Transcription for OORDEOO GROUP

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Corporate Participants

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Presentation

Operator
Ladies and gentlemen, welcome to Ooredoo Group First Quarter 2018 Financial Results Investor conference call and webcast. I now hand over to your host, Mr Andreas Goldau, Ooredoo Group Investor Relations. Sir, please go ahead.

Andreas Goldau
[Arabic greeting]

Hello and welcome to Ooredoo's financial results call.

[Introductions]

We start with an overview of the group results followed by a Q&A session. The presentation is available on our website, www.ooredoo.com as well as on our webcast. Before we begin, a few necessary disclaimer points if you refer to slide number two.

[Disclaimer]

To begin, I now hand over to Ajay.

Ajay Bahri
Thank you, Andreas, and thanks to everyone for joining today's call.

The first quarter of 2018 saw a mixed set of results across our operations. Strong performances in Iraq, Kuwait, Tunisia, Palestine, and Myanmar were more than offset by weak performances in Indonesia and in Algeria.

Consequently, group revenue was down 3%. Let me address the reasons for the weak performance in Indonesia and Algeria upfront.

They show that our markets here are impacted by major transitions, stricter regulatory requirements for SIM registration, voice, and SMS revenue decline during the period, not offset by a data increase, weaker economic environment, and higher taxes. Some of these transitions impact performance in the medium-term before stability is reached. We believe that these market effects are transitory and not indicative of our long-term performance achievable in these markets.

Let's move onto slide five; revenue and EBITDA. As mentioned, group revenue was impacted by a weak performance in Indonesia, where the new regulation on SIM card registration led to significant pressure on top line performance. Our policy is to strictly comply with market rules and regulations. Revenue in Indonesia decreased 23% mainly due to a loss of revenue from non-compliant customers, a change from a push to a pull distribution strategy. The decline in voice and SMS revenue, an industry-wide issue also had a negative impact on revenue. In Algeria, the weak economic environment and hard taxes impacted our results. Strong operational performance and advances in network rollout and network improvements resulted in strong performances in Iraq, Kuwait, Tunisia, Palestine, and Myanmar.

OpEx was maintained through tight cost control and group efficiency, however, due to lower revenue, EBITDA decreased. EBITDA margin stood at 39%.

Next slide please. Net profit. As discussed, the decrease in group net profit was mainly caused by the market adjustment in Indonesia and the challenging market conditions in Algeria. More details to follow in the OpCo section.

Let's move onto the next slide, capital expenditure and free cash flow. CapEx to sales ratio stood at 12% and it usually increases during the course of the year. Most of the CapEx investments are related to capacity and coverage primarily for 4G in our markets. Impacted by a lower EBITDA and an increase in CapEx, free cash flow declined 18% to 1.66 billion in the quarter.

Next slide please. I am pleased to report we continue to see good demand for our products and services with good customer additions in several of our markets. It is important to note that in spite of volatile moves in Indonesia, we maintained a robust group customer base of more than 150 million. Compared to Q4 2017, the decline in customer numbers is primarily due to disconnection of customers in Indonesia due to the regulatory requirements.

Slide nine; net debt. The next slide you will see we have a well-balanced debt profile. Net debt continues to decline, down 9% compared to the same period last year to QAR 26 billion. Our net debt to EBITDA ratio is two times, which is in line with our long-term guidance of between 1.5 and 2.5 times. The group debt remains mainly at a corporate level largely in Qatar, followed by Indonesia and then a smaller percentage allocated to the other OpCos. As a reminder, debt at the OpCo level is kept primarily in local currency.

Let's move to slide 10. As discussed so far, Q1 2018 was a challenging quarter for the group, with regulatory changes, new taxes, and difficult market conditions driving down revenue and EBITDA below guidance provided for 2018. However, we are working proactively to capture revenue growth opportunities and improved levels of profitability for the remainder of the year. We are continuing a disciplined CapEx approach.

