VODAFONE QATAR P.Q.S.C.

INTERIM CONDENSED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT

FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2017

VODAFONE QATAR P.Q.S.C.

INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2017

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Report on review of interim condensed financial statements
To the Shareholders of Vodafone Qatar P.Q.S.C.

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Vodafone Qatar P.Q.S.C. ("the Company") as at 30 September 2017 and the related interim condensed statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard (IAS) 34, 'Interim financial reporting' as issued by the International Accounting Standards Board (IASB). Our responsibility is to form a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 as issued by the IASB.

For and on behalf of PricewaterhouseCoopers – Qatar Branch
Qatar Financial Market Authority registration number 120155

Mohamed Elmoataz,
Auditor's registration number 281
Doha, 25 October 2017

PRICEWATERHOUSECOOPERS - Qatar Branch
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VODAFONE QATAR P.Q.S.C.

INTERIM CONDENSED STATEMENT OF INCOME
For the six month period ended 30 September 2017

	Notes	Six months ended 30 September 2017 (Reviewed) QR'000	2016 (Reviewed) QR'000
Revenue	4	**945,222**	999,871
Interconnection and other direct expenses		**(348,480)**	(371,884)
Employee salaries and benefits		**(115,438)**	(116,675)
Network, rentals and other operational expenses		**(244,868)**	(274,456)
Earnings before financing income/ costs, tax, depreciation and amortisation		**236,436**	236,856
Depreciation		**(128,350)**	(132,425)
Amortisation		**(246,601)**	(255,656)
Loss on disposal of property, plant and equipment		**(691)**	(51)
Operating loss		**(139,206)**	(151,276)
Profit from mudaraba		**844**	859
Wakala financing cost		**(12,120)**	(11,634)
Other financing costs		**(3,064)**	(1,494)
Loss for the period		**(153,546)**	(163,545)
Basic and diluted loss per share (in QR per share)	5	**(0.18)**	(0.19)

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

VODAFONE QATAR P.Q.S.C.

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
For the six month period ended 30 September 2017

	Six months ended 30 September	
	2017	2016
	(Reviewed) QR'000	(Reviewed) QR'000
Loss for the period	**(153,546)**	(163,545)
Other comprehensive income	**-**	-
Total comprehensive loss for the period	**(153,546)**	(163,545)

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

	Notes	30 September 2017	31 March 2017
		(Reviewed) QR'000	(Audited) QR'000
Non-current assets			
Property, plant and equipment	6	**1,151,688**	1,232,878
Intangible assets	7	**4,564,956**	4,781,947
Trade and other receivables		**24,367**	25,443
Total non-current assets		**5,741,011**	6,040,268
Current assets			
Inventories		**10,014**	13,165
Trade and other receivables		**235,288**	356,793
Cash and cash equivalents		**185,594**	168,884
Total current assets		**430,896**	538,842
Total assets		**6,171,907**	6,579,110
Equity			
Share capital		**8,454,000**	8,454,000
Legal reserve		**37,796**	35,405
Distributable profits	8	**179,476**	134,045
Accumulated losses		**(4,171,044)**	(3,969,676)
Total equity		**4,500,228**	4,653,774
Non-current liabilities			
Wakala liabilities		**812,014**	945,554
Provisions	9	**101,210**	114,211
Trade and other payables		**51,900**	49,823
Total non-current liabilities		**965,124**	1,109,588
Current liability			
Trade and other payables		**706,555**	815,748
Total current liability		**706,555**	815,748
Total liabilities		**1,671,679**	1,925,336
Total equity and liabilities		**6,171,907**	6,579,110

The interim condensed financial statements were approved by the Board of Directors on 25 October 2017 and were signed on its behalf by:

Ian Gray
Chief Executive Officer

Brett Dudley Goschen
Chief Financial Officer

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
For the six month period ended 30 September 2017

