

Corporate Participants

Carson Wolfer

Qtel Group - IR

Ajay Bahri

Qtel Group - CFO

Jeremy Sell

Qtel Group - CSO

Presentation

Operator

Thank you for standing by ladies and gentlemen and welcome to the QTEL Group Q1 2012 Results Call. At this time all participants are in a listen-only mode. There will be a presentation followed by a question and answer session at which time if you wish to ask a question you will need to press *1 on your telephone. I would now like to turn the conference over to your speaker for today, Mr Carson Wolfer; please go ahead, sir.

Carlson Wolfer – QTEL Group - IR

Thank you operator. Hello and welcome; the Qtel Investor Relations team thank you for joining us for today's call to discuss Qtel's 2012 Q1 financial results. As part of today's discussion I am pleased to introduce Mr Ajay Bahri, Chief Financial Officer for the Qtel Group and Mr Jeremy Sell, Chief Strategy Officer for the Qtel Group.

We will first open with an overview of the Group's results followed by a question and answer session. Before we begin, a few necessary disclaimer points if you refer to slide number one. In the course of today's discussions we may make some forward looking statements. These will be based on the information available to us as of today and so you should not assume that in the future we will continue to hold these views. As such, we do not commit to notify you if our views change. We therefore refer you to our public filings for some factors that may cause forward looking statements to differ from actual future events or results.

To begin, I will now hand over to Ajay.

Ajay Bahri – Qtel Group - CFO

Thank you Carson and welcome to everyone on the call. Let's begin by turning onto slide number four.

We've seen solid and consistent financial results in the first quarter of 2012. When comparing year on year the increase in revenue was 7.6% and EBITDA of 8%. Net profit attributable to Qtel shareholders was Qatari Riyal 711 million which is down 12.2% compared to last year, primarily due to year on year FX impact in Indonesia. Net of this impact the operating performance was strong at 9% growth. I will get into more specifics around individual companies, shortly.

As previously announced within the Qtel Group two strategic initiatives also took place during the period. The Qtel QSC rights issue which will result in approximately US\$1.9 billion and the Indosat tower transaction that although not finalised as yet has a total potential consideration of US\$590 million.

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Let's take a look at the financial performance of the Group. Q1 was a successful quarter for the Qtel Group as demonstrated by our results. As mentioned earlier, consolidated revenue for Q1 grew 8% to reach 8 billion Riyals. EBITDA increased about 8%, increasing to about 3.8 billion Riyals. The EBITDA margin has remained consistent at 48%.

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Net profit attributable to Qtel shareholders stood at QAR711 million. As previously mentioned, the main reason for the decrease was the FX impact specifically in Indonesia. I'll get into more detail about the Qtel debt profile, but let's have a look at the Group's net debt and leverage ratios. The net debt stood at 26.2 billion Riyals and the gearing trended slightly lower at 1.8, which is well within the target given by Qtel Board of 1.5 to 2.5 times net debt to EBITDA.

Next slide please.

This slide shows you the capital expenditure status in Quarter One. The programme for investment continues across the Group and Quarter One basically is a slightly slower quarter when you do see a catch-up as we go ahead during the year.

If you look at where Qtel debt is held Qatar continues to hold the majority debt and Indonesia comes later with about 20% of the total Group debt. As you will have read in a previous release of March 25 the Qtel General Assembly approved the distribution of cash dividend of 30% and bonus shares of 30% of the issued share capital.

As announced last week, the rights issue will open to existing shareholders for subscription on 13 May and will close on 24 May. Shares will be offered at a price of 75 Riyals, 10 Riyals nominal value plus a premium of 65 Riyals. Additionally, the Qtel General Assembly also approved an increase in the authorised capital from 2 billion Riyals to 5 billion Riyals. Finally, as I mentioned in the 2011 full year call in February S&P and Moody's all reaffirmed the Qtel Group ratings and outlooks.

Next slide please.

As far as the debt profile is concerned, we have spoken about this previously and we have cash in hand earmarked for the facility due in August; the \$3 billion which is due in August. So during this year no other major refinancing is required. We do have refinancing due next year, 2013, about 1.25 billion Riyals in May of next year, but, before that the \$3 billion is fully covered by cash in hand.

Next slide please.

As far as subscribers are concerned, we again saw good results. The key growth markets, such as Iraq, Indonesia and Algeria, all saw growth when comparing year on year.

Next slide please.

In this chart you can see a recap of our financial performance. In terms of the annual guidance we are providing revenue growth of 4 to 9% compared to 2011. EBITDA growth of 3 to 8% and a capital expenditure programme of between Riyals 7.3 to 8 billion, which is similar to the guidance we had given last year. This year we do see some spend on modernisation of networks across various operating companies.