Let's move onto group operations now (slide 14), Qatar. We maintained our clear number one position in Qatar and are proud to provide one of the fastest fixed line and mobile networks globally. The rollout of Ooredoo fibre services is progressing well. We serve more than 373,000 customers in Q1 2018, and are now practically covering the whole country. Our financial performance was hit by lower mobile voice and roaming revenues from GCC countries, slightly offset by sales of Ooredoo TV and mobile devices. Revenue stood at QAR 2 billion while EBITDA was QAR 955 million. To cement our market leading position in Qatar, we introduced a suite of freedom services for prepaid and post-paid customers. These freedom services, which make roaming and data services more attractive have already generated a positive customer response and underline our market leadership. Our customer numbers stood at 3.3 million, following a concerted effort to clear up customer records and remove inactive SIMs from the market. Quarter four to quarter one revenue was up 2.5%, benefitting partially from handset sales. The margins were slightly lower as a result of higher percentage of low margin handset sales.

Let's move onto slide 15. As already discussed, Indosat Ooredoo’s top line performance has been adversely impacted by new regulation with regards to SIM card registration. Indosat Ooredoo’s policy is to ensure strict compliance with market rules and regulations. Revenue decreased 23% mainly due to the loss of revenue from non-compliant customer accounts and a change in our distribution strategy to transition from push to a pull strategy. We believe that these structural changes to the market presents a new opportunity. Performance was also impacted by the voice and SMS revenue decline, as data penetration increases, as well as with competitive pressure in the market. In the short-term, we believe we will continue to see pressure on our top line performance, but in the long-term, our actions will lead to a more loyal customer base, lower churn rates, resulting from reduction of, what we call, a Washing Machine Effect, and eventually higher margins. OpEx decreased 11% through tight cost control and group efficiency. However, EBITDA was down in Q1 2018 35% to 586 million compared to the same period last year due to the revenue impact. Indosat Ooredoo maintained its position in the market, recognised as the second strongest brand in Indonesia. Quarter four to quarter one had a revenue and EBITDA margin decline trend similar to the year-on-year trend.

Let’s move to slide 16. Asiacell reported good results in Iraq as the security situation improves. Restoration of our network sites in the liberated areas progressed well in Q1 2018, which has also benefitted us in terms of customer acquisitions. Total customer numbers are up by 7% to reach almost 13 million customers. Revenue increased 6%, EBITDA also increased 12%, we maintained good control of operating expenses. EBITDA margin improved to 48% up from 45% in Q1 2017. In spite of these good results, we remain cautious and we will continue to focus on exercising strict cost control. I would like to remind everyone that we operate in a difficult market environment, affected by a worsening banking system and political situation. Q4 to Q1 revenue was slightly down 2% due to seasonality. The EBITDA margin was higher in Q4 due to certain year end accruals in Q4.

On the next slide, Ooredoo Oman delivered slight EBITDA growth for the first three months of the year, with a 53% EBITDA margin against a background of a flat revenue of QAR 661 million. Ooredoo Oman’s customer base was stable at 3 million customers, sustained by the fixed services customer base, which is up 33% compared to the same period last year. Quarter four to quarter one, the performance was generally stable.

Let's move to slide 18. Ooredoo Kuwait delivered a good set of results despite the decrease in customer numbers. Revenue was up 39% driven by post-paid packages in combination with handset sales that led to a compression of margins. Consequently, EBITDA was QAR 146 million in Q1 2018, slightly lower than the figure reported for last year. The market remains competitive, while the weak economic environment impacts customer purchasing power. During the quarter, we offered a variety of attractive post-paid promotions for customers. I am also pleased to say that our efforts were recognised as first place in the MENA digital awards for the Shamel ad campaign. Q4 to Q1 revenue was up 6.2% primarily because of handset sales and offset by seasonality. Margin was down due to lower margin handset sales, having an increasing percentage of revenue.

Let's move to the next slide. In Algeria, the increase in taxes, the weak economy and competition are causing an overall decline in the telecom market. This has been exacerbated by weakness in the Algerian dinar as well, which depreciated 4% year-on-year. Having said that, data revenues have shown robust growth on a year-on-year basis, but voice decline has been more severe. If the Algerian economy recovers, it could set a positive mark for Algeria where we are well positioned as a data market leader. Q4 to Q1 revenue was down about 7.5%, a combination of seasonality, competition, new taxes, and voice revenue decline. EBITDA margin was up slightly due to better cost control.

