

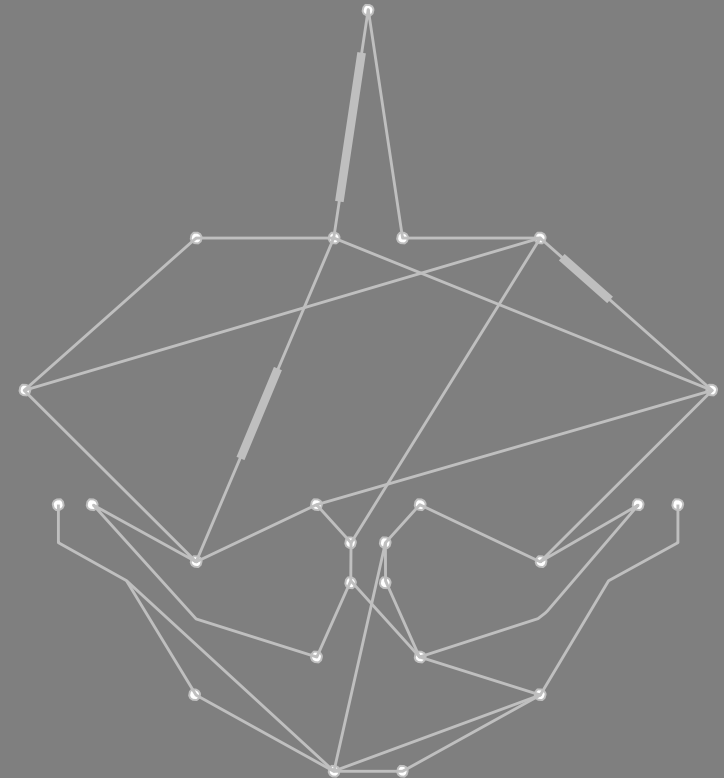


Axiata Group Berhad

Vodafone-Idea merger

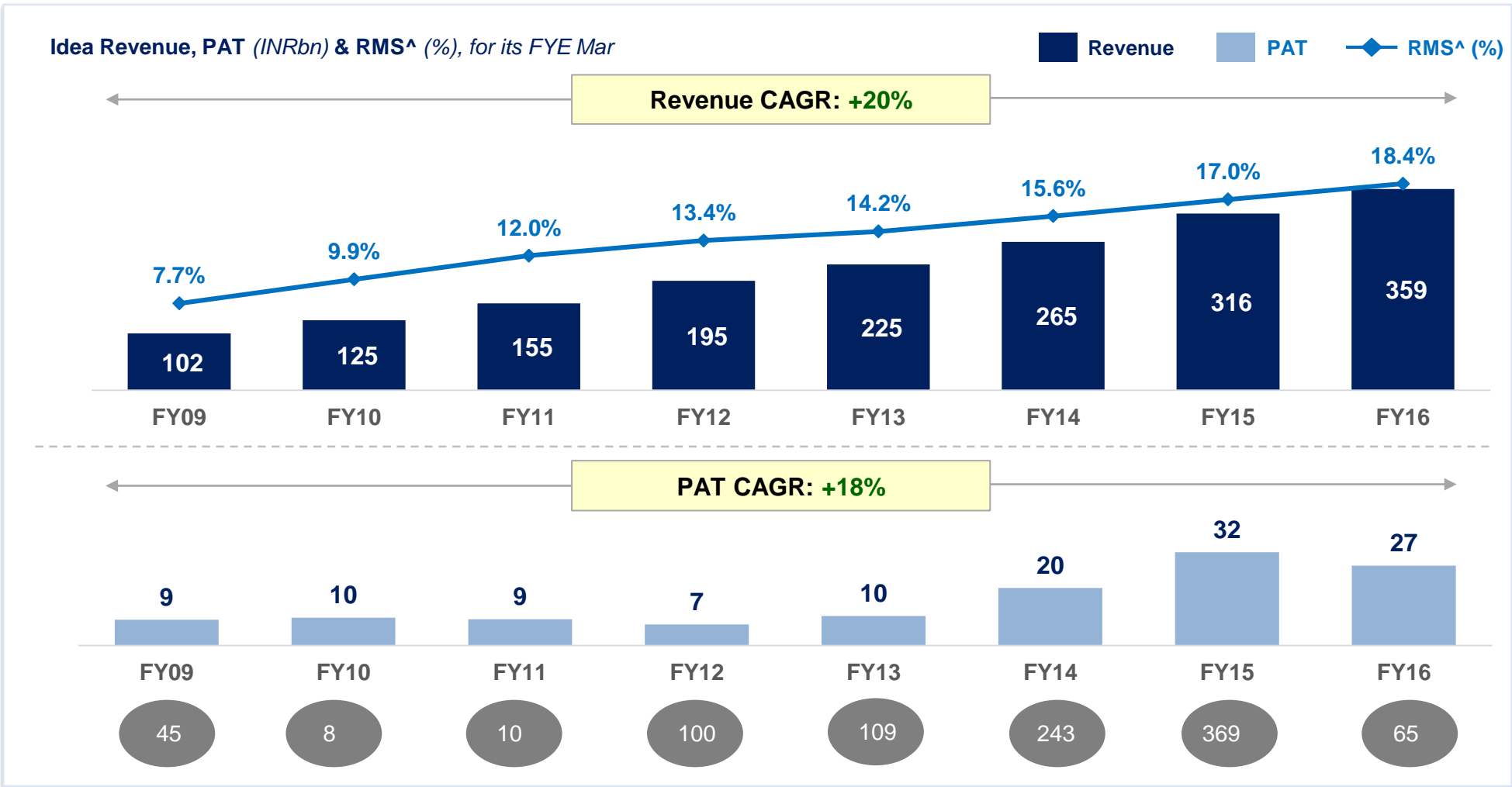
30th July 2018

Vivek Sood, Group CFO



Idea Cellular – Pre Reliance Jio (2008-2015)

A successful strategic investment for Axiata between 2008 and 2015 as Idea grew from 5th to 3rd largest Indian operator, with revenue CAGR of 20% and PAT CAGR of 18%.

