Statements and Analysis

Chairman's Statement

TAN SRI GHAZZALI SHEIKH ABDUL KHALID
Chairman

Dear Shareholders,

The year 2018 marked Axiata's tenth anniversary as a regional mobile telecommunications provider delivering on our promise of Advancing Asia. Having commenced with an operational footprint spanning 10 countries providing pure-play mobile services, the Group today is present in 11 countries in ASEAN and South Asia. Our services portfolio in tandem, has expanded to include Digital Telco, Digital Businesses and Tower Infrastructure in line with our aspirations to become a New Generation Digital Champion by 2022.

ADJUSTING TO A NEW NORMAL FOR THE INDUSTRY

The year 2018 can be described as pivotal for Axiata as the Group responded to volatile macroeconomic conditions, technological and market disruptions, demand shifts and regulatory uncertainties across the region.

As the Fourth Industrial Revolution inspires a continuous cycle of technological breakthroughs, the demand for digital services is exploding across developed and developing economies. Advancements in cloud technology, Internet of Things (IoT) and Artificial Intelligence (AI) are creating new waves of opportunities. There have also been commercial deployments of 5G technologies in developed markets such as the United States, Australia and Korea, and it will only be a matter of time before our markets are ready for 5G deployment. Telecommunications players are naturally placed to backbone infrastructure and connectivity needs but it is also imperative to move swiftly to address business model and industry structure issues to take advantage of this technological revolution.

Hypercompetition is pervasive within the industry, as mobile network operators struggle to retain or capture growth. Disruptive competition from Over-The-Top (OTT) providers is increasingly encroaching spaces traditionally occupied by telcos. Adjusting to this new norm requires more than just competing on price, coverage and customer relationship management. In Axiata's case, future-proofing the Group calls for a paradigm shift in talent management, portfolio optimisation as well as actively implementing digitisation initiatives across the businesses in order to capitalise on new growth opportunities.

Chairman's Statement

PAVING THE WAY FOR FUTURE GROWTH

In building resilience for the long-term, Axiata will continue with its portfolio rebalancing and rationalisation exercise to prioritise capital allocation to core businesses and markets in supporting Group-wide digital transformation. This will include transforming mobile telco-centric Operating Companies (OpCo) into converged solutions providers, modernising the Group's IT and network infrastructure, digitising operations across all functions, producing "unicorns" from amidst our digital businesses and becoming one of the top five global tower companies by 2022.

At the same time, in staying grounded with the realities of our current operating environment, the Group is keeping a very close eye on maintaining a robust balance sheet that supports our ambitious digital transformation by embarking on profitable growth and cash focus initiatives for the short-term.

OUR COMMITMENT TO THE HIGHEST STANDARDS OF RESPONSIBLE BUSINESS PRACTICES

Axiata has consistently upheld the highest principles of transparency and accountability within a robust governance framework. Efforts within this sphere involves ensuring our OpCos aspire to the best global standards pertaining to corporate governance, including tax licensing and data privacy requirements.

Our leadership position across the region provides an excellent opportunity for Axiata to contribute towards socioeconomic development initiatives in our markets. As much as we are a Malaysian company at heart, we partner governments as a National Champion committed to strengthening the digital ecosystem, nurturing the next generation of digital innovators, and building local communities. Axiata will also continue to drive best practices and sustainability principles in line with the United Nations' Sustainable Development Goals (UN SDG) framework and Global Compact principles in addition to our very own Sustainability Framework.

CHANGES TO THE BOARD

We bid farewell to Tan Sri Datuk Wira Azman Hj. Mokhtar after 10 years of service as Chairman of the Board. Tan Sri Azman has been an inspiring leader for many and I can only hope to do justice in continuing to carry this torch that I have accepted in ensuring Axiata remains relevant and at the forefront at all times. We are deeply indebted to him for his guidance and insights in steering Axiata forward through the years and we wish him well with his future endeavours.

Our gratitude also to Datuk Azzat Kamaludin who retired as Board member on 23 May 2018 after serving as its Senior Independent Non-Executive Director for over 10 years. We are grateful for his invaluable contributions to the Group and unwavering commitment to the highest standards of governance and performance.

It also gives me great pleasure to announce we now have 30% female representation on the Board, having appointed Ms Khoo Gaik Bee as Independent Non-Executive Director on 1 January 2019. Ms Khoo joins Dato Dr Nik Ramlah Nik Mahmood and Dr Lisa Lim Poh Lin who were appointed to the Board on 21 March 2017 and 8 June 2018 respectively.

ACKNOWLEDGEMENTS

On behalf of the Board, I wish to thank all our stakeholders for their continued support towards Axiata. Our gratitude goes to governments and regulators of our OpCos for their support and the opportunity to continue to serve in their markets and partner in their developmental efforts. We also extend our appreciation to our employees across the Group for their exemplary work and efforts. Lastly, we thank our shareholders for their continued support and belief in Axiata.

TAN SRI GHAZZALI SHEIKH ABDUL KHALID

Chairman

Axiata Shifts Gear to Realise Digital Ambitions

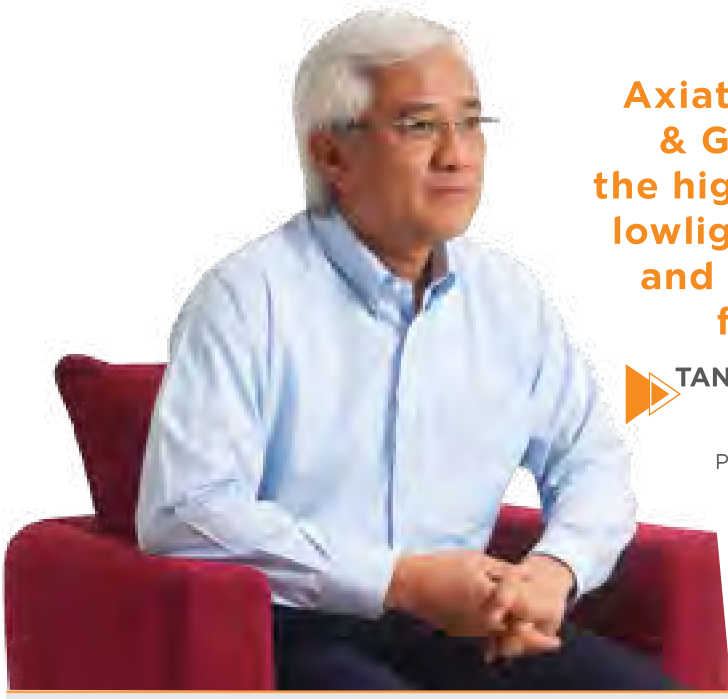
The global telecommunications industry is confronting some of its toughest hours as massive technological, competitive and consumer changes occur in response to the demands and trends of the Fourth Industrial Revolution (IR 4.0).

Having begun its journey in 2008, and as it marked its tenth anniversary, Axiata Group Berhad (Axiata or the Group) has become one of the leading telecommunications groups in Asia. Since 2016, the Group embarked on an ambitious Axiata 3.0 roadmap aimed at transforming itself into a New Generation Digital Champion by 2022. The aim as highlighted by Tan Sri Jamaludin Ibrahim, is for Axiata to continue its growth story to remain successful and sustainable.