Next slide please. Tunisia delivered a robust set of results this quarter. Our customer base increased 7% in Q1 2018 compared to the same period in 2017. Revenue increased 8% in terms of local currency thanks in part to strong performance in mobile data and device sales. EBITDA was stable at the same level as in Q1 2017. In local currency terms, that is an increase of 6%. Q4 to Q1 revenue was up 3% benefitting from foreign exchange as well as handset sales, margin was down as explained to other markets due to higher percentage of handset sales.

Moving onto slide 22. Ooredoo Myanmar had an excellent quarter, achieving its highest ever revenue of QAR 374 million, which is 16% higher than the corresponding quarter in 2017. EBITDA tripled to QAR 65 million for the same time period, driven by a combination of revenue growth and cost efficiency improvements. ARPU was driven up by strong data and digital revenues, and at the same time, our market share grew further. MYtel the fourth operator entry into the market in March had a limited impact on our business. During Q1 2018, Ooredoo Myanmar completed the nationwide 2G launch and made good progress in rolling out 4G. Quarter four to quarter one revenue was up 3% and the EBITDA margin also increased by 1%.

That concludes the OpCo section and I will hand back to Sarah from our IR team.

Sara Al Sayed

Before we go into the Q&A section, we are pleased to have been nominated for the EXTEL Survey this year CEO, CFO, and IR categories. The Ooredoo IR team would highly appreciate your support and vote. The address of the EXTEL website is shown on this slide. Furthermore, Ooredoo will be joining the Qatar Exchange Conference in London on 9th May. We still have some slots available on 10th May in case you want to meet us in London, please do let me know. Thank you.

Question and Answer Session

Operator
[Operator instructions]

We have a question from Ziad Itani from Arqaam Capital. Please go ahead.

Ziad Itani
I just have a few questions on Indonesia. The SIM verification is being done in a phased manner and should be completed by May 2018. Just wondering how much of your subscribers have already been verified there.

Ajay Bahri
The verification of SIMs, as you correctly said, is an on-going process and one has to finish it by May. A large percentage has already been completed, but it will be fully completed by the target date.

Ziad Itani
And the revenues, just looking at your subscriber base, it is still flat year-on-year, but your revenue is down close to 25%, so this is from the ARPU pressure?

Ajay Bahri
The revenue, like I said, is a combination of a couple of things. One, of course, is the SIM card registration, customers which were suspended. Also, what has happened is that the SIM card sale process, which was happening in the market, and I am talking about the whole industry there, was driven by what we call this Washing Machine Effect, pushing SIMs in the market which were being sold as vouchers, actually. We pulled back from that process in Q1 completely in anticipation of the requirement to adhere to the customer registration requirements by May, so that slowed down that washing machine process, which we consider a transition period where we were proactive.

The third impact, which has also come is the decline in voice and SMS revenue, and this invariably happens at a different trend point as you increase your data penetration. There is normally a point of inflection when that decline starts happening. Unfortunately, these three things have happened coincidentally at the same time in this quarter, so the impact is quite significantly amplified. But we believe all these three things are transitory in nature, and as this SIM registration process settles down, long-term that would mean less churn going forward, efficiency in distribution cost as well, and that should long-term benefit in terms of margins.

The voice to data long-term is fine, but the trend decline that has happened in this quarter – it happened in previous quarters as well, but you see a more significant impact of that in quarter one. And the change from what we call push strategy to a pull strategy, basically, means that the distribution channels will be used to pull customer demand rather than push SIMs in large-scale in the market, which was the previous industry norm.

So it is a combination of a few things like this. The decline is quite significant and we expect that this transition period on all these three aspects will play out soon in short-term and then we expect stability after that.

Ziad Itani
Also, on Indonesia, when we look at the EBITDA margin or, basically, just the EBITDA, looking at Indosat results themselves, you have 22% decline in revenues, but the decline in EBITDA is close to 38%. I am just wondering, and this is in spite of an 11% reduction in total expenses, so I would say that the decline is (in EBITDA) would be more than 40% adjusting for that. I am just wondering how much of that decline in EBITDA is due to necessary SIM verification costs and how much is due to the loss in revenues?