	Share capital	Legal reserve	Distributable profits	Accumulated losses	Total equity
			QR'000		
Balance at 1 April 2016 (Audited)	8,454,000	28,727	7,169	(3,566,939)	4,922,957
Total comprehensive loss for the period:					
Loss for the period	-	-	-	(163,545)	(163,545)
Total comprehensive loss for the period	-	-	-	(163,545)	(163,545)
Transfer to distributable profits (note 8)	-	-	37,823	(37,823)	-
Transfer to legal reserve (note 8)	-	1,891	(1,891)	-	-
Balance at 30 September 2016 (Reviewed)	8,454,000	30,618	43,101	(3,768,307)	4,759,412
Balance at 1 April 2017 (Audited)	**8,454,000**	**35,405**	**134,045**	**(3,969,676)**	**4,653,774**
Total comprehensive loss for the period:					
Loss for the period	-	-	-	**(153,546)**	**(153,546)**
Total comprehensive loss for the period	-	-	-	**(153,546)**	**(153,546)**
Transfer to distributable profits (note 8)	-	-	**47,822**	**(47,822)**	-
Transfer to legal reserve (note 8)	-	**2,391**	**(2,391)**	-	-
Balance at 30 September 2017 (Reviewed)	**8,454,000**	**37,796**	**179,476**	**(4,171,044)**	**4,500,228**

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

VODAFONE QATAR P.Q.S.C.

INTERIM CONDENSED STATEMENT OF CASH FLOWS
For the six month period ended 30 September 2017

		Six months ended 30 September	
		2017	2016
		(Reviewed) QR'000	(Reviewed) QR'000
Cash flows from operating activities			
Net loss for the period		**(153,546)**	(163,545)
Adjustments for:			
Depreciation	6	**128,350**	132,425
Amortisation	7	**246,601**	255,656
Loss on disposal of property, plant and equipment		**691**	51
Profit from mudaraba		**(844)**	(859)
Wakala financing cost		**12,120**	11,634
Other financing costs		**3,064**	1,494
Change in operating assets and liabilities:			
Decrease in inventories		**3,151**	5,040
Decrease / (increase) in trade and other receivables		**122,581**	(4,780)
Decrease in trade and other payables		**(109,228)**	(86,616)
Decrease in provisions		**(13,001)**	(1,414)
Net cash flows from operating activities		**239,939**	149,086
Cash flows used in investing activities			
Purchase of property, plant and equipment		**(47,860)**	(82,158)
Purchase of intangible assets		**(29,618)**	(10,352)
Proceeds from disposals of non-current assets		**17**	-
Profit received from mudaraba		**844**	859
Net cash flows used in investing activities		**(76,617)**	(91,651)
Cash flows used in financing activities			
Repayment of wakala financing (net)		**(145,660)**	-
Dividend paid		**(952)**	(3,994)
Net cash flows used in financing activities		**(146,612)**	(3,994)
Net increase in cash and cash equivalents		**16,710**	53,441
Cash and cash equivalents at the beginning of the period		**168,884**	130,409
Cash and cash equivalents at the end of the period		**185,594**	183,850

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

1 INCORPORATION AND PRINCIPAL ACTIVITIES

Vodafone Qatar P.Q.S.C. (the "Company") is registered as a Public Qatari Shareholding Company. The Company was registered with the Commercial Register of the Ministry of Business and Trade on 23 June 2008 under Commercial Registration No 39656. The shares of the Company are listed on the Qatar Exchange.

The Company is licensed by the Ministry of Transport and Communications (formerly the Ministry of Information and Communications Technology) to provide both fixed and mobile telecommunications services in the state of Qatar. The conduct and activities of the Company are primarily regulated by the Communications Regulatory Authority (CRA) pursuant to Law No. 34 of 2006 (Telecommunications Law), the terms of its mobile and fixed licenses and applicable regulation.

The Company is engaged in providing cellular mobile telecommunication services, fixed line services and selling mobile related equipment and accessories. The operations and activities of the Company are confirmed as being Sharia compliant. The Company's head office is located in Doha, State of Qatar and its registered address is P.O. Box 27727, Qatar Science and Technology Park, Doha, State of Qatar.

Qatar Commercial Companies Law No. 11 of 2015 (the "new Commercial Companies Law") which is applicable to the Company came into effect from 7 August 2015. The Company revised its Articles of Association to achieve compliance with the new Commercial Companies Law which necessitated a number of amendments to the Articles of Association.

The final form of amended and restated Articles of Association were approved and validated by the Ministry of Justice on 1 June 2017 and published by the Ministry of Economy and Commerce in the Official Gazette on 10 September 2017.

