



Axiata expanding regional footprint into Nepal

21 December 2015

Axiata is acquiring 80% of Ncell, the #1 mobile operator in Nepal, for a purchase consideration of US\$1.365bn

Transaction structure

Axiata will acquire 80% of Ncell Pvt. Ltd. (Ncell)

- Axiata has entered into a conditional sale and purchase agreement (SPA) with TeliaSonera UTA B.V. and SEA Telecom Investments B.V. for the 100% acquisition of Reynolds Holdings Limited
- Reynolds Holdings Limited owns 80% in Ncell

Terms of transaction

Purchase price of US\$1.365bn, subject to post-closing adjustments

- Implied EV / EBITDA LTM of 5.0x¹ including controlling premium
- Transaction to be funded with combination of existing cash and external debt facilities

Indicative timeline and main completion conditions

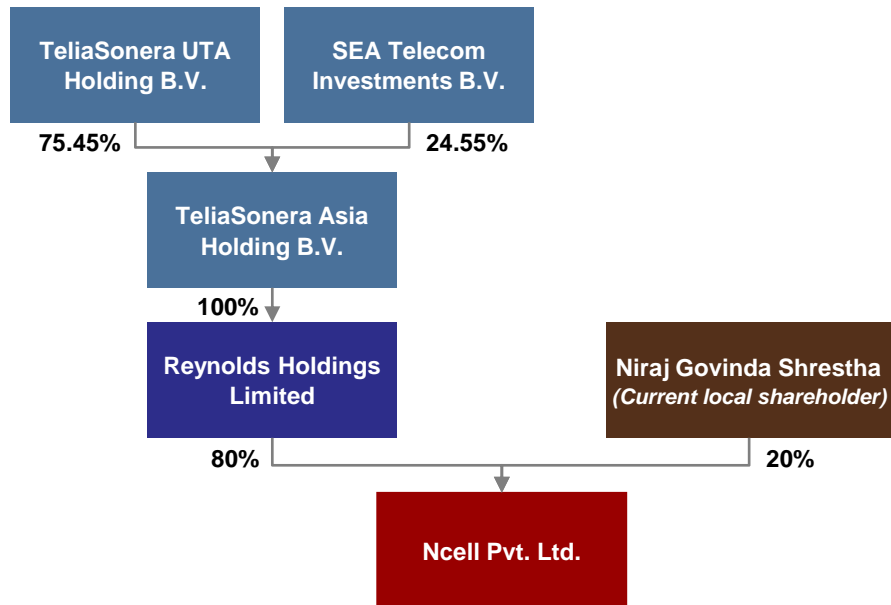
Conditional SPA executed, closing subject to obtaining condition precedents including Axiata shareholders' and Bank Negara Malaysia's approvals

- The transaction is expected to close in 2Q 2016

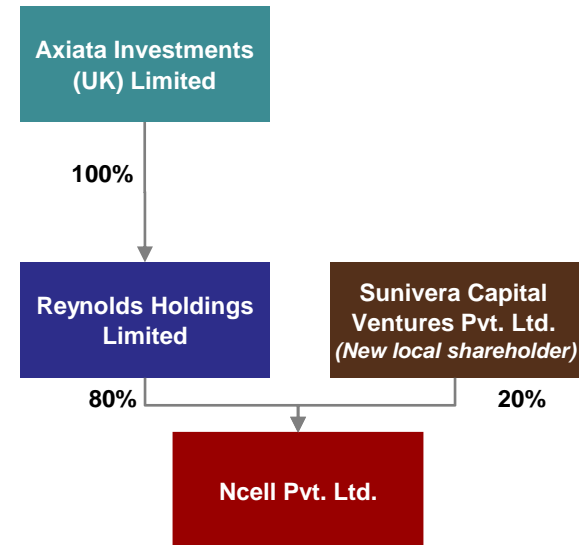
Note: ¹ Last Twelve Months (LTM) as of mid-July 2015; FX – US\$1 = NPR101.45 as of July 15, 2015.

Summary transaction structure

Current shareholding structure¹



Pro forma shareholding structure



- Axiata is acquiring 100% of Reynolds Holdings Limited, which owns 80% of Ncell
 - Simplified pro forma structure
- Concurrent change in local shareholder, maintaining local ownership as required under local law
- Axiata enters the Nepal market with a local partner to hold the 20% direct local shareholding in Ncell. The partner is an independent party who is familiar to the Group and is well versed with the telecommunications industry and regulatory environment in Nepal

Note: ¹ Current shareholding structure has been simplified for illustrative purposes

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STRATEGY:

Rare
opportunistic
footprint
expansion

- In line with Axiata's position as a regional telecom champion in Emerging Asia
- Consistent with Axiata's M&A priorities of an opportunistic footprint expansion, being both very attractive strategically and financially for the Group
- Meets all of Axiata's M&A criteria of i) brownfield investment ii) management control iii) growth market iv) attractive valuation v) earnings accretive vi) within target footprint

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MARKET:

Favorable
Nepal telecom
market

- Nepal's economy has grown by a CAGR of 4.2%¹ over the past 6 years
- Nepal has a young population where an estimated 68% of its total 28m, is below the age of 35 years
- Predominantly two-player mobile market
- Mobile penetration of unique subs of 51.1% and mobile broadband penetration of 21.5%
- 33.1% CAGR in internet subscribers from 2012 - 2014

3

COMPANY:

High quality
asset / #1
player

- Ncell is the #1 player in Nepal, with 13m mobile subscribers, representing 48.8% subscriber market share³ and has a revenue market share of 57.5%⁴ which implies its focus on higher value customers
- Strong brand and provides best-in-class quality of service and customer care
- Revenue CAGR of 19.9% between FY July 13-15, with attractive EBITDA margin of 62.2% in FY July15²
- Holds a sufficient and good mix of spectrum portfolio

Source: Nepal Telecommunications Authority (NTA), Central Bureau of Statistics – Nepal, World Bank, BMI Research, TeliaSonera public filings.

