

MEDIA RELEASE

**Rising above regional industry challenges,
Axiata recorded excellent operational performance¹ in 1Q19
with YoY revenue and EBITDA increase of 4.3% and 7.7% respectively**
Achieved RM709 million profit, one of its best quarters from sale of M1, digital ventures, and improved underlying performance

Highlights of 1Q19:

- Achieved one of the best quarters with record PATAMI of RM709 million, representing more than 100% growth YoY on the back of one-off gains from divestments (M1 and digital ventures) and forex; moderated by discontinued M1 share of profit
- Strong YoY underlying performance¹ with revenue and EBITDA growth of 4.3% and 7.7% driven by growth from most OpCos
- Gross Debt/EBITDA improved to 2.21x², Cash balance improved to RM6.8 billion boosted by M1 divestment proceeds (compared to Gross Debt/ EBITDA of 2.29x and cash balance of RM5.1 billion as at end 2018)
- XL and Robi returned to profit, with highest market share since XL-Axis and Robi-Airtel mergers
- edotco³ records highest revenue and EBITDA in 1Q19
- Axiata's 'Shifting Gear' initiatives for 2019 gained traction:
 - **EBITDA Growth to be higher than Revenue Growth:** 1Q19 underlying¹ EBITDA growth of 7.7% YoY, with underlying¹ revenue growth at 4.3%. Improvement in Return on Invested Capital to 6.2%⁴ compared to 4.4% in 1Q18
 - **Opex and Capex Efficiency:** Q1 cost remained flat compared to same period last year. Achieved RM262 million from cost optimisation programme, on track to meet full year cost optimisation target of RM1.2 billion
 - **Fund investments via Strategic partnerships:** Capital injection into AD⁴ by Mitsui & Co, at pre-money enterprise valuation of USD500 million
 - **Monetise/ Exit Non-core Investments:** Rationalised portfolio by divesting 28.7% of M1 stake, with RM1.65 billion cash proceeds; AD transferred its non-core digital assets (Digital Ventures) to a fund manager at a valuation of USD140 million; gain on disposal of RM302 million; Non-subscription of preferential rights in Idea – stake diluted to 2.5% from 8.2% previously
 - **Accelerated structural changes:** Intention to create a new Global Champion through the proposed merger of Axiata and Telenor's Asian operations within both their ASEAN and South Asia footprint markets

KUALA LUMPUR, 28 MAY 2019: Axiata Group Berhad (“**Axiata**” or “**the Group**”) had a strong head start for 2019, demonstrating continued strong underlying performance for the first quarter ended 31 March 2019 (1Q19). The Group's revenue grew by 4.3%¹ year on year

¹ For the purpose of actual performance comparison, the Group's underlying performance is reported as follows:

a. Excluding MFRS 16 impact
b. Percentage of growth at constant currency

² Excluding MFRS 16 impact

³ edotco Group Sdn Bhd

⁴ Axiata Digital Services Sdn Bhd

(YoY) to RM5.9 billion mainly driven by growth from XL⁵, Robi⁶, edotco, Dialog⁷, Smart⁸ and digital businesses. Earnings Before Interest, Tax, Depreciation and Amortisation (“**EBITDA**”) rose 7.7% YoY to RM2.2 billion for 1Q19 on the back of double-digit growth from XL, Dialog, Robi, Smart and edotco.

Normalised Profit After Tax and Minority Interests (PATAMI)⁹ for 1Q19 dipped 24.0% YoY to RM226 million impacted by Celcom¹⁰ and Ncell¹¹, depreciation and amortisation (“**D&A**”), finance costs and discontinued M1 share of profit. In terms of OpCo performance, EBITDA YoY grew faster than revenue for most OpCos.

Indicating further stability and resilience, Axiata’s cash balance grew to RM6.8 billion in 1Q19 up from RM5.1 billion in 2018 following the M1 divestment which resulted in an estimated RM1.65 billion cash gain. The Group’s balance sheet remained strong as gross debt/EBITDA improved to 2.21x² (compared to 2.29x as at end 2018).

PORTFOLIO RATIONALISATION RESULTS IN ONE OF THE BEST QUARTERS IN HEADLINE PROFITABILITY

PATAMI in 1Q19 jumped more than 100% to RM709 million recovering from a loss of RM147 million in 1Q18, delivering the Group one of its best quarters in terms of headline profitability. This was mainly due to one-off gains from divestments of its stake in M1, which netted a RM1.65 billion cash proceeds and one-off gain of RM113 million. Additionally, PATAMI for 1Q19 also improved as a result of the transfer of Axiata’s non-core Digital Ventures to a fund manager at a valuation of USD140 million which registered a disposal gain of RM302 million. The discontinued M1 share of profit, however, moderated PATAMI for 1Q19.