If you move to slide number 13 you will see the strategy of the Group which, in the last call, Jeremy had gone through the detail of this. Jeremy is available here for questions and answers later, but no new developments on the strategy.

Maybe we can move straight on to slide number 15. Now we look at the overview of the operation results in our key markets. As a reminder, I'd like to refer you to the section of the presentation starting on slide 23, as well as a breakdown by operations workbook; both provide additional detail on each operating company, including sequential quarterly results.

Starting with our operations in Qatar Qtel; Q1 saw record revenue levels driven by year on year growth across all key market segments. Revenue in wire-line saw a slight decline due to one-off contractual revenue in Q4. Revenue increase combined with optimisation of cost, grew a strong growth in EBITDA margins. A decline from Q1 of previous period primarily due to staff salary increases in Q3 of last year which we explained during our call of that quarter.

Next slide please

Moving onto Asiacell another quarter of strong performance with continued growth in international usage and on-net usage. This was alongside successful subscriber acquisition leading to subscribers reaching almost 9.5 million customers. Normally the EBITDA performance was in line with the previous quarter if you exclude the spectrum fee reversal which was explained in our last call and EBITDA margin now more reflects operational performance. Of course, going forward, as a result of promotional and marketing activities they can give slight impact on the margins. The IPO process is still ongoing. We don't have any update in terms of timing for that, as yet.

Moving on to the next slide, Indonesia; as you are aware, due to scheduling difficulties Indosat did not hold their 2011, 2012 Q1 call today and they only released highlighted numbers. These numbers are based on Indonesian GAAP and there is a retrospective adjustment on accounting for leavers so you will see some differences with numbers which you see in there which Qtel have taken up.

Given that we are limited as to what we can say until they release their numbers I can only go through the quick highlights. In line with the overall moderation of the market growth there has been an increase in pricing pressures in this period. Despite this, Indosat recorded growth in revenues for the start of the year as a result of an increase in subscribers which are now 51 million. Cellular revenue has increased which in turn has driven EBITDA growth as well. Finally, as you are aware, Indosat announced a sale and leaseback agreement with Tower Bersama for 2,500 towers for its existing tower portfolio.

Moving on to the next slide, Nawras in Oman; they announced the results for Q1 on April 24 and they will have their conference call tomorrow, details of which are available on their website. Revenue and EBITDA were impacted by a combination of ongoing competitive pressures, a reduction in their SIM usage, as well as the reduction in international call charges. All of this has impacted the revenue performance.

Nawras added subscribers across both mobile and fixed segments with the fixed segment showing continued good growth as we have spoken about previously. ARPU was impacted by SMS revenue decline and the IDD charges that I put to you just now and this was offset by an increase in the data revenue. The revenue for Q1 also was impacted as a result of completed promotions during this period. The fixed line revenue was up as a result of higher customers. From Q4 to Q1 there is a decline of EBITDA margin by about 1% as a result of the revenue decline which I have just explained.

Moving on to the next slide, Wataniya and Kuwait; revenue was down as a result of heightened competitive dynamics, slowdown in the market and the impact of the roaming revenue which was as a result of the decrease in the roaming charges in GCC. Q1 2011 revenue was positively impacted by the anniversary celebration in Kuwait last year, so if you compare it to last year part of the variance is explained by the benefit the company got from that one-off event.

Q4 to Q1 revenues flat in local currency. Prepaid customers are slightly down due to churn and also due to timing of promotional activity. EBITDA margin was impacted by reduction in revenue and also due to the SIM card royalty fee that was introduced in Q3. If you take into account this impact the EBITDA margins are more or less stable. Net profit Q4 to Q1 is positive. In Q4 there was an impact of impairment of the asset in Saudi. If you exclude that impairment charge, net profit would be in line with Q4.

Moving on to the next slide, Algeria; Algeria maintained strong performance in terms of both revenue and EBITDA as the strategic focus on high-value customers continued to deliver good performance. Positive trends in Revenue, ARPU and EBITDA margin also developed during this period. Q1 had lower promotional and marketing activity and that's why it positively impacted the EBITDA margin. The EBITDA margin you see in Quarter One can be impacted slightly going forward with more promotional activities. The company continues to invest in its network to take care of the additional subscribers that it has on the network now. There is no further clarity from the Government, as yet, on the 3G licence process; as and when we get more information we will share that with you.

Moving on finally to Tunisia; Q1 continued to see the economic challenges affecting the Tunisian economy, especially the tourist sector which had a broad impact. Tunisia saw growth in subscribers as well as revenue and EBITDA year on year. However, ARPU was impacted mainly due to less roaming revenue because of the lower tourism in the country. As compared to 2011 the impact of the refugee situation has also begun to abate.

