

**Communications
Regulatory Authority
State of Qatar**

**هيئة تنظيم
الاتصالات
دولة قطر**

**Order to:
Vodafone P.Q.S.C.
Regarding the Change of
Control of Vodafone Qatar**

**CRALU 2018/03/18
March 18, 2018**

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1 Background

1. On February 27, 2018, Vodafone Qatar P.Q.S.C. ("**Vodafone Qatar**") has notified, pursuant to Article 47 of the Law, the CRA of the intent of Vodafone Group PLC ("**Vodafone Group**") and Qatar Foundation for Education, Science and Community Development ("**Qatar Foundation**") to enter into an agreement to change the control of Vodafone Qatar. Vodafone Qatar wishes to complete the transaction on Mar 19, 2018.
2. After a first review of the notification, the CRA sent a list of questions and required documents to Vodafone Qatar on March 4, 2018 (CRA/PO/08/2017). CRA requested Vodafone Qatar to attend a meeting to discuss the nature and impact of the transfer of control.
3. During the meeting held on March 4, 2018, CRA and Vodafone Qatar went through the list of information required and Vodafone Qatar has presented the transfer of control. Vodafone Qatar has also provided the Co-operation Agreement between Vodafone Qatar and Vodafone Sales and Services Ltd, dated Feb. 26, 2018, draft Amended and Restated Articles of Association of Vodafone Qatar P.Q.S.C., and Vodafone Qatar Global Policy Standards.
4. On March 7, 2018, Vodafone Qatar has provided a final draft of its response to CRA's request of information.
5. During a meeting held on March 8, 2018, CRA and Vodafone discussed Vodafone Qatar's submission and CRA has requested clarifications regarding Vodafone Qatar submission, especially in terms of business continuity, development, and the Co-Operation Agreement.
6. On March 8, 2018 Vodafone Qatar supplied further materials.
7. On March 9, 2018 Vodafone Qatar confirmed the completeness of the Long Range Plan.

2 Legal Basis

8. Article (47) of the Telecommunications Law issued by Decree Law No. (34) of 2006 ("Telecommunications Law") empowers the CRA to approve, approve with conditions or reject the transfer of control of a Service Provider. To reach its decision, the CRA must take into account the effects of such a transaction on the telecommunications market, particularly on competition as well as consumer and public interest.
9. Article (77) to (85) of the Telecommunications By-Law No. 1 of 2009 (issued by the Board of ictQATAR pursuant to the Telecommunications Law) lay down the regulatory framework applicable to such a transfer of control. More specifically, the CRA shall decide within thirty (30) days from receiving the notification of a transfer of control whether the related operation requires a pre-approval under Article (78) of the By-Law (Phase 1). If not, the CRA shall issue an Order approving the operation. If, on the other hand, the CRA considers that the potential transfer of control may result in a substantial lessening of competition, the CRA shall conduct further investigations, and within sixty



(60) days, either approve the transfer of control, approve the transfer under conditions, deny the transfer, extend the review period or issue a notice to initiate an investigation (Phase 2).

10. Article (26) of Vodafone Public Mobile Telecommunications Networks and Services issued on 29 June 2008 (ICTRA 04/08) ("**Vodafone Mobile License**"), and Article (26) of Vodafone Public Fixed Telecommunications Networks and Services License issued on 29 April 2010 (ICTRA 02/10) ("**Vodafone Fixed License**") require the Licensee to notify in writing the CRA of such transfer of control at least sixty (60) days prior to the completion date of the transaction.
11. In addition, CRA's activities are guided by the national policy of Qatar set out in Qatar Vision 2030 and the National Broadband Plan for the State of Qatar ("**National Broadband Plan**").^[1]
12. This Order provides the required assessment of the transaction.