¹ Real GDP growth from 2008 to 2014; ² Audited accounts of Ncell for the past financial years ended mid-July; ³ As of 17 July, 2015 ⁴ Mobile market defined as inclusive of Ncell and Nepal Telecom only; audited accounts of Ncell and Nepal Telecom for financial year ended mid-July 2015

Compelling transaction rationale (cont'd)

4	SYNERGY: Group synergy opportunities	<ul style="list-style-type: none">■ Leveraging on Axiata's operating track record in low-ARPU emerging markets■ Overseas foreign workers (OFW) segment (~1m OFW in Malaysia alone) represents opportunities in intra-ASEAN international calling and mobile-remittance■ Capitalise on Axiata's strength in OFW segment of South Asian markets■ Apply Axiata's emerging market expertise in network and technology rollout, marketing, product development, human capital building and procurement
5	VALUATION: Attractive valuation	<ul style="list-style-type: none">■ Implied EV/EBITDA LTM of 5.0x¹ including controlling premium for Ncell is attractive■ In comparison Axiata's EV/EBITDA LTM is 8.3x, whilst South Asia and ASEAN peers are 5.7x and 8.4x, respectively²
6	FINANCIALS: Immediate accretion	<ul style="list-style-type: none">■ Ncell would be consolidated, with immediate accretion to Axiata's financials■ Based on FY Dec14 pro forma revenue, EBITDA and PATAMI, Ncell would provide an uplift of 9%, 14% and 11% respectively■ This acquisition will not affect Axiata's dividend policy
7	PORTFOLIO: Better balanced portfolio	<ul style="list-style-type: none">■ Increases resilience of Axiata with a more diversified portfolio, where Ncell would contribute ~9%, ~13% and ~19% to Axiata's FY Dec14 pro forma revenue, EBITDA and PATAMI, respectively■ Ncell is expected to be one of the largest PATAMI contributors to Axiata■ Strong cashflow generation with FCF of c. NPR22bn (US\$217m)³ in FY July 15, supports Axiata's dividend paying policy

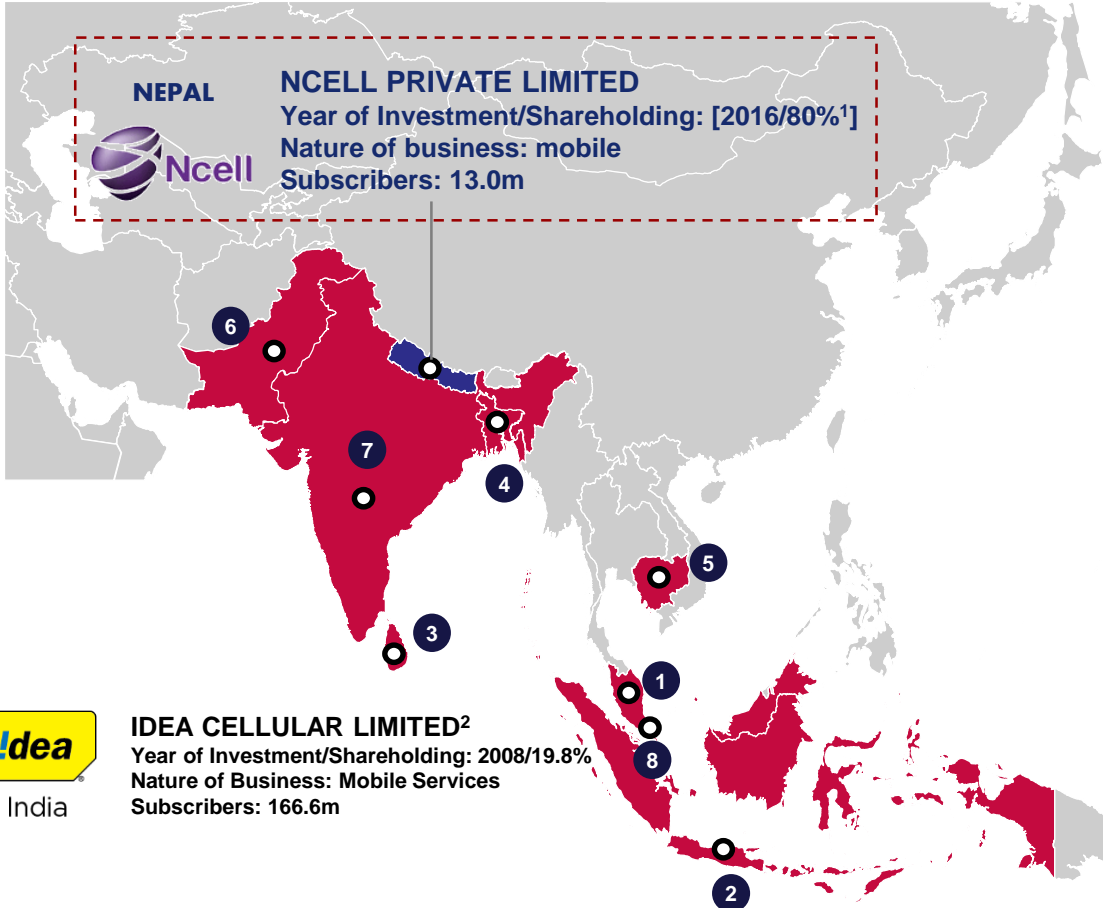
Source: Equity research, public filings, audited accounts of Ncell for the past financial years ended mid-July, Bank Negara Malaysia, audited consolidated statements of Axiata for the FY2014 and unaudited management accounts of Ncell for the corresponding year. FX rates used as of July 15, 2015: US\$1 = NPR101.45.

