



National Contribution Report



Introduction



As one of the leading telecommunications groups in Asia with a presence in 11 countries and a customer base of approximately 350 million, Axiata Group Berhad (Axiata) makes a substantial contribution to the countries in which the Group operates. Through its investments in its portfolio of operating companies across the region, Axiata is recognised as one of the largest Foreign Direct Investors, best employer, significant taxpayer and substantial purchaser of local services.

Axiata's business of providing telecommunications, network infrastructure and digital services have created significant economic value and opportunities, both directly and indirectly to close to two billion people across the ASEAN and South Asia region.

Additionally, as a committed long-term investor, Axiata has further supported and created non-economic value in areas identified as national priorities and agendas in the countries within its footprint.

To continue to make an economic difference in the countries and communities it serves, Axiata has been measuring its investment impact in its National Contribution Report annually over the past four years. In the 2017 report, a new multiplier (i.e. the Capex multiplier) was included to measure the economic return on Capex by taking into account the GDP contribution from Axiata's operations and capital investments, as well as the productivity impact generated by the use of Axiata services through the increase in mobile penetration.

2017 National Contribution Report: Key Report Findings

- Contributed USD15.9 billion to the national GDPs of countries where we have a telecommunication presence
- Collective direct operational and capital expenditures reached USD7.6 billion and USD2.8 billion respectively
- Every USD1 spent by the Group translated to between USD4.6 and USD8.0 contribution to GDP in six key operating markets
- Across the region, both directly and indirectly, one million jobs are supported by Axiata companies

2017 National Contribution Report: Report Scope and Information

This report consists of an economic impact assessment at six of Axiata's major operating companies. The report includes a two-part analysis comprising:

1. Economic and financial analysis of the Axiata operating companies' contribution to the national economy, which includes an assessment of the following:
 - a. economic contribution to the nation
 - b. investment and innovation for the long-term
 - c. contribution to public finance
 - d. talent development
 - e. labour productivity
2. Assessment on Axiata companies' contribution and support to national priorities.

USD 15.9 billion
Contribution in 2017
GDP

Spent
USD 7.6 billion
on operating expenditure

Capital Investment in 2017
USD 2.8 billion

Supported more than
1.0 million
jobs across the region for 2017

Served approximately
350 million
customers

Employed approximately
27,000 employees across ASEAN and South Asia

Multiplier effect for every
USD1 spent on **Capex** generated

Malaysia **USD5.7**

Indonesia **USD8.0**

Sri Lanka **USD5.3**

Bangladesh **USD5.6**

Cambodia **USD4.6**

Nepal **USD7.2**

GDP contribution

National Contribution Report

Cambodia



Smart Axiata Co., Ltd., Cambodia's leading mobile telecommunications operator, serves eight million subscribers. Smart is at the forefront of mobile technology advancement in Cambodia and was the first network to introduce 4G LTE in 2014, 4G+ in 2016 and 4G+ with HD Voice (VoLTE) in early 2017. Its extensive nationwide network coverage stretches to more than 98% of Cambodia's population.

After two decades of strong economic growth rate averaging at 7.4% (1994-2015), Cambodia attained a lower middle income status in 2015. Its strong growth rate ranks 6th in the world and is expected to remain strong over the next year through recovering tourism activity and fiscal expansion policies.

Mobile subscribers in Cambodia expanded from 21.1 million to 29.2 million in the past five years, increasing the mobile penetration rate from 140% in 2013 to 182% in 2017. The Cambodian government is making every effort in developing the internet and mobile infrastructure in the country to ensure that digitisation reaches all segments of Cambodian society.

National Contribution

Contribution to Gross Domestic Product

USD 339 million
(1.5% of the nation's GDP)

Operational Direct GVA

USD 148 million

Operational Indirect and Induced GVA

USD 74 million

Capital Investment

USD 59 million

Productivity GVA

USD 59 million

Direct Employees

Total 842 Staff

Total Employees

36% Female

98%

Cambodian Citizens

Total Jobs Supported

Total 52,316 jobs

Directly Employed

842

Supported Indirectly - Operations

28,559

Supported Indirectly - Capital Investment

22,915

Capital and Operational Expenditure

USD 214 million

in 2017

Contributed

USD 76 million in taxes in 2017

(3.9% of the total tax revenue of the Cambodian Government)