3 CRA Assessment of the Transfer of Control

3.1 Market Structure and Market Situation

13. The Service Providers operating in Qatar are offering a broad range of services to individuals, businesses and the government entities. The following table lists the SPs in Qatar

Table 1 Service Providers and Licenses in Qatar [Source CRA Qatar]

Company	License	Comment
Ooredoo Q.S.C.	Qatar Telecom (QTel) Q.S.C. Public Mobile License ICTRA 08/07A, dated October 7, 2007 Qatar Telecom (QTel) Q.S.C. Public Fixed License, ref. ICTRA 08/07B, dated October 7, 2007	Ooredoo Q.S.C. and Vodafone Qatar P.Q.S.C. are effectively the only two Service Providers offering fixed and mobile retail services to the public

^[1] ictQATAR, National Broadband Plan for the State of Qatar, at 31 (December 2013) ("**National Broadband Plan**"). Consistent with this objective, the National Broadband Plan sets four targets: "(1) all of the population to have the ability to choose between a minimum of two broadband retail providers by 2016, irrespective of location; (2) ninety-five percent of households to have the ability to access affordable and high-quality broadband service of at least 100 Mbps effective download and 50 Mbps effective upload speeds by 2016; (3) All businesses, schools, hospitals and government institutions to have high-quality access to at least 1 Gbps effective symmetrical speeds by 2016; and (4) digital literacy to be expanded to all of the mainstream population by 2016, in conjunction with guarantees of the user's digital privacy, protection of personal data and freedom of opinion and expression. Consistent with this objective, the National Broadband Plan sets four targets: "(1) all of the population to have the ability to choose between a minimum of two broadband retail providers by 2016, irrespective of location; (2) ninety-five percent of households to have the ability to access affordable and high-quality broadband service of at least 100 Mbps effective download and 50 Mbps effective upload speeds by 2016; (3) All businesses, schools, hospitals and government institutions to have high-quality access to at least 1 Gbps effective symmetrical speeds by 2016; and (4) digital literacy to be expanded to all of the mainstream population by 2016, in conjunction with guarantees of the user's digital privacy, protection of personal data and freedom of opinion and expression.



Vodafone Qatar P.Q.S.C.	Vodafone Qatar Q.S.C. Public Mobile License – Amended version, ref. ICTRA 03/09 dated February 26, 2009 Vodafone Qatar Q.S.C. Public Fixed License, ref. ICTRA 02/10 April 29, 2010	
Qatar Satellite Company “Es’hailSat” P.Q.S.C.	Public Satellite Telecommunications Networks and Services License, ref. ICTRA 2013/10/07, dated October 07, 2013	Does not offer active retail services to the public
QSAT WLL	VSAT License, ref. ICTRA 12/10-2, dated December 22, 2010	Very narrow corporate niche, virtually no effect on the market
RigNet Qatar WLL	VSAT License ICTRA 12/10-1, dated December 22, 2010	
Harris Salam LLC	VSAT License, ref. ICTRA 03/12, dated March 22, 2012	
United Development Company P.S.C.	Wholesale Fixed Telecommunications, ref. ICTRA 01/10 dated 15 March 2010	Passive services at The Pearl Development only
Qnbn	Passive Fixed Telecommunications Networks and Services, ref. ICTRA 2012/07/22 dated 22 July 2012, as amended on June 11, 2013 and August 30, 2017.	Passive services to Service Providers and closed user groups

14. Ooredoo Q.S.C. (“**Ooredoo Qatar**”) and Vodafone Qatar are effectively the only companies providing fixed and mobile telecommunication services to the public in Qatar.
15. Qatar has seen limited competition in the mobile sector, whereas Ooredoo Qatar remains overwhelmingly dominant in the fixed sector. In terms of market share, Vodafone Qatar has less than 4% in the fixed markets and around 28% in the mobile markets.
16. As per the requirements of the regulatory framework, the CRA analysis has focused on future enablement in the telecommunication sector, i.e. the future potential of Vodafone Qatar.



