MEDIA RELEASE

Operationally Resilient in Face of Pandemic Pressures

EBITDA stable at RM5.1 billion YTD with Free Cash Flow of RM2.5 billion despite low single digit decline in revenue to RM11.8 billion;
Early signs of recovery by most OpCos from May; in June most OpCos have largely recovered to pre-lockdown[1] revenue level;
Robust cash balance of RM5.9 billion, liquidity further strengthened by recent landmark US$1.5 billion dual tranche offering secured at historical low rates;
On track to achieve RM5 billion cost optimisation target one year ahead as evidenced from improved EBITDA margin

Key highlights for 2Q20

- **Full impact of COVID-19 felt in 2Q20, particularly in April:** YTD20 revenue (ex-device) and EBITDA declined by 2.4%[2] and 0.7%[2] respectively impacted by locked down effects of the COVID-19 outbreak and pre-existing challenges in Ncell. Underlying PATAMI further impacted by higher D&A and higher losses from digital business on contribution to the e-Tunai Rakyat initiative. Estimated COVID-19 revenue and CSR impacts of approximately RM400 million and RM80 million respectively in 1H20. All OpCos affected on two major fronts – subscribers' accessibility to prepaid reload due to closure of outlets, and foregone revenue from free data and bonus recharge offered to customers.

- **Improvement in YTD20 EBITDA margin on cost control:** YTD20 EBITDA decline of 0.7%[2], a lower drop versus revenue (ex-device) decline of 2.4%[2]; lifting EBITDA margin by 0.9ppt to 43.0%. Delivered capex and opex savings of RM529 million.

- **Early signs of recovery by most OpCos from May onwards but still highly uncertain on post-lockdown impact to respective economies:** In June, most OpCos have largely recovered to pre-lockdown revenue level.

- **Challenging 2Q20 for Celcom, with green shoots in sight from June:** Celcom recorded YTD20 9.5% revenue (ex-device) decline due to outlets closure and free data offer of 1GB per day to all subscribers. Throughout the quarter, Celcom continued to invest in its network, supporting Malaysians to stay connected. Early signs of recovery recorded from May, supported by easing of lockdown restrictions and launch of new prepaid 'Truly Unlimited' Plan. Core revenue is back to pre-MCO level in June.

- **XL and Robi sustained strong performance in 2Q20:** XL recorded YTD20 revenue (ex-device) and EBITDA growth of 7.4% and 36.6% (15.3% excluding IFRS adjustment). Robi's EBITDA grew faster than revenue at 6.7% YTD to record EBITDA margin of 45%, whilst PATAMI soared 236% to BDT771 million as a result of higher EBITDA aided by lower net finance cost and D&A charges.[3]

- **Double digit growth across most metrics for edotco:** YTD20 revenue, adjusted EBITDA and PATAMI grew 5.6%, 17.4% and 62.8% respectively. FCF surged 169% due to improvement in EBITDA and lower CAPEX spend.[3]

- **Pre-existing underperformance exacerbated by lockdown pressures at Ncell:** Existing complications from the delayed issuance of spectrum, data underpricing by ISPs and the prolonged time taken to settle the Capital Gains Tax combined with challenges from lockdown impacted Ncell's performance as YTD20 revenue (ex-device)[1] declined 22.5%, affected by drops across voice, data and International Long Distance.[3]

- **US$70 million fund from Great Eastern Holdings strong validation for digital business:** Proceeds to fund the expansion of Axiata Digital's Digital Financial Services business over the next year in Malaysia and the region.

- **Confidence from bond investors validated:** Improved capital structure with issuance of dual-tranche offering in August, comprising 10-year US$500 million Sukuk and 30-year US$1 billion Notes from a Euro Medium Term Note Programme, and successfully capitalised on historical low interest rates testifying to the Group's fundamentals and future growth potential. Third tightest coupon globally by a telco in both 10-year and 30-year categories. Credit duration extended to 16 years, with 80%+ at fixed interest at these low levels.

- **Directionally, low single digit percentage decline in revenue and EBITDA in 2020.**

- **Considering prevailing uncertainties, declared interim DPS of 2 sen.**

KUALA LUMPUR, 27 AUGUST 2020 – Facing the full impact of COVID-19 measures on the regional macroeconomic environment and drastic consumption shifts due to movement restrictions, Axiata Group Berhad ("**Axiata**" or "**the Group**") demonstrated operational resilience to further secure its balance sheet for the second quarter ended 30 June 2020 ("**2Q20**"). Having taken concrete steps in strengthening its core businesses in telco, digital and infrastructure, the Group's cash position continued to be strong, and remains on track to achieve RM5 billion cost optimisation one year ahead of target.

