

Chairman's Message

DEAR STAKEHOLDERS,

“ ON BEHALF OF THE BOARD OF DIRECTORS (THE BOARD OR DIRECTORS), I PRESENT AXIATA GROUP BERHAD'S (AXIATA OR THE GROUP) RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019. KEEPING WITH ITS PURPOSE OF ADVANCING ASIA, AXIATA CONTINUED TO PROGRESS INTO ONE OF THE LEADING REGIONAL TELECOMMUNICATIONS GROUPS THAT CONTRIBUTES TO THE DEVELOPMENT OF ECONOMIES, ADVANCED TECHNOLOGY AND SOCIETIES ACROSS ITS FOOTPRINT OF 11 COUNTRIES IN ASEAN AND SOUTH ASIA. ”



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TAN SRI GHAZZALI SHEIKH ABDUL KHALID
Chairman

Operating in challenging and competitive regional markets, multinational businesses were not spared the pressures of local geopolitical uncertainty and the fallout from the US-China trade war in 2019. Most recently, the world is confronted by the unprecedented COVID-19 pandemic and the damaging economic fallout threatening global growth and stability. The unfolding 'black swan' event delivered a triple blow to markets, as it negatively impacted global demand and supply chains, as well as financial markets throughout the world.

Companies are undergoing volatile and seismic shifts in the way they do business, as they grapple to respond and adapt to different stages of the pandemic. Whilst the telco industry has been somewhat cushioned by the higher demand for data and connectivity in the immediate term, we are also bracing for the mid-term impacts of the pandemic which are disrupting lives, livelihoods, communities and businesses everywhere. The enterprise segment will also be adversely affected as Small and Medium-sized Enterprises in tourism, retail and manufacturing-related businesses, amongst others, face the financial crunch of social movement restrictions that in turn has triggered a deep global recession.

As this dire situation continues to unfold, the telco industry as an essential and utilitarian service, must get its priorities right.

I am heartened to note that this industry has its heart in the right place as globally, we have responded remarkably to the heightened demand for connectivity, bandwidth and digital solutions. We have put aside commercial considerations to prioritise humanitarian and emergency needs. From the onset of the Coronavirus outbreak, our OpCos have contributed unstintingly to alleviate the difficulties faced by customers and communities in their markets.

Our challenge as a business to move forward under such difficult and unimaginable circumstances is to find our path of recovery in the face of uncertainty. We recognise we are navigating uncharted waters, but as a Group, we are hopeful for the future even as we continue to refine and adjust our strategies to define how we operate in this new world.

We are thankful that 2019, by all key indicators, can be described as successful. Our OpCos stepped up against heightened market competition, to significantly contribute to the Group's excellent financial performance.


As such, the Group emerged stronger to deliver shareholder value, enabling the Board to approve a total dividend of 9.5 sen per ordinary share. This includes an interim dividend of 5.0 sen per ordinary share,


and a special dividend of 0.5 sen to share gain from disposal of the M1 investment.

Creating Value Through Trust

Since inception, Axiata has consistently emphasised on good governance and compliance. In further maturing its corporate governance, Axiata has now set up a Corporate Compliance Steering Committee to chart the roadmap towards a best-in-class ethics, integrity and compliance culture integral to trust building. A Group-wide maturity assessment exercise was conducted to identify and close gaps. Following the assessment, a new Compliance function has been established to execute the remedial actions and ensure appropriate governance, supporting procedures, and relevant training and awareness programmes are in place.

Further, we take pride in our belief and core value of "Uncompromising Integrity" and are committed to attaining zero-tolerance against any forms of bribery and corruption in our business. A concerted effort has been made in ensuring all our stakeholders, including our employees and other business associates, whether employed directly or indirectly (including customers, suppliers, agents, distributors, and others working for or on behalf of the Company), understand and embrace

 For more details on:
 - How the Group is responding to the COVID-19 pandemic, please refer to page 18 of the "In Conversation With The President & Group CEO" section
 - Our governance enhancements during the year, please refer to pages 69 to 90 in the "Be Assured Of Our Commitment To Transparency And Accountability" section

 For more details on how the Group is responding to the COVID-19 pandemic, please refer to page 32 in the "Nurturing People" section

Chairman's Message

Axiata's ethos on the need to act professionally, ethically and with integrity in all circumstances. The prevention, detection and reporting of any forms of bribery and corruption are the responsibility of all stakeholders across the Company; each stakeholder is required and mandated to avoid any activity that might constitute, lead to, or perceive, bribery and/or corruption activities. Axiata also further enhanced our whistle blowing channels across all OpCos into a unified platform in 2019. In addition to providing a robust and transparent solution for better oversight, the initiative has led to greater confidence among employees to exercise internal vigilance, driving us closer towards our aim of achieving the highest standards of governance.