Note: ¹ Last Twelve Months (LTM) as of mid-July 2015; ² Market data as of Dec 16, 2015; ³ FCF defined as EBITDA less capex and excludes license cost

1

STRATEGY:

Axiata is expanding its regional footprint, entering Nepal by acquiring Ncell, the #1 mobile operator



1 **celcom**
 Malaysia
CELCOM AXIATA BERHAD
 Year of Investment/Shareholding: 2008/100%
 Nature of Business: Mobile
 Subscribers: 12.5m

2 **XL axiata**
 Indonesia
PT XL AXIATA TBK²
 Year of Investment/Shareholding: 2005/66.4%
 Nature of Business: Mobile
 Subscribers: 41.5m

3 **Dialog**
 Sri Lanka
DIALOG AXIATA PLC²
 Year of Investment/Shareholding: 1996/83.3%
 Nature of Business: Communication Services, Telecommunications Infrastructure Services, Media and Digital Services
 Subscribers: 10.3m

4 **robi**
 Bangladesh
ROBI AXIATA LIMITED
 Year of Investment/Shareholding: 1995/91.6%
 Nature of Business: Mobile
 Subscribers: 28.4m

5 **Smart**
 Cambodia
SMART AXIATA CO., LTD
 Year of Investment/Shareholding: 2013/85.0%
 Nature of Business: Mobile
 Subscribers: 8.5m

6 **multinet**
 Pakistan
MULTINET PAKISTAN (PRIVATE) LIMITED
 Year of Investment/Shareholding: 2005/89.0%
 Nature of Business: Broadband and long distance, and international services

7 **!idea**
 India
IDEA CELLULAR LIMITED²
 Year of Investment/Shareholding: 2008/19.8%
 Nature of Business: Mobile Services
 Subscribers: 166.6m

8 **m1**
 Singapore
M1 LIMITED²
 Year of Investment/Shareholding: 2005/28.3%
 Nature of Business: Mobile and fixed services
 Subscribers: 1.9m

Note: Subscriber and ownership data as of 3Q 2015, except for Ncell which is as of 17 July, 2015
¹ Ownership of Axiata post completion of transaction; ² Listed entities

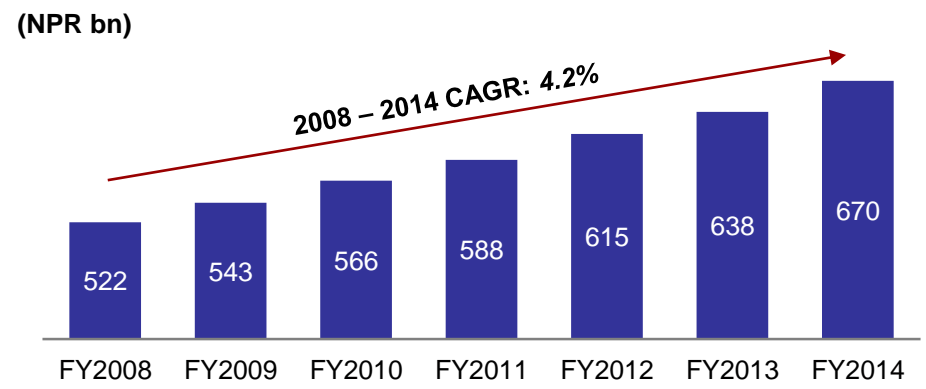
MARKET:

Nepal is an attractive Emerging Asian market, with GDP growing at CAGR of 4.2% since 2008⁴

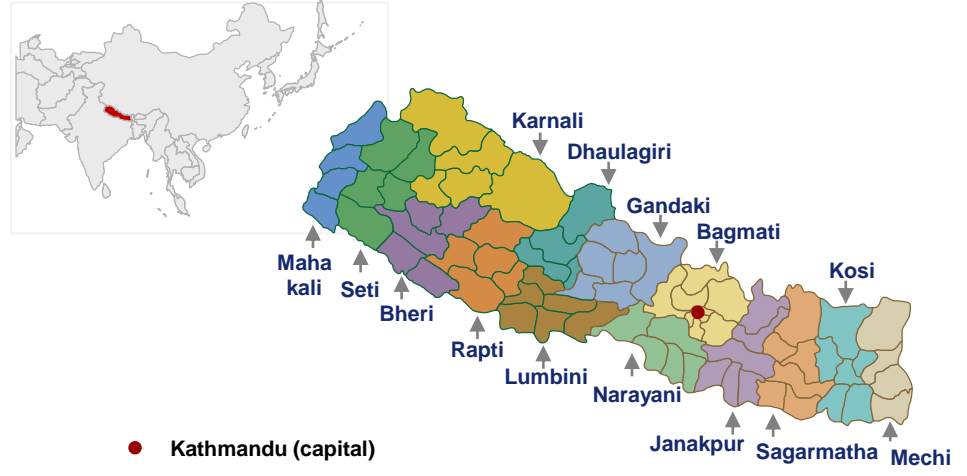


Key macroeconomic indicators	
Nepal-General	FY2014
Population	28.2m; Median age: 22.4
Population below 35yrs of age	68%
Population below poverty line	25.2% ¹
Literacy rate	59.6% ²
Population density	197 / sq. km
Currency	US\$ 1 = NPR 107.16 ⁵
Real GDP (NPR terms), growth (%)	NPR 670bn ³ , 5.1%
Real GDP/capita (NPR terms), growth (%)	NPR 70,394 ³ , 13.0%
Total population / Urban population growth rate (%)	1.2% / 3.2%
Inflation	8.0%
Taxes	25% corporate tax; 13% VAT
GDP by sector	Agriculture: 32%; Remittances: 28%; Wholesale / retail trade: 15%; Transport storage & communications: 9%
Major investors	India, China, U.S., U.K., Japan, South Korea

Real GDP³



Nepal geography



Source: World Bank, Central Bureau of Statistics – Nepal, Bank Negara Malaysia, BMI Research
 Note: ¹ 2010 data; ² 2011 data; ³ Financial year end in mid-July for each year; ⁴ 2008 – 2014; ⁵ As at 1200 noon on 15 December 2015