Q4 to Q1 revenue was down primarily because of seasonality which gets reflected in the visitor roaming and the IDD calls plus there was a reduction in the mobile termination rates by the regulator which also has impacted the company. There was an FX impact also about 4% compared to Qatari Riyal and the Tunisian currency. In terms of Qatari Riyal you do see a decline in revenues. For clarification, the 3G licence and the fixed licence process is still ongoing and we are awaiting a decision from the Government.

Thank you and I'd like to hand it back to Carson now.

Carson Wolfer – *Qtel Group - IR*

Thanks Ajay. We can now move to the question and answer session. Operator will you now please explain to the participants how to ask questions.

Questions and Answers

Operator

Ladies and gentlemen, if you would like to ask a question please press *1 and wait for your name to be announced. To cancel that request, just press the # key. That's *1 if you would like to ask a question.

We have a question from the line of Christian Kern; please ask your question.

Christian Kern – *JP Morgan*

Christian Kern from JP Morgan; thanks for the presentation. I was just wondering if you can comment a little bit on the ambitions in Saudi following the potential restructuring of Zain KSA.

Jeremy Sell – *Qtel Group - CSO*

Thanks Christian, it's Jeremy here. We would very much like to be in Saudi, I don't think that's a big secret and we've been looking at a way to get in, in a sensible manner for some time. All I can really say about the restructuring is that we are watching it with interest and we'd really like to see some more details before we can comment on that further, but it is front of mind.

Christian Kern – *JP Morgan*

Thank you.

Operator

The next question comes from the line of Emmy Al Ghabra; please ask your question.

Emmy Al Ghabra – *UBS*

Emmy Al Ghabra from UBS here; you said you're happy with your position for paying back the debt maturing in August, perhaps you could let us know whether you have any plans to access the Eurobond market, perhaps towards the end of this year or beginning of next year.

Ajay Bahri – *Qtel Group - CFO*

As of now we do not have any plans of accessing the bond market because the refinancing needs are well taken care of. On the financing which is due next year, as we stand today we do have cash to take care of that as well.

Emmy Al Ghabra – *UBS*

Great, thanks very much.

Operator

The next question comes from the line of Ranjan Sharma; please ask your question.

Ranjan Sharma – JP Morgan

It's Ranjan Sharma from JP Morgan; thank you for the call and congratulations on a good set of results. Two questions if I may; firstly, can you give us some details on your Qatar fibre launch, like the reach of the programme and how many customers you have and what are the outputs you expect to generate from it? Secondly, on CAPEX, your CAPEX guidance implies 11 to 22% increase in CAPEX year over year; if you could shed some light on where this increase is coming from and where do you see investing the money?

Ajay Bahri – Qtel Group - CFO

The fibre project as we've explained in the past is being launched in two phases; the first phase of that is more or less completed and the second phase is also ongoing. We haven't shared the details of the ARPU of those customers as part of our normal reporting. However, what I can assure you is that the customers who get onto the fibre network do get high-speed internet as well as triple play and high definition TV. So I think the ARPU is generally higher than what we normally charge on the ADSL triple play. So these are generally high ARPU customers and as the customer numbers increase the ARPU benefits also come to the company.

In terms of the CAPEX, you're right there is an increase from the actual numbers that we spent last year; there was a little bit of spin over from last year into this year but the major reason for the increase is the modernisation of the CAPEX in a lot of our subsidiaries. There is a swap out option in some of our subsidiaries to get single fiber equipment. This equipment gives flexibility to upgrade the equipment from 2G to 3G from 3G to LD without changing the internet and that opportunity is being seriously looked at to make it more efficient and future-ready.

Ranjan Sharma – JP Morgan

So basically CAPEX is upgrading your networks in your (unclear)?

Ajay Bahri – Qtel Group - CFO

No it's a combination of growth CAPEX, because we are growing next year plus we also have maintenance CAPEX and, of course, the third piece of that is modernisation also.

Ranjan Sharma – *JP Morgan*

Thank you that is very clear.

Operator

The next question comes from the line of Stephen Pettyfer; please ask your question.

Stephen Pettyfer – *Bank of America*

Thanks for the call; it's Stephen Pettyfer from Bank of America Merrill Lynch. Just two questions, please; first, could you just give a little more colour on your comments about the roaming revenue impact, particularly in Kuwait and if you could quantify that it would be very helpful? Secondly, could you give us an update on your shareholding in Wataniya?