3.2 The Transaction

17. Vodafone Qatar is currently controlled through a Joint Venture (“JVCo”) between Vodafone Europe and Qatar Foundation. The JVCo holds 380,430,000 shares in Vodafone Qatar P.Q.S.C equating to a 45% equity stake in Vodafone Qatar.
18. The capital of the JVCo comprises 1,616,000,000 Qatari Riyals divided into 64,640,000 shares with a nominal value of 25 Qatari Riyals per share. Vodafone Europe holds 32,966,400 fully paid shares in JVCo constituting a total equity interest of 51% in the JVCo (“Vodafone Europe Equity Interest”). Qatar Foundation held 31,673,600 fully paid up shares in the JVCo constituting a total equity interest of 49% in JVCo. Accordingly, the Vodafone Europe Equity Interest corresponds to an indirect equity stake in Vodafone Qatar P.Q.S.C of 22.95%.
19. The following figure summarize CRA’s understanding of the various corporate arrangements and shareholdings in Vodafone Qatar:

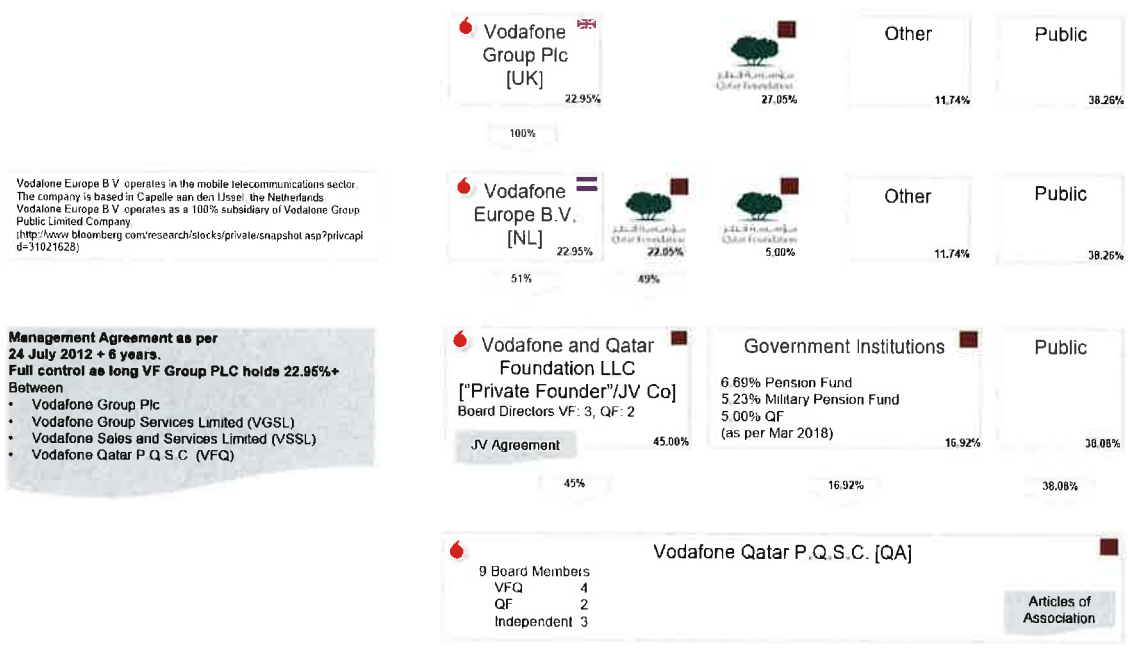


Figure 1 shareholdings in Vodafone Qatar [Source CRA Qatar]

20. On February 26, 2018, Qatar Foundation entered into a conditional Share Purchase Agreement (“SPA”) with Vodafone Europe, whereby Qatar Foundation agreed to purchase from Vodafone Europe, the Vodafone Europe Equity Interest (the “Transaction”). Upon completion of the Transaction, which is subject to and conditional upon various regulatory approvals being obtained and the satisfaction of a number of conditions precedent, the JVCo will be 100% owned by Qatar Foundation whose direct and indirect shareholding in Vodafone Qatar will then increase from its current level of



27.05% (comprising 22.05% held indirectly through the JVCo, and 5% held directly) to 50% of the share capital of Vodafone Qatar. The intended completion date for the Transaction is March 19, 2018 to align with Vodafone Qatar's Annual General Assembly meeting.