2018 appeared to be, by any measurement, a watershed year for Axiata. In this interview, Tan Sri Jamaludin shares about the Group's performance in 2018, and how all the work done in that year helped position Axiata very well for the future and its long-term plans.

To read the interview, please flip this page outwards.

In Conversation with the President & Group CEO



Axiata President & GCEO shares the highlights and lowlights of 2018 and the Group's future plans

TAN SRI JAMALUDIN IBRAHIM
Managing Director/
President & Group Chief
Executive Officer

A 2018 RESULTS

1 How would you describe Axiata's performance in 2018?

TSJI: It certainly was a noteworthy year at many levels. A watershed year, to say the least!

On one hand, the headline numbers may come across as alarming, on the other, the underlying performance was excellent, and all the groundwork done has positioned us very well for our future.

Let me start with a short financial summary. On constant currency basis, adjusting for one-offs and excluding Malaysian Financial Reporting Standard (MFRS) 15 and 9, revenue grew by 3.7% to RM25.3 billion whilst Earnings Before Interest, Tax Depreciation and Amortisation (EBITDA) rose 2%. Underlying Profit After Tax and Minority Interest (PATAMI) stood at RM1.2 billion. Axiata ended the year with a solid cash position of RM5.1 billion and a very comfortable gross debt/EBITDA at 2.3x.

Now we peel through the numbers. I must say, one of our proudest achievements in 2018 is the excellent operational performance recorded by our six OpCos

Average Revenue Per User (ARPU) YoY – validating the successful execution of its strategy. Furthermore, cost optimisation initiatives at Celcom led to a commendable trend with Quarter on Quarter (QoQ) EBITDA growth of 6%[2] and an EBITDA margin uplift of 2 ppt[2] in the fourth quarter (4Q) of 2018, allowing Celcom to kickstart 2019 with a healthier cost base. Having said that, this is still an area that requires a lot more work.

Due to the concerted efforts to improve its network in the past three years, Celcom has since achieved major progress in network availability and quality – LTE and LTE-A coverage are now at 91% and 78% respectively, delivering better video experience to its customers. Identified as a key turnaround area back in 2016, Celcom has now shown significant improvement in its distribution, achieving the number one position in Dealer Satisfaction nationwide in 2018. Since 2016, its relentless focus on driving organisational and digital transformation has also produced encouraging results. In parallel, Celcom continues to be recognised for its customer centricity, taking the top spot in Net Promoter Score and being recognised by Forbes as one of the "Top 10 Most Customer-Focused Companies in Asia".

Meanwhile, XL is a great example of the competition punching above its weight. Despite the industry being mired by hyper competitive pressures from the mandatory prepaid SIM registration in 2018, XL's consistent strategy execution delivered exceptional results. In a market which saw 84 million subscribers

c. Apigate, our digital enablement platform expanded its global reach in 2018 through partnerships with telco groups such as Zain and Etisalat, Tencent and Gameloft, giving it access to 3.5 billion consumers and over 110 MNOs, compared to 350 million consumers and eight MNOs in 2017. It is a truly global player, with future ready APIs on one seamless platform allowing businesses to scale globally for SMS, location services, e-wallet and operator billing. Having consolidated the business, we have seen a rapid rise in YoY gross transaction value at 3.1x and net revenue at 4.8x
d. Additionally, we have also signed up to transfer our non-core digital ventures investment portfolio at a value of USD140 million to a private equity firm, which we are targeting to conclude within Q2 2019

4. edotco has secured a robust position as a strong challenger in the global towerco market, now the third fastest growing towerco among global peers. It has also expanded its footprint to cover six countries including a recent expansion in to Pakistan, with more than 29,800 towers

Our Digital Transformation Strategy focuses on driving improvements through the adoption of IR 4.0 principles. We conduct both external and internal validation to track our progress. While acknowledging we have a lot more to do, I am happy to report that we have progressed significantly from where we started in 2017:

1. **Digital Products and Services**
   This involves transforming our product and service portfolio to include a rich suite of digital offerings, with a focus on simplicity of use. We currently estimate improvements in this area by approximately 70%

2. **Transforming our External Interface and Internal Processes**
   The transformation of external interfaces through which the above products and services are delivered to our customers and partners ranges from customer touchpoints to digital engagements with channel partners, suppliers and external networks. In addition to that, we have also worked hard to radically simplify and digitise our internal processes. Since 2017, we have recorded between 45% and 50% progress on both these fronts

3. **Transforming our Infrastructure & Platforms**
   Complete modernisation and digitisation of our network, IT and platforms involves new architecture, making them all Internet Protocol (IP), virtualisation and mostly software-driven, ensuring we pre-empt the demands of IR 4.0 as well as of advanced forms of video communications to include Augmented Reality (AR) and Virtual Reality (VR). Today we have enhanced the digitisation of our infrastructure and platforms by 30%

7 What are your 2019/2020 plans? Will they be any different from the past?

TSJI: Firstly, the operational progress and momentum gathered from the Group's 2018 performance will provide us with a significant boost to pave the way for a "promising" 2019. In fact, some of the very issues that made the headlines in 2018 will help us materially in 2019 especially in the following aspects:

1. With all OpCos growing market share and delivering the best revenue performance in their respective markets, we exited 2018 with a strong market position to meet our 2019 targets. Following two very successful years in delivering operating expenditure (opex) and capex savings through our internal cost optimisation programme, we are on track in our journey to continue improving our cost base, and meet our RM5 billion cumulative savings target by 2021
2. Our OpCos had delivered significant progress in digitising critical areas including Products and Services, Internal Processes, Infrastructure and Platform, as well as Organisation and Culture. With each of our OpCos now outperforming their in-market peers in terms of digital maturity, we are optimistic our continuous improvements in this area will serve as a competitive advantage in our markets
3. With the efforts and progress made in 2018, each of the new growth areas we identified in our Triple Core Strategy are now expected to generate double-digit growth in 2019:
   a. Digital Telco: In addition to Dialog, in 2018 we launched Home/Converged offerings in Celcom, XL and Smart – predominantly via fixed wireless access (FWA). This allows us to leverage on our existing mobile network for further upsides through cross-selling to existing customers. In capturing the Enterprise segment, we have built a strong sales funnel for actualisation in 2019 and refined our strategy through our 2018 key learnings
   b. New Digital Businesses: Boost, *ada* and Apigate exited 2018 with exponential top-line growth and are expected to maintain this exciting momentum in 2019 and beyond. Each of these core digital businesses are now on an encouraging path towards profitability by 2020/2021
   c. Infrastructure: With a consistent track record of double-digit growth across all financial metrics since its inception, we expect edotco to continue its "towering" growth story in 2019 and beyond
4. The cash proceeds from the divestment of our stake in M1 will strengthen our balance sheet, putting Axiata in a more robust position to fund future growth opportunities
5. The reclassification of our Indian asset as a pure investment into the balance sheet means Idea's performance will no longer drag our profitability. In fact, there are now more upsides given our belief in the long-term future of the merged company

C Retrospection

9 Looking back how do you think Axiata has performed financially and operationally since its inception?

TSJI: Generally, Axiata's operational performance in all of our operating markets has been favourable. From 2008 to 2018, Compounded Annual Growth Rate (CAGR) for revenue was at 8.4%, EBITDA at 7.2% and normalised PATAMI at 4.2%. However, Total Shareholder Returns (TSR) since 28 April 2008 to 31 December 2018 recorded at -1.5%.