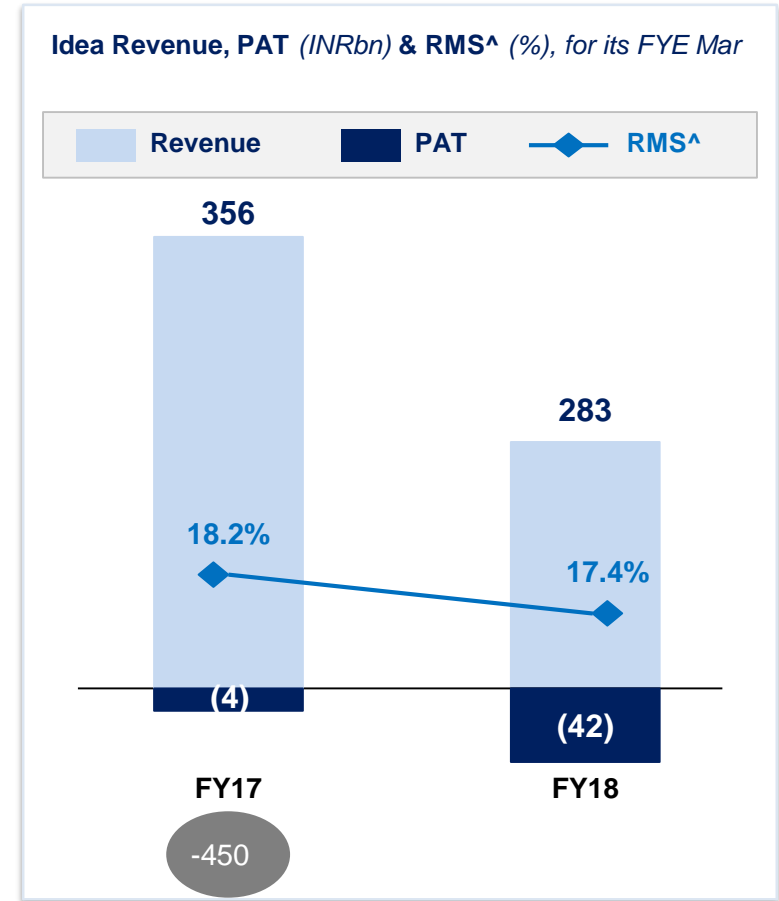
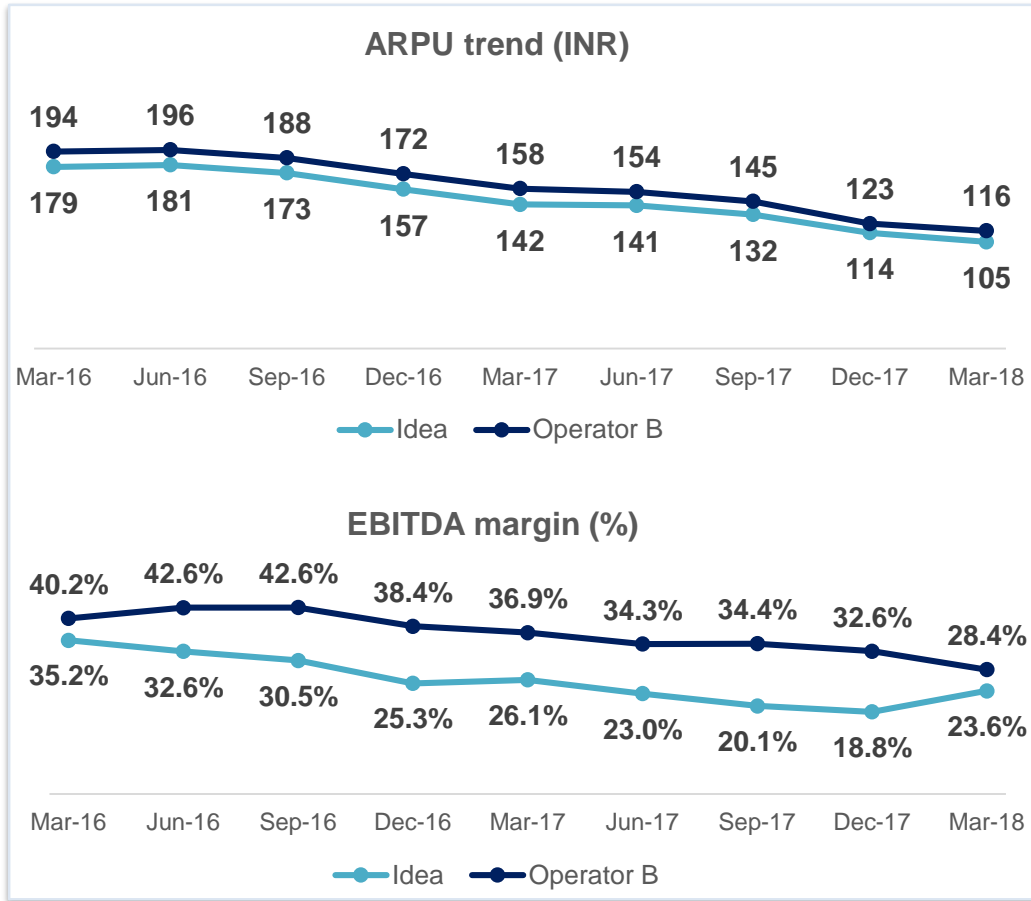


RMm Idea contribution to Axiata's normalised PATAMI (FYE Dec)

[^] RMS = Revenue Market Share, calculated based on Adjusted Gross Revenue for all players as reported by TRAI
 Source: TRAI, Company reports

Idea Cellular – Post Reliance Jio (2016-present)

After launch of RJio in Sept 2016, incumbents including Idea were forced to slash tariffs, leading to collapse in ARPU and EBITDA margin; Idea slipped into losses in FYE3/17, widening in FYE3/18.