21. Vodafone Qatar states that in connection with the Transaction, the existing Management Agreement between Vodafone Group PLC, Vodafone Group Services Limited, Vodafone Sales and Services Limited and Vodafone Qatar dated July 24, 2012 ("**Management Agreement**") (cf.
22. Figure 1) will be replaced by a Co-Operation Agreement between Vodafone Qatar and Vodafone Sales and Services Limited ("**Co-Operation Agreement**"), a Vodafone Group subsidiary company incorporated in the United Kingdom. The replacement of the Management Agreement by the Co-Operation Agreement is conditional on the completion of the Transaction, and will not result in any business interruption or any operational change in the products and services that Vodafone Qatar receives from Vodafone Group and its subsidiaries.
23. On completion of the Transaction, Qatar Foundation will hold 100% of the share capital in the JVCo, which translates into an equity interest of 50% in Vodafone Qatar (45% via the JVCo, 5% direct).
24. Existing provisions in Vodafone Qatar's Articles of Association recognize the role of the JVCo and acknowledge certain rights which it is entitled to exercise (e.g. appointment of Board Members etc).
25. The following figure shows the changes resulting from the change of ownership:

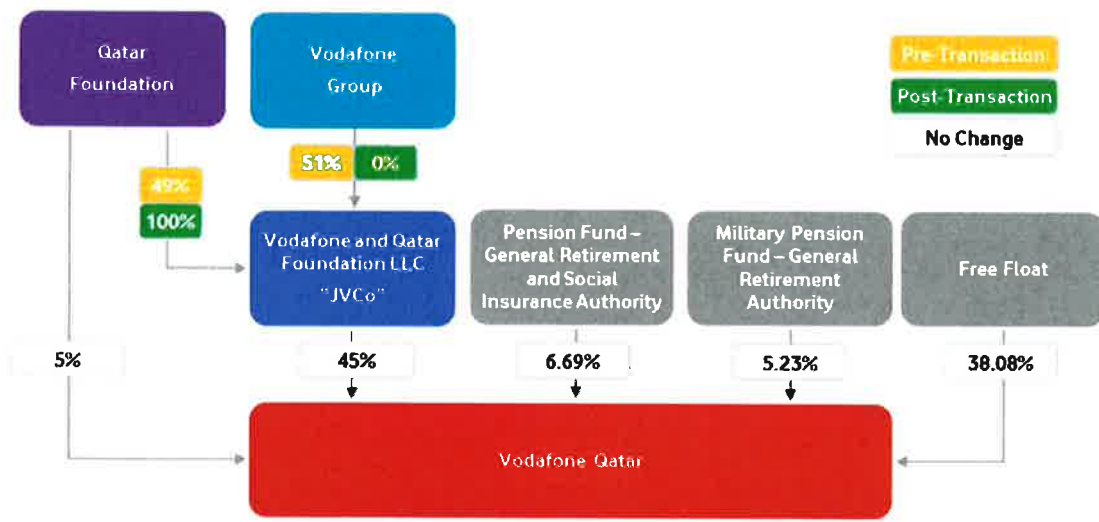


Figure 2 Changes resulting from the Transaction – pre/post [Source Vodafone Qatar]

26. This means effectively that the ownership structure of Vodafone Qatar will remain nominally unchanged. Nonetheless, the transaction will bring various changes, as e.g. listed in the next section.



3.3 Effects of the Transfer to Control

27. This section summarizes the effects of the transfer of control. The CRA has prepared a comprehensive report which shall remain confidential ("**CRA Report**").

3.3.1 Impact on Vodafone Qatar Corporate Structure

3.3.1.1 Articles of Association

28. Vodafone Qatar is proposing to obtain the approval of its shareholders (subject to obtaining all relevant regulatory authority approvals) to amendments to its Article of Association at an Extraordinary General Assembly ("**EGA**") of the company scheduled to take place on March 19, 2018. The key points are summarized as follows:

- (a) Amend the structure of the Board of Directors of the Company so that it be composed of seven (7) members, four (4) of which will be appointed by the JVCo and the remaining three (3) Directors will be independent members elected by the Shareholders of the Company. The current structure of the Board of Directors will remain in place until the expiry of the term of the current Directors on July 25, 2019. It is proposed to amend Articles 29 and 36 of the Articles of Association in order to reflect the change in the structure of the Board of Directors of the Company;
- (b) It is proposed to amend Article 39 of the Articles of Association to delete the specific items on which the Vodafone Group members nominated by the JVCo do not have the right to vote as these are no longer relevant.