Subsequent to the period end, the Company held an Extraordinary General Assembly ("EGA") on 18 October 2017, where the shareholders approved (subject to regulatory approval) certain changes to the Articles of Association to more closely align the Company with other listed companies in Qatar, allow the Company to incorporate the recently issued Corporate Governance Rules for listed entities issued by the Qatar Financial Markets Authority (QFMA) and to set the Company for future growth. At the EGA, the shareholders approved changing the financial year end of the Company from 31 March to 31 December and accordingly, the Company will prepare financial statements for a shorter financial year for the nine (9) month period ending 31 December 2017 (subject to regulatory approval). Other amendments to the Articles of Association approved by the shareholders include changes to the procedures for the election of the Chairman, granting permission for the Company to enter into potential financing arrangements and to grant security in respect of such financing arrangements and the introduction of a limit of 5% on individual shareholdings in the Company, with certain exceptions.

2 BASIS OF PREPARATION

The interim condensed financial statements for the six month period ended 30 September 2017 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ('IAS 34').

All amounts in the interim condensed financial statements are stated in thousands of Qatari Riyals (QR'000) unless indicated otherwise. These interim condensed financial statements are presented on a condensed basis as permitted by IAS 34 and therefore do not include all disclosures that would otherwise be required in a full set of financial statements and should be read in conjunction with the annual financial statements for the year ended 31 March 2017.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 March 2017. There are various new standards and amendments effective for annual period beginning on or after 1 January 2018. These revised and new standards and interpretations have no major impact to the financial statements of the Company. However, there are some amendments and standards that are issued and not effective during the current financial period but have a significant impact in the future periods, which are as follows:

IFRS 15 'Revenue from Contracts with Customers' (Annual periods on or after 1 January 2018): The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (e.g. 1 January 2018), i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. The Company has completed an initial impact assessment of IFRS 15 on its financial statements. Based on review of terms and conditions of the Company's current products and services, the impact is currently limited to some contracts with enterprise customers and on accounting for acquisition costs, which are not expected to be material. The Company is currently working on some changes in internal processes to ensure compliance by 1 January 2018.

- *IFRS 9 'Financial Instruments' (Annual periods on or after 1 January 2018):* addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In July 2015, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard. The Company is currently in the process of finalising the assessment of the impact of IFRS 9 on the financial statements which is not expected to be significant.

- *IFRS 16 'Leases' (Annual periods on or after 1 January 2019):* The International Accounting Standards Board (IASB) has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.

  IFRS 16 is expected to have a significant impact on the financial statements of the Company by increasing the reported assets and liabilities for the existing operating leases, particularly relating to leased network assets (base stations, leased lines), IT network (data centers) and property leases (stores and offices). The Company is currently in the process of finalising the impact assessment.

Risk management, judgments and estimates

The preparation of the interim condensed financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period, and the reported amounts of revenue and expenses during the reporting period. Actual results could vary from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Management has carried out sensitivity analysis over these significant judgements to assess if any adjustment is needed to the amounts recognised in these condensed interim financial statements and concluded that no material adjustment is required.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company's financial risk management objectives and policies, judgments and estimates are consistent with those disclosed in the annual financial statements as at and for the year ended 31 March 2017.

Impairment reviews

IFRS requires Management to undertake an annual test for impairment of indefinite lived assets and, for finite lived assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

As at 31 March 2017, the Company prepared and Vodafone Group approved formal five-year plan for its business and the Company used these as the basis for the license impairment reviews.

In light of recent events during the 6 months period ended 30 September 2017, including the network outage during July 2017, which lasted approximately 5 days, and the blockade on the State of Qatar imposed by certain countries in the region in June 2017, Management has updated the license impairment test as at 30 September 2017. Management sensitized the latest available approved forecasts and revisited key assumptions to reflect the impact of these events based on the current trading data. Accordingly, Management used reduced expected future cash flows with no significant adjustments made to other key inputs, which led to a decrease in the excess headroom of recoverable amount above carrying amount. Based on the results of the test, Management has concluded that no impairment is required to be recognized.

Management is in the process of completing its full annual budgeting process, which will form the basis of a further update to the impairment test to be performed as at 31 December 2017.

