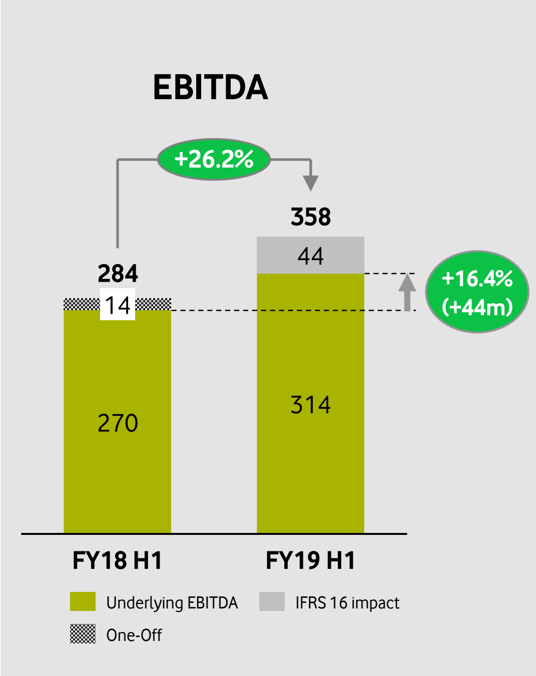
1. Mobile (5G readiness) and fixed coverage expansion
2. Investments to maintain the network (including a multi year network software deal payable over four years)
3. Development of new commercial capabilities and products

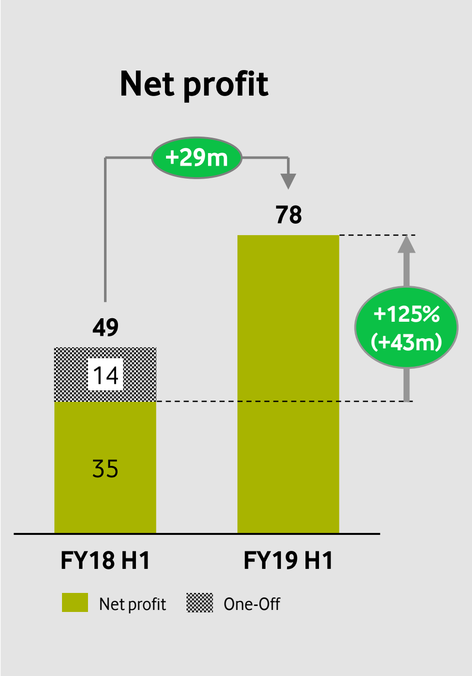
Half year ended: Financial performance (Year on Year) (QR m)

FY19 H1 v FY18 H1









1. **Total Revenue increased by 1%** driven by postpaid and high-speed broadband (GigaHome) subscriber growth offset by a declining prepaid market
2. **Expenses (excl. IFRS 16 and one-off) 4.2% lower** due to continuing cost optimisation program
3. **EBITDA 26.2% higher** due to higher net service revenue, lower OPEX and benefit of IFRS 16
4. **Net profit increased by QR 29m** as a result of higher EBITDA

Statement of income

For six months ended 30 June 2019

QR m	Six months ended 30 Jun 19	30 Jun 18	H1 YoY
Revenue	**1,062**	**1,051**	**11**
Interconnection and other direct expenses	(393)	(400)	7
Employee salaries and benefits	(114)	(122)	8
Network, rentals and other operational expenses	(197)	(246)	49
Depreciation of property, plant and equipment	(111)	(129)	18
Amortisation of intangible assets	(89)	(86)	(4)
Depreciation of right-of-use assets	(42)	-	(42)
Loss on disposal of property, plant and equipment	-	(0)	0
Industry fee	(9)	(6)	(3)
Operating profit	**106**	**63**	**43**
Wakala contract cost	(16)	(14)	(2)
Other financing costs	(14)	(3)	(11)
Profit from mudaraba	2	2	(0)
Profit for the period	**78**	**49**	**29**
Basic and diluted earnings per share (in QR per share)	**0.02**	**0.01**	**0.01**