Due to COVID-19 effects, the Group estimates a revenue impact of approximately RM400 million in the first half of 2020 ("**1H20**") mainly from distribution shutdowns and outlet closures during stringent movement controls, preventing subscribers from accessing prepaid reloads as well as the provision of free data and bonus recharge to customers.

In prioritising emergency needs as Malaysia and the region faced an unprecedented healthcare crisis, sharp economic contractions and rising unemployment in the second quarter, Axiata and its operating companies ("**OpCos**") extended assistance in cash and in-kind of approximately RM80 million. Efforts were focused on ensuring connectivity for frontliners as well as other protection and prevention initiatives including contributions to national disaster recovery efforts in Malaysia, Indonesia, Cambodia, Sri Lanka, Bangladesh and Nepal. Concessions were also made by OpCos to provide flexibilities in payment to cater to subscribers impacted by the pandemic.

Encouraging consumers and communities to stay connected and productive at home, Celcom[4], XL[5], Smart[6], Dialog[7], Robi[8] and Ncell[9] provided various forms of freebies to customers. In order to support e-learning and productivity activities, Celcom for example, continues to extend the free daily 1GB data, initially announced at the beginning of Malaysia's

Movement Control Order (**"MCO"**). Most OpCos also enabled free access to critical digital services related to e-learning and health, among others.

Coupled with data usage taking precedence over voice, the pendulum swings in consumption patterns tested networks nationwide as topography drastically shifted towards heavier usage in residential areas with daily peak extending beyond usual patterns. In order to ensure continued connectivity and reliability, the Group doubled down on network and systems resilience to avoid congestion and provide critical connectivity.

Recognising also the need to support small businesses stay afloat as daily incomes take a hit, in March, Axiata, together with Celcom, Axiata Digital[10], Aspirasi[11] and edotco[12] launched the COVID-19 Assistance Programme with a total funding of RM150 million. The initiative, which was rolled out through Axiata Digital's Aspirasi Assist platform provides immediate micro-financing to qualified Malaysian micro-SMEs through a quick 3-minute online process.

Business remained stable despite external challenges
On a reported basis, revenue was at RM11.8 billion, dipping 2.3% Year-To-Date (**"YTD"**), mainly challenged by adverse impacts from the pandemic containment measures across the Group. Earnings Before Interest, Tax, Depreciation and Amortisation (**"EBITDA"**) held steady at RM5.1 billion YTD compared to the same period last year, triggered by EBITDA growth from XL, Robi, Smart and edotco as well as disciplined focus on controlling costs. Profit After Tax and Minority Interest (**"PATAMI"**) fell 71.6% YTD to RM268 million mainly due to higher depreciation and amortisation (**"D&A"**), foreign exchange losses and lower one-off gains. For purposes of comparison, underlying PATAMI dropped 62% on the back of higher D&A, lower contributions from Ncell and higher losses from ADS mainly arising from the e-Tunai Rakyat initiative by the Government.

In 2Q20, the Group's revenue stood at RM5.8 billion, dipping 4% from the preceding quarter due to COVID-19 measures. However, EBITDA rose 3.2% to RM2.6 billion in 2Q20 due to lower advertisement and promotion expenses and one-off staff restructuring cost in 1Q20, among others.

For long-term planning and stability, Axiata continued to employ proactive balance sheet management, with cash balance growing to RM5.9 billion YTD compared to RM5.4 billion in the same period last year and gross debt to EBITDA at 2.6x YTD.

Free Cash Flow (**"FCF"**) grew 4.3% YTD to RM 2.5 billion mainly due to 3.8% lower capex while Operating Free Cash Flow jumped 17.2% to RM1.2 billion arising from lower capex and tax.

Dividend
The Board of Directors have resolved a tax-exempt dividend of 2 sen per share for the financial year ending 31 December 2020.

Digital Telco[3]
COVID-19 movement controls, free data and special relief offers combined with challenging prepaid segment affected **Celcom's** performance for the quarter, leading to 9.5% reduction in revenue (ex-device) YTD. Adjusting for one-off expenses from the Employee Restructuring Programme in 1Q20, EBITDA declined 7.3% YTD mainly due to revenue impact from the MCO, offsetting the improved lower direct expense and sales and marketing costs.