4 REVENUE

	Six months ended 30 September	
	2017	2016
	(Reviewed) QR'000	(Reviewed) QR'000
Revenue from pre-paid mobile services	**479,542**	609,281
Revenue from post-paid mobile services	**331,242**	287,398
Sale of equipment and other revenue	**134,438**	103,192
	945,222	999,871

5 BASIC AND DILUTED LOSS PER SHARE

	Six months ended 30 September	
	2017	2016
	(Reviewed)	(Reviewed)
Loss for the period (QR '000)	**(153,546)**	(163,545)
Weighted average number of shares (in thousands)	**845,400**	845,400
Basic and diluted loss per share (QR)	**(0.18)**	(0.19)

There is no dilutive element and hence basic and diluted shares are the same.

6 PROPERTY, PLANT AND EQUIPMENT

	30 September 2017	31 March 2017
	(Reviewed) QR'000	(Audited) QR'000
Net book value at the beginning of the period / year	1,232,878	1,248,644
Additions during the period / year	47,860	254,376
Depreciation for the period / year	(128,350)	(270,062)
Disposals for the period / year	(700)	(80)
Net book value at the end of the period / year	1,151,688	1,232,878

7 INTANGIBLE ASSETS

	30 September 2017	31 March 2017
	(Reviewed) QR'000	(Audited) QR'000
Net book value at the beginning of the period / year	4,781,947	5,235,124
Additions during the period / year	29,618	56,343
Amortisation for the period / year	(246,601)	(509,520)
Disposals/ write off for the period / year	(8)	-
Net book value at the end of the period / year	4,564,956	4,781,947

8 DISTRIBUTABLE PROFITS

As per Article 76 of amended and restated Articles of Association of the Company, distributable profits are defined as the net profit/loss for the financial period plus amortisation of license fees for the period. Undistributed profits are carried forward and are available for distribution in future periods.

	Six months ended 30 September			
	2017		2016	
	(Reviewed) QR'000	(Reviewed) QR'000	(Reviewed) QR'000	(Reviewed) QR'000
Balance at beginning of the period		134,045		7,169
Net loss for the period	(153,546)		(163,545)	
Amortisation of license fee	201,368		201,368	
Distributable profit	47,822		37,823	
Transfer to distributable profits		47,822		37,823
Transfer to legal reserve		(2,391)		(1,891)
Balance at period end		179,476		43,101

9 PROVISIONS

	30 September 2017	31 March 2017
	(Reviewed) QR'000	(Audited) QR'000
Asset retirement obligations	56,271	54,121
Employees' end of service benefits	30,618	28,269
Other provisions	14,321	31,821
	101,210	114,211

10 SEGMENT INFORMATION

The Company only operates in Qatar and is therefore viewed to operate in one geographical area. Management also views that its mobile business is the main operating segment of the Company. Fixed line services are reported in the same operating segment as they are currently immaterial to the overall business.

11 RELATED PARTY TRANSACTIONS

Related parties represent the shareholders, directors and key management personnel of the Company and companies controlled, jointly controlled or significantly influenced by those parties. The following transactions were carried out with related parties:

	Six months ended 30 September	
	2017	2016
	(Reviewed) QR'000	(Reviewed) QR'000
Sales of goods and services:		
Vodafone Group Plc controlled entities	**1,637**	2,381
Purchases of goods and services:		
Vodafone Group Plc controlled entities	**60,430**	75,200
Profit on wakala liabilities:		
Vodafone Finance Limited	**12,120**	11,634

Goods and services are bought from related parties at prices approved by management, as being on an arm's length basis. Balances arising from sales/purchases of goods/services:

	30 September 2017	31 March 2017
	(Reviewed) QR'000	(Audited) QR'000
Receivables from related parties:		
Vodafone Group Plc controlled entities	**4,151**	5,432
Payables to related parties:		
Vodafone Group Plc controlled entities	**59,751**	69,442
Wakala financing from:		
Vodafone Finance Limited	**812,014**	945,554

The receivables from related parties arise mainly from sale transactions which are unsecured in nature and bear no interest. The payables to related parties arise mainly from purchase transactions and bear no interest. Wakala liabilities have a profit share based on six month LIBOR plus a margin of 0.75% on the investment amount and additionally 0.5% on the total facility.

12 COMMITMENTS AND CONTINGENT LIABILITIES

	30 September 2017	31 March 2017
	(Reviewed) QR'000	(Audited) QR'000
Operating lease commitments	**623,941**	650,923
Capital commitments	**112,620**	43,022
Contingent liabilities	**52,292**	53,732