Ncell is the market leader in a duopolistic mobile market

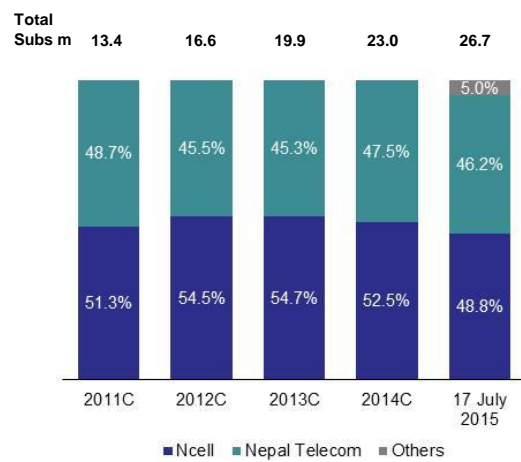


Nepal telecoms - background

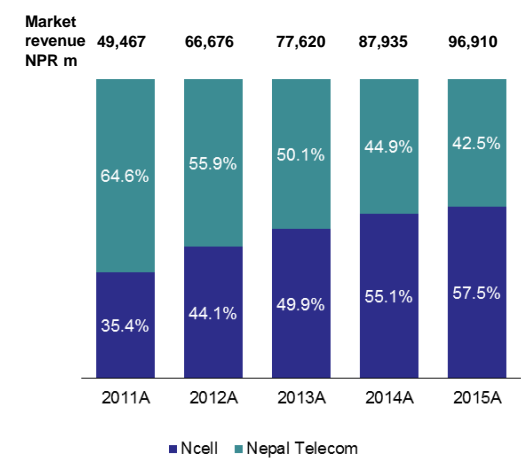
- **Predominantly two-player** mobile market
- **Young demographics**, with ~68% of population below age of 35 years
- **Growth prospects in the market**
 - Mobile penetration of unique subs of 51.1%^{2,5}
 - Mobile subscribers grew at a CAGR of ~18% from 2012 – 2014
 - Low smartphone penetration of 18%²
 - Low mobile broadband penetration of 21.5%²
- **High margin** mobile market with ~59%⁴ EBITDA margin in 2015
- More than 3m⁶ Nepalese OFWs employed overseas primarily in Malaysia, Saudi Arabia, India and other countries
 - Contribution to Ncell topline from international long distance services
- Ncell was the **largest tax payer** in Nepal in FY2012/13

Nepal telecoms – market share

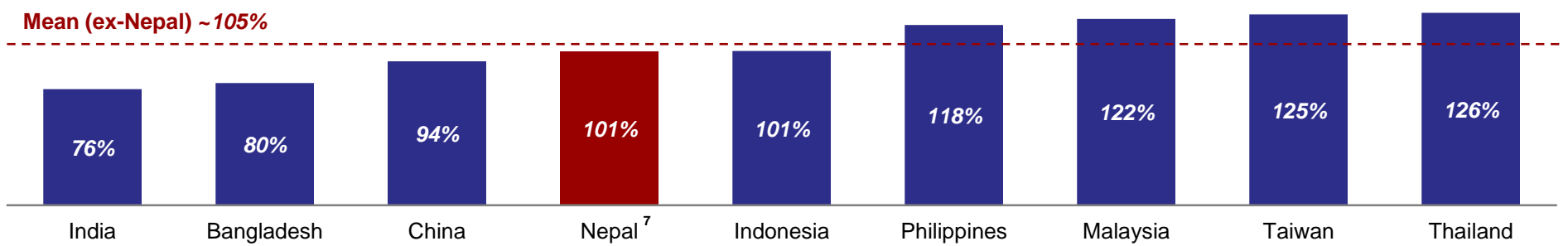
Subscriber market share³



Revenue market share⁴

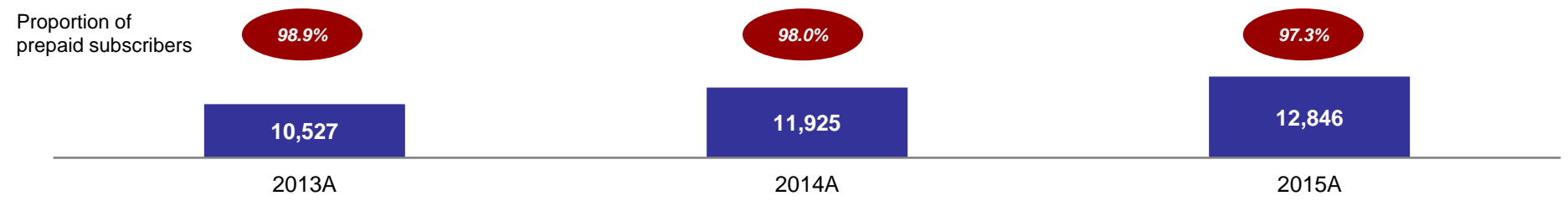


SIM penetration¹

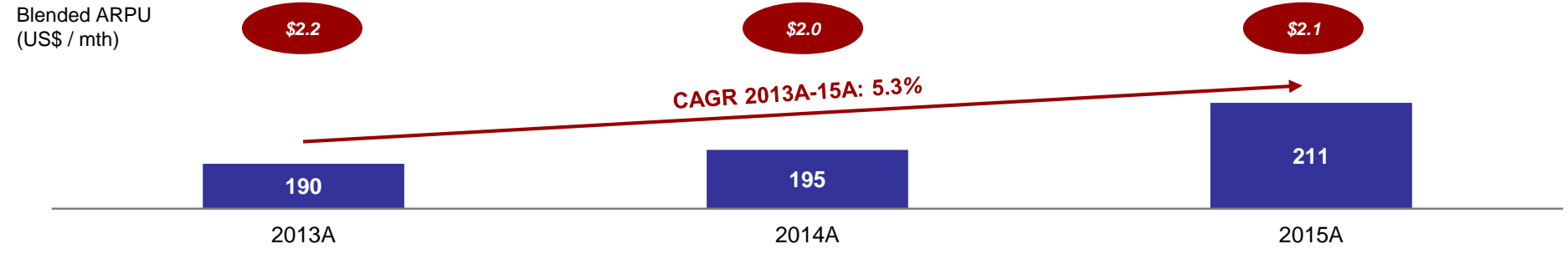


Source: Company information, World Bank, Nepal Telecommunications Authority, BMI Research, equity research
 Note: FX – US\$1 = NPR105.01; ¹ As of June 2015; ² As of December 2014; ³ Data for calendar years as of December; ⁴ Mobile market defined as inclusive of Ncell and Nepal Telecom only; audited accounts of Ncell and Nepal Telecom for financial years ended mid-July; ⁵ Unique subscriber penetration calculated using estimated multi-SIM ratio 1.7, as of December 2014; ⁶ Approx. number of OFWs in countries excluding India; ⁷ As of 17 July, 2015