Ajay Bahri
The big picture, I gave you three reasons, the change in strategy and distribution, the disconnection, as well as the voice declining trends. Approximately I would put equal weightage to each, approximately, and you're right that the cost efficiency was there, despite that you see a revenue decline, but our expectation is that after one more quarter, one could expect to see stability in this transition and could expect growth coming back to very similar levels as we have seen in the past.

Ziad Itani
This is very useful, because basically it implies that we’re going to see 20% growth in EBITDA once the SIM verification is done, if it is half.

Ajay Bahri
Like I say, there is one-third for each, because there is a push-pull strategy point as well, so I don’t want to conjecture on the EBITDA margin going

forward. There will be, of course, the call on Q1 from Indosat where they may comment on their own guidance and where we will better sense from their call, but we do expect improvement towards the latter half of the year. That is what I can confirm to you.

Ziad Itani
Just one more question please on Algeria. With regards to the increase in taxation, can you remind us when that happened?

Ajay Bahri
This is a new tax total about 1% of revenues, which started from January of this year. This is additional taxation.

Ziad Itani
And how much is this?

Ajay Bahri
1% of the revenues.

Ajay Bahri
It is in the additional tax, there is the old taxation which of course is already there, but the incremental tax was 1% of the revenues.

Operator
Our next question is from Eric Chang from HSBC. Please go ahead.

Eric Chang
Good afternoon, just two follow-up questions on Indonesia. Could you just explain what you mean by washing machine effect and also explain what is the difference in the change in your business model, you're going from push to pull marketing. What does that mean in layman terms?

Ajay Bahri
In a lot of markets, in the prepaid market what happens is when you talk about washing machine is that the distribution channels are flooded by all the operators and the SIM cards end up being sold more like vouchers, which

means that you do get customers, but the moment, that customer sees another SIM card with better value than a voucher, then they would rather go and buy a new SIM card. That is what a washing machine effect you see in a lot of prepaid markets where the distribution channel is pushing SIMs which sometimes a more beneficial than buying a recharge voucher.

This is linked to the push and pull strategy as well, in a market where customer registration requirements were not very strict, the push strategy, or the distribution action, which I just explained is easy to implement. That means you just give a SIM card to someone more or less like a voucher. However, when the requirement to register becomes very strict, which is the case now going to be in Indonesia, that means that a customer comes, they have to give ID, which has to be registered and put into the system and which is more cumbersome for customers as well as the distributor, and vendors at the point of sales may not want to invest so much time because time is money for them to make a sale like this. It's a balance of these things which plays out in a lot of markets when a transition like this happens, so anticipating this change, we have proactively decreased our push strategy and concentrating on the alternative, which is the pull strategy, which is always there, normally you have both these strategies in the market, so we are putting more focus on the pull side with our products now.

Eric Chang
One last question just on Burma, you've reached EBITDA profitability, can you give us a sense of what kind of a margin you'd be satisfied with when your competitor, Telenor, is 40% plus; is the difference due to some differences in accounting policies, accounting treatments of certain costs or it's just that it's a business model?

Ajay Bahri
I think it's basically the size of the business that we have in comparison to Telenor. Their revenues are almost double, if you see, compared to us, so they have the scale benefit, and earlier we were only in the 3G market, so our target market was different from that of Telenor. Recently we have done nationwide 2G launch as well, so we see… as a result of that we see that we are still growing in the market, so I would not say what is the target for us, but we would say the industry target is relevant to the size of what we would target, so we're seeing a steady growth in the previous few quarters in the EBITDA margin. We definitely are not where we want to be. We expect it to be in the long-term better than where we are today.

Operator
Our next question comes from Madi Sin, Morgan Stanley. Please go ahead.

Mady Singh
Continuing on Indonesia, given the sharp decline in revenues and EBITDA, what is your sense in terms of the time required for, let's say, a full recovery in both revenue and EBITDA? Would it be one year? Would it be two years? Some sense on that. And just related with that, does this sharp decline in Indonesia's performance change your guidance in any way for the full year, because I see that your guidance is only about -1.5% to +1.5% revenue growth and EBITDA for a similar amount? Given that it's such a massive decline in Indonesia, that alone would be a risk to your guidance, right? Thank you.