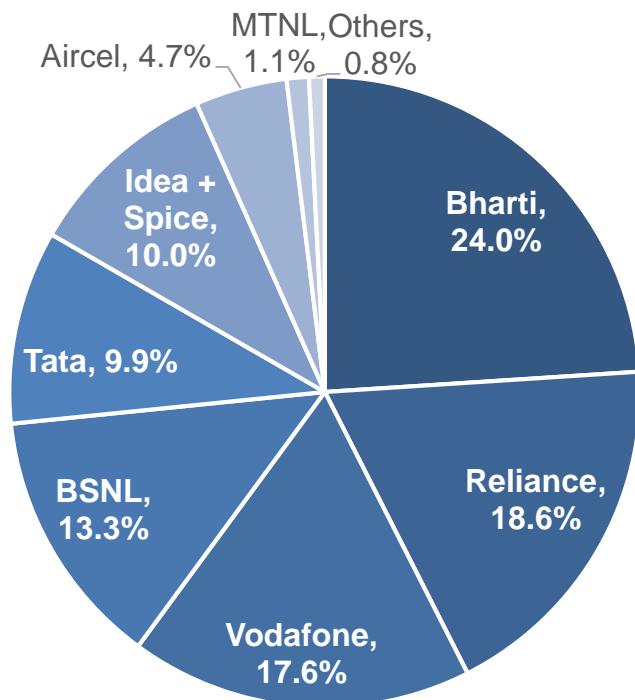
RMm Idea contribution to Axiata's normalised PATAMI (FYE Dec)

[^] RMS = Revenue Market Share, calculated based on Adjusted Gross Revenue for all players as reported by TRAI
Source: TRAI, Company reports

India Telecommunications Industry

Over the years, 7 foreign players suffered ~USD23bn[^] write-offs/losses, and many were forced to consolidate, exit or file for closure. From 14 operators, it has consolidated to a 3-4 player market.

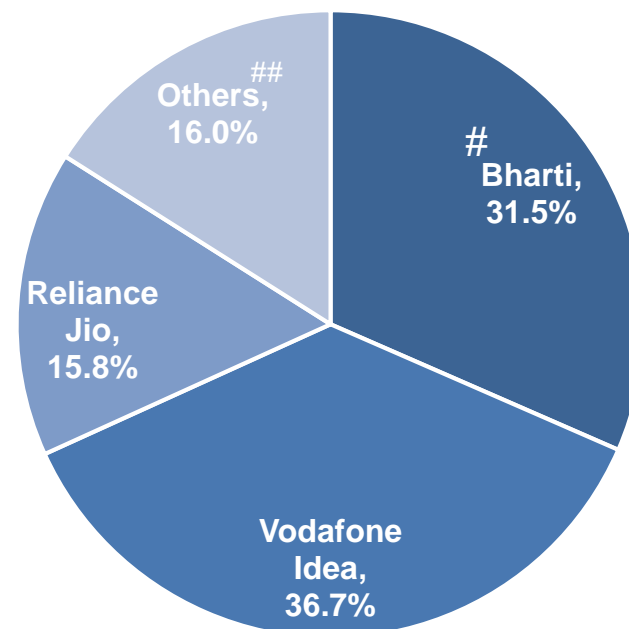
March 2009 – CMS*



Out of 9 foreign players, 3 have exited, 2 merged and 1 filed for closure.

Today, top 3 players control ~84% CMS

March 2018 – CMS*



[^] Bloomberg Quint, "How to lose \$23bn in a market that's surged 61,436%", 23rd May 2018

* CMS = Customer Market Share, based on wireless subscribers

Source: TRAI

Bharti announced merger with mobile business of Tata Teleservices in Oct 2017; and completed acquisition of Telenor's India operations in May 2018

Others include Aircel (filed for bankruptcy in Feb 2018), MTNL, BSNL and RCom

Vodafone-Idea merger: Potential long term value creation

Axiata is supportive of this merger as mergeco will be in a stronger position to compete effectively in a fast growing market, and provides a robust platform for long term value creation.

