



MEDIA RELEASE

Axiata to Become an Investor in the Largest Operator in India with Approval on Merger between Idea and Vodafone India

Initiates Reclassification of Stake in Idea from Associate to Simple Investment of the merged company

Kuala Lumpur, 27 July 2018 – The regulatory approval received from the Department of Telecommunications (DoT) of India to the proposed scheme of amalgamation (proposed merger) between Idea Cellular Ltd. (“Idea”), Vodafone India Limited (“Vodafone India”) and Vodafone Mobile Services Limited, announced today, will make Axiata Group Berhad (“Axiata” or “the Group”) a financial investor in the largest telecommunications operator in India and one of the biggest in the world.

The merged entity, Vodafone Idea Ltd., (“Vodafone Idea”) will be the largest telecommunications company to compete in one of the world’s fastest growing market. Together, Vodafone Idea will serve a customer base of 440 million, representing 39% of the total market share while its revenue market share is estimated to be at 37.5%. Its revenue is forecasted to be in excess of USD10 billion¹. The merger will strengthen Vodafone Idea’s position to compete effectively in a now mainly three player market with immediate synergistic benefits to be realized from the best spectrum position and other operational efficiencies.

Impact on Axiata

While Axiata has consistently proposed the formation of a more sustainable industry structure through market consolidation, as a strategic investor with approximately 20% stake in Idea over the last ten years, the merger of equals between Vodafone India and Idea as announced in March 2017, dilutes the Group’s stake at completion to below 10%. Despite the merger providing a robust value creation platform for the consolidated business, it effectively changes the status of Axiata’s stake in Idea from being a strategic investment to a simple investment.

¹ The Economic Times, [Vodafone eyes successful integration with Idea Cellular](#), 10 July 2018

At the completion of the merger, accounting standards require Axiata to de-recognise and reclassify its investment in Idea from associate to simple investment, as the Group's shareholding in the combined entity is diluted to 8.17% from 16.33%.

According to Malaysian Financial Reporting Standards (MFRS), there will be a technical non-cash accounting adjustment estimated to be approximately RM1.5 billion to RM3.0 billion based on the share price at the point of the reclassification date and not based on the forecast price that would normally be used in an impairment valuation. This accounting treatment will be captured in the Group's second quarter 2018 unaudited accounts. The reclassification date, and therefore the exact technical impairment, will be known on the final completion of the merger, which is expected to be within August 2018.

As it is purely a non-cash technical treatment, the exercise does not have any impact to Axiata's underlying performance and cash position. The Group's cash balance is strong at RM5.7 billion as of end March 2018 with debts well within covenant and will not be a factor to impact Axiata's dividend policy and payment for 2018. Additionally, the reclassification also signifies that Idea's profit or losses will bear no further impact to the Group's financials going forward.

Axiata's Stake in Idea and the Indian Telecoms Industry

Axiata has been a significant and strategic shareholder in Idea for the last 10 years. Since the Group's initial investment in 2008 up until 2015, Idea has consistently outperformed the Indian telecoms industry and made significant contributions to Axiata. Idea's revenue grew at a Compound Annual Growth Rate (CAGR) of 21% to reach USD5.1 billion and its Profit after Tax CAGR was at 19.5% to reach USD473 million. Idea grew from the fifth largest to the third largest mobile operator in India during this period and contributed close to RM1.0 billion in operational profits to the Group during this period.

In 2016, with the entry of disruptor, Jio, the Indian telecoms industry has witnessed the single biggest telecommunications disruption, where the offering of unlimited free calls and SMS and low-priced data plans as well as significant handset subsidies, have effectively destroyed the value of the industry. Jio spent an estimated USD35-USD40 billion on new technologies and 4G network rollouts to far exceed the combined industry's total investment over the last 20 years. As a result, incumbent operators were forced to consolidate, exit or file for closure. Over

the years, seven foreign telecom companies have registered write-downs and losses of at least USD23 billion².

Commentary

Tan Sri Jamaludin Ibrahim, President & Group Chief Executive Officer of Axiata said, "Since our initial investment in 2008, with Idea being a high performing asset in our portfolio, the Group has gained from the high-growth years of the Indian industry and benefited from Idea's performance to become the third largest player from the fifth largest. It was arguably the best performer within the industry till 2016 when Jio started to disrupt the entire market.

"Despite the dilution impact to Axiata, we recognise that consolidation is required to ensure a sustainable business in one of the world's fastest growing telecoms market. The merged entity will be the largest operator in India and one of the biggest in the world, and we are confident we will see a significant upside in valuation as synergies are realized."

Jamaludin continued, "As made known to analysts, and recently to shareholders at our AGM, while we do acknowledge that a reclassification requires for us to register a one-off, non-cash adjustment. However, it neither has any impact on our normalised earnings for the full year nor on our cash position today or in the future. Likewise, this does not reflect the future value of the merged entity, especially given the potential benefits to be derived from the synergies of the two large companies and the consolidation of the industry. Effectively, this exercise is not reflective of Idea or Axiata's intrinsic value."

Moving Forward

Jamaludin added, "Now, as a pure financial investor in the largest player in the Indian market, the Group is better positioned to review and assess the value of this investment. At this point, we have a very strong cash position and therefore, have no immediate plans to divest or exit, as long as there are no better alternative use of funds that would provide better returns to our shareholders. We will obviously review our position from time to time."

End

² Bloomberg Quint, "[How to Lose \\$23 Billion in a Market That's Surged 61,436%](#)", 23 May 2018

About Axiata

Axiata is one of the leading telecommunications groups in Asia with approximately 350 million customers and with a presence in 13 countries. In pursuit of its vision to be the New Generation Digital Champion by 2021, the Group has transformed itself from a holding entity with a portfolio of pure-play mobile assets into a Triple Core Strategy driven business with the focus on Digital Telco, Digital Businesses and Infrastructure.

Within ASEAN and South Asia, Axiata has controlling stakes in market-leading mobile and fixed operators in the region including 'Celcom' in Malaysia, 'XL' in Indonesia, 'Dialog' in Sri Lanka, 'Robi' in Bangladesh, 'Smart' in Cambodia and 'Ncell' in Nepal. The Group also holds strategic interests in 'Idea' in India and 'M1' in Singapore. Axiata is in the cusp of transforming its mobile operations into Digital Telcos through digitisation and convergence.

'edotco', the Group's infrastructure company, operates in six countries to deliver telecommunications infrastructure services, amassing approximately 27,500 towers. Presently the 12th largest independent tower companies globally, it aims to be one of the top regional telecommunications tower companies and is committed to responsible and sustainable business operations.

Axiata Digital and Axiata Business Services are the digital businesses arms of the Group. Together, these businesses are focused on capturing the rapid growth in digital financial services ('Boost'), digital advertising ('ada'), enterprise solutions/IoT ('Xpand') and platform services ('APIgate') with user access to global markets.

As a committed and long-term investor, Axiata provides employment to 25,000 people within its operations. In line with its sustainability goals, the Group actively supports and drives young talent development; disaster response and recovery; as well as green initiatives. Axiata's broader goal Advancing Asia pieces together the best in the region in terms of innovation, connectivity and talent.

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