Commentary YoY:

- **Revenue increased by QR 11m** driven by postpaid and Msheireb revenue offset by impact of a declining prepaid market
- **Interconnect and other direct expenses decreased by QR 7m** due to reduction in mobile termination rates and cost optimisation initiatives
- **Employee salaries and benefits QR 8m lower due** to the headcount rationalization completed in FY18 Q2
- **Network, rentals and other operational expenses QR 49m lower** due to IFRS 16 benefit and cost optimisation (underlying saving of QR 18m excluding IFRS 16 & one-off)
- **Depreciation and amortization QR 28m higher** due to IFRS 16 impact (QR 42m) and higher CAPEX offset by revision of useful economic lives of assets
- **Other financing costs increased by QR 11m** due to discounting of IFRS 16 lease liabilities

Statement of Financial Position

As at 30 June 2019

QR m	Jun-19	Dec-18	Var
Property, plant and equipment	1,243	1,292	(50)
Intangible assets	4,460	4,428	32
Right-of-use assets	356	-	356
Trade and other receivables	35	26	9
Total non-current assets	**6,094**	**5,746**	**348**
Inventories	24	35	(11)
Trade and other receivables	369	300	70
Cash and bank balances	237	401	(164)
Total current assets	**630**	**736**	**(106)**
Total assets	**6,724**	**6,483**	**242**
Share capital	4,227	4,227	-
Legal reserve	57	51	6
Retained earnings	171	312	(141)
Total equity	**4,456**	**4,591**	**(135)**
Lease liabilities	246	-	246
Provisions and trade payables	210	156	54
Total non-current liabilities	**456**	**156**	**300**
Wakala contract	836	820	16
Lease liabilities	94	-	94
Trade and other payables	883	916	(32)
Total current liabilities	**1,813**	**1,736**	**77**
Total equity and liabilities	**6,724**	**6,483**	**242**

Assets

- **Property, plant and equipment decreased by QR 50m** due to depreciation QR 111m offset by CAPEX QR 62m (Fixed investments and 5G)
- **Intangible assets increased by QR 32m** driven by CAPEX of QR 121m (network software deal) offset by amortization of QR 89m
- **Right of use assets QR 356m and lease liabilities QR 340m** recognised due to adoption of IFRS 16
- **Trade and other receivables QR 79m** higher due to higher postpaid and equipment receivables and higher prepayments
- **Inventories QR 11m** lower due to clearance of handset stock
- **Cash and bank balances decreased by QR 164m** primarily due to dividend paid QR 204m

Equity

- **Equity decreased by QR 135m** due to the declaration of a 5% dividend for FY18 offset by the net profit for the period QR 78m

Liabilities

- **Provisions and trade payables increased by QR 54m** due to network software multi year deal payable over four years
- **Trade and other payables decreased QR 32m** due to higher CAPEX settlements

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When: 9 / 10 September 2019
Where: London - UK
Organised by: EFG Hermes