The Company's Board is committed to upholding the highest standards of lawful and ethical conduct both in the letter and spirit of the laws, regulations and international standards that apply to its operations within all jurisdictions in which we operate.

Moving forward, at the Board level, a new Board Risk and Compliance Committee (BRCC) replaced the Board Risk Management Committee (BRMC) to provide oversight on risk management, data privacy, cyber security, and ethics and compliance. On ethics and compliance, a Group Chief Risk and Compliance Officer has been appointed to provide leadership, including preparations for the new Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018.

As Axiata closes in on realising our Digital Champion ambitions, data privacy is a priority. In addition to strengthening our cyber security measures for the protection of personal data, Axiata embarked on its Privacy Programme in 2019 to uplift the Group's privacy posture, by adopting robust privacy practices in order to increase customers' trust. Moving into 2020, Axiata will be introducing its Privacy Commitment based on the principles of T.R.U.S.T., underlining the Group's position as a trusted regional telecommunications and digital services provider, fully committed to building a more resilient data privacy and cyber security ecosystem, that protects and respects the privacy of customers, employees and other stakeholders.

Creating Value Through Sustainability

Axiata's sustainability agenda is focused on improving the quality of life of its customers and communities throughout its regional footprint. By practicing the universal value to "leave no one behind", the Group serves to contribute to advancing the United Nations' Sustainable Development Goals through its business operations, and digital inclusion products and services. Seeing through its wider

responsibility as a nation building partner, in 2019 Axiata contributed a total of USD8.4 billion to the Gross Domestic Product (GDP) of six countries where its digital telcos are present. The OpCos also directly and indirectly supported approximately 600,000 jobs across the region.

An agenda of increasing critical importance in today's world is the need to address the impact of climate change. In late 2019, the GSMA announced the industry's ambition to be zero carbon emissions by 2050. Towards supporting this ambition, Axiata is actively exploring the necessary systems, processes and partnerships to effectively achieve this outcome.

Navigating Challenges

Considering the intense industry challenges, telcos globally are increasingly looking towards collaborative partnerships that lend synergies for sustainable long-term business growth. In 2019, Axiata made global headlines by exploring a merger with Telenor ASA's Asian operations, with both parties seeking value creation synergies envisaged for shareholders, the region and customers. On the back of several technical complexities, the proposed transaction was eventually called off four months into the due diligence exercise, but Axiata as a Group has learnt a lot from this exercise.

A material issue encountered in 2018/2019 was the capital gains tax dispute with the Government of Nepal concerning Axiata's 2016 indirect acquisition of 80% shareholding in Ncell Private Limited (Ncell). Axiata's subsidiaries commenced international arbitration proceedings against the Government of Nepal pursuant to the bilateral investment treaty between UK and Nepal. Despite this ongoing dispute, Axiata and Ncell remain fully committed to serving their customers in Nepal and will take all reasonable actions to avoid any disruption to its services and operations.

Moving Forward

Moving into 2020, Axiata 5.0 is the next evolutionary phase that will guide the Group's digital transformation journey by institutionalising the building of a new corporate DNA that delivers sustainable growth in key critical business areas. With 5G on the horizon, and as more IR 4.0 technologies go to market, we will be facing heavier investment cycles ahead of us. Axiata 5.0 will guide the Group towards creating future value by striking the complex balance in achieving profitability and business growth, whilst delivering on customer and stakeholder expectations.

A culmination of all the learnings gained since embarking on the Triple Core Strategy, this new phase involves greater emphasis on building world-class Operational Excellence across the Group, with Axiata focusing its strategic execution towards achieving optimum efficiency across the value chain.

Leadership Changes

Succession planning has always been a priority in the Board's agenda. As part of the plan to ensure business continuity, Tan Sri Jamaludin Ibrahim retires as President and Group CEO at the end of 2020, and hands over the mantle to Dato' Izzaddin Idris who is no stranger to Axiata, having served on its Board since 2016. To facilitate the transition into his new role as Deputy Group CEO and CEO-designate of Axiata, Dato' Izzaddin has been re-designated as Non-Independent Director.

