



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



Nepal



Ncell Private Limited has been connecting Nepal since 2004. Contributing to the vision of Digital Nepal and development of the country's economy and infrastructure, Ncell's best-in-class network brings communication services to people living in the most remote areas of Nepal. Ncell operates the widest 4G network in Nepal, fulfilling the national need of high-speed mobile broadband and creating new opportunities for the people of Nepal.

The Nepalese economy witnessed a broad-based rebound in 2017 as it recovered from the 2015 earthquakes. Inflation was moderate, government revenue and spending increased, and remittances grew. In FY2017, the Nepalese economy grew at 7.5% and public spending reached a record high of 8% of GDP.

Through the Department of Information Technology, the Nepalese government has implemented numerous projects aimed at addressing local developmental challenges through the digitisation of services. These projects were implemented and accelerated in efforts to rebuild after the devastating earthquakes in 2015.

National Contribution

Contribution to Gross Domestic Product

USD 692 million
(2.8% of the nation's GDP)

Operational Direct GVA

USD 373 million

Operational Indirect and Induced GVA

USD 132 million

Capital Investment

USD 76 million

Productivity GVA

USD 110 million

Direct Employees

Total 539 Staff

Total Employees

25% Female

99%
Nepal Citizens

Total Jobs Supported

Total 121,238 jobs

Directly Employed

539

Supported Indirectly - Operations

76,151

Outsourced

922

Supported Indirectly - Capital Investment

43,626

Capital and Operational Expenditure

USD 304 million
in 2017

Contributed

USD 277 million
in taxes in 2017

(4.5% of the total tax revenue of the Nepali Government)



Capital Expenditure

USD 96