Ajay Bahri
Okay, for the time for the recovery for Indonesia, like I said, they're in a transitory phase in a couple of areas here. One is the SIM card registrations, which I think will play out in a quarter or two and that's my overall judgement right now and as things go along, we can refine that thought. Similarly, the impact of push to pull strategy is in a way linked to that and that should also play out in a couple of quarters. The decline in voice and SMS to be offset by data, I think that trend happens in different markets and with the different operators in different points in time based on the mix of the customers and the products that you put in the market. I think right now in second quarter we have seen the decline more than the growth in data, but this generally stabilised the decline of voice once we switch to OTT. It happens for the customers who want to do it; it does stabilise, so that also we would expect in a few quarters to be reaching stability. I will not give a specific timeframe, but what I can say is this is a transitory phase. These declines are not permanent in their very nature, but this transition will play out in a few quarters before stability is seen here.

Your question on guidance is a good one. We just finished quarter one and what we would like to do is once we have done this quarter two, we will seriously look where we have reached and also what actions, which we'll have planned for some of this recovery we've talked about, as well as efficiency, so we'll be in a better sense to give you a comment on that after quarter two.

Operator
Our next question comes from Omar Maher, EFG Hermes. Please go ahead.

Omar Maher

Again, a few questions on Indonesia. I just wanted to ask what exactly is the nature of the verification process, so is it a biometric verification process or is it just registering or verifying against national ID sort of process? What exactly is the cost that is associated with the verification process? I mean, how much was it in the first quarter and how much is expected in the coming few quarters? Lastly, how much of the subscriber base exactly has been verified so far in terms of percentage of total?

Ajay Bahri

I think the actual verification process again is not biometric-based. It's a simple process where the customer ID copies need to be available and if they're not available, you cannot have that customer in your database, so the process is to be compared with selling a voucher, which is just if anyone comes without verification you can give them an e-type of voucher for example, so the cost is not really significant for this process, and there is not much change as far as the costs are concerned. The impact really is if your database had customers without proper support for ID then you can't keep those customers in your base. The requirement is to finish everything by May, so we're already end of April, so we are well progressed in verifying all the customers now.

Omar Maher

Can you provide a percentage on the verified so far versus unverified?

Ajay Bahri

It's an ongoing process. I don't have an exact percentage, but we already end of April and the implementation is May, so it's I would say close to getting completed I would say.

Omar Maher

When exactly was it mandated by the regulator?

Ajay Bahri

It was mandated in October and the implementation date I believe is beginning of May. I can get that date for you offline, but my understanding is it's more in the first half of May.

Omar Maher

One last question from my end on the same topic, is there a way for you or for any of the competitors to re-register the disconnected subscribers in a way that would accelerate the process or are those that have been disconnected already lines or subscriptions that had no IDs associated with them and did not go through your branches in order to do the registration process? I mean, how easy is it for you to get back those subscribers? How much time would it take?

Ajay Bahri
Normally what you do is you… since this was a transition process, you do try to get these customers back to your offices to get them registered with you or try to get a copy of their IDs or whatever verification is required. However, some customers are not keen to do it and they end up getting a disconnection. Unfortunately, that's when it triggers action from customers, so in theory one can assume is that customers who get disconnected come into what we can call a churn pool in the market from all the operators in the market and different operators could take a different share of that depending on how the customers decide at that point in time what they want to do. The point is that these customers are not really going out of the market completely. Some of these if they are multi-SIMers may have the SIM of another operator and they start using it with recharge cards; others may come back and take a SIM from you again, so it's a very dynamic process and that's why I said this will play out in a couple of quarters to see where things actually settle down. It's difficult to say how this will actually play out, but in terms of our strategy we have been proactively working on this, so we believe we are well placed to look at this event as an opportunity for a better long-term result. I would say that.

Operator
Our next question comes from Nishit Lakhotia, SICO. Please go ahead.

Nishit Lakhotia
My question is more at a group level. When you look at the overall operations, in terms of… there's weakness in many of your key operations, Indonesia, even Qatar is kind of flat this quarter, and even… the only two operations where I see some growth coming is possibly Iraq and Myanmar, and Kuwait as well there seems to be some pretty intense competition, and the revenue growth is not really reflecting at the EBITDA level. In this backdrop, where do you see Ooredoo heading over the next one or two years, and is there any change in strategy or any other growth areas that the management are looking at? Along with that, a bit more granular level, market environment update on Qatar, how is the population growth and is there any slowdown

that you expect or that you are seeing right now in the market and you expect that to pick up with FIFA coming closer, and a lot of project execution going on in line with that? That's my first question.