Size and scale

- Mergeco will serve a customer base of 440m and to have >USD10bn in revenue ie ~37.5% revenue market share on a pan-India basis.
- Mergeco to have #1 or #2 position in almost all circles.
- Strong spectrum position with pan-India 3G and 4G footprint.

Cost and capex synergies

- Run-rate cost and capex synergies are expected to reach INR140 billion on an annual basis by the fourth full year post-completion of merger.
- The major expected sources of cost and capex synergies include:
 1. rationalising network infrastructure, generating operational efficiencies, lower maintenance expenses and savings in energy costs;
 2. higher spectrum availability and larger single radio access network (RAN) deployment coupled with redeployment of overlapping equipment from rationalised sites, resulting in lower capex;
 3. service centres, back office and distribution efficiencies;
 4. streamlining regional and nationwide IT systems and evolving to a single IT system for the new entity; and
 5. optimising general and administration costs.

Fast growing and sustainable market

- Industry has consolidated at a rapid pace with only 3-4 major operators remaining.
- Combined market share for top 3 players has increased from 60% in 2009 to 84% today.
- Rapid adoption of smartphones and lower access cost leading to explosion in data consumption.

Vodafone-Idea merger: Financial impact to Axiata

Non-cash one-off accounting adjustment of RM1.5-3bn with no impact to Axiata's underlying performance; dividend commitment is unchanged; and not reflective of Idea's or Axiata's future value.

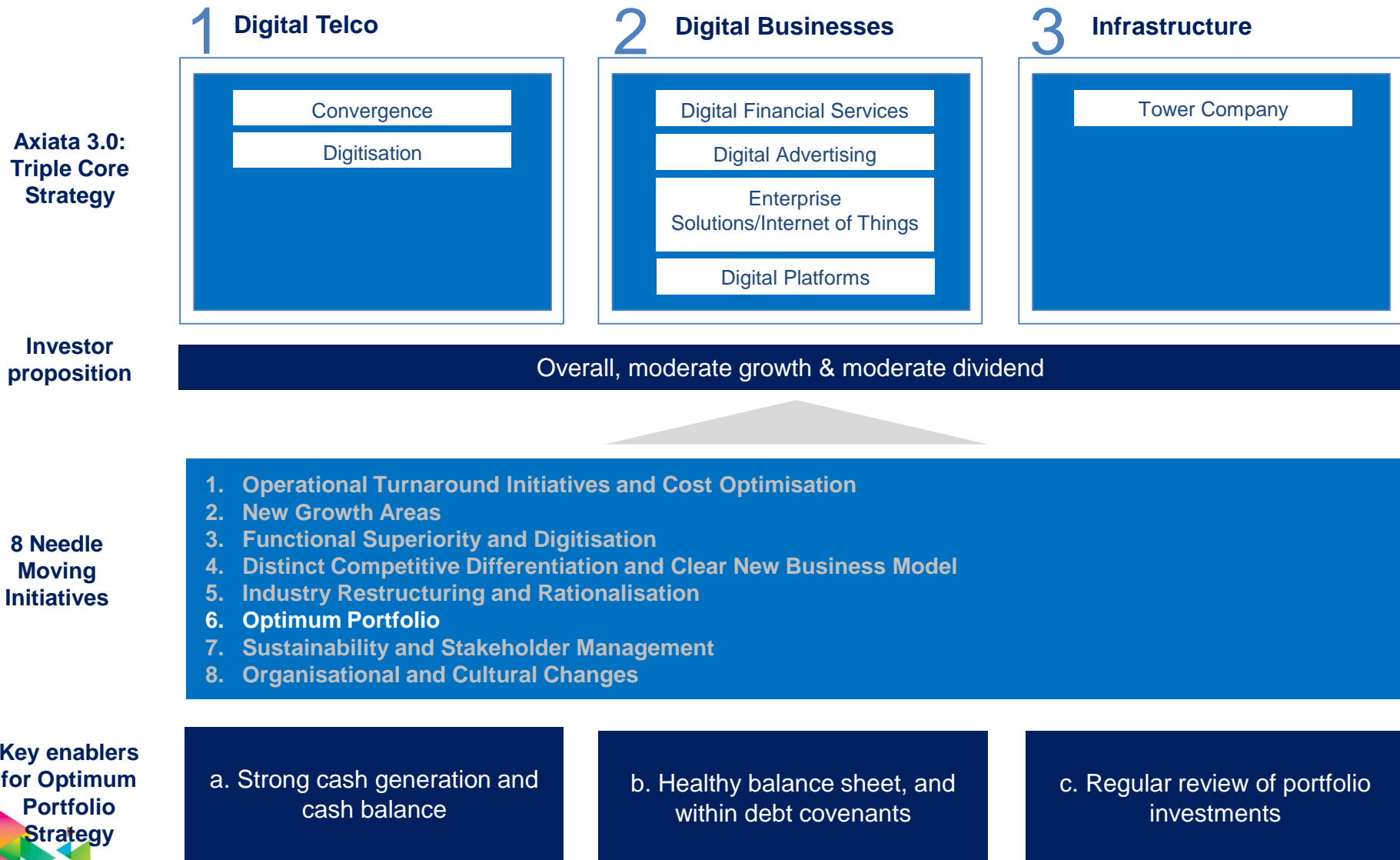
- ❖ Upon merger completion, Axiata's stake in Idea is diluted to 8.17% from 16.33%.
- ❖ Accounting standards (MFRS) require Axiata to de-recognise and reclassify its investment in Idea from associate to simple investment.
- ❖ Non-cash one-off accounting adjustment of RM1.5-3bn is difference between carrying value and market value of Idea stake.
- ❖ This exercise is not reflective of Idea's or Axiata's future value.

