

Media Release – November 14, 2019

Integration progressing well with 14 circles and 78% of districts consolidated; Data capacity is almost 2x in consolidated circles

Highlights for the Quarter

- Q2 Revenue declined 3.8% QoQ impacted by seasonality and floods in key markets.
- **Strategic initiatives have started to reflect in our performance, with daily revenue increasing month-on-month in both September and October 2019.**
- Synergy realization on track with **~75% of the synergy target achieved** by Q2FY20.
- Network integration completed in 14 circles, driving significant network speed improvement. Orissa, Karnataka, Rajasthan and Kolkata circles integrated in Q2; **78% of districts now consolidated.**
- **Fastest 4G network** in circles of Delhi, Madhya Pradesh, West Bengal as well as in Sikkim and Chennai according to Ookla. 4G speeds continue to improve, notably in consolidated circles.
- Deployment of ~55,000 TDD sites by Q2FY20 to augment data capacity; **Massive MIMO rollout** remains the largest in India.
- **LTE 900 rollout** expanded to 8 circles, with launch in Haryana and Madhya Pradesh during Q2.
- Following the Hon'ble Supreme Court judgement on the AGR matter, the Company has recognised a charge of Rs. 256.8 billion in the financial statements.

Financial Highlights

<i>Consolidated (Rs Mn)</i>	Q1FY20	Q2FY20
Revenue	112,699	108,440
EBITDA	36,500	33,471
<i>EBITDA%</i>	<i>32.4%</i>	<i>30.9%</i>
Depreciation & Amortisation	61,308	63,094
EBIT	(24,808)	(29,623)
Interest and Financing Cost (Net)	34,441	33,519
Exceptional Items		
- Impairment (non-cash)	(5,808)	(48,222)
- Others	(2,262)	(259,523)
Share of Profit/(Loss) from Indus & ABIPBL	581	1,295
PBT	(66,738)	(369,592)
PAT	(48,739)	(509,219)
Other Comprehensive Income (net of Tax)	(344)	240
Total Comprehensive Income (Consolidated)	(49,083)	(508,979)

Ravinder Takkar, MD & CEO Vodafone Idea Limited, said "We are in active discussions with the government seeking financial relief following the recent Hon'ble Supreme Court ruling. At the same time, we remain highly focused on rapid network integration and 4G coverage and capacity expansion in our key markets. Data experience for our customers has significantly improved post consolidation and we now lead the league tables on 4G data download speeds in the circles of Delhi, Madhya Pradesh, West Bengal as well as in Sikkim and Chennai. We believe this is leading to improved customer perception and consequently better 4G traction for us, as we have started to witness improved 4G subscriber additions. We remain well on track to deliver our synergy targets by Q1FY21."

Financial highlights

Q2FY20 revenue of Rs. 108.4 billion declined 3.8% QoQ, impacted by seasonality and by severe floods in many of our major markets. We also continue to see ARPU down trading.

EBITDA for the quarter decreased to Rs. 33.5 billion, (Rs. 10.5 billion excluding Ind AS 116 impact vs Rs. 12.5 billion in Q1) a QoQ decline of 8.3% as lower revenue was partially offset by continued cost synergy realisation. Q2FY20 underlying operating expenses (excluding License fees & Spectrum Usage Charges and roaming & access charges) were Rs. 15.8 billion lower compared to Q1FY19, after adjusting for inflation driven cost increases and incremental network rollout. On an annualised basis, this represents ~75% of our target opex synergy of Rs. 84 billion. We therefore remain well on track to realize our full opex synergy targets by Q1FY21.

We remain committed to delivering 4G coverage to 1 billion Indians by the end of FY20. However the Capex guidance has been revised to ~Rs. 130 billion from Rs. 170 billion for FY20, primarily on account of savings resulting from better pricing, disaggregation of components while ordering and reduction in planned 4G footprint in non-priority areas. Furthermore, lower than expected capacity requirement during the year has also resulted in capex deferral to FY21. Reflecting these benefits, Q2FY20 capex spend was Rs. 21.4 billion.