Capital Expenditure

USD 74 million



Operational Expenditure

USD 139 million

Multiplier effect for every

USD 1

spent on **Capex** generated

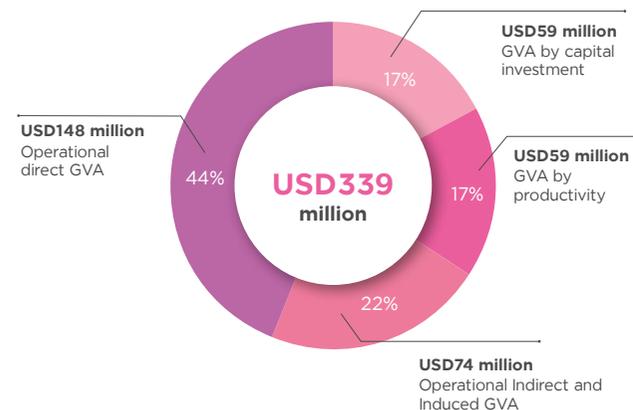
USD 4.6

GDP



Cambodia

Figure 1: GDP contribution to the Cambodian economy 2017

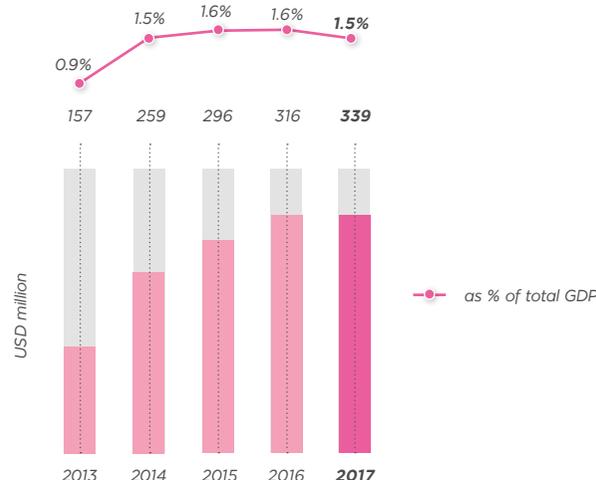


Economic and Financial Contributions

With a total operating expenditure of USD139 million and capital investment of USD74 million, Smart's total GDP contribution to the Cambodian economy was estimated at USD339 million. This comprised of contributions from Smart's direct operation of USD148 million, indirect contribution of USD74 million through procurement from local suppliers, USD59 million generated by Smart's capital investment and productivity gains of USD59 million through the increase in the mobile penetration rate of 9% in 2017 (see Figure 1). Every USD1 spent by Smart through its capital investment contributed USD4.6 to the GDP.

Smart's total GDP contribution increased to USD339 million in 2017 from USD157 million in 2013, translating to a CAGR of 21.3% (see Figure 2). The improving trend was due to higher operational profits and significantly increased number of mobile customers. Over the last five years, total operational profits grew to USD137 million from USD62 million. With a total number of mobile customers (as active declared SIM cards by the operators) in Cambodia at 29.2 million as reported to the Telecommunications Regulator of Cambodia, the mobile penetration rate stands at 182% in 2017.

Figure 2: GDP contribution to the Cambodian economy, 2013-2017



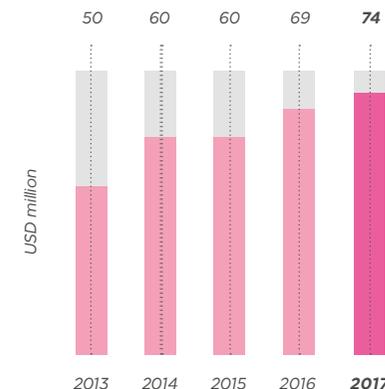
Investing and Innovating for the Long-Term

Smart invested a total of USD313 million between 2013 and 2017 to improve its network infrastructure, including rolling out its 4G LTE network and expanding its range of products and services. The company's total capital investment of USD74 million in 2017 represented a 71% increase compared to the USD69 million in 2016 (see figure 3). In its drive to deliver improved mobile services at an affordable price to all Cambodians, Smart launched 4G+ with HD Voice in early 2017. In August 2017, the company became the first operator to launch 4.5G in Cambodia, a testament of Smart being at the forefront of mobile technology advancement in Cambodia.