DIGITAL TELCO¹²

In 1Q19, the industry’s total mobile service revenue in Malaysia declined -3.6% YoY impacted by lower regulated mobile termination rate (MTR) and wholesale revenue. This negative growth led to a muted industry landscape for the quarter, which saw Celcom’s revenue dip by 7.4% to RM1.7 billion YoY, mainly as a result of reduced wholesale revenue. However, against this backdrop, Celcom’s core mobile service revenue increased 2.3% YoY driven by strong postpaid growth of 7.1%. EBITDA was up 25% YoY post adoption of MFRS 16, contributed by lower operating expenditure. In 1Q19, Celcom’s smartphone penetration rose by 5 ppt YoY to 80% while data subscribers as percentage of total subscribers was at 77% versus 71% a year ago, which contributed to the increase in total data usage by 57%. In line with its strategy, Celcom continues to take leadership in 4G population coverage, which rose to 93% whilst 4G LTE-A coverage to 81% in 1Q19 compared to 88% and 76% respectively in 1Q18.

XL had a strong start to the year, returning to profitability in 1Q19 after three quarters of reported losses as Profit After Tax (PAT) expanded to IDR57 billion compared to IDR15 billion in the same quarter last year. XL performed the best in the market. Its consistent data-led strategy execution continued to drive service revenue growth at 12% YoY ahead of industry. EBITDA grew by 14.8% YoY in 1Q19 due to higher spend for prepaid SIM registration in 1Q18. XL continues to be the most data-centric operator with 84% smartphone penetration and data

⁵ PT XL Axiata Tbk

⁶ Robi Axiata Limited

⁷ Dialog Axiata PLC

⁸ Smart Axiata Company Limited

⁹ Excluding one-offs from merger and acquisition (M&A) gains, forex impact and Malaysian Financial Reporting Standards (MFRS) 16 adjustments

¹⁰ Celcom Axiata Berhad

¹¹ Ncell Pte Ltd

¹² Growth numbers are based on results in local currency in respective operating markets and exclude MFRS impact

revenue at 86% of service revenue in 1Q19. Its dual brand strategy is performing well with both XL and Axis brands recording all-time highs in net promoter scores (NPS) in the past one year within respective target segments. Continued network investments in Indonesia, in particular ex-Java, has resulted in more than 33,000 4G BTS covering 405 cities and areas.

Smart delivered a solid 1Q19 performance driven by data, with double-digit YoY growth across revenue, EBITDA and PAT. 1Q19 data revenue grew by 33.7% YoY, as data accounted for 66% of Smart's total revenue.

Amidst rising price competition, Dialog continued to deliver double-digit growth YoY for revenue and EBITDA in 1Q19 at 11.2%¹³ and 10.8%⁵ respectively. In 1Q19, Dialog recorded mobile revenue growth of 4.2% YoY, whilst fixed home and TV grew by 8.6% and 11.9% respectively.

For 1Q19, Robi outperformed the market, posting strong double-digit growth YoY for service revenue at 10.9% against overall industry growth of 10.3%. Driven by data upsurge and lower marketing expense, EBITDA expanded by 81.2% and PAT returned to black in 1Q19 at BDT115 million compared to a loss of BDT1.3 billion in the same quarter last year. Data revenue in 1Q19 grew by 32.1% YoY, accounting for 28% of total revenue compared to 23% in Q118.

Ncell's revenue dropped 5.2% YoY having been affected by the Telecommunications Service Charge introduced by the government in July 2018 and a drop in international long-distance business. Its 1Q19 EBITDA margin remained steady at 61%.

DIGITAL BUSINESSES

In 1Q19, two major milestones were recorded by the Group's digital arm, AD.

The first was the transfer of AD's non-core digital assets (Digital Ventures) to a fund manager at a valuation of USD140 million, resulting in a RM302 million gain on disposal. The handover of these assets to the fund will ensure the assets continue to thrive through access to AD's customer base, joint marketing and other synergistic activities.

The second, was the entry of Mitsui & Co., Ltd as a strategic minority investor in AD, which subsequently established a pre-money enterprise value of USD 500 million for the core digital businesses of AD which include Boost, a leading e-wallet service in Malaysia with a presence in Indonesia, ada (analytics.data.advertising), the largest independent digital agency in the region, and Apigate, an emerging global API platform provider. This investment marks a validation point for Axiata's digital and internet ventures journey which began five years ago, and AD hopes to further accelerate its three core businesses while still being focused on distinct financial innovations for consumers at the bottom of the pyramid, marrying data and creative content for brands, as well as enabling rapid growth and monetisation for partners on its platform.

Combined with the Digital Ventures transfer and pre-money equity valuation of AD's core digital businesses in view of Mitsui's investment, the entire portfolio of AD is therefore valued at USD640 million, compared to the net investment cost of USD244 million.

Boost, the proudly homegrown lifestyle and leading e-wallet in Malaysia has recorded 1.8x growth in users to 3.9 million and 5.7x growth in merchants to 74,000. Boost's gross

¹³ Excluding Sri Lankan Financial Reporting Standards 16 (SLFRS 16)

transaction value (GTV) also increased by 8x, while its transaction volume grew by 1.5x quarter on quarter.

*ada*¹⁴, Asia's largest telco-data enabled company has continued to build upon its large customer accounts through new client wins in 1Q19 including BCA, Friesland Campina, Samsung and established strategic partnerships with players like VMLY&R (Agency), Moving Walls (Data Intelligence), Google (Media). *ada* has also received reputable awards from both the Appies (Gold, Consumer Services Category) and Markies (Bronze, Most effective use – Consumer Insights & Analytics).