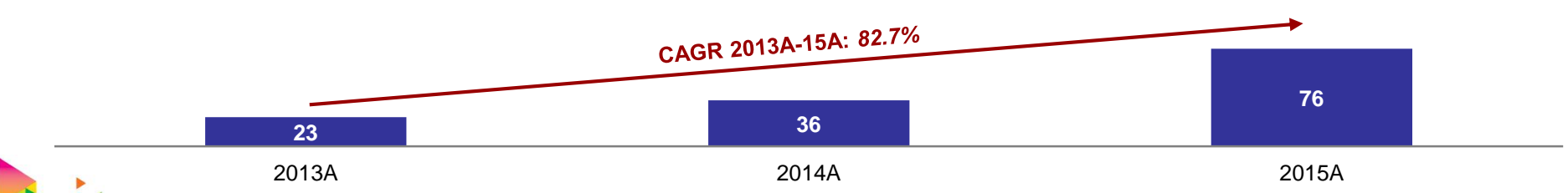
Subscribers ('000)



Blended ARPU (NPR / mth)

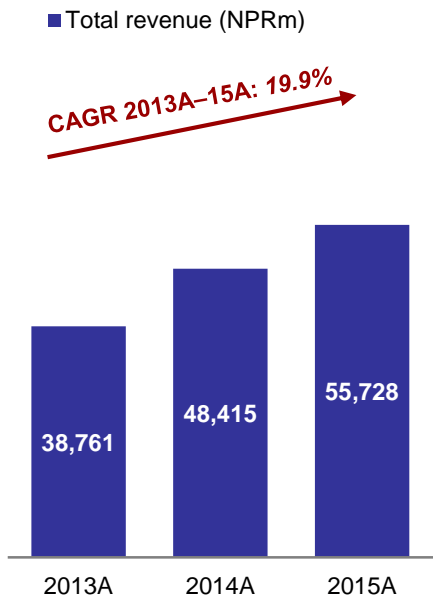


Data usage (MB / sub / mth)



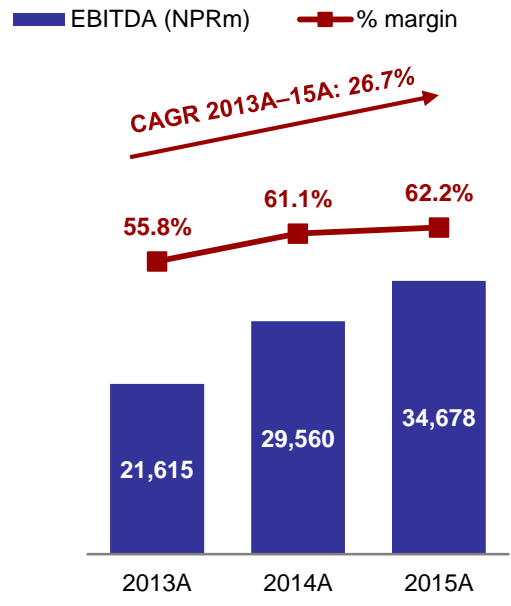
Source: Management accounts of Ncell for the past financial years end mid-July. Bank Negara Malaysia.
 Average period FX rates used – FY2013: US\$1 = NPR88.06; FY2014: US\$1 = NPR98.28; FY2015: US\$1 = NPR99.54.

Revenue and growth (%)



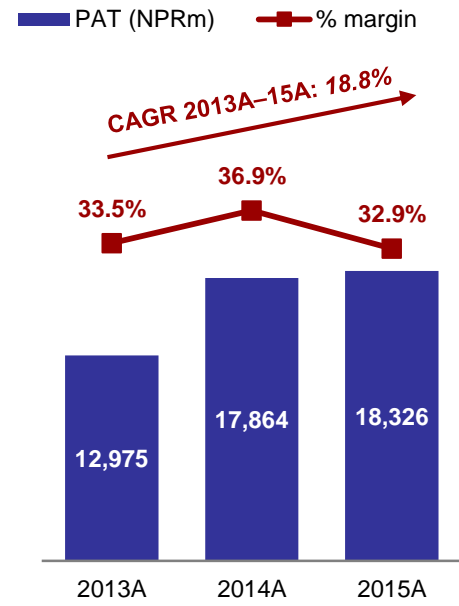
(US\$m)	440	493	560
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EBITDA and margin (%)



(US\$m)	245	301	348
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PAT and margin (%)



(US\$m)	147	182	184
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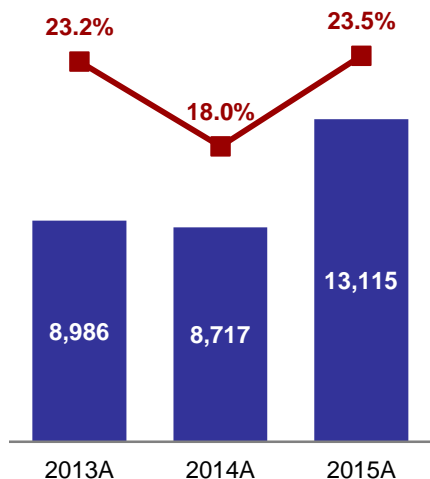
Source: Audited accounts of Ncell for the past financial years ended mid-July, Bank Negara Malaysia.