Financial impact on Axiata:

PATAMI	<ul style="list-style-type: none">■ One-off RM1.5-3bn loss on de-recognition of associate in 2Q18 results.■ Post merger completion, Idea's operating results cease to be equity accounted.
Normalised PATAMI	<ul style="list-style-type: none">■ No impact on normalised PATAMI from one-off accounting adjustment.■ Post merger completion, Idea's operating results cease to be equity accounted.
Dividend commitment	<ul style="list-style-type: none">■ Dividend commitment is unchanged ie to revert back to FY15 DPR in FY18.
Cashflow	<ul style="list-style-type: none">■ No impact on cashflow from one-off accounting adjustment.
Balance sheet	<ul style="list-style-type: none">■ Healthy balance sheet with strong cash balance of RM5.7bn and gross debt/EBITDA of 2.2x as at 1Q18.■ Post merger completion, quarterly mark-to-market adjustment on gain/loss on Idea investment (not via P&L).

Axiata 3.0: Optimum portfolio strategy

Execution of 8 needle moving initiatives including optimum portfolio strategy, to achieve 'Axiata 3.0 - New Generation Digital Champion' by 2021.



Key takeaways

Axiata is now a financial investor in India's largest operator.



Long term value creation

- Vodafone-Idea to be the largest operator in India with revenue market share of ~37.5% .
- ~INR140bn p.a. in cost and capex synergies by 4th year of merger.
- Benefit from fast growing and sustainable 3-4 player market.



Financial impact

- Non-cash one-off accounting adjustment of RM1.5-3bn in 2Q18.
- No impact to underlying performance, and balance sheet remains healthy.
- Dividend commitment is unchanged.
- Exercise is not reflective of Idea's or Axiata's future value.



Optimum portfolio strategy

- 'Axiata 3.0 - New Generation Digital Champion' by 2021 to deliver investor proposition of 'Moderate growth, moderate dividend'.
- To achieve Axiata 3.0 ambition, execution of 8 needle moving initiatives including optimum portfolio strategy, is on track.
- Key enablers in place to support optimum portfolio strategy – strong cashflow, healthy balance sheet and regular review of portfolio investments.

Thank You

www.axiata.com

Axiata Group Berhad