Having said that, Axiata's performance can be examined from two lenses: time-period and portfolio.

For the first seven years, the Group performed extremely well. From 2008 to 2015, CAGR for revenue was 8.8%, EBITDA 8.0% and normalised PATAMI 20.7%. TSR from 28 April 2008 to 31 December 2015 was 50.3%.

However, major shifts have occurred across the industry globally since then. Our operations have been further affected by numerous external macroeconomic factors especially regulatory uncertainties and forex volatility, compounded by weak performances at Celcom (2015-2016) and XL (2013-2016) and recently, after years of exceptional performance, at Idea (2016-2018). This was also the period where the Group boosted capital investments with additional RM1 billion to RM2 billion per year in Axiata Digital Services, Robi, XL, edotco and even Celcom, thus increasing our D&A and reducing our PATAMI. Hence, from 2015 to 2018, while Axiata's CAGR for revenue grew 7.2% and EBITDA 5.4%, normalised PATAMI was down by 21.0%. TSR from 31 December 2014 to 31 December 2018 was down by 38.3%.

If we exclude OpCos that require intensive short-term capital deployments but with long-terms returns, like Axiata Digital Services, Robi, XL, as well as Idea, performance was reasonable especially given all the external challenges. From 2015 to 2018, CAGR for revenue grew 8.5%, EBITDA was up 13.4% and normalised PATAMI remained flat.

Generally, from inception to 2018, our OpCos have done very well, with all OpCos recording increased market share, growing revenue and EBITDA higher than the market and in most cases, performing the best in their respective markets. However, there is much room for improvement in Profit After Tax (PAT) as we believe this could have been better. Needless to say, this issue is being addressed.

Another way to look at our performance over the last 10 years is through the following positive outcomes:
1. Delivered total dividends of RM12.9 billion to shareholders, out of which RM10.6 billion was in cash. This excludes RM4.1 billion paid to TM in 2009 as part of the demerger deal which had indirectly benefited our shareholders as most have shares in TM as part of the demerger formula
2. Recorded a cumulative PAT of RM14.3 billion
3. Paid total taxes of RM9.2 billion in the countries we operate in
4. Invested total capex and opex amounting to USD87.2 billion[5] in the countries where we operate, supporting approximately one million direct and indirect jobs annually in our footprint markets

On hindsight, we could have done better in some areas, but given all the external challenges that we had to navigate, we are happy with our overall performance so far.

Note:
[5] Source: Independent Third-Party Assessment of Axiata's National Contribution, 2018

Acknowledgements

All our stakeholders have contributed towards our success and lend to our ability to continue with our onward moving journey. On behalf of the Management at Axiata, I would like to express our collective gratitude to our Board of Directors, in fulfilling their fiduciary responsibilities, and in providing strategic direction to the company by observing the highest standards of governance, ethics and integrity at all times. To our more than 12,000 employees throughout our regional footprint, we thank you for your dedicated contributions towards enabling our New Generation Digital Champion vision.

Our deepest gratitude also goes to our investors, partners, media and all stakeholders. As for the governments and regulators in our markets of operation, thank you for your continuing faith, and allowing us to contribute to your communities, and drive the digital economies of your countries. Most of all, we would like to thank our subscribers and users across our ASEAN and South Asian footprint for their continued loyalty and support.

TAN SRI JAMALUDIN IBRAHIM
Managing Director/President &
Group Chief Executive Officer

Axiata President & GCEO shares the highlights and lowlights of 2018 and the Group's future plans

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Now we peel through the numbers. I must say, one of our proudest achievements in 2018 is the excellent operational performance recorded by our six OpCos where all of them grew fastest in revenue relative to all industry players. Not just better than the average, but the best! Furthermore, four of them performed the best in EBITDA in their respective markets. This is a stellar achievement and must be commended.

We also took the decision in 2018 to significantly 'clean-up' our balance sheet through the most massive non-cash write-off exercise ever to date, mainly involving 2G and legacy assets in XL and Celcom, so that we could have a nice start from 2019 onwards.

2018 was also the year we significantly reshaped our portfolio, with the future in mind in six key areas:
1. Supported the merger of our associate, Idea, with Vodafone India, to make the combined company the largest operator in India and one of the largest in the world
2. Reclassified our investment in Idea from associate to simple investment as a result of the above, helping to insulate our future profits while the merged company works on its integration
3. Announced that our investment in M1 was no longer strategic, leading to the sale in 2019 and strengthening of our balance sheet
4. Executed our strategy to focus on three core digital businesses and the recategorisation of the rest of our digital ventures as non-core, leading to the strongest operational performance to date in 2018 and the monetisation of non-core assets in 2019
5. Grew edotco further to be a material component of the Group, positioning well for future dividends and monetisation
6. Embarked on new segments, which are Enterprise and Home, which will be the source of our future growth

Despite the headlines, I am happy with 2018 even though we could have done even better.

2 Can you explain the cause for losses in 2018. Are you worried? Will there be further write-offs, impairments or for that matter, potential surprises in the future?

TSJI: The losses were overwhelmingly due to non-cash accounting treatments, namely:
1. Idea related losses of RM3.9 billion which comprised the following:
   a. RM358 million non-cash loss on dilution due to Axiata's non-participation in Idea's issuance of new shares
   b. RM186 million share of losses from Idea prior to Axiata's derecognition of Idea as an associate
   c. RM3.3 billion technical impairment from the Idea reclassification exercise from associate to simple investment due to the merger of Idea with Vodafone India
2. Non-cash asset write-off, impairment and accelerated depreciation totalling RM1.8 billion, for 2G and legacy assets
3. An impact of RM60 million purely due to change in accounting standards
4. Fair value of options and derivatives at RM298 million
5. Unfavourable forex translation impacted Normalised PATAMI by RM120 million as the Ringgit Malaysia strengthened against several OpCo currencies by an average of 8% in 2018

The cash impact came from realised foreign exchange (forex) losses on borrowings, capital expenditure (capex) and working capital amounting to RM213 million. That is the only pain for us, but it is beyond our control.

All things considered, the losses are worrying if our investors are concerned solely by the headline numbers, but not if they studied the excellent underlying performance of all our OpCos in 2018 and our strong balance sheet with a healthy gross debt/EBITDA level at 2.3x and cash balance of RM5.1 billion.

Obviously, we cannot rule out any future write-off or impairment, as accounting standards require us to regularly test the need for it. But barring any major external factors, we do not expect the magnitude to be anything close to 2018. For the last 10 years, the average write-offs and accelerated depreciation were around 1% of capex[1] and an average of RM150 million per year.

3 Celcom and XL as the Group's biggest contributors to revenue have had more than their share of challenges the last few years. Like their industry peers, both companies have gone through a tumultuous period in that period. Are you confident they have come around and have what it takes to strengthen their positions?

TSJI: Looking at the strategy, operational performance and momentum gathered in the past year by both Celcom and XL, the answer is a yes.

