

AXIATA GROUP BERHAD (“AXIATA”) – HEADLINE KEY PERFORMANCE INDICATORS (“KPIs”) FOR FINANCIAL YEAR ENDING 31 DECEMBER 2019 (“FY2019”)

Axiata wishes to announce its FY2019 Headline KPIs.

These Headline Key Performance Indicators (KPIs) have been set and agreed by the Board of Directors and Management of Axiata Group (“**Group**”) and shall not be construed as forecasts, projections or estimates of the Group or representations of any future performance, occurrence or matter as they are merely a set of targets/aspirations of future performance aligned to the Group's strategy and which have been derived on the assumptions that the Group shall operate under the current business environment under which they had been determined.

FY2019 Headline KPIs

	FY2019 Headline KPIs Pre MFRS16 @ Constant rate
Revenue Growth (%)	3 - 4%
Earnings before Interest, Tax, Depreciation and Amortisation (“ EBITDA ”) Growth (%)	5 - 8%
Return on Invested Capital (“ ROIC ”) (%)	5.2 – 5.6%

*Note: Constant rate is based on the FY18 Average Forex Rate (e.g. 1 USD = RM4.034)
ROIC is defined as EBIT - tax + Share of Assoc / Average Invested Capital (excluding cash)*

In establishing the FY2019 Headline KPIs, the Management of Axiata has taken into consideration the followings: -

- Incorporates MFRS 15 (Revenue from Contracts with Customers) and MFRS 9 (Financial Instruments) but excluding MFRS 16 (Leases) which will be adjusted for actual underlying performance
- No material changes in competitive landscape in the mobile market of the Group’s major operating companies (“Opcos”)
- No material tax and regulatory changes impacting the Opcos
- No material changes in currency volatility, liquidity shortages and interest rates in the South Asia and South East Asia regions in particular
- No material changes in CAPEX spending in Opcos
- No material changes from global and domestic economy as well as consumer spending
- Excludes any contingent liabilities or material litigation risks
- Excludes potential merger/acquisition and divestment impacts

Moving Forward

In line with the vision to be the Next Generation Digital Champion, the Group is continuing the execution of Axiata 3.0 Triple Core strategy – transforming into a Digital Telco, Digital Business and Infrastructure. The Group is placing an immediate emphasis on “Shifting Gear” towards profitable growth and cash focus. Axiata’s focus will be on Opex and Capex efficiencies, reprioritisation and monetisation of investments as well as acceleration of structural changes to achieve an optimal portfolio spanning core business, enterprise, home, digital business and infrastructure.

Across the footprints, Opcos are focusing on higher profit growth relative to topline, reflecting the rigorous cost programme to exceed RM5bn cost target for the period of FY2017-2021. Concurrently, Opcos will continue their legacy objective to win the market whilst sweating their assets.

In the meantime, Axiata remains cautious of the challenging industry and macro landscape, with heightened regulatory, political and competitive environment expected in some of the footprints in addition to the prolonged uncertainties on global and regional economic outlook.

Against this backdrop, Axiata is committed to continue the momentum and foundation already in place to deliver the above Headline KPIs for FY2019.

FY2018 Headline KPIs Achievements

On 22 February 2018, the Group announced its Headline KPIs guidance for the financial year ended 31 December 2018. The Group's 2018 Headline KPIs announced were as below:

Headline KPIs	FY 2018	FY2018	FY2018	FY2018	FY2018
	Statutory Post MFRS 15 & 9 @ actual currency	Headline KPIs Pre MFRS 15 & 9 @ Bloomberg rate	Achievement	Headline KPIs Pre MFRS 15 & 9 @ constant currency	Achievement
Revenue Growth (%)	-2.1%	Flat	-4.4%	6.3%	3.7%
EBITDA Growth (%)	-9.7%	Flat	-6.1%	5.8%	2.0%
Return on Invested Capital ("ROIC") (%)	1.3%	4.8% - 5.2%	5.4%	5.0% - 5.5%	5.6%
Return on Capital Employed ("ROCE") (%)	1.2%	4.1% - 4.6%	4.7%	4.5% - 5.0%	4.9%

Note: Constant rate is based on the FY17 Average Forex Rate (e.g. 1 USD = RM4.30), Bloomberg rate is based on 2018 Forex Forecast as at 24th January 2018 (e.g. 1 USD = RM3.90).

FY2018 has been a challenging year for the Group. On a Statutory basis, the Group posted Revenue and EBITDA of -2.1% and -9.7% year-on-year, while ROIC and ROCE stood at 1.3% and 1.2% respectively.

Externally, the Group was materially affected by the strengthening of the Malaysian Ringgit (MYR) which resulted in lower translated results, as well as from the adoption of Malaysian Financial Reporting Standards 15 and 9 ("MFRS 15 and 9"). The Group also recorded losses from Idea investments and one-off assets write-off due to modernization and technical obsolescence.

From August 2018, the Group has guided the market based on Adjusted Headline KPIs, which excludes the impact from Deodar (cancellation of acquisition in Pakistan) uplift and Idea related losses. On a like for like basis, the Group's FY2018 underlying achievement is above the Adjusted Headline KPIs (post normalisation from forex translation losses, MFRS 15 and 9, all Idea related losses, assets write-off and restructuring costs i.e. Celcom Employee Life Plan "ELP").

Adjusted Headline KPIs	FY2018	FY2018
	Adjusted Headline KPIs (Pre MFRS 15 & 9 @ constant currency)	Underlying Achievement
Revenue Growth (%)	2.8%	3.7%
EBITDA Growth (%)	1.7%	2.0%
ROIC (%)	5.0% - 5.5%	5.6%
ROCE (%)	4.3% - 4.8%	4.9%

On the back of a declining industry in Malaysia, Celcom gained revenue market share in FY2018. XL weathered the SIM registration impact significantly better than peers, with topline growth in a contracting Indonesian market, demonstrating its successful transformation agenda and uplift from its expansion outside Java. Dialog and Robi recorded impressive Revenue and EBITDA growth, whilst Ncell, Smart and e.co continued to deliver excellent performance. The digital business however impacted the Group's profitability but tracking better than expected.

Overall, Axiata recorded a good underlying performance, pushed by its Group-wide cost initiatives which delivered RM1.5bn optimization - well ahead of FY2018 target of RM1.4bn, in this difficult year.