On behalf of everyone at Axiata, I would like to express our deepest appreciation to Tan Sri Jamaludin for his sterling leadership since Axiata's inception to become the regional force it is today, standing shoulder-to-shoulder with the world's top telcos. We look forward to Dato' Izzaddin's leadership, confident in his ability to continue driving the Group forward in realising our vision of becoming a New Generation Digital Champion.

We also wish to thank Dr Muhamad Chatib Basri and Dr Lisa Lim Poh Lin for their exemplary service, with both having resigned in December 2019 and February 2020 respectively. During the year, the Board welcomed two new Independent Non-Executive Directors namely, Khoo Gaik Bee who joined on 1 January 2019, and Thaya Sangarapillai who joined on 18 March 2020. The Board also welcomed Ong King How on 27 November 2019 as an alternate director to Tengku Dato' Sri Azmil Zahrudin Bin Raja Abdul Aziz who serves on the Group's Board as a Non-Independent Non-Executive Director (NINED) representing Khazanah Nasional Berhad.

Acknowledgements

Our gratitude to the governments and regulators in our markets for their steadfast support. We are indebted to our regional base of employees for their dedication towards the Group's value creation journey. Finally, our deepest appreciation to our shareholders for their sustained faith in Axiata.

TAN SRI GHAZZALI SHEIKH ABDUL KHALID
Chairman



For more details on:

- Axiata 5.0, please refer to page 14 of the "In Conversation With The President & Group CEO" section and page 28 of the "Understand How We Progress Strategy" section
- Operational Excellence, please refer to page 15 in the "In Conversation With The President & Group CEO" section
- Changes to the Board, please refer to pages 69 to 90 in the "Be Assured Of Our Commitment To Transparency And Accountability" section



For more details on our sustainability activities and outcomes, please refer to the SNCR



For more details on T.R.U.S.T. and our data privacy and cyber security commitments, please refer to pages 38 and 39 in the "Strengthening Data Privacy And Cyber Security In 2019" section

