MEDIA RELEASE

Axiata's FY16 Revenue Increased by 8.5% to Post a Record High of RM21.6 Billion while EBITDA Improved by 10% to Reach RM8 Billion

PAT impacted by Forex Losses on USD exposed debt for Ncell acquisition; Lower Contributions from Idea; M&A related costs in Robi-Airtel merger & Ncell acquisition; higher D&A and accelerated depreciation for 4G rollout; start-up investment losses; and Performance at some OpCos

Kuala Lumpur, 23 February 2017 – Axiata Group Berhad (Axiata or Group) announced firm topline growth with revenue breaking the RM20 billion barrier to record its highest revenue and double-digit EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) growth despite challenged bottom-line in its audited full year performance for the financial year ended 31 December 2016 (FY16).

FULL YEAR 2016 RESULTS

FY16 revenue for the Group posted a healthy growth of 8.5% to RM21.6 billion compared to RM19.9 billion in the previous year (FY15) mainly from positive fourth quarter contributions across most of the Axiata operating companies (OpCos).

At the same time, Group EBITDA increased by 10.0% to RM8.0 billion and margin improved by 0.6 percentage points to 37.2% for the year on the back of higher revenue.

Group's profit after tax (PAT), however, was impacted by three significant factors; i) unprecedented external events ii) strategic investments for long term growth including merger and acquisition (M&A) related costs which were mostly one-offs and iii) Underperformance of some OpCos and Associates.

Externally, the Ringgit depreciation and volatility against the US Dollar resulted in the Group recording a substantial pre-tax foreign exchange (forex) losses of RM685 million at PAT level mainly due to the USD exposed debt incurred from the acquisition of Ncell. Aggressive competition in India with the entry of a disruptive new player, at an unheard off scale, resulted in considerably lower contribution from the Group's Associate by RM304 million.

Continuing its strategic investments and M&A for long term growth the Group incurred several financial costs. In strengthening Robi's market position in Bangladesh with the first telecoms consolidation, the Group incurred merger fee and related costs totaling RM87 million. At the same time, Ncell acquisition related costs amounted to RM313 million during the year.

The capex investments for data leadership especially in Malaysia, Indonesia and Bangladesh led to a higher depreciation and amortisation (D&A) of RM1.5 billion compared to FY15, including accelerated depreciation of RM600 million. Investments in the Group's digital/ Internet ventures portfolio led to some start-up losses in FY16.

Performance-wise, despite showing early signs of stablilisation in the final two quarters of the year, Celcom[1] registered a PAT FY16 results of RM976 million versus RM1.3 billion in FY15.

Consequently, for FY16, PAT recorded at RM657 million as compared to RM2.6 billion at FY15. FY16 normalised PAT, excluding one-off charges and reflecting operations only, would be RM1.5 billion.

UNPRECEDENTED FOREX LOSSES ON USD DUE TO NCELL ACQUISITION

During the year, the Malaysian Ringgit had depreciated substantially against all regional foreign currencies and especially the US Dollar from 3.94 vs 4.49[2], which had a negative impact on profit. In spite of disciplined management practices and effectively hedging almost 50% of US Dollar exposed debt under stringent and forex controlled conditions, the fall of the Ringgit against the US Dollar at about 14% for the period [3](depreciating 9% in the fourth quarter alone[4]), led to the Group reporting FY16 pre-tax forex losses of RM685 million compared to RM295 million in FY15.

PROPOSED DIVIDEND

For both prudent and strategic reasons, the Board of Directors declared a conservative final dividend under a single tier system of 3 sen per ordinary share of RM1 each in Axiata. Including the interim dividend of 5 sen per ordinary share paid in 2016, the total of 8 sen per ordinary share translates into a 50% dividend payout ratio for FY16. The final dividend is subject to shareholders approval at the Group's forthcoming Annual General Meeting.

The Board's decision on 50% dividend payout ratio was two-fold;

i) Cautionary, prudent measure to ensure resilience against unpredictable forex and market volatility, and further spectrum costs in the next two years and
ii) Investment for strategic long term benefits
    a) increased capex investment where Axiata intends to be a clear number one player in 4G and data leadership in selected areas in all markets
    b) market consolidation and edotco expansion

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[1] Celcom Axiata Berhad

[2] Forex closing rate from the point of funding (March 2016 till end 2016).
[3] Forex closing rate from the point of funding (March 2016 till end 2016).
[4] Forex rate depreciated 9% QoQ: RM4.1215:USD at end 3Q16 vs RM4.486:USD at end 4Q16.

This decision is for the short-term and is expected to be at FY15 level within two years.