Note: Average period FX rates used – FY2013: US\$1 = NPR88.06; FY2014: US\$1 = NPR98.28; FY2015: US\$1 = NPR99.54. Any discrepancies are a result of the audited accounts of Ncell are prepared in conformity with Generally Accepted Accounting Principles (GAAP) and Nepal Accounting Standards (NAS), while Axiata adopts the provisions of the Malaysian Financial Reporting Standards, International Financial Reporting Standards, requirements of the Companies Act, 1965 in Malaysia and has a financial year ended 31 December

Ncell has been delivering strong results – financial performance (cont'd)

Capex¹ and capex intensity (%)

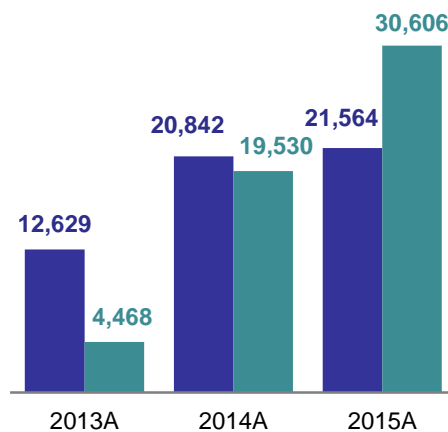
Capex (NPRm) % of revenue



(US\$m)	2013A	2014A	2015A
Capex	102	89	132

Free cash flow² and net cash balance

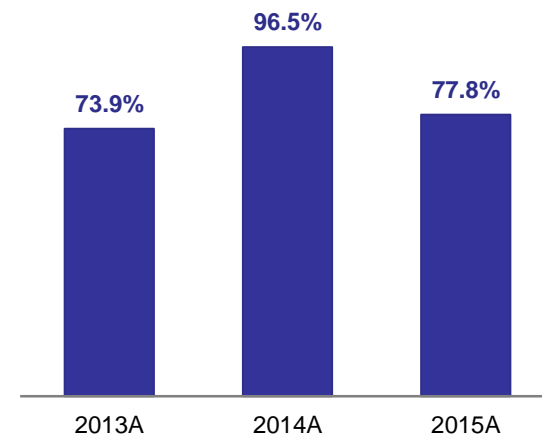
FCF (NPRm) Net cash balance (NPRm)



(US\$m)

	2013A	2014A	2015A
FCF	143	212	217
Cash balance	52	199	307

ROIC (%)



Source: Audited accounts of Ncell for the past financial years ended mid-July, Bank Negara Malaysia.

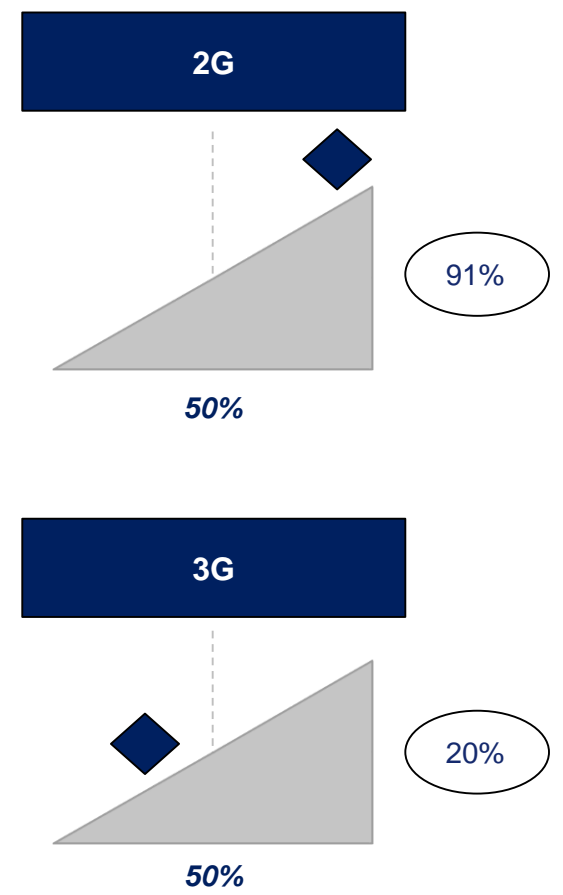
Note: Average period FX rates used – FY2013: US\$1 = NPR88.06; FY2014: US\$1 = NPR98.28; FY2015: US\$1 = NPR99.54. Any discrepancies are a result of the audited accounts of Ncell are prepared in conformity with Generally Accepted Accounting Principles (GAAP) and Nepal Accounting Standards (NAS), while Axiata adopts the provisions of the Malaysian Financial Reporting Standards, International Financial Reporting Standards, requirements of the Companies Act, 1965 in Malaysia and has a financial year ended 31 December.

¹ Capex excludes license cost; ² FCF defined as EBITDA less capex and excludes license cost

Information on Ncell spectrum assets

Band	Ncell	Technology	Expiry
900MHz	8.0	GSM	2019
1800MHz	11.0	GSM	2019
2100MHz	10.0	UMTS	2019
Total	29.0		

Ncell network technology by population coverage



SYNERGY:

Mutual synergy potential as Ncell can leverage on Axiata's operating track record in low-ARPU emerging markets



Key synergies from scale and Group expertise

- Technology

- Accelerate 3G roll out
 - LTE network rollout
- Marketing

- Opportunities from intra-ASEAN OFWs traffic
 - Cross regional marketing
- Human Resources

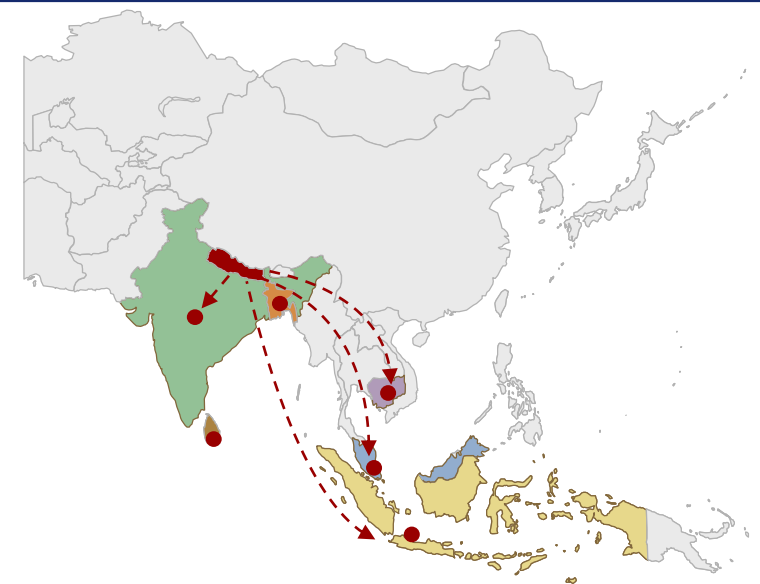
- Human capital building within footprint
 - HR management expertise in similar emerging markets
- Procurement