3.3.1.2 Future leadership team

29. The Board of Directors is expected to be modified effective March 19, 2018:
1. H.E. Abdullah Bin Nasser Al Misnad | Chairman, Non-Executive, Independent;
 2. H. E. Akbar Al Baker | Vice Chairman, Non-Executive, Independent;
 3. Mr. Rashid Fahad Al Naimi | Managing Director;
 4. Mr. Nasser Jaralla Al Marri | Non-Executive, Independent;
 5. Mr. Nasser Hasssan Al-Naimi | Non-Executive;
 6. Board Members appointments for the remaining four (4) seats will be announced in due course;
30. Mr. Rashid Fahad Al-Naimi, the current Chief Executive Officer of Qatar Foundation Endowment, has been appointed as the Managing Director for the company with effect from February 26, 2018.
31. Effective March 19, 2018, the Executive Management Team shall be comprised of:
1. Sheikh Hamad Bin Abdullah Al Thani | Chief Executive Officer (CEO);
 2. Brett Goschen | Chief Financial Officer (CFO);
 3. Diego Camberos | Chief Operating Officer (COO);
 4. Ramy Boctor | Chief Technology Officer (CTO); and



5. Two member of the Executive Management Team, reporting to the CEO are under recruitment: Chief Human Resources Officer (CHRO) & Chief Corporate Officer (CCO responsible for external affairs, legal and regulatory).
32. Sheikh Hamad Bin Abdullah Al-Thani, the company's current Chief Operating Officer, will succeed Ian Gray in the role of Chief Executive Officer of the company. Diego Camberos, the current Consumer Business Unit Director for Vodafone Qatar, will succeed Sheikh Hamad Bin Abdullah Al-Thani in the role of Chief Operating Officer of the company.

3.3.2 Impact on Vodafone Qatar business continuity

3.3.2.1 Contractual arrangements with Vodafone Group

33. Vodafone points out that ensuring business continuity and avoiding any operational disruption to the business was the primary consideration in transitioning to the new arrangement under the Co-Operation Agreement between Vodafone Qatar and Vodafone Sales and Services Limited.
34. The Co-Operation Agreement is described in CRA Report.
35. Schedule 2 of the Co-Operation Agreement sets out the terms and conditions in respect of Vodafone Qatar's license to use the Vodafone trademarks and brand for the duration of the Co-Operation Agreement. There are no substantive changes in this aspect from the current trademark licensing arrangements.

3.3.2.2 Business Plan

36. Vodafone Qatar points out that its Long Range Plan will not change as a result of Vodafone Group's equity interest purchase by Qatar Foundation.
37. Vodafone has provided various documentation regarding its financials (Long Range Plan / Business Plan – cf. CRA Report).
38. To enable this plan, Vodafone Qatar has secured banking facilities.

3.3.3 Effect on consumers

39. The Transaction shall not have any adverse impact on consumers:
 - a) The change of control does not envisage any change in the retail structure or distribution channels of the company so customers will not be impacted e.g. no retail stores being shut down or being consolidated;
 - b) As the plans, products and services of the company will remain the same there will be no forced migration of customers from one company's products to another;
 - c) As there will be no post-merger re-branding, merging or dilution of brand value, customers will not be confused about the brand identity;
 - d) There will be no reduction in the number of account managers or sales representatives and a clear consistent message will be delivered to all Vodafone Qatar customers and any queries and concerns will be adequately answered;



- e) There will be no sharing of confidential customer information or database; and
- f) All customer facing systems will remain the same and will not require any additional training to staff.

Local ownership may also contribute to the company's products and services being more attractive to Qatari customers and enterprises and hence may use this added leverage to reach its ambitions plans more effectively.