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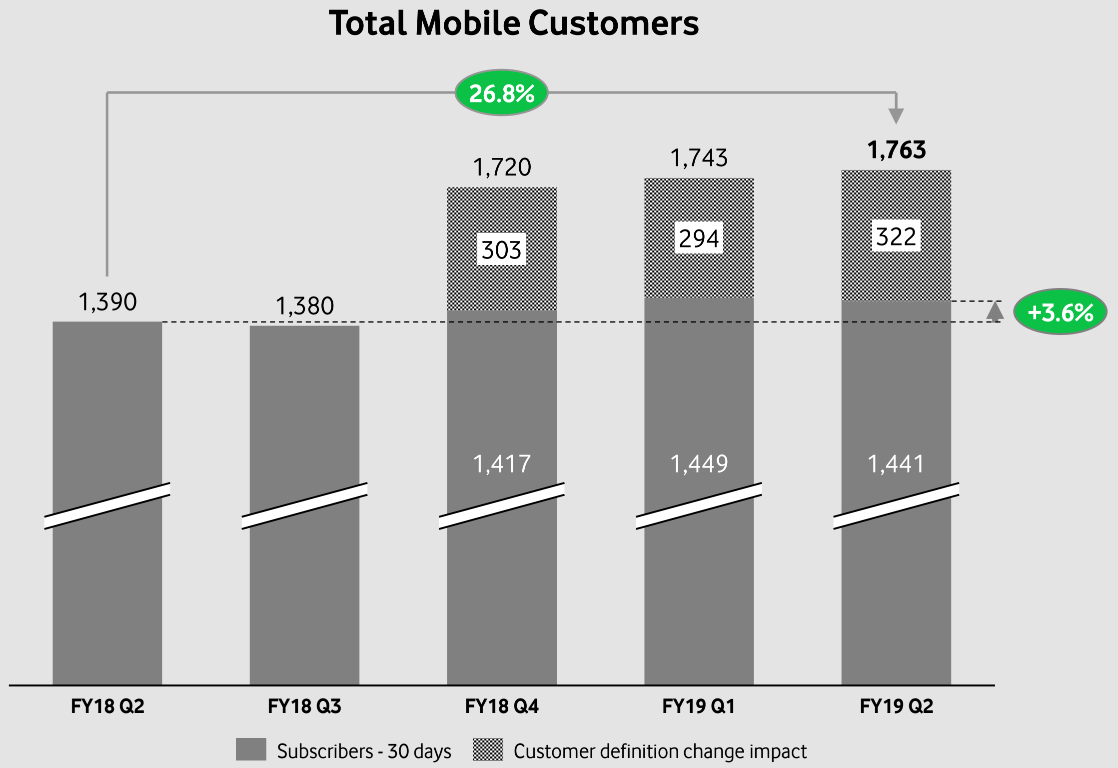
Questions ?

Appendix

Mobile Customers ('000s)

FY19 Q2 v FY18 Q2



Impact of IFRS 16

Half year ended 30 June 2019

Accounting for leases

1. IFRS brings in the change in the accounting for leases and does not impact the business processes
2. All operating leases previously off balance sheet are now recognised at discounted value of future payments as right of use assets with corresponding lease liability on the face of balance sheet
3. The assets are depreciated and finance costs charged on leased liability (un-winding of discount)
4. Effectively, EBITDA increases due to lower OPEX but depreciation and finance costs increase
5. Net profit is adversely impacted during the initial years due to discounting impact on the higher liability (therefore higher finance cost)

Impact areas

- **The new standard has impacted accounting for rent of leased sites, rented properties e.g. stores, duct lease contracts and some capacity leased lines**

	Six months ended		
QR m	Reported 30 Jun 19	IFRS 16 impact	Excl. IFRS16 30 Jun 19
Statement of financial position			
Right of use assets	356	(356)	-
Other assets	6,368	11	6,380
Total Assets	**6,724**	**(345)**	**6,380**
Lease liabilities	340	(340)	-
Other liabilities	1,929	-	1,929
Total Liabilities	**2,269**	**(340)**	**1,929**
Total Equity	**4,456**	**5**	**4,461**
Statement of income			
Revenue	1,062		1,062
Interconnection and other direct expenses	(393)		(393)
Employee salaries and benefits	(114)		(114)
Network, rentals and other operational expenses	(197)	(44)	(241)
Depreciation of property, plant and equipment	(111)		(111)
Amortisation of intangible assets	(89)		(89)
Depreciation of right-of-use assets	(42)	42	-
Industry fee	(9)	(1)	(10)
Operating profit	**106**	**(3)**	**103**
Wakala contract cost	(16)		(16)
Other financing costs	(14)	8	(6)
Profit from mudaraba	2		2
Profit for the period	**78**	**5**	**83**
Basic and diluted earnings per share (in QR per share)	**0.02**		**0.02**

Thank You

The Future Is Exciting

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