By the end of 2017, more than 88% of its 2,333 base stations across all 25 provinces were equipped with 4G while 100% of the base stations were with 3G. An independent study conducted by IDG ASEAN recognised Smart as Cambodia's Best 4G LTE Provider in 2017. Smart plans to continue investing in the country to further enhance its 4G LTE leadership and enhance its offerings to stave off competitors in a saturating mobile market.

Throughout 2017, Smart was a key development partner of various ministries of the Royal Government of Cambodia, including contributing to the new Capacity Building and R&D Fund which focuses on developing the ICT sector in the country.

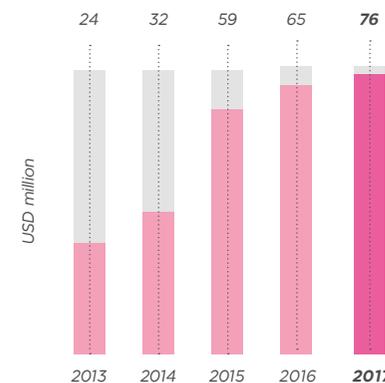
Figure 3: Total capital investment: 2013-2017



Contributions to Public Finance

Total contributions by Smart over the last five years reached USD255 million. This expanded to USD76 million in 2017 alone, up from USD24 million in 2013, representing a CAGR of 33.8% (see Figure 4). Smart's contribution of USD76 million includes regulatory related fees, levies and payments. Smart's tax contribution alone accounted for 3.9% of national tax income, excluding other regulatory related fees and payments.

Figure 4: Total contribution to public finance, 2013-2017



National Contribution Report

Cambodia

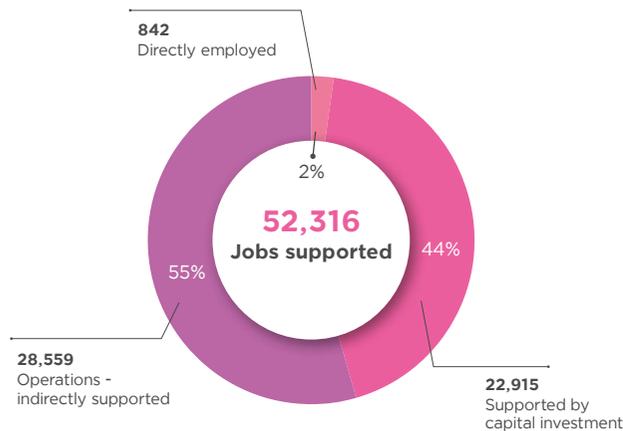


Talent Development

Total employment impact 2017

Smart provided 842 direct jobs in 2017 of which 98% of the positions were staffed by Cambodian citizens (see Figure 5). About 36% of Smart employees were women. During the year, Smart engaged 199 interns as part of its goal to provide young people with specialist skills required in the ICT and digital economy. Smart also indirectly supported an additional 28,559 jobs through its operations, and a further 22,915 jobs through its capital investments.

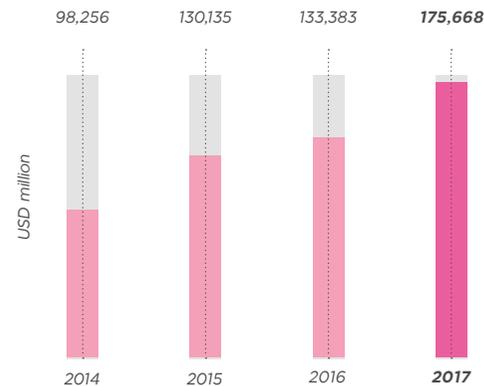
Figure 5: Total employment impact 2016



Smart's Labour Productivity

Smart's productivity, measured as Gross Value Added (GVA) per employee, increased from USD98,256 in 2014 to USD175,668 in 2017 with a CAGR of 21.4% over 2014-2017 (see figure 6). Significant growth in operational profits and decline in employment support the increased productivity.

Figure 6: Smart's labour productivity, 2014-2017



In Support of the National Agenda

ICT is essential to support the national development of smart solutions and technology. It creates new opportunities for SMEs and start-ups, and accelerates economic growth.

SME

As the primary source of job creation in urban and rural areas, SMEs play a vital role in the economy and socio-development of Cambodia. Facilitating the development of SMEs is a government's priority as reflected in Cambodia's National Strategic Development Plan 2014-2018.