Ajay Bahri – *Qtel Group - CFO*

Actually, there was an agreement between GCC countries about the roaming revenue within the countries, and, as a result, the roaming rates have been decreased across all the companies so that has had some impact. It does have a little bit of elasticity, but not as much because a lot of customers who do roaming are not as price elastic so I don't have a percentage impact for you but maybe offline we can see if we can share that with you or not. But this is something which impacts all the operators not just NMTC Kuwait.

As far as shareholding of NMTC is concerned we hold 52.5% of NMTC.

Stephen Pettyfer – *Bank of America*

Thanks; have you said anything recently or updated anyone about your future plans there just to explain the NMTC share price recently?

Ajay Bahri – *Qtel Group - CFO*

No there's no talk about that.

Stephen Pettyfer – *Bank of America*

Okay, thank you.

Operator

Once again ladies and gentlemen, that's *1 if you would like to ask a question.

Next question comes from the line of Alok Mawani; please ask your question.

Alok Mawani – NB Capital

This is Alok Mawani from NBK Capital; thank you for hosting the call. Just one question, if I may on Kuwait competitive dynamic; could you shed a bit more colour in terms of how the market is evolving? We see that your revenues are down 7%. Admittedly, obviously, there is an impact on roaming revenues but if you exclude this impact would you say revenues would still be growing or is there another story that we should perhaps know a bit more about?

Ajay Bahri – Qtel Group - CFO

There's a little bit of seasonality element; Q4 normally is a stronger quarter. But, at the same time, the dynamics in Kuwait and others are quite similar; you do see increase in data revenue which does offset a little bit of decrease in SMS so these dynamics continue. Overlaid on top of that and seasonality of course is the roaming revenue and the competitive dynamics. But each quarter is different for each company so it's a combination of all these which has impacted revenue performance.

Operator

The next question comes from the line of Ranjan Sharma; please ask your question.

Ranjan Sharma – JP Morgan

Just a quick follow-up; on Indonesia you reported FX losses due to adverse performance in the currency but we don't see a depreciation of the Indonesian Rupee but we do see it has been volatile. So if you could explain where the Forex losses have come from, that would be great, thanks.

Ajay Bahri – Qtel Group - CFO

I think your comment is definitely factually correct as far as Q1 of this year is concerned; the FX loss is a small number. But if we compare it to last year; last year Quarter One there was a big FX gain because of the Indonesian Rupee appreciating Quarter One of last year. If you look at year on year it compounds the impact; the gain has been now replaced by a loss. You have to go to both of them to understand the movement.

Ranjan Sharma – *JP Morgan*

Okay, I see now I should have seen first quarter 11 as well. Thank you.

Operator

The next question comes from the line of Akber Khan; please ask your question.

Akber Khan – *Al Rayan Investment*

Could you just talk a little bit about Oman; it appears that since the Narwas' main competitor has upped its game, Narwas has been left a bit, I guess, on the back foot so, short of waiting for the competitor to change its strategy, what are the options to fix this / to turn around the business?

Ajay Bahri – *Qtel Group - CFO*

I think we have talked about our Group strategy in the previous call as well. I think we are focusing on customer experience as a fundamental strategy of the Group and it can be applied to Narwas as well. And on top of that, of course, the focus on broadband and the basics of getting a better network in place are some of the things we are actively looking at. Broadband, for us, is obviously a key element for our growth going forward. Jeremy, do you want to add something here?

Jeremy Sell – *Qtel Group - CSO*

Yes, I mean, I think this is quite a common problem with companies that have put all their efforts into an IPO and, you know, we have re-purposed the management quite vigorously over the beginning quarter of this year to get back to basics and have a much firmer grip on segmentation, on customer experience and network quality and that is where they are going. So they are absolutely back to quarter on quarter delivery and meeting the business plan that they put together when we did the IPO. So that is uncompromising and that has been reflected in their targets for this year.

Akber Khan – *Al Rayan Investment*

Thank you, so do you expect those changes to arrest the decline in the top line growth?

Jeremy Sell – *Qtel Group - CSO*

We hope so, yes. There's nothing structural in the market that's causing that. We will be pursuing growth in the top line and all the way down through profitability programmes to the bottom line and to CAPEX.

Akber Khan – *Al Rayan Investment*

Thank you.

Operator

Once again ladies and gentlemen that's *1 if you would like to ask a question.

There are no further questions; please continue.

Carson Wolfer – *Qtel Group - IR*

Thank you operator and thank you all for joining today's call. Please refer to the Qtel Investor Relations website for additional updates or feel free to contact Investor Relations team if you need further information. We look forward to your future participation in our Q2 2012 update, the date for which we will announce in the near future. Meanwhile, thank you again for your interest in Qtel and have a good day.

Operator

Thank you, that does conclude our conference for today. Thank you all for participating; you may now disconnect.