3.3.4 Effect on competition in fixed and mobile

- 40. The Transaction does not affect the number of operators in the market or its structure and has no immediate impact on market concentration indicators, such as the HHI or market share.
- 41. Therefore, the Transaction should not generate any adverse effects on competition which could be a cause of concern to the CRA. Post-Transaction, Vodafone Qatar will continue to compete with Ooredoo in the manner that it has since its entry into the market, leveraging the Vodafone brand and the product and services of Vodafone Group.
- 42. The Transaction will also benefit Vodafone Qatar, as it will increase Vodafone Qatar's autonomy and business flexibility, e.g. regarding planning cycles and budgeting. CRA is also cognizant that synergies with other Qatar Foundation ICT operations, namely GBI and Meeza, may be accelerated.
- 43. Accordingly, the Transaction should not result in a substantial lessening of competition or raise competition issues. If anything, the Transaction, taken together with the mobile license extension and planned capital reduction, is expected to strengthen Vodafone Qatar as a competitor to Ooredoo.

4 Orders

- 44. Having reviewed the Transaction in conjunction with the documentation provided by Vodafone Qatar, the CRA is satisfied that the transaction will not immediately lead to a Substantial Lessening of Competition in the telecommunications markets.
- 45. This is based on the consideration, that the Transaction concerns the JVCo and not Vodafone Qatar itself. Nevertheless, the Transaction has effects, as e.g. a change in the Management Team of Vodafone Qatar.
- 46. Regarding the effects on competition and on consumers, the CRA cannot find any immediate detriment.
- 47. At least for the near future the structure on the telecommunications markets will remain duopolistic. Therefore having two strong players is important for a beneficial market outcome and enhanced consumer choice.
- 48. For this, the full implements of the Transaction, as outlined in Vodafone Qatar's submissions, is paramount. This implies, that the CRA needs to be fully and early informed about relevant changes affecting Vodafone Qatar's operations. Likewise, in

order to enable an orderly development it is vital that Vodafone Qatar adheres to the regulatory framework.

49. Taking into account the above, the CRA hereby:
- 49.1 Decides to approve the Transaction;
- 49.2 Orders Vodafone Qatar to:
- (a) Inform the CRA immediately about any change affecting Vodafone Qatar's potential business continuity, and especially about any change in the Co-Operation Agreement and the Articles of Association;
 - (b) Inform the CRA immediately about any major change in Vodafone Qatar Business Plan and / or about any difficulty which may prevent its implementation;
 - (c) Recognizing the role of the Chief Corporate Officer ("CCO"), implement an effective compliance regime regarding the regulatory framework. Therefore the CRA requests Vodafone Qatar to (i) grant to the CCO the necessary independence, including the necessary means in order to perform the duties, and (ii) shall provide a comprehensive quarterly compliance report, no later than three weeks after the end of the calendar Qatar. The CRA may further detail this reporting requirement.

5 Compliance

50. Under Article 11 of the Telecommunications Law, the CRA is required to monitor the compliance of licensees in accordance with their licenses and the accompanying Law and By-Law.
51. Article 4 (14) of the Emiri Decision (42) of 2014, specifically mandates the CRA to monitor compliance of the Licensees with the regulatory frameworks and to take the necessary measures to ensure their compliance.
52. CRA will monitor the compliance of Vodafone Qatar, inter alia, but not limited to against Vodafone Qatar provision of all required information in a timely manner. This monitoring will be carried out upon filing and checking of Vodafone Qatar website.
53. In the event of non-compliance, it shall result in one or a combination of the following enforcement provisions as stipulated under the Telecommunication Law:
- 53.1 Invoking the provisions of Chapter Sixteen (16) of the Law, whereby the Licensee shall be subject to criminal prosecution as a form of punishment for non-compliance with the relevant provisions of the Law and its license; and
- 53.2 Such non-compliance shall under Article 70 be punishable as an offence by a term of imprisonment not exceeding two (2) years and or a fine not exceeding One Hundred Thousand Riyals; or



- 53.3 Such non-compliance shall under Article 67 be punishable as an offence by imposing a term of imprisonment not exceeding one year and a fine not exceeding One Million Qatari Riyals; and
- 53.4 Under Article 71, the person responsible for the actual management of the corporate entity, shall be punished with the same penalties assigned to the acts that are committed in violation of the rules of this law, if it is proved that such person was aware of such acts or the breach of his or her duties rendered upon him or her by such management, had contributed to the offense.



Mohammed Ali Al-Mannai
President
Communications Regulatory Authority

Date: March 18, 2018

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