ASEAN MARKETS

Improvements were seen in quarter-on-quarter (QoQ) revenue and EBITDA at both Celcom and XL[5] whilst Smart continued with its overall strong performance. Celcom showed early signs of stabilising with an improved quarter with QoQ growth in service revenue, normalized EBITDA and normalised PATAMI of 1.4%, 10.9% and 1.8% respectively.

Positive take-up on enhanced postpaid offerings such as First Gold 80 and First Platinum, delivered higher ARPU of 4.1% and subscribers growth of 3.2% QoQ. However, its prepaid segment continues to face near term challenges. Data revenue continues to be driver for Celcom, increasing by 10.0% in FY16 driven by mobile internet revenue growth of 19.0%. Data revenue accounted for 34.1% of total revenue.

Notwithstanding the improvements in the final two quarters, FY16 performance at Celcom was lower with revenue, normalised EBITDA and normalised PATAMI declining by 9.8%, 17.6% and 29.1% respectively. Higher D&A charges from accelerated 4G rollout impacted Celcom's bottom-line.

Similarly, XL saw general improvements in the execution of its Transformation Agenda which led to QoQ service revenue growth for the second consecutive quarter. Strong data revenue growth delivered a service revenue increase of 1% and total revenue by 0.5%. EBITDA QoQ grew 0.5% with PAT increasing over 100% due to tower sale gains.

For FY16, XL's revenue and EBITDA were lower by 6.7% and 4.0% while PAT improved by over 100% due to forex. In 2016, XL's 4G-LTE footprint continued to grow and now spanning close to 100 cities and areas across Indonesia. With a high smartphone penetration of 63% and data users at 65% of its subscriber base, XL delivered FY16 total traffic and data growth of 162% and 30.7% respectively. Data revenue accounted for 38.1% of total revenue.

Smart registered yet another quarter of overall outstanding performance fueled by excellent data growth. Smart's FY16 revenue, EBITDA and PAT grew by 13.0%, 12.3% and 19.8% respectively. Data subscribers grew 25.4% to 3.8 million while data revenue grew by 48.6% as data accounted for 42.3% of Smart's total revenue.

SOUTH ASIA MARKETS

The South Asia markets continued to deliver strong and steady performance. Despite operating in a challenging market, Dialog maintained its excellent performance for FY16 across all business units and operating from its position of strength as Sri Lanka's market leader. Dialog posted revenue, EBITDA and PAT growth of 17.3%, 22.6% and 74.2% respectively. Strong performance across all business units with FY16 revenue growth for mobile, fixed and

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[5] PT XL Axiata Tbk

pay-TV operations at 16.7%, 27.6% and 5.3%, respectively. Mobile data revenue saw a phenomenal increase of 52.4% YTD, with data revenue now making up 23.0% of Dialog's total mobile revenue. Based on its strong performance, a cash dividend of SLR0.39 per share was declared for FY16, representing a 35% dividend payout ratio (DPR).

Performing better than acquisition accretion target, Nepal's market leader, Ncell, recorded a strong FY16 performance as a result of higher data revenue growth. Ncell's FY16 revenue, EBITDA and PAT rose by 2.4%, 2.3% and 7.8% respectively while data revenue grew by 70.3% with data accounting for 15.9% of Ncell's total revenue.

Post-merger, with the inclusion of Airtel's 1.5 months revenue, Robi's 4Q16 revenue increased by 5.0% QoQ. One-off merger fees and other charges from the merger and network swap had impacted Robi's profitability during the quarter. Robi's FY16 revenue growth was at 0.5%, while normalised EBITDA and normalised PAT dipped 24.2% and over 100%. FY16 data revenue grew by 38.7%, as data accounted for 13.4% of Robi's total revenue.

GROUP'S ASSOCIATES

Unprecedented and significant competitive disruption in India led to YTD17 revenue growth of 3.7% and a 6.4% dip in EBITDA. PAT fell by over 100% as a result of higher depreciation and finance costs. Idea's FY16 contribution to Axiata accounted for 4.6% of normalised Group PATAMI, recording a decrease of 82.3%. In the case of the Singaporean market, in anticipation of the entry of a fourth player, intense competition affected M1's results. M1[6]'s FY16 revenue, EBITDA and PAT declined by 8.3%, 8.7% and 16.1%. For FY16, M1 contributed 9.1% of normalised Group PATAMI.

In total, for FY16, Idea and M1's contribution to Axiata were RM304 million and RM29 million lower respectively.

AXIATA'S NEW BUSINESSES

A key milestone for the Group in 2016 was the maiden equity raising exercise at edotco which set a new benchmark as the largest global tower sector private placement for the year at a record USD600 million[7]. At closing of the placement exercise, edotco's final portfolio equity valuation was at USD1.5 billion with an enterprise value of FY16 EBITDA in the multiple of 12.5x. With the additional capital injection, edotco has the capacity now to execute its growth strategies including expansion within Asia via key acquisitions and further in-country organic opportunities. For the Group, edotco continues to be an important source of growth and a potential dividend yielding company in the medium-term.

