MEDIA RELEASE

Axiata Records Better Underlying Performance with Revenue and EBITDA Up 4.6% and 4.0% Increase YoY

Declared 5 sen Dividend with 86% DPR of First Half Profit to Shareholders on the back of reported YTD Normalised PATAMI at RM526.2 million

Group Improved Underlying Performance

- Cost and Capex Optimisation Programme delivered RM800 million in savings in 1H 18; on track to achieve target of RM1.4 billion for full year
- Group Balance Sheet remained healthy with cash balance at RM6.3 billion and gross debt/EBITDA at 2.3x
- Dividend of 5 sen per share declared, representing 86% of YTD reported Normalised PATAMI

Kuala Lumpur, 24 August 2018 – Axiata Group Berhad ("Axiata" or "the Group") saw better year-on-year (YoY) underlying performance[1] in both revenue and EBITDA for the financial period ended 30 June 2018.

YEAR-ON-YEAR UNDERLYING PERFORMANCE (Q2 18 Vs Q2 17)

Revenue for the Group, on constant currency basis and excluding the application of the Malaysian Financial Reporting Standard (MFRS) 15 and 9, increased by 4.6% to RM6.3 billion from RM6.1 billion as compared to the previous year. The growth in revenue is attributed to all of its mobile operating companies' (OpCos) successfully capturing gains in revenue and revenue market share, while edotco increased contribution to 7.3% of Group revenue.

Greater cost efficiencies as a result of Group-wide initiatives led to Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) increasing by 4.0% YoY to RM2.4 billion. Overall cost optimisation initiatives delivered RM800 million in savings Group-wide for the first half of the year and is on track to meet its target of RM1.4 billion for 2018. However, given the nature of start-up digital businesses EBITDA has been diluted as planned.

[1] **For the purpose of actual performance comparison, the Group's underlying performance is reported in i) constant currency as Ringgit Malaysia (MYR) strengthened by an average of ~10% against all operating countries' local currencies during the quarter ii) excludes Malaysian Financial Reporting Standard (MFRS) 15 and 9**

Quarter two normalised profit after tax and minority interest (PATAMI)[2] was at RM263.7 million from RM462.6 million in the previous year due to higher depreciation and amortisation (D&A) charges attributable to aggressive investments in data over the last two years, higher tax benefits in 2017 as well as higher investments in digital businesses.

Reported PATAMI for the quarter was impacted by one-off, non-cash provision of RM3.4 billion as a result of the de-recognition and reclassification of Idea from associate to simple investment, as announced on 27 July 2018.

The Group's balance sheet continued to strengthen significantly, recording healthier cash balance at RM6.2 billion as compared to RM5.7 billion in the previous quarter with gross debt/EBITDA at a comfortable 2.3x, below its debt covenant of 2.5x.

YEAR-TO-DATE (YTD) UNDERLYING PERFORMANCE (YTD 18 vs YTD 17)

Correspondingly, the Group's YTD underlying performance showed solid improvements to record revenue growth of 5.1% to RM12.6 billion and EBITDA by 4.6% to RM4.6 billion. New core digital businesses lifted YTD revenue by 0.3%. Normalised PATAMI was at RM591.0 million impacted by investments in new digital businesses and D&A charges from capex investment undertaken by some of its key operating companies in recent years.

PROPOSED DIVIDEND

In light of Axiata's half year performance, the Board of Directors declared an interim dividend of 5 sen per share, representing 86% of its half-year reported Normalised PATAMI of RM526.2 million being returned to shareholders for the financial year ending 31 December 2018.

PORTFOLIO MANAGEMENT AND RATIONALISATION

Over the period, the Group had executed several strategic portfolio management and rationalisation exercises to include the following:

- i) Smart's strategic partner, Mitsui Co., Ltd, exercised its call option of 10% on Smart at USD92.4 million, increasing its stake to 20% at the Group's Cambodian mobile operator
- ii) ADA (analytics.data.advertising) secured USD20 million funds from its new strategic partner, Sumitomo Corporation for its planned expansion in the digital advertising global business
- iii) edotco Malaysia completed its acquisition of Tanjung Digital Sdn Bhd, expanding its presence in Malaysia with 225 co-located telecom towers
- iv) De-recognition of Idea from strategic investment to simple investor in 2Q 18 after relinquishing some of its shareholder rights on 16 August 2018

[2] For the purpose of actual performance comparison, Normalised PATAMI i) excludes Idea operational losses, non-cash technical impairment and loss in dilution, ii) forex gains/losses iii) XL tower gains and iv) one-off impairments of digital services non-core businesses

COMMENTARY

Tan Sri Jamaludin Ibrahim, President & Group Chief Executive Officer of Axiata said, "This has been an eventful quarter in many ways!"