Our Share Price Performance

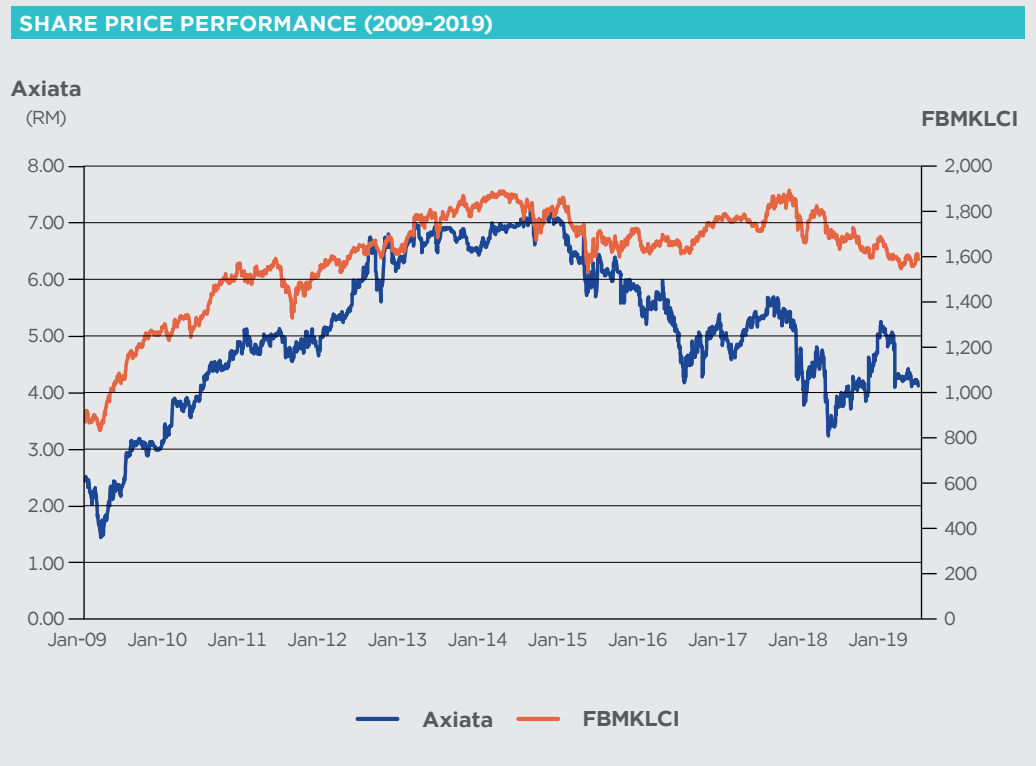
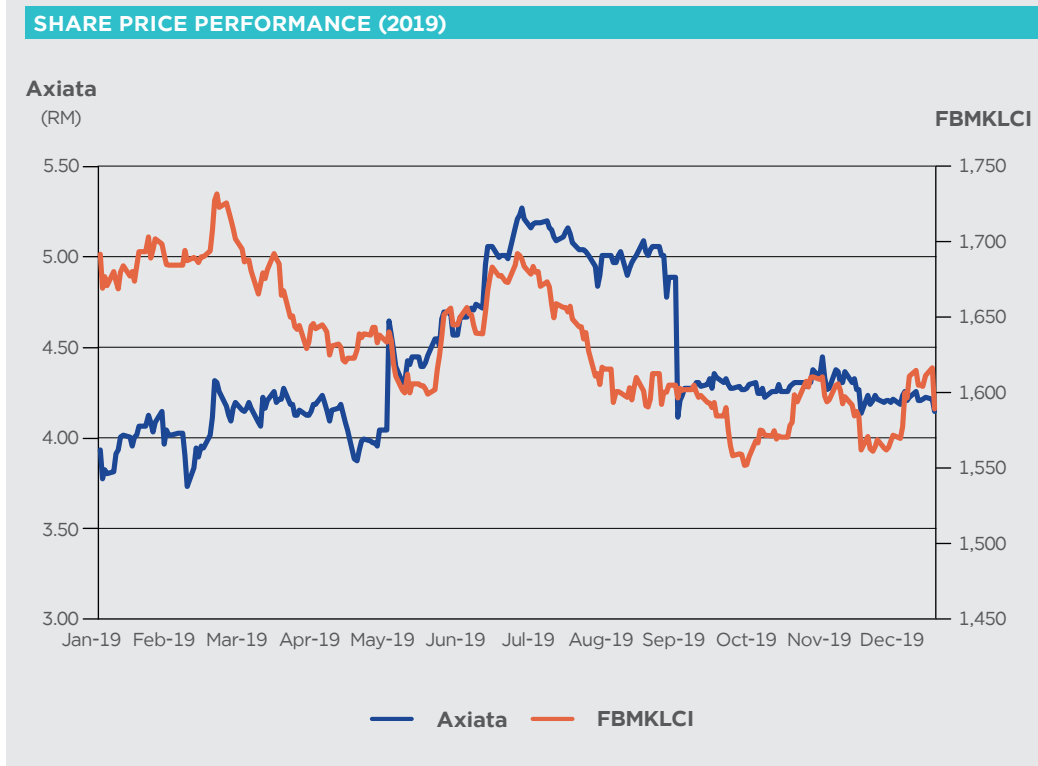
For the year under review, Axiata continued to create shareholder value, through sustained share price performance. Axiata closed 2019 as the eighth largest company on the FBMKLCI in terms of market capitalisation at RM37.9 billion.

In 2019, Axiata's share price was up 5% to close at RM4.14 on 31 December 2019, outperforming the FBMKLCI which was down by 6%.

Foreign shareholdings increased to 11.1% as at end 2019, compared to 10.5% in the preceding year.

Axiata's share price performance during the year was largely influenced by the announcement of the proposed merger of Axiata and Telenor's Asian operations in May 2019, and the subsequent mutual agreement to end discussions on the proposed transaction in September 2019. Post the end of merger talks, focus had been on the results of our "Shifting Gear" emphasis towards profitability and cash.

From 2009 to 2019, Axiata's share price had increased 68%.



Our Dividend Policy

In 2019, Axiata maintained its commitment to create sustainable value for shareholders and investors, by delivering on prudent and disciplined dividend payout. In February 2020, Axiata announced a second interim dividend of 4.0 sen per share, bringing total dividend for the financial year ended 31 December 2019 to 9.0 sen per share (including first interim dividend of 5.0 sen per share paid in November 2019). This translates to a full year Dividend Payout Ratio (DPR) of 86%, higher than the 85% payout last year.

In addition, Axiata also announced a special dividend of 0.5 sen per share in view of one-off gain from disposal of associate, M1 Limited during the financial year. Including the special dividend, FY19 dividend per share (DPS) of 9.5 sen is similar to FY18.

The Board remains committed to our:

- a) 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.
- b) Investor proposition: Our value proposition to investors of “moderate growth and moderate dividend”.