In the case of Celcom, it is now back on track as the disciplined execution of its operational transformation yielded solid results in 2018. Amidst a saturated market, Celcom managed to outperform all its mobile network operator (MNO) peers with a service revenue growth of 1.1%[2] Year on Year (YoY) and a market share gain of 0.5 percentage point (ppt)[3]. It was also the only MNO to have grown both prepaid and postpaid Average Revenue Per User (ARPU) YoY – validating the successful execution of its strategy. Furthermore, cost optimisation initiatives at Celcom led to a commendable trend with Quarter on Quarter (QoQ) EBITDA growth of 6%[2] and an EBITDA margin uplift of 2 ppt[2] in the fourth quarter (4Q) of 2018, allowing Celcom to kickstart 2019 with a healthier cost base. Having said that, this is still an area that requires a lot more work.

Due to the concerted efforts to improve its network in the past three years, Celcom has since achieved major progress in network availability and quality – LTE and LTE-A coverage are now at 91% and 78% respectively, delivering better video experience to its customers. Identified as a key turnaround area back in 2016, Celcom has now shown significant improvement in its distribution, achieving the number one position in Dealer Satisfaction nationwide in 2018. Since 2016, its relentless focus on driving organisational and digital transformation has also produced encouraging results. In parallel, Celcom continues to be recognised for its customer centricity, taking the top spot in Net Promoter Score and being recognised by Forbes as one of the "Top 10 Most Customer-Focused Companies in Asia".

Meanwhile, XL is a great example of the competition punching above its weight. Despite the industry being mired by hyper competitive pressures from the mandatory prepaid SIM registration in 2018, XL's consistent strategy execution delivered exceptional results. In a market which saw 84 million subscribers wiped out in 2018, XL managed to beat all its peers in Indonesia as the only MNO to have grown subscribers, revenue and EBITDA by 2.6%, 0.4% and 2.3% respectively.

The continued investment in XL's 4G network significantly improved both the user experience as well as the economics of providing mobile data services, especially in ex-Java. Its 4G coverage has now expanded to around 400 cities and areas, leading to double-digit growth in subscribers and revenue for ex-Java. Unsurprisingly, XL ended the year as the most data-centric operator with 80% smartphone penetration and 82% data revenue contribution (4Q 2018).

At the same time, XL's Dual Brand Strategy continues to track well with both XL and Axis brands recording all-time high Net Promoter Scores in 2018. At the Frost & Sullivan 2018 Asia Pacific ICT Awards, XL was even recognised as the "Best Asia-Pacific Mobile Data Service Provider of the Year".

Moving forward, Celcom, XL, as well as our remaining OpCos will be placing additional emphasis on improving profitability by delivering ambitious cost savings targets and "sweating" their network to extract maximum value from existing sites. Additionally, we have identified three New Growth Areas which are expected to deliver double-digit growth for our Digital Telco pillar over the next few years. This includes aggressively capturing the Home segment, expanding our reach in the Enterprise segment and growing the high-margin digital value-added services revenue stream.

In summary, I am confident that all the stars have finally aligned for both Celcom and XL to return to their peak performances and stake a much stronger position in their respective markets.

B FUTURE PLANS

4 Can you elaborate on Axiata's vision and strategy to be the New Generation Digital Champion, and how have you progressed?

TSJI: I am going to give a long answer to this as we have progressed quite a lot over the last 12 to 18 months.

Our foundational response to the challenge was to define our Triple Core Strategy, supplemented by a Digital Transformation across all our businesses and operations. Let me first address the Triple Core Strategy:
1. Transformation of our predominantly mobile operations into converged digital operators with leadership positions across Consumer, Home and Enterprise segments
2. Transformation of our three core digital business – Digital Financial Services (DFS), Digital Advertising and Digital Platform to be candidates for "Unicorns"
3. Transformation of our tower business, edotco, to be a world-class player and one of the top five globally

I am proud to say we have made significant progress:
1. In four of six markets, we have moved our operations from being MNO-focused to becoming converged multi-play services providers across fixed services delivery combined with video and content services. Some are ahead of their plans, but some are a bit behind
2. Our focus on Enterprise Business has accelerated and we are elevating competencies across all markets. Similarly, some are ahead of their plans and others, a bit behind
3. Our three digital businesses have grown exponentially over the last few years:
   a. Our Digital Advertising business, *ada*[4], is today one of the largest independent digital marketing agencies across Asia, servicing over 200 large accounts globally. The investment from Sumitomo Corporation and ensuing valuation provided further momentum in its ambition to become the leading integrated digital advertising firm in Southeast Asia by 2022
   b. Boost, our flagship DFS business is by far the largest e-wallet in Malaysia, in terms of users and merchant base. It continues to record healthy uptrends in both areas, recording 6x and 24x growth respectively. By end 2018, it had 3.5 million users, and over 61,500 merchants. Transaction value per user has grown 11x since it first started. Boost is also available in Indonesia, where it is focused on merchant services, and has grown its base to more than 458,000 merchants as at end 2018
   c. Apigate, our digital enablement platform expanded its global reach in 2018 through partnerships with telco groups such as Zain and Etisalat, Tencent and Gameloft, giving it access to 3.5 billion consumers and over 110 MNOs, compared to 350 million consumers and eight MNOs in 2017. It is a truly global player, with future ready APIs on one seamless platform allowing businesses to scale globally for SMS, location services, e-wallet and operator billing. Having consolidated the business, we have seen a rapid rise in YoY gross transaction value at 3.1x and net revenue at 4.8x
   d. Additionally, we have also signed up to transfer our non-core digital ventures investment portfolio at a value of USD140 million to a private equity firm, which we are targeting to conclude within Q2 2019
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3. **Transforming our Infrastructure & Platforms**
   Complete modernisation and digitisation of our network, IT and platforms involves new architecture, making them all Internet Protocol (IP), virtualisation and mostly software-driven, ensuring we pre-empt the demands of IR 4.0 as well as of advanced forms of video communications to include Augmented Reality (AR) and Virtual Reality (VR). Today we have enhanced the digitisation of our infrastructure and platforms by 30%

4. **Organisation, Culture and Mindset Transformation**
   Right at the core of an organisation is its people and culture. Digital Transformation would not be successful without a completely modern workforce, organisation culture and mindset. We call it a Modern, Agile and Digital, or a M.A.D. organisation. We have achieved good momentum, improving by 40% in our internal metrics for an Agile workforce

5 With the disposal of M1 and the reclassification of your investment in Vodafone Idea as non-strategic, what is the effect to Axiata's regional ambitions? Are you looking for more footprint expansion?

TSJI: Whilst we recognise the importance of footprint, we do not measure ourselves purely from a footprint perspective. Having said that, despite the M1 divestment, Axiata today still operates in 11 countries across ASEAN and South Asia, more than when we first started.

In terms of scope, we have also expanded significantly from the days of offering pure-play mobile communications services as our businesses have transcended beyond mobile services to now include digital and infrastructure businesses.

In terms of size, we have in fact grown 2.4 times compared to 10 years ago and in terms of reputation, Axiata at present is a far more accomplished multinational company respected by global peers and a recipient of numerous regional and global awards.