"Our associate company Idea in India, is at the final stages of regulatory approvals for its merger with Vodafone India Limited, creating the largest telco in India and one of the largest telco companies in the world. It was a quarter where all our subsidiaries performed well in revenue and EBITDA growth and gained market share. It was a quarter where the success of one of our three major digital companies was validated with a significant investment from Sumitomo Corporation for an implied valuation of USD109 million.

"But it was also a quarter where, the Group's reported financials have been clouded by the non-cash, technical impairment due to the reclassification and de-recognition of Idea, adverse impact from the strengthening of the ringgit by approximately 10% against all our OpCo local currencies and changes in the MFRS accounting standards."

On underlying and overall Group performance, Jamaludin said, "Looking at actual operational performance, I am pleased with how our OpCos stayed ahead of the tough competition to make steady gains in their respective markets. All OpCos showed particularly strong underlying growth in revenue and EBITDA with Celcom and XL demonstrating healthier operations. Celcom was the only operator in Malaysia to record growth in service revenue and total revenue for the quarter, indicating clear and commendable signs its turnaround is well on track. Similarly, XL also performed best in the market in comparison to its competitors, as the industry faces adjustments with the recent massive SIM registration exercise. Our PATAMI, however, was affected by higher depreciation and amortisation charges due to our aggressive Capex in data investment in the previous years. I am also pleased to note that our new core digital businesses are starting to contribute to the Group's top line."

"Our Group-wide cost optimisation programme successfully delivered RM800 million in savings giving us a comfortable runway to achieve our full year target of RM1.4 billion. EBITDA expanding more than revenue, reflects this. We are committed to stay on this path to ensure we hit the RM5 billion cost reduction target over the next five years," Jamaludin continued.

MOVING FORWARD

Jamaludin added, "Our results this quarter will set the stage positively for the future, barring any unforeseen circumstances. For the rest of 2018, we expect to see our OpCos continue with their solid performance. Celcom's core focus ahead is to continue to improve its margins through cost efficiency initiatives. We also expect industry recovery following price wars in Cambodia and the SIM registration exercise in Indonesia while our South Asian operations and edotco are expected to continue their strong performance.

"As we have ceased equity accounting of Idea, we expect PATAMI to return to its normalised run rate each quarter. 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 its investment in Idea."

In addressing the Group's outlook and efforts to ensure continued growth and profitability of the Group's digital businesses, Jamaludin said, "We are building a sustainable business portfolio as our mid to long-term strategy to address competition, costs and digital disruption. By picking the right winning digital investment models and strategic partners, we have doubled down on our investments in three core areas. Namely, we have built one of the largest Fintech companies in Asia to provide five micro-services; established the largest independent digital agency in the region with over 200 large cap clients; and set-up a global API business through hubs with other telco groups where we now have a reach of 3.1 billion people over 110 mobile network operators."

UNDERLYING PERFORMANCE SNAPSHOT

Q2 2017	*Q2 2018*	*YoY*		*YTD17*	*YTD18*	*YTD*
RM	RM	%		RM	RM	%
6.1 billion	6.3 billion	4.6%	Revenue	11.9 billion	12.6 billion	5.1%
2.3 billion	2.4 billion	4.0%	EBITDA	4.4 billion	4.6 billion	4.6%
462.6 million	263.7 million	-43.0%	Normalised PATAMI	778.5 million	591.0 million	-24.1%

About Axiata

Axiata is one of the leading telecommunications groups in Asia with approximately 350 million customers and with a presence in 11 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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ADDITIONAL INFORMATION ON PERFORMANCE BY OPCO AND BUSINESSES

ASEAN MARKETS

Healthy improvements in revenue and EBITDA at both Celcom and XL while Smart continues to see better performance as price war stabilises.