Apigate¹⁵, AD's homegrown API platform continues to chart positive growth with total customer reach of 3.5 billion, with 110 MNOs and more than 300 connected merchants as of 1Q19, recording a Y-O-Y gross transaction value (GTV) growth of over 100% during the 1Q18-1Q19 period.

INFRASTRUCTURE

Fueled by strong growth across its footprint, edotco's revenue in 1Q19 increased by 25% YoY to RM439 million whilst Adjusted EBITDA grew 46% YoY to RM244 million. Tenancy ratios increased to 1.6x YoY in 1Q19 due to positive developments in Malaysia and Bangladesh, whilst the tower portfolio increased to 18,789 this quarter compared to 16,760 in 1Q18, driven by strong growth in Myanmar, Pakistan and Bangladesh. Successes of 1Q19 include the signing of MoUs/agreements with three major operators in Pakistan to further expand business in the country, the agreement to collaborate with the Penang State Government to pilot smart bus stops in the city, the launch of edotco's Tower to Community project in a second footprint market, Myanmar and being recognised as Frost & Sullivan's 2019 Asia Pacific Tower Company of The Year for the third time running.

COMMENTARY

Commenting on 1Q19 results, Tan Sri Ghazzali Sheikh Abdul Khalid, Chairman, Axiata Group Berhad said, "The 1Q19 results demonstrate that the Group is on track with its plans to make 2019 a year of significant growth as its transformation towards becoming a New Generation Digital Champion by 2022 gains momentum."

On the announcement of Axiata's proposed merger with Telenor ASA's Asian operations, Tan Sri Ghazzali said: "The proposed merger, should it occur, is a significant development that will not only result in delivering synergies to both companies, but one that will create new opportunities for next generations of Malaysians to become globally skilled talents conversant with technologies of the future."

Commenting on the 1Q19 results, Axiata President and Group Chief Executive Officer Tan Sri Jamaludin Ibrahim said "Our strengthened results this quarter demonstrate that we are serious about realising our 'Shifting Gear' initiatives, driven by a profit and cash focus. It is also encouraging to note the topline growth across our Triple Core business covering digital telcos, digital businesses and infrastructure."

"We had one of our best quarters ever with an upsurge in headline profitability of RM709 million on the back of gains from our portfolio rationalisation exercises involving the M1 divestment and the carving out of our non-core Digital Ventures from our portfolio. The Group's ROIC for 1Q19 improved to 6.2% and our cash position has grown from RM5.1 billion in 2018

¹⁴ Axiata Digital Advertising Sdn Bhd

¹⁵ Apigate Sdn Bhd

to RM6.8 billion as of 1Q19. Our cost optimisation programme yielded RM262 million and is firmly on track to meet the full year target of RM1.2 billion.”

“Our underlying performance continues to reflect the Group’s strength and resilience in delivering results amidst challenging macroeconomic and industry conditions across our footprint. I am especially pleased to note that most OpCos continue to deliver encouraging performance improvements, with EBITDA growing faster than service revenue.

“Moving forward, we must continue to have our foot on the pedal in delivering a promising 2019 for the group. Continued focus in executing the ‘Shifting Gear’ initiatives will be critical across the Group especially in driving further performance improvements from our digital operators, whilst benefitting from our growing digital and infrastructure businesses.”

On the Group’s business focus in view of the proposed merger between Axiata and Telenor’s Asian operations, Tan Sri Jamaludin said: “There will be a dedicated working team looking into the details of this project over the next three months, separate from the rest of the management team. As far as the Group is concerned, it is business as usual and achieving the 2019 targets would remain as key priorities for all operating units.”

“On the matter of the ruling by the Supreme Court of Nepal and the tax assessment that has been imposed on Ncell by the Large Taxpayer’s Office (“LTPO”), measures are being taken to protect our interests including the submission of a writ petition against the tax assessment made by the LTPO which has not complied with procedures stated in the country’s Income Tax Act. Additionally, Axiata, through our subsidiaries involved in the Nepal transaction, have filed a Request for Arbitration with the International Centre for the Settlement of Investment Disputes under the Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Nepal for the Promotion and Protection of Investments dated 2 March 1993. We will continue to notify the market on the development from these actions, as appropriate,” he said.

- Ends -

About Axiata

As one of the leading telecommunications groups in Asia in pursuit of its vision to be the New Generation Digital Champion by 2022, Axiata has transformed itself from a holding entity with a portfolio of pure-play mobile assets into a Triple Core Strategy driven business focusing on Digital Telco, Digital Businesses and Infrastructure.

Within ASEAN and South Asia, the Group 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. Axiata is actively spearheading efforts to transform its mobile-centric operations into digital converged companies.

Axiata’s digital businesses are focused on three verticals namely Digital Financial Services (‘Boost’), Digital Advertising (‘ada’) and Digital Platform (‘APIgate’) in the global market.

‘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.

As a committed and long-term investor, and 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 of Advancing Asia aims to piece together the best in the region in terms of innovation, connectivity and talent.

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