In 2016, Axiata Digital[8] continued to strategically grow its portfolio of digital assets with further service launches and partnerships, having invested in 30 digital companies involved in mobile

[6] M1 Limited
[7] edotco placement exercise was completed on 18 Jan 2017 with the signing of definite agreements with the new investors.
[8] Axiata Digital Services Sdn. Bhd.

money, commerce and advertising and enablers. In 2016, two of these companies were successfully monetised through private placements. Its portfolio also continues to be on track with market leadership positions.

COMMENTARY

Commenting on the Group's full year results, Axiata's Chairman, Tan Sri Azman Hj. Mokhtar said, "Globally, the telecoms sector has been experiencing greater competitive market pressures and regulatory challenges. As a regional Group operating under a multitude of conditions, Axiata was not spared. The Group's 2016 profitability was impacted by foreign currency losses due to the weakened Ringgit, a function of the geopolitical and macroeconomic uncertainties that persisted, as well as by one-off M&A charges and performance in some of our key markets.

"The Board has taken this and the uncertain investment climate into account in adopting a temporarily more prudent dividend payout to ensure the group is sufficiently resilient while continuing to invest for the future."

Tan Sri Jamaludin Ibrahim, President & Group Chief Executive Officer of Axiata added, "2016 was especially an extremely tough year for the Group with a combination of external and some internal challenges. Despite our topline revenue and EBITDA showing stronger performance, profitability was below our expectation. We are naturally dissatisfied with the performance of some of our companies but are pleased that most others have done very well. Some indicators improved in the final months of 2016 with Celcom and XL showing early signs of stabilising.

"The reasons for the drop in Group's profitability were the Ringgit depreciation against the US Dollar causing substantial forex losses on borrowings and payment related to the Ncell acquisition; the aggressive competition in India resulting in considerably lower contribution from our historically strong performing Associate; our strategic investments and M&As in Bangladesh and Nepal leading to some one-off merger and finance costs; our continued capex investments for data leadership booking higher D&A and accelerated depreciation; and lastly, start-up investments in digital/ Internet ventures."

OUTLOOK FOR 2017

Jamaludin added: "For 2017, heightened competition and tax and regulatory challenges remain for the Group across most of our OpCos particularly in Malaysia, Singapore and India, with rising capex weighing in on overall performance and profitability. We hope to see currency volatility and global macroeconomic factors which had an overarching impact on profitability for FY16, start to stabilise in 2017.

"We are committed to make 2017 one of our best years. With all the major business and organisational changes made recently, we expect to see better performance especially at Celcom and XL. In South Asia, barring regulatory changes, we are also confident our OpCos will continue its momentum of excellent performance particularly at Robi post-merger and Ncell. Further edotco organic and inorganic growth is expected in 2017. We are working to reduce cost and improve our Group-wide cost management plans we are working to reduce cost and or improve Group profitability. Axiata will also further continue its investments in its transformation into a digital company. We hope to see further consolidation in most of our markets.

"We have built in RM800 million opex and capex savings in our 2017 plan, and we are working towards RM1.5 billion additional savings in 2018 and 2019. This should be reflected in improved margin in 2018 and beyond.

"For 2017, the Group has committed to be the clear No.1 in 4G and data leadership in selected key markets as well as lead in the digital space."

End

About Axiata
As one of the largest Asian telecommunication companies, Axiata today operates in ten countries, servicing over 300 million subscribers. With a diverse portfolio in mobile network operations, communications infrastructure services and digital services, the Group pieces together the best in connectivity, technology and people in its vision of Advancing Asia.

Axiata has controlling stakes in market leading mobile operators in South East Asia and South Asia. Axiata Group of companies operate under the brand name of 'Celcom' in Malaysia, 'XL' in Indonesia, 'Dialog' in Sri Lanka, 'Robi' in Bangladesh, 'Smart' in Cambodia and 'Ncell' in Nepal. Further to this, the Group also holds strategic interests in 'Idea' in India and 'M1' in Singapore.

'edotco', the Group's infrastructure company, operates in six countries to deliver telecommunications infrastructure services, amassing a portfolio of over 16,000 towers and 12,000 km of fibre. It aims to be one of the top regional tower companies and is committed to responsible and sustainable business operations.

Axiata Digital (AD), its digital services arm, captures the rapid growth in internet-based businesses through its portfolio of 30 digital brands, servicing growing demands in mobile money, mobile advertising, e-commerce, entertainment and education.

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.

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