The second is on the other income; you've got a huge Forex gain this quarter and there was miscellaneous income as well, which led to a big chunk of your bottom line, otherwise it could have been much worse, so it's again just give more clarity as to what exactly is this gain coming from which currency. Is it related to transaction exposures? That would be very good. Thank you.

Ajay Bahri
Okay, starting off with the strategic question of the group is concerned, let me address it first on the short-term basis. We have given guidance for 2018. That was before we have got this impact in quarter one and that time ourselves we were not forecasting a huge growth. We were talking up to 1.5% growth, so that took into account the growth potential in the current market, as well as the challenges we have in all the market we are in. If you talk about growth beyond that, right now we are not anticipating due to any big M&A transactions. We do look at options every now and then, but that is not the focus right now. The company, like all telecom companies, is looking at digital transformation as well and it's been there in the telecom industry for the past few years, and the industry is expecting in certain areas to get some growth from the digital partnerships mainly. That could propel a little bit of growth in the industry, but if you're talking more about the M&A side of activity, that is not a big focus right now and we don't see any big opportunities as far as the M&A is concerned there.

As far as Qatar is concerned, the population has been growing close to 2% year-on-year approximately, as some of the construction activity is slowlypicking up, but I should say that the pick-up of the activity in quarter one and quarter two so far is a little slower than what we have anticipated, which really means that in the second half we would expect a cover up of that in terms of activity, because the deadline for the World Cup is there and activity has to happen. It's more a question of timing there and that has partly impacted our revenue performance to some extent there.

You're right about the other income and miscellaneous income, which we have benefited fortunately in this quarter. Very often we've had negative impact on FX, so the timing was to our benefit, but it is coming basically to a large extent from Myanmar where the currency has appreciated during the quarter. We do have minor improvements in other currencies as well, small positive movements in our other currencies, but the major impact I would say in excess of 80-85% would be from Myanmar.

Operator
Our next question comes from Sani Wali, Q Invest. Please go ahead.

Sani Wali
I only have one question left and it's probably related to the restricted deposits, so we saw at the end of 2017 you guys had around 844, roughly it's increased by another 400 million. Can you please explain as to what's happening with that? Is that bank in Iraq still restricting Ooredoo from repatriating this money or is it held against the dividend or is it held against FX hedging? Can we just understand the nature and why is this number growing?

Ajay Bahri
The increase that you see earlier is basically because of dividends declared by some of our operations like Kuwait for example, which had still not been paid until 31 March. Since those payments have been made now, you would not see that in quarter two, but at the same time the cash would not be there in that OpCo as well, except to the extent it's been upstream to the growth there.

Sani Wali
Okay and any issues taking money out of Iraq or no, because I understand that was an issue back in 2016 and 2017? Does that continue still to be there or it's been resolved?

Ajay Bahri
The issue continues to be still there. All the small amounts have been upstreamed, but the major upstream issues are still not fully resolved, but directionally we see some possibilities which are better than where we were maybe one year back, as the country is becoming more stable as well, so we expect things to gradually improve in that direction.

Operator
Our next question comes from Dilya Ibrahimova, CITI. Please go ahead.

Dilya Ibrahimova

I have two questions please. The first is on Qatar. Based on KPIs that you have disclosed it appears that there has been decline in postpaid subscriber base and a release mentions that there has been clean-up, but obviously if I look at the ARPU there has been decline in postpaid ARPU both year-on-year and quarter-on-quarter, which is a bit unusual, because usually a clean-up of the inactive subscribers means that ARPU goes up, so maybe you could give a bit of colour there, but otherwise it looks like the postpaid revenue is coming down as well as the prepaid revenue. Maybe you could comment a little bit on the competitive environment in the country through Q1. Is it stable? Is it more competitive where the prices are going in Qatar? My second question is on Indonesia.