Gross debt as of September 30, 2019 was Rs. 1,173 billion, including deferred spectrum payment obligations due to the Government of Rs. 891.7 billion, but excluding lease liabilities. Cash & cash equivalents were Rs. 153.9 billion and net debt Rs. 1,019.1 billion (vs Rs. 992.6 billion in Q1FY20).

Consequent to the recent judgement by Hon'ble Supreme Court, we have accounted for the estimated liability of Rs. 276.1 billion related to License Fee and Rs. 165.4 billion related to Spectrum Usage Charges up to September 30, 2019 including the interest, penalty and interest thereon of Rs. 330.1 billion. This estimate is based on demands received from DoT till date, an estimation for the period for which demands have not been raised, together with interest and penalty adjusting for certain computation corrections. Whilst the Company has provided for SUC, considering that no spectrum is used for generating non-telecom income, the Company is evaluating the levy of SUC on such income. Accordingly, during the quarter we recognised a charge of Rs. 256.8 billion as a part of exceptional item after adjusting the available provision and potential payments, on satisfaction of contractual conditions, under a mechanism with Vodafone Group.

In addition, based on revisions in our business plan, we are in the process of re-farming our 3G spectrum for offering 4G services along with our Network integration / alignment exercise. Accordingly, certain assets capitalised earlier may no longer be usable, resulting in an accelerated depreciation charge of Rs. 40.3 billion disclosed as part of exceptional items.

In line with the above changes, we have reassessed the recoverability of deferred tax assets, stopped further recognition and derecognized the Deferred Tax Assets amounting to Rs. 139.4 billion recorded up to June 30, 2019. As a result, loss for the quarter stands at Rs. 509.2 billion.

Integration update

Integration is progressing well and is expected to complete by Q1FY21. Opex synergies of Rs. 84 billion are targeted to be achieved two years earlier than the initial plan set at the time of the merger announcement in March 2017.

As at September 30, 2019, we had completed network integration in 14 service areas with Orissa, Karnataka, Rajasthan and Kolkata integrated during Q2. In the remaining circles, integration continues to move at a rapid pace based on a cluster-by-cluster approach, with subscribers of both brands gradually migrating to the new network, which has significantly greater coverage and capacity. We have already completed network integration in 78% of districts.

The improved coverage and capacity following integration, coupled with the deployment of TDD sites, Massive MIMO and LTE 900 MHz on select sites, continues to materially improve data speeds across circles. The data capacity in the 14 integrated circles as of September, 2019 has almost doubled compared to September, 2018. We now deliver the fastest 4G network speeds in the circles of Delhi, Madhya Pradesh and West Bengal as well as in Sikkim and Chennai, based on Ookla data. We have witnessed improving trends on 4G subscriber additions, successively in September and October 2019. As the integration is now moving towards our stronger circles, we expect further support to these trends.

As part of our network integration, we had removed surplus equipment from ~50,000 sites out of the total ~73,000 co-located sites by the end of September, 2019, further benefiting our cost base. In addition, we had exited ~16,000 low utilization sites by the end of September, 2019.

Operational highlights

The subscriber base declined to 311.1 million from 320 million in Q1FY20. Subscriber churn continues to improve, reaching 3.5% in Q2FY20 compared to 3.7% in Q1FY20 and 7.2% in Q4FY19. During the quarter, gross subscriber additions has also increased QoQ. ARPU for Q2 was Rs. 107 vs Rs. 108 in Q1FY20.

We continue to invest in 4G to increase coverage and capacity. During the quarter we added ~12,000 4G FDD sites to increase 4G coverage, and deployed ~6,000 TDD sites in addition to deployment of Massive MIMO in key circles to increase capacity. We are making progress in implementing LTE 900 in select locations, including through dynamic spectrum refarming. Our overall broadband site count stood at 405,346 in Q2 compared to 392,747 in Q1FY20.

Our network investment initiatives have delivered a significant capacity uplift and enhanced our customers' experience. Our 4G population coverage continues to improve and stands at ~72.2% as of September 30, 2019, compared to less than 50% for each of the brand at the start of the operations.