Smart is driving innovation among the local tech startups. It supported and sponsored BarCamp, an international, innovative, and open technology two-day event in which individuals, businesses, students, young startups and professionals come together to share, learn, exchange ideas, and connect with one another.

In 2017, Smart Axiata's Digital Innovation Fund (SADIF) was launched. The USD5 million fund is Cambodia's first and largest venture capital fund for Cambodia-based digital service companies and startups. The Fund seeks to invest in innovative

ideas and businesses in the digital ecosystem to spark the development of a robust digital economy. SADIF invested in three companies with a target to invest in 12 companies over the next five years.

Smart Solutions

Developing science and technology is one of Cambodia's national priorities as reflected in the National Science and Technology Master Plan 2014-2020. The Master Plan models South Korea's experience in developing a science and technology driven society. The ICT Federation of Cambodia has signed an agreement with its Korean counterpart to build a smart city in Preah Sihanouk province. Smart infrastructure such as intelligent traffic lights, parking, public safety, street lighting, waste management and environmental monitoring is within the scope of the project.

Smart Axiata is also committed to developing smart city solutions and support the development of the ICT industry in the country. In 2017, Smart Axiata was the first operator to launch 4.5G service in Cambodia, capable of providing up to 8x faster peak mobile internet speed than the normal 4G LTE.

ABA Bank, Cambodia's leading private financial institution, has expanded its partnership with Smart Axiata to offer customers a link between ABA accounts and the SmartLuy e-wallet. By making fund transfer services easier and at a reasonable fee, the partnership will drive the faster adoption of the digital financial services.

National Contribution Report



1. Methodology

1.1 Methodologies and computational formula

Direct Value Added contributions were estimated based on operational data provided by Axiata regarding operating revenues, operating expenditures, compensation of employees and indirect taxes and levies.

Total Value Added contributions were estimated using an economic multiplier. The total multipliers (Type II) for the Telecom industry were derived from national Input-Output (I-O) tables published by OECD, ADB and national statistical agencies.

Employment is generated through a number of avenues including:

1. Directly through Axiata and related industries.
2. Outsourced support services including customer support and network operations and maintenance.
3. Indirectly through firms that provide services to Axiata's operations.
4. Induced as employees from the above spend their household income thereby generating further rounds of employment.

Total employment impact is estimated using I-O tables and Average Value Added per Worker derived from relevant Departments of Statistics for each country.

1.2 Capital Investment

1. Total Value Added = Capital Expenditure x Proportion Spent in Host Country x Average Value Added Multiplier

2. (a) **For countries employment multipliers are available,**

Total Employment in Host Country = Total Capital Expenditure in Host Country x Average Employment Multiplier

- (b) **For countries employment multipliers are not available,**

Total Employment in Host Country = Total Capital Expenditure Value Added in Host Country/Average Value Added per Worker in Host Country

1.3 Operational

1. Total Value Added = Direct Value Added x Total Value Added Multiplier

Where,

Direct Value Added = Operating Revenue - Operating Expenditure + Compensation of employees + Indirect taxes and levies

Note: Operating expenditure provided by Axiata excludes depreciation.

2. (a) **For countries employment multipliers are available,**

Total Employment = Total Operational Expenditure x Average Employment Multiplier

- (b) **For countries employment multipliers are not available,**

Total Employment = Total Indirect Value added/Average Value Added per worker + Direct Employment
Direct Employment = As per Axiata data

3. Axiata's labour productivity = Direct Value Added/ Number of employees

Note: Number of employees includes both direct and outsourced employees.

1.4 Productivity Analysis

Axiata Contribution to GDP Growth = National Contribution to GDP Growth x Market Share of Axiata

Where,

National Contribution to GDP Growth = National Penetration Growth x Growth Factor Penetration = Number of Customers/Population

Note: Growth Factor was assumed to be 1.2% per 10% change in market penetration for all countries except 0.6% market penetration for Singapore

1.5 Multiplier Analysis

Capex Multiplier = Total Axiata's Value Added Contribution/Capital Expenditure

Note: Total Axiata's Value Added contribution includes Operational Direct Value Added, Operational Indirect and Induced Value Added, Value Added by capital investment and Productivity impact.