However, encouraging signs of recovery emerged in May with revenue returning to pre-MCO levels given the easing of movement restrictions and the company's cost efficiency programme. The launch of the 'Truly Unlimited' prepaid plan in June improved the prepaid subscriber base in 2Q20, which grew to 5.1 million compared to 5 million in the preceding quarter. To secure growth in the second half of 2020 **("2H20")**, Celcom has started to focus on increasing its overall brand presence through its Trade Ubiquity Programme and encourage prepaid growth by crowdsourcing dealerships as well as driving app penetration with personalised offers, among others. For the postpaid segment, Celcom will continue to promote pre-to-post migration, family line campaigns and the EasyPhone™ programme.

Meanwhile, **XL** sustained its growth momentum in 2Q20 despite a challenging environment due to COVID-19 and increasing competition to deliver 7.4% revenue (ex-device) growth YTD, underpinned by strong data and double-digit growth in EBITDA and FCF. Adjusting for International Financial Reporting Standards impact, EBITDA grew 15.3% YTD driven by cost optimisation, encouraging a 52% rise in FCF YTD. PATAMI surged to IDR1.7 trillion mainly from gain on tower sale of IDR1.5 trillion; excluding this PATAMI declined 29.6% due to higher D&A cost and deferred tax adjustment.

COVID-19 concessions and the lockdown in Sri Lanka in 2Q20 impacted **Dialog's** performance. Revenue (ex-device) slipped 1.2% whilst EBITDA declined 1.1%, although EBITDA margin sustained at 39.8% on account of strict cost controls. FCF grew 14% due to 26.3% decline in capex whilst PATAMI dropped 44.7% YTD impacted by higher depreciation charges and forex movements.

Despite pandemic restrictions being implemented in Bangladesh, **Robi** posted 1.1% growth in revenue (ex-device) YTD mainly from strong increase in data. In the same period, EBITDA grew faster than revenue at 6.7% leading to 2.6 percentage points ("**ppt**") margin improvement to 45%, driven by lower direct, network and other costs. FCF declined 40.4% as a result of accelerated capex spend to catch up with delays from last year. PATAMI grew 236% to BDT771 million on the back of flow-through from higher EBITDA, aided by lower net finance cost and D&A charges.

For Smart, revenue (ex-device) remained flat YTD as higher prepaid revenue was dragged by the decline in inbound roaming and international business revenue reflecting the lessening of foreign travellers in Cambodia. EBITDA growth outpaced revenue growth at 7.8% YTD mainly from lower marketing and network costs whilst PATAMI grew 7.3%.

The shutdown of distribution due to Nepal's COVID-19 lockdown further exacerbated **Ncell's** existing business challenges namely spectrum constraint, Internet Service Provider ("**ISP**") aggression and declining trend for ILD calls. Ncell's revenue (ex-device) thus fell by 22.5% YTD and EBITDA slid 31.9% due to revenue decline coupled with higher network cost. In turn, PATAMI declined 74.6% YTD attributable to EBITDA decline, higher D&A charge and net finance cost. Moving into 2H20, the targeted activation of new spectrum will enable Ncell to compete head-on in the Nepali market and provide improved network quality. Other areas of focus include the launch of the Super 4G data plan to drive data monetisation, analytics-based customer value management as well as subscriber retention and growth.

Digital businesses
In 2Q20, **Aspirasi** funded 3,300 merchants, disbursing 4,040 loans amounting to RM32 million. Under micro-insurance, Aspirasi sold a total of 8,284 policies compared to 711 policies in the previous quarter on the back of attractive offers such as Aspirasi HospiCash, Aspirasi SME OwnerProtect-X and Aspirasi C-Protect. Despite COVID-19 challenges, **Boost's** Gross Transaction Value ("**GTV**") expanded 1.9x from a year prior. As at 30 June 2020, total users grew 1.7x to 7.6 million while total merchants rose 1.8x to 176,000 compared to 2Q19. Active user spending increased to more than RM300 per week compared to over RM200 same period last year. **ADA**[13] solidified its position with a 1.1x expansion in Net Revenue Year-on-Year ("YoY"), driven by 100% growth for Business Insights and 43% growth for Agency.