During the quarter, we added 5.5 million 4G customers (Q1FY20: 4.1 million), taking our overall 4G subscriber base to 90.3 million and we continue to see improving trends in 4G net adds. Total data volumes grew by 8.4% to 3,492 billion MB compared to the last quarter. Total minutes on the network declined by 6.7% during the quarter, primarily due to a reduction in incoming minutes.

Fund raising / Asset monetization

The merger of Indus Towers and Bharti Infratel is awaiting regulatory approval from the Department of Telecommunications, having received all other required approvals. The long stop date on the original agreement has been extended to December 24, 2019. Vodafone Idea plans to monetize its 11.15% stake in Indus on completion

of the Indus-Infratel merger. In addition to exploring options to monetize nearly 160,000 Kilometers of intra-city and inter-city fibre, we are exploring monetization of our Data Centre.

AGR Judgement by Hon'ble Supreme Court and its impact

The Hon'ble Supreme Court on October 24, 2019 announced its judgment on the Adjusted Gross Revenue (AGR) matter which has significant financial implications for the industry. Further, the Hon'ble Supreme Court has provided 90 days' time to pay the amount and report compliance. We have accounted for the estimated liability of Rs. 276.1 billion related to License Fee and Rs. 165.4 billion related to Spectrum Usage Charges up to September 30, 2019, including the interest, penalty and interest thereon of Rs. 330.1 billion. This estimate is based on demands received from DoT till date, an estimation for the period for which demands have not been raised, together with interest and penalty adjusting for certain computation corrections. Whilst the Company has provided for SUC, considering that no spectrum is used for generating non-telecom income, the Company is evaluating the levy of SUC on such income. Accordingly, during the quarter we recognised a charge of Rs. 256.8 billion as a part of exceptional item after adjusting the available provision and potential payments, on satisfaction of contractual conditions, under a mechanism with Vodafone Group. We are in the process of filing a review petition.

Further, the Company through Cellular Operators Association of India ('COAI') has made representations to the Government to provide relief to the telecom sector, including but not limited to requesting to not press for the AGR liability payment and grant waivers, not levy Spectrum Usage Charges on non-licensed revenue / income, reduction of License fee and SUC rates, use of GST credit for payment of Government levies and allow payment to be made in installments after some moratorium and grant a moratorium of two years for the payment of Spectrum dues beyond April 01, 2020 up to March 31, 2022. The Government has also taken cognizance of the financial stress on the telecom sector and has recently set-up a Committee of Secretaries ('CoS') to evaluate the telecom operators' plea and suggest measures to mitigate the financial stress.

It is to be noted that our ability to continue as going concern is dependent on obtaining the reliefs from the Government as discussed above and positive outcome of the proposed legal remedy. Pending the outcome of the above matters, these financial results have been prepared on a Going Concern Basis.

About Vodafone Idea Ltd. (formerly Idea Cellular Ltd)

Vodafone Idea Limited is an Aditya Birla Group and Vodafone Group partnership. It is amongst India's leading telecom service provider. The company provides pan India Voice and Data services across 2G, 3G and 4G platforms. With the large spectrum portfolio to support the growing demand for data and voice, the company is committed to deliver delightful customer experiences and contribute towards creating a truly 'Digital India' by enabling millions of citizens to connect and build a better tomorrow. The company is developing infrastructure to introduce newer and smarter technologies, making both retail and enterprise customers future ready with innovative offerings, conveniently accessible through an ecosystem of digital channels as well as extensive on-ground presence. The company's equity share are listed on National Stock Exchange (NSE) and the BSE in India.

Vodafone Idea Limited (formerly Idea Cellular Ltd) - CIN L32100GJ1996PLC030976, Registered Office: Suman Tower, Plot No. 18, Sector 11, Gandhinagar 382011, Gujarat, India. Tel: 91 79 6671 4000, Fax: 91 79 2323 2251. Web Site: www.vodafoneidea.com; E-mail: info@vodafoneidea.com