- Utilize Axiata Procurement Center for joint procurement at Group level
- Product development

- Shared product development, including data-led products
 - Long-term opportunities in digital commerce and mobile payments



Synergies from international calling and mobile remittance



--> Represents flow of Nepalese overseas foreign workers (OFWs) to Axiata markets

- Nepal has more than 3m¹ overseas foreign workers (OFWs) of which ~1m are living in Malaysia and 1-4m in India
- Axiata opportunities in intra-ASEAN international calling, and mobile-remittance
- Potential product initiatives include:
 - Roaming promotions
 - Dual SIM
 - OFWs acquisition at source
 - US\$10 Daily Unlimited Data Roam offer
 - Global recharge etc.



Source: Ministry of Labour and Employment – Govt. of Nepal, Report by Verite on Labor Brokerage and Trafficking of Nepali Migrant Workers (2013)
 Note: ¹ Approx. number of OFWs in countries excluding India

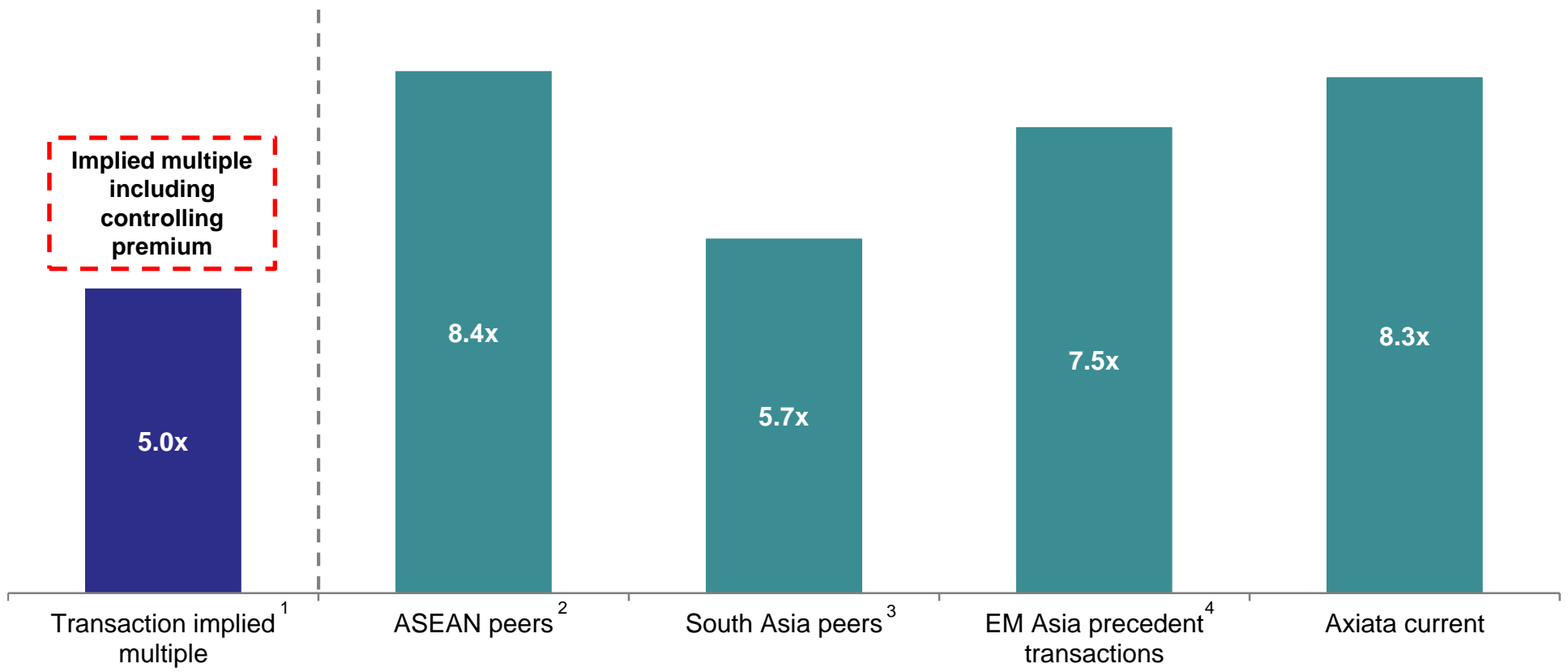
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VALUATION:

The implied EV/EBITDA LTM of 5.0x including controlling premium for Ncell is attractive, compared to valuation multiple benchmarks



Benchmarked valuation multiples (EV / EBITDA LTM)



Source: Market data as of December 16, 2015.