Infrastructure[3]

edotco sustained its performance momentum in 2Q20, registering double-digit growth across most metrics on a YTD basis, despite slower rollouts impacted by COVID-19 movement restrictions. For 1H20, edotco recorded a 6.9% increase in towers owned to 21,067 whilst sustaining a stable tenancy ratio of 1.6x. For the same corresponding period, revenue grew by 5.6% supported by positive contribution across most major footprints. Similarly, Adjusted EBITDA[14] grew by 17.4%, leading to a margin expansion of 6.5ppt to 64.3% driven by overall business growth and Malaysian Financial Reporting Standards 16 (**"MFRS 16"**) adjustments. FCF surged 169% driven by the improvement in EBITDA and lower capex spend, whilst PATAMI grew 62.8% also driven by improvement in EBITDA and unrealised forex gain.

Commentaries

Tan Sri Ghazzali Sheikh Abdul Khalid, Chairman, Axiata said: "The second quarter of 2020 stress tested Axiata's fundamentals and strategies as our operations grappled with the triple blows of the resultant health crisis, and financial and socioeconomic fallouts. Despite the various unprecedented impacts to business, Axiata's steady results for this quarter is a strong testament of the Group's agility and resilience, stemming from solid fundamentals and meticulously planned future-proofing moves."

"I am also pleased to note the immediate and extensive measures taken by Axiata and its operating companies to respond to the needs of staff, consumers, and communities across our footprint. Much emphasis has been placed on enabling access to digital productivity and education during the pandemic. As a responsible nation-building partner in all our countries of operation, we will continue to place our communities at the front and centre of our ongoing efforts as countries ease into recovery."

Tan Sri Jamaludin Ibrahim, President & Group CEO of Axiata said: "The full impact of COVID-19 was felt heavily in the second quarter, especially in April when movement restrictions were in full throttle across our markets. Although Malaysia eased into recovery following swift and decisive moves to soften pandemic blows, the crisis rages on in our region. As a result of the protracted financial and economic turmoil, unemployment continues to spiral as the industry confronts headwinds in the short- to medium-term."

"Against this backdrop, we are encouraged that our cash position remains strong, and we continue to be ahead of our RM5 billion cost optimisation target by one year, as evidenced from the EBITDA margin improvement," he said.

"It has also been encouraging to witness the operational resilience demonstrated by most of our operating companies. By June, most OpCos have largely recovered back to pre-lockdown revenue levels. Uncertainties, however, continue to mar the horizon as governments and businesses grapple with the post-lockdown impact to economies. We will exercise prudence and continue to keep a watchful eye on the risks and ongoing financial and operational effects of COVID-19 to our businesses. We are also keenly taking advantage of opportunities in the Enterprise, Digital and Home segments as evidenced by the accelerated pace of digitalisation."

"In line with macroeconomic uncertainties, directionally, the Group expects to record a low single digit percentage decline in revenue and EBITDA in 2020," he said.

Dato' Izzaddin Idris, Deputy Group CEO of Axiata said: "As at end of the second quarter, armed with cash totaling RM5.9 billion and gross EBITDA to debt ratio standing at 2.64 times, our balance sheet is optimised, provides comfortable headroom and places us in a position of strength to respond quickly to opportunities when they arise."

“Furthermore, the Group’s liquidity position has been reinforced with the issuance of a dual-tranche offering in August, comprising a 10-year US$500 million Sukuk and a 30-year US$1 billion Euro Medium Term Notes. The Issuances successfully capitalised on historically low profit/interest rates, demonstrating the confidence of global investors in Axiata’s long-term potential. Additionally, the US$70 million cash injection into Axiata Digital from Great Eastern Holdings is also a strong validation of our growing digital financial services.”

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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 Digital, the digital services arm of Axiata is focused on two digital business verticals namely Digital Financial Services ('Boost', ‘Aspirasi’) and Digital Advertising ('ADA').

'edotco', the Group's infrastructure company, operates in six countries to deliver telecommunications infrastructure services, amassing approximately 32,300 towers. Presently the 16th 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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[1] Pre-lockdown revenue derived from aggregate of Jan and Feb revenue
[2] Underlying performance – at constant currency
[3] Growth numbers for OpCos are based on results in local currency in respective operating markets
[4] Celcom Axiata Berhad
[5] PT XL Axiata Tbk
[6] Smart Axiata Company Limited
[7] Dialog Axiata PLC
[8] Robi Axiata Limited
[9] Ncell Axiata Limited
[10] Axiata Digital Services Sdn Bhd
[11] Axiata Digital Capital Sdn Bhd
[12] edotco Group Sdn Bhd
[13] Axiata Digital Advertising Sdn Bhd
[14] Adjusted for M&A cost and share-based payment expenses