In the saturated and mature Malaysian mobile market, Celcom in Q2 recorded increased service revenue and total revenue ahead of the industry by 3.0% and 2.8% respectively, on the back of improved prepaid growth momentum. EBITDA on the other hand, grew by 6.8% largely due to lower direct expenses.

As a result of excellent execution on strategy to focus on high-value customers, Celcom saw an increase in ARPU and an overall steady subscriber growth. Recording its second consecutive quarter of positive net subscribers' addition from improved sales distribution and simplified product offerings, Celcom's year-on year (YoY) ARPU grew by RM5 in postpaid and RM4 in prepaid. During the quarter, Celcom's 4G and 4G LTE-A population coverage registered at 89% and 76% respectively.

XL continued to benefit from its Transformation Strategy to see positive overall revenue growth, gaining further traction in data market share in Q2 amidst challenging market dynamics and the massive prepaid SIM registration exercise. XL's revenue growth for the quarter sprinted ahead of the Indonesian industry, driven by a strong data-led product proposition through its dual brand strategy and supported by continuous and aggressive network investment. In first half of 2018, data revenue grew 20% YoY, accounting for 73% of XL's service total revenue, the highest in terms of data revenue composition in the market. Smartphone penetration in the country rose 10 pp YoY to 77% as XL continued to attract data-savvy customers. XL's 4G network now covers 380 cities, with almost 25,000 4G BTS stations alone, an increase of nearly 4,500 in the quarter alone.

Smart recorded better second quarter results as price war stabilises in the Cambodian market. Smart registered its highest revenue growth of 11.5% while YTD data revenue grew 20.2%. Data revenue now accounts for 57.5% of Smart's total revenue. The company's profit was adversely impacted by increased regulatory charges.

SOUTH ASIA MARKETS

The Group's South Asia operations continued to deliver steady performance with data services as key contributor to revenue growth.

Dialog continued to champion its excellent performance as market leader recording double digit YTD improvements on all matrices. Revenue growth for mobile, fixed and pay-TV operations recorded at 15.8%, 24.5% and 5.6%, respectively. Mobile segment continued to capture market share, whilst strong growth was also recorded in its fixed-line business driven by home broadband. Data revenue accounted for 34% of YTD mobile revenue gaining four percentage points from 30% in the previous year.

Riding on the successful integration and excellent rollout of 4G, Robi's achieved solid service revenue growth of 9.4% during the quarter. Robi's YTD revenue market share was at 27.9%, gaining 1.9 percentage point. Leading in the rollout of 4G network in Bangladesh well ahead of its competition, Robi has deployed over 7,000 4G sites to-date. Correspondingly, the company's YTD data revenue jumped by 35.5% contributing 24% to total revenue.

Ncell saw good performance underpinned by strong growth in data revenue which helped offset the decline in international long-distance revenue. YTD mobile revenue increased by 12.3% while data revenue chalked a remarkable growth of 34.2%, accounting for 22% of total revenue as smartphone penetration rate for Nepal rose to 58%.

INFRASTRUCTURE AND DIGITAL BUSINESSES

edotco continues its track record of strong operational performance especially from its operations in Bangladesh and Myanmar. YTD edotco accounts for 7.3% and 7.7% of Group revenue and EBITDA, respectively. As of second quarter, edotco owns ~17,300 towers, up 11.1% YoY and manages ~11,200 sites, an increase of 4.1% YoY. Its tenancy ratio rose to 1.59x compared to 1.47x in corresponding quarter last year. Acquisition of 13000 towers in Pakistan is awaiting regulatory clearance.

The Group's digital businesses, Axiata Digital and Axiata Business Services (Xpand), continued to build momentum under each of its operating verticals. Boost, a digital financial services (DFS) product, is on a solid growth trajectory with close to 3 million users and a merchant base of approximately 35,000 touch points. Xpand's core focus is to capitalise on under-focused enterprise solutions and high growth Internet-of-things opportunities.

ASSOCIATES

The Group's associates contributed positively for the quarter. YTD, Idea contributed a lower loss of RM95 million against RM135 million in the previous year from one-off, Q2 gains recognised from its tower sale. As from August 16 2018, the Group will cease to equity account Idea as an associate.

M1 contributed a profit of RM60 million to the Group, similar to the previous year's contribution.

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