On future plans for footprint expansion, it all depends. We are not looking into new footprint expansion for our core mobile services. However, for edotco, we are aggressively exploring organic and inorganic growth opportunities, but within ASEAN and South Asia. For DFS, we will restrict to our existing footprint but for Digital Advertising and Digital Platform businesses, we plan to be Pan-Asia regional and global players respectively.

6 Axiata is known for its focus on people management. What are your plans to ready the organisation for the challenging environment?

TSJI: We are absolutely focused on people management and very proud of "putting our money where our mouth is". In fact, more than just money, we spend considerable management time and effort in this area. I personally invest a huge amount of my time in this area and have made 'people development' a priority in my role at Axiata.

By year end 2018, we had a pool of 174 top management talent and 513 middle management talent. From a mere 22% of our top leadership positions being filled internally during our first year of operations, by end 2018, we grew this to 83%. Seven out of nine CEOs of our major OpCos have been internal appointments. Since 2009, we have spent RM178 million purely on talent development programmes, to support what I call, our "Talent Factory".

However, as good as we are in people management, we need to revamp almost everything that we have done before. While we started work as far back as in 2015/16, in 2018, we formalised the concept of M.A.D.

This requires modernising our performance management systems and compensation structure, reshaping our leadership competencies, talent management and development programmes, and, revamping our organisation and many others.

By 2018, we did all the above. We experimented with a new performance management system called "IGNITE" where we relooked our short and long-term compensation incentives and structures to be implemented in 2019. We also enhanced our four leadership competency quadrants, modified our talent and development programmes, launched Axiata Academy with a pilot in Celcom involving intelligent learning technology platform, and changed the organisation structure at many OpCos.

We also implemented the Axiata Analytics Centre and Axiata Digital Labs with the aim of attracting and developing digitally-skilled talents to support our growth areas across the region.

> We are confident of retaining our leadership position in ASEAN and South Asia, in addition to seeing promising growth and definitive profit improvement moving into 2019

7 What are your 2019/2020 plans? Will they be any different from the past?

TSJI: Firstly, the operational progress and momentum gathered from the Group's 2018 performance will provide us with a significant boost to pave the way for a "promising" 2019. In fact, some of the very issues that made the headlines in 2018 will help us materially in 2019 especially in the following aspects:
1. With all OpCos growing market share and delivering the best revenue performance in their respective markets, we exited 2018 with a strong market position to meet our 2019 targets. Following two very successful years in delivering operating expenditure (opex) and capex savings through our internal cost optimisation programme, we are on track in our journey to continue improving our cost base, and meet our RM5 billion cumulative savings target by 2021
2. Our OpCos had delivered significant progress in digitising critical areas including Products and Services, Internal Processes, Infrastructure and Platform, as well as Organisation and Culture. With each of our OpCos now outperforming their in-market peers in terms of digital maturity, we are optimistic our continuous improvements in this area will serve as a competitive advantage in our markets
3. With the efforts and progress made in 2018, each of the new growth areas we identified in our Triple Core Strategy are now expected to generate double-digit growth in 2019:
   a. Digital Telco: In addition to Dialog, in 2018 we launched Home/Converged offerings in Celcom, XL and Smart – predominantly via fixed wireless access (FWA). This allows us to leverage on our existing mobile network for further upsides through cross-selling to existing customers. In capturing the Enterprise segment, we have built a strong sales funnel for actualisation in 2019 and refined our strategy through our 2018 key learnings
   b. New Digital Businesses: Boost, *ada* and Apigate exited 2018 with exponential top-line growth and are expected to maintain this exciting momentum in 2019 and beyond. Each of these core digital businesses are now on an encouraging path towards profitability by 2020/2021
   c. Infrastructure: With a consistent track record of double-digit growth across all financial metrics since its inception, we expect edotco to continue its "towering" growth story in 2019 and beyond
4. The cash proceeds from the divestment of our stake in M1 will strengthen our balance sheet, putting Axiata in a more robust position to fund future growth opportunities
5. The reclassification of our Indian asset as a pure investment into the balance sheet means Idea's performance will no longer drag our profitability. In fact, there are now more upsides given our belief in the long-term future of the merged company
6. The strategic investments we secured for *ada* in 2018 acted as an external validation of our digital investments, which may translate to further upsides in Axiata's valuation. Additionally, this cash investment will help to fund the future growth of our digital businesses and prepare them on a self-funded path towards profitability by 2020/2021

While maintaining our long-term strategy and vision, in 2019/2020 the Group will focus more on profitable growth and cash generation relative to revenue growth to strengthen our balance sheet and prepare for the years ahead through our "Shifting Gear" initiatives which covers these eight measures:
1. While expected to still deliver the industry revenue growth in their respective markets, our OpCos will target to grow their EBITDA and profit relatively faster than revenue and therefore, improve their respective profitability margins compared to 2018
2. Since the unveiling of the Group's five-year Cost Optimisation initiative back in 2017, close to RM3 billion worth of savings have been delivered over the last two years. In 2019, our OpCos will continue to drive opex and capex efficiency in each market with the long-term goal of achieving a cumulative savings of RM5 billion by 2021
3. To improve profitability over the next two years, the Group will have to reprioritise new investments with long payback unless we can find ways to moderate any short-term negative profit impact due to the upfront Investment
4. To lower our risk and exposure, we will explore if these investment opportunities can be funded through strategic partnerships or financial investors
5. Following *ada*'s success in securing a valuation and the M1 divestment, we will continue to review the prospects of monetising some of our existing investments for cash and validation without compromising our long-term growth aspiration. Additionally, a key priority for all OpCos is to focus on "sweating" existing assets to extract more value from each dollar of capital already deployed
6. While we deliver further operational improvements in 2019, the changes in our industry landscape urgently necessitate structural changes over the long-run such as in-market consolidation and network sharing to preserve industry sustainability and at the same time, meet customers' satisfaction. We will continue to actively evaluate such opportunities
7. We undertook a major impairment in 2018 by sunsetting legacy assets which will give us Depreciation and Amortisation (D&A) savings of approximately RM150 million per year
8. Correspondingly, the 2019 scorecard/KPIs for the Group as well as our OpCos have been aligned to reflect the 2019/2020 "Shifting Gear" priorities

8 With the challenging industry landscape, what can Axiata do to increase its shareholders' value?

TSJI: Volatilities in the current industry landscape and macroeconomic environment have certainly made it more difficult to strike a balance between short-term profitability and long-term growth. Nevertheless, Axiata is confident we can achieve this balance and increase shareholders' value with our 2022 vision, strategy and execution capabilities.