Ajay Bahri
Okay, let me take the Qatar question first. The decline in customer numbers you're right is not getting offset by an ARPU increase, which would normally happen if that was the only activity which had happened during the quarter. What was also happening, part of the impact is that the voice revenue is on a declining trend, which includes international voice as well as roaming revenue, which like I mentioned earlier has impacted us. If you look at last year, the roaming revenue impact from GCC was not there, so year-on-year you see part of the impact of that also there, plus the general trend of voice decline continues as well. I would factor these two things along with the customer number decline, which is the customer clean-up.

As far as competition is concerned, competition has been intense generally in Qatar always, with the change of ownership we had a question last time about how does it make a difference. We don’t think long-term it makes a difference, because Vodafone has been competitive in the market from the day they launched their operations, but we do see that as their network is getting better than where they used to be, they are becoming more competitive in the postpaid section as well, but we believe we are well positioned with our quality of network, offers, and customer service to defend our position.

Dilya Ibrahimova
Okay, thank you very much. It seems like if I am looking quarter-on-quarter at the service revenue there has been a decline of some… just one second… around 9, 10%, but maybe it’s just I'm not looking at it correctly.

Ajay Bahri

A little bit of seasonality is always there between quarter four and quarter one as well, so you have to factor a little bit of that as well.

Dilya Ibrahimova

Okay, that's clear, thank you. On Indonesia, sorry to dwell on it again, but just considering the timing of the guidance that you've given to us for the full year '18, it has been given at first half of February and based on the run rate in the first quarter it seems like there is definitely a downside to it, but it seems like the guidance has not incorporated some of the impact that you're seeing in Indonesia from the regulatory impact. If that's the case, does that mean that the impact of the clean-up started after you've given the guidance to the market, so end of February/March, and if that's the case, does that mean that what we have seen in the first quarter is actually 1, 1.5 months' worth of impact? If that is the case, what should we expect in the second quarter? Should we expect acceleration of the decline in revenue and EBITDA? If you could give a bit more colour, that would be great. Thank you.

Ajay Bahri

Sure. I think big picture when we give guidance we are looking at the annual guidance, which is towards the end of the year and the impact and seasonal… not seasonality I would say, the variability in quarters is overall taken care of when we get the guidance. Having said that, I think it's good to acknowledge that the transitional impact of this has been more significant than we initially thought, but although it is a concern and we are working to get this transitory impact settled as soon as possible. We also know that long-term it is a transitory impact, so it will play out in due course. The only question which we will have to consider as we get into more detail closer to quarter two end is the latest estimate of when the stability will come in. Our plans had considered stability to return maybe earlier than where we see today, but I don't want to jump to that conclusion until we see the impact from the corrective action that we'll do. I would suggest we wait until the end of Q2 to better understand these dynamics.

Sara Al Sayed

We have received one webcast question from [Ithar], NBK Capital, "Should we expect the 14 million customers that were lost due to verification to be reconnected gradually as the process goes on? Will the Indonesian EBITDA stabilise at their current levels?

Ajay Bahri

See, as far as the customer clean-up is concerned, like I said, the customers who get disconnected would need service and in the multi-SIM market there's a possibility to come back to you or they may return their other SIMs if that was not disconnected, so there is a little bit of risk here, not just for us, but for the other operators as well. Like I said, it's a risk and an opportunity both, which presents itself with this SIM registration and disconnection process. Having said that, what we definitely expect to happen is that gross adds and the churn levels to start decreasing in the market as a industry trend, which overall is positive for the market. These customers who are getting disconnected eventually will have to turn up either as new customers back with us or if customers… or the flipside is if someone had a SIM and was not using it, they got disconnected from the competition, then they may start using our SIM as well. It's difficult to forecast how this will play out, but we have an equal opportunity to grab, I would say, a fair share of the customers who will get disconnected.

Andreas Goldau
I believe that was the last question, so I would like to thank you all for joining today's call. Please refer to the Ooredoo investor relations website for any additional updates and follow us on Twitter @OoredooIR. Feel free to contact the investor relations team with any questions that you might have and if you are interested in meeting us in London at the Qatar Exchange Conference on 9-10 May, please do let us know. Thank you very much and our next call is scheduled for the end of July, July 25-26. Thank you very much for your continuous interest in Ooredoo.