Note: ¹ Based on consideration of US\$1.365bn for 80% shares grossed up for 100% enterprise value; LTM as of July 2015; FX – US\$1 = NPR101.45 as of July 15, 2015; ² ASEAN peers include Telkom Indonesia, XL Axiata, Indosat, PLDT, Globe Telecom, AIS, Digital Total Access Communication, True Corp, Maxis, Axiata, DiGi, Singapore Telecommunications, StarHub, and M1; ³ South Asia peers include Bharti Airtel, Idea Cellular, Dialog Axiata, and Grameenphone; ⁴ Transaction comps using median 1-year forward EV/EBITDA multiple of selected transactions in SE Asia including China Mobile/True Corp, Etisalat/MIC SL, VIP/MIC Laos



6 FINANCIALS: Ncell with IRR of mid-to-high teens, is immediately accretive to Axiata (Based on 2014 financials)



Revenue	■ Revenue <u>accretion of 9%</u>
EBITDA	■ EBITDA <u>accretion of 14%</u>
EBITDA margin	■ EBITDA margin <u>increases from 37% to 39% (+2% pts)</u>
PATAMI	■ PATAMI <u>accretion of 11%</u>
FCF ¹	■ FCF <u>accretion of 24%</u>
Gross debt/EBITDA	■ Gross debt / EBITDA <u>increases from 2.0x to 2.3x</u>
ROIC	■ ROIC <u>increases from 9% to 10% (+1% pt)</u>

Note: For illustrative purposes, based on the latest audited consolidated statements of comprehensive income of Axiata for the FYE 31 December 2014 and unaudited management accounts of Ncell for the corresponding year.

¹ FCF defined as EBITDA less capex and excludes license cost



PORTFOLIO:

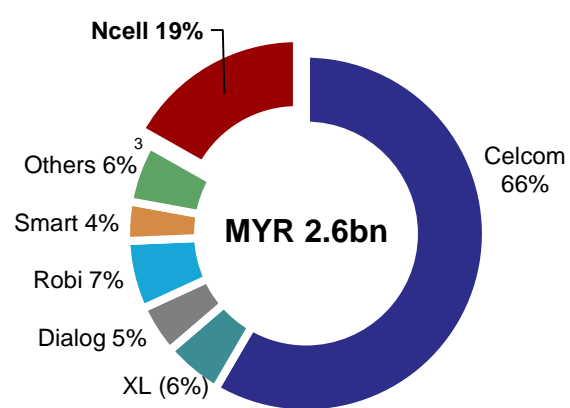
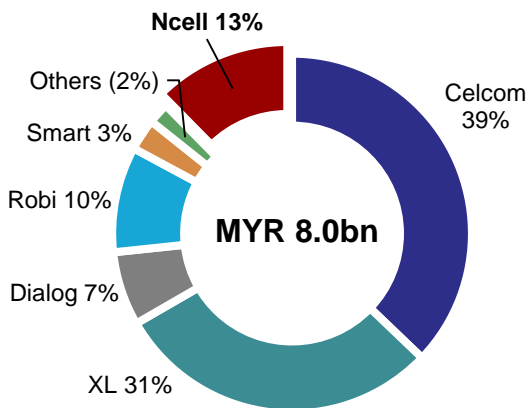
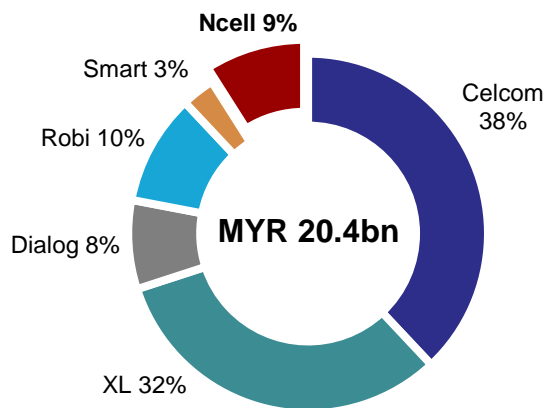
Rebalances Axiata's portfolio as Ncell becomes one of the largest PATAMI contributors (Based on 2014 financials)



FY2014 revenue

FY2014 EBITDA¹

FY2014 PATAMI²



Note: For illustrative purposes, based on the latest audited consolidated statements of comprehensive income of Axiata for the FYE 31 December 2014 and unaudited management accounts of Ncell for the corresponding year.

¹ FY 2014 EBITDA generated from Others was -RM138.2m contributing -2% to pro forma Axiata EBITDA;

² FY 2014 PATAMI generated from XL was -RM168.3m contributing -6% pro forma Axiata PATAMI;

³ Including changes in interest expense post acquisition and acquisition finance.

	Key challenges	Mitigants
Macro economic / regulatory factors	<ul style="list-style-type: none"> ■ Economic policy post adoption of new Constitution 	<ul style="list-style-type: none"> ✓ Business environment in Nepal stabilizing ✓ Strong local partnership support
Potential new entrant	<ul style="list-style-type: none"> ■ Potential regulatory measures to benefit 3rd entrant 	<ul style="list-style-type: none"> ✓ Impact limited given Ncell's premium customer segment and economies of scale / market position
ILD impact	<ul style="list-style-type: none"> ■ Substitution effect from over the top (OTT) services on international voice traffic ■ Impact of potentially lower international long distance (ILD) rate 	<ul style="list-style-type: none"> ✓ Impact expected to be offset by higher data consumption ✓ Currently no announcement on NTA guidelines for lower ILD rates ✓ A majority of the ILD revenue is denominated in USD
Forex impact	<ul style="list-style-type: none"> ■ Additional US\$-denominated debt exposure 	<ul style="list-style-type: none"> ✓ Group policy to hedge at least 50% of foreign denominated debt



Conclusion: Transaction meets all of Axiata's M&A criteria



1	Brownfield investment	<ul style="list-style-type: none">■ Ncell is the #1 operator in Nepal with strong operational and financial track record and brand
2	Management control	<ul style="list-style-type: none">■ 80% controlling shareholding in Ncell
3	Growth market	<ul style="list-style-type: none">■ Growing Nepal economy with young demographics■ Predominantly two-player mobile market, which is still under-penetrated
4	Attractive valuation	<ul style="list-style-type: none">■ Attractive transaction multiple compared to regional peers and precedent comparable transactions
5	Earnings accretive	<ul style="list-style-type: none">■ Based on FY Dec14 pro forma revenue, EBITDA and PATAMI, Ncell will provide uplift of 9%, 14% and 11%, respectively
6	Within target footprint	<ul style="list-style-type: none">■ In line with Axiata's M&A target footprint of ASEAN and South Asia

Thank You

www.axiata.com

Contact IR at ir@axiata.com