Basically, to increase our shareholders' value, we must execute our Vision and Triple Core Strategy diligently and in a timely manner. Effectively, these are our eight strategic initiatives:
1. First and foremost, in addition to strong operational performance in all OpCos, we must step-up profitability and return on investment. Cost optimisation is going to be key, hence, our aim to reduce costs by RM2 billion the next three years is critical. Our Return on Invested Capital (ROIC) in all our OpCos must be higher than their respective Weighted Average Cost of Capital (WACC) by 2021/2022
2. Strong growth momentum must be retained across existing businesses with tangible contributions from new growth areas to our top-line – Home Broadband, Enterprise Segments and Digital Businesses. Fortunately, by 2018, our infrastructure/tower business has already been a sizeable contributor to our revenue and profitability
3. All our operational drivers such as Network, IT, Distribution, Products and Services, and Customer Services should be superior or at least at par to our nearest competitor but the digitisation of our operations and organisations should clearly be better than others
4. Our business model and competitive difference should be very clear for each OpCo to ensure sustainable market performance
5. While operational performance is very important, it might not be sufficient. Some degree of industry consolidation and rationalisation in most markets is required and not just within the mobile industry, but also within the broader converged industry – with or without us
6. Our corporate portfolio will be restructured for optimum capital allocation for both sustainable and moderate growth and dividends
7. For long-term success, we must ensure strong commitment to sustainability and exemplary corporate citizenry
8. Lastly, we must evolve our whole organisation from being a traditional telco to a Modern, Agile and Digital (M.A.D.) organisation

I am confident if we do all the above, we will enhance our shareholder value in a healthy, sustainable and responsible manner.

Notes:
1 Capex base= Property, plant and equipment (PPE) carrying value
2 Growth numbers exclude MFRS 9 and 15 impact for 2018
3 Based on internal estimates
4 Axiata's integrated digital marketing business, Axiata Digital Advertising Sdn. Bhd

In Conversation with the President & Group CEO

AXIATA IN 2019:

"Shifting Gear" towards Profitability and Cash Focus

1. Focus on **profit growth** relatively more than revenue market share growth
2. Spotlight on **opex and capex efficiency** - RM5 billion savings over five years
3. **Reprioritise or re-scope some investments** with long payback (unless short-term financial impact from upfront investment requirement can be mitigated)
4. Fund investments in **new growth areas** mostly through **strategic partnerships or financial investors**
5. **Monetise existing investments** for cash and validation; and 'sweat' existing assets
6. **Accelerate structural changes** through industry consolidation, network sharing and productivity initiatives
7. Aggressive Network and IT Modernisation **to drive data leadership and improve its economics**
8. **Reflect the above in 2019 KPIs** for the Group and all OpCos

Management Discussion and Analysis

GROUP FINANCIAL ANALYSIS 2018

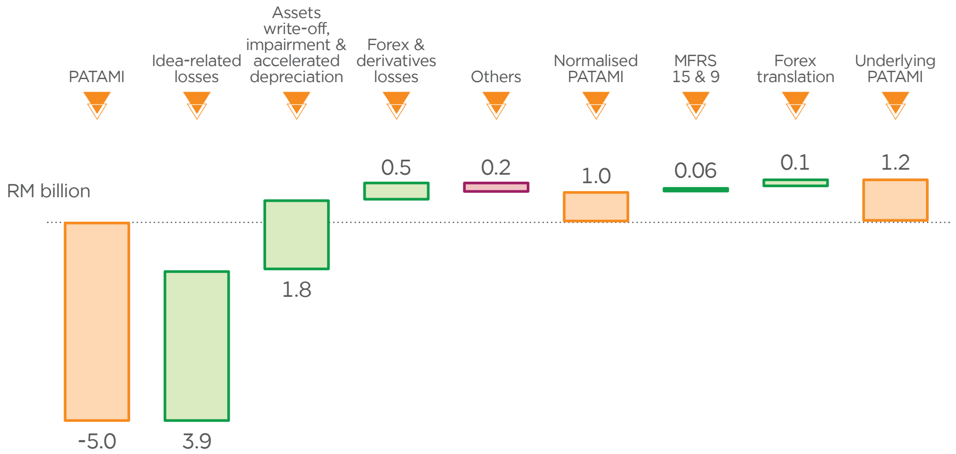
During the year, Axiata successfully concluded its most massive portfolio rationalisation with reclassification of Idea from an associate to simple investment, reclassification of M1 from an associate to assets held-for-sale and one-off non-cash asset write-off, impairment and accelerated depreciation as a result of network modernisation.

Revenue

- In 2018, Ringgit Malaysia strengthened against all regional currencies leading to an adverse forex translation impact for the Group. Group revenue declined 2.1% to RM23.9 billion
- At constant currency, Group revenue grew 6.2% for the year on the back of growth from most of its subsidiaries
- All six OpCos delivered highest revenue growth in their respective markets. edotco and Dialog, in particular, achieved double digit growth of 13.3% and 15.9% respectively at constant currency
- Data continued to register a strong growth and contributed 51.8% of service revenue which increased 6.4 percentage points (ppt) from 45.4% in 2017

PATAMI

- Group's PATAMI dropped to a loss position of RM5.0 billion as it absorbed the one-off, non-cash, technical items mainly Idea-related losses of RM3.9 billion, the RM1.8 billion assets write-off, impairment and accelerated depreciation as a result of network modernisation primarily at XL and Celcom, and forex and derivatives losses of RM0.5 billion
- Adjusting for one-off items, Group normalised PATAMI stood at net profit of RM1.0 billion
- The diagram below depicts the bridging of 2018 PATAMI results to normalised PATAMI and underlying PATAMI:



EBITDA

- As consequence of the strengthening Ringgit Malaysia, Group EBITDA declined 9.7% from RM9.2 billion to RM8.3 billion, while EBITDA margin retracted 2.9 ppt from 37.8% to 34.9%
- Excluding foreign currency translation impact, drop in EBITDA narrowed to 1.0%
- Four OpCos recorded the highest EBITDA growth in their respective markets

Cost Optimisation

- In 2018, the Cost Optimisation programme incrementally delivered RM1.5 billion of savings and avoidance across the Group, aided by over 175 distinct initiatives
- The programme has been carefully balanced between capital expenditure (capex) and operating expenditure (opex), with each contributing nearly 50% of overall savings delivery
- While most of these savings originated from the Network domain (capex and opex), traction is building up from digitisation, IT and sales and marketing, reflecting well for the future
- On profit and loss impact for 2018, the programme has helped expand (underlying) EBIT by 2.7%, which in turn, has mitigated the impact of the Group's network and other investments (on a constant currency basis)
- The Group continues to progress well on the RM5 billion goal by 2021, having achieved more than half the target within the first two of five years

Management Discussion and Analysis

GROUP FINANCIAL POSITION

As at 31 December 2018, the Group's balance sheet held up steadily against the barrage of external challenges to maintain its strong investment grade rating with gross debt/EBITDA of 2.3x, and a solid cash position of RM5.1 billion.

Key Highlights of Group Balance Sheet

Total equity decreased by RM7.3 billion

- Total equity stood at RM23.2 billion
- The decrease in equity balance in 2018 was caused by:
  - Loss for the financial year of RM5.2 billion
  - Negative impact to reserve from:
    - Dividend of RM0.9 billion;
    - Negative translation impact of investment in subsidiaries and associates amounting to RM1.4 billion;
    - Revaluation of Idea post reclassification as simple investment of RM0.6 billion;
    - RM101.7 million adjustment arising from the adoption of MFRS 15 and MFRS 9; and
    - Partially negated by gain on partial disposal and dilution of subsidiaries of RM0.8 billion

Total assets decreased by RM6.1 billion

- Total assets balance stood at RM63.9 billion
- Intangible assets decreased by RM1.2 billion due to:
  - Amortisation of intangible assets of RM836.8 million and further diminished by RM839.1 million from translation;
  - Adjustment of RM192.5 million from adoption of MFRS 15; and
  - Partly offset with intangible asset from newly acquired subsidiary and additions during the year amounting to RM132.5 million and RM502.8 million respectively
- Property, plant and equipment increased by RM380.5 million driven by:
  - New capital investments on telecommunication network; and
  - Partially netted off with depreciation, impairment, written off and foreign exchange translation losses during the financial year which include RM1.8 billion of one-off assets written off, impairment and accelerated depreciation
- Associates decreased by RM7.7 billion to RM266.5 million due to:
  - reclassification of Idea from associate to Financial assets at fair value through other comprehensive income; and
  - reclassification of M1 from associate to Assets Held-for-sale
- As a result of adoption of MFRS 15, the Group recorded contract assets of RM0.2 billion
- Deposits, cash and bank balances decreased by RM1.7 billion to RM5.1 billion mainly due to cash outflow from investing activities

Gross liabilities increased by RM1.2 billion

- Total liabilities stood at RM40.6 billion
- Gross borrowing reduced by RM54.2 million to close at RM19.1 billion due to loan repayments and foreign exchange translation, partly offset against new loan
- Trade and other payables increased by RM1.2 billion arising from network investment
- As a result of adoption of MFRS 15, the Group recorded contract liabilities of RM1.3 billion which include deferred revenue reported previously

Cash Position and Dividends

- The Group cash balance remained healthy and stable at RM5.1 billion
- As compared to 2017, the decrease in cash balance by RM1.7 billion was the result of:
  - cash dividend payment
  - capital investment in network
  - repayment of loans
- Based on normalised performance, the Board of Directors had, on 22 February 2019 declared dividend of 4.5 sen per ordinary share making total dividend of 9.5 sen, which represents dividend payout ratio of 85%

Capital Investments

- The Group has spent RM6.1 billion, or 26% of revenue in capital asset investment for the year to support its continuous growth. These investments were sourced from internal generated funds
- In line with the vision to be the New Generation Digital Champion, the Group is continuing with the execution of the Axiata 3.0 Triple Core Strategy comprising of three pillars, namely Digital Telco, Digital Business and Infrastructure
- In the short-term, the Group is placing an immediate emphasis on "Shifting Gear" towards profitable growth and cash focus
- Axiata's focus will be on the following:
  - Capex and opex efficiencies;
  - Reprioritisation and monetisation of investments;
  - Acceleration of structural changes to achieve an optimal portfolio spanning the core business, Enterprise, Home, digital business and infrastructure;
  - Higher profit growth relative to top-line, reflecting the rigorous cost optimisation programme to exceed the RM5 billion cost target for the period spanning 2017 till 2021; and
  - Continue legacy objective to win the market whilst sweating its assets
- In the meantime, the Group remains cautious of challenges in the telco industry and macro landscape, with heightened regulatory, political and competitive environments expected in some of the Group markets of operation, in addition to the prolonged uncertainties on global and regional economic outlooks

Capital Structure and Capital Resources

- The Group's debt to equity gearing ratio (gross Group borrowings over Group's total equity) recorded at 0.82x as at 31 December 2018 compared to 0.63x the previous year

Capital Allocation and Balanced Portfolio

- Axiata continually strives to maximise shareholders return, with an approach of balancing portfolio within the Triple Core Strategy
- Capital is allocated in line with the strategy, which in 2018 predominantly focused on portfolio rationalisation
- The Group follows a balanced approach towards moderate growth and moderate dividend

Management Discussion and Analysis

KEY PERFORMANCE INDICATORS

On 22 February 2018, the Group announced its Headline Key Performance Indicators (KPIs) guidance for the financial year ended 31 December 2018. The Group's 2018 Headline KPIs announced were as follows:

Headline KPIs	FY 2018 Statutory	FY2018 Headline KPIs	FY2018 Achievement	FY2018 Headline KPIs	FY2018 Achievement
	Post MFRS 15 & 9 @ actual currency	Pre MFRS 15 & 9 @ Bloomberg rate		Pre MFRS 15 & 9 @ constant currency	
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)

2018 has been a challenging year for the Group. On a Statutory basis, the Group posted Revenue and EBITDA growth of -2.1% and -9.7% Year on Year (YoY), while ROIC and ROCE stood at 1.3% and 1.2% respectively.

Externally, the Group was materially affected by the strengthening of the Ringgit Malaysia 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 modernisation and technical obsolescence.

From August 2018, the Group has guided the market based on Adjusted Headline KPIs, which excludes the impact from Deodar (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 Adjusted Headline KPIs	FY2018 Underlying Achievement
	(Pre MFRS 15 & 9 @ constant currency)	
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%*
Capex**	RM7.2 billion	RM6.7 billion

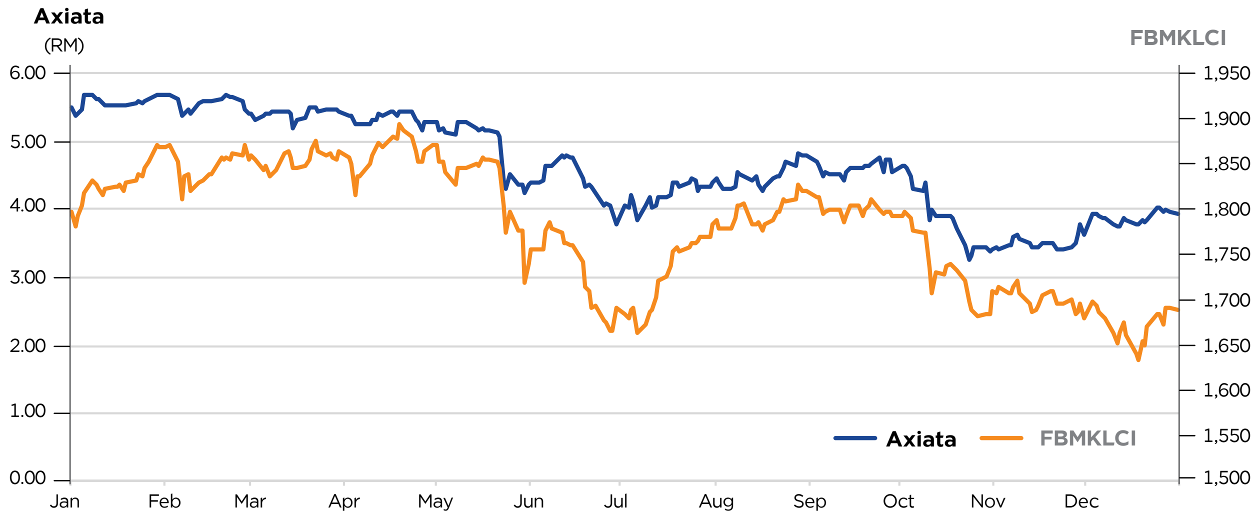
Notes:
* Achievement based on exclusion of all Idea related losses
** Capex is not a headline KPI

On the back of a declining industry in Malaysia, Celcom gained revenue market share in FY2018. Meanwhile, XL weathered the SIM registration impact significantly better than peers, with top-line 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 edotco continued to deliver excellent performance. Digital Businesses however, impacted the Group's profitability, but tracked better than expected.

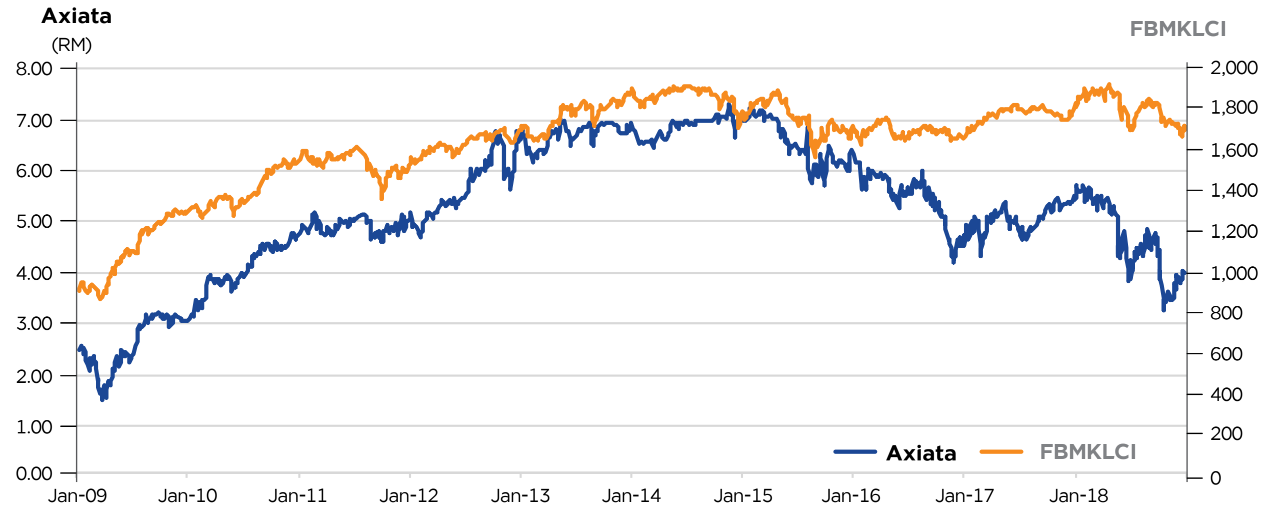
Overall, Axiata recorded good underlying performance, pushed by its Group-wide cost initiatives which delivered RM1.5 billion optimisation, well ahead of 2018 target of RM1.4 billion, in this difficult year.

Management Discussion and Analysis

SHARE PRICE PERFORMANCE (2018)



SHARE PRICE PERFORMANCE (2009-2018)



INVESTMENT PERFORMANCE

Axiata closed 2018 as the tenth largest company on the FBMKLCI in terms of market capitalisation at RM35.6 billion. From 2009 to 2018, Axiata's share price had increased 59% while the FBMKLCI had increased 93%.

In 2018, Axiata's share price dropped 28% to close at RM3.93 on 31 December 2018, underperforming the FBMKLCI which decreased by 6%.

Foreign shareholdings increased marginally to 10.5% as at end 2018, compared to 10.0% in the preceding year.

Axiata's share price performance during the year was largely impacted by external headwinds. A challenging operating environment for telecommunications players in the region also weighed on Axiata's share price performance in 2018.

Management Discussion and Analysis

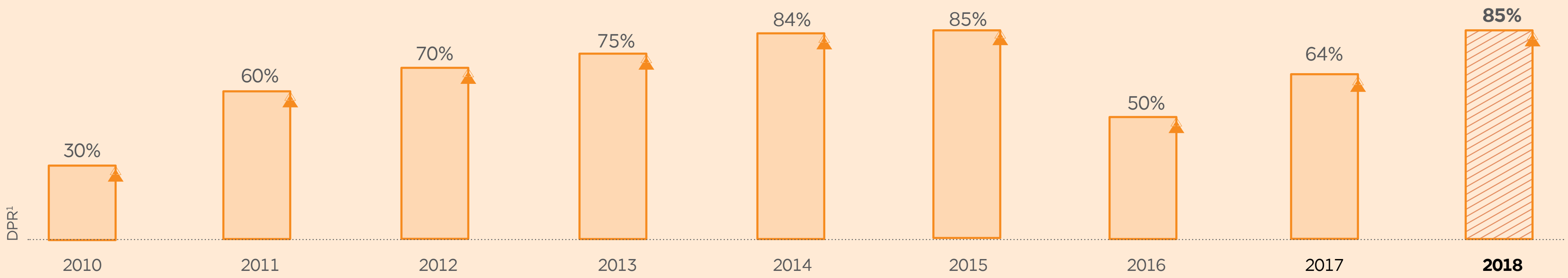
PRUDENT AND DISCIPLINED DIVIDEND PAYOUT

Axiata declared a 9.5 sen per share single tier dividend (including interim dividend of 5 sen per share paid last year) in respect of the financial year ended 31 December 2018, implying a Dividend Payout Ratio (DPR) of 85%. 2018 Dividend Per Share (DPS) of 9.5 sen is modest but higher than 2016 of 8.0 sen and 2017 of 8.5 sen.

The Board remains committed to our:

- Dividend policy: The Company intends to pay dividends of at least 30% of its consolidated normalised PATAMI and endeavours to progressively increase the payout ratio over a period of time, subject to a number of factors including business prospects, capital requirements and surplus, growth/expansion strategy, considerations for non-recurring items and other factors considered relevant by the Board
- Investor proposition: Our value proposition to investors of "moderate growth and moderate dividend"

2010	2011	2012	2013	2014	2015	2016	2017	2018
Inaugural dividend announcement	Step increase in DPR with the growth in Group Net FCF	One-off Special Dividend, on top of increased ordinary DPR	Increase in DPR, in line with progressive dividend policy	Increase in DPR, in line with progressive dividend policy	Increase in DPR, in line with progressive dividend policy	Decrease in DPR for prudent and strategic reasons	Increase in DPR, in tandem with strong overall performance	Increase in DPR, back to 2015 level as committed
Dividend Yield = 2.1% Total Dividend = RM0.9bn DPS[2] = 10 sen	Dividend Yield = 3.9% Total Dividend = RM1.5bn DPS = 19 sen	Dividend Yield = 5.5% Ordinary Dividend = RM1.9bn Ordinary DPS = 23 sen Special Dividend = RM1.0bn Special DPS = 12 sen Total DPS = 35 sen	Dividend Yield = 3.3% Total Dividend = RM1.9bn DPS = 22 sen	Dividend Yield = 3.2% Total Dividend = RM1.9bn DPS = 22 sen	Dividend Yield = 3.1% Total Dividend = RM1.8bn DPS = 20 sen	Dividend Yield = 1.5% Total Dividend = RM0.7bn DPS = 8 sen	Dividend Yield = 1.7% Total Dividend = RM0.8bn DPS = 8.5 sen	Dividend Yield = 2.1% Total Dividend = RM0.9bn DPS = 9.5 sen



[1] DPR - Dividend payout ratio
[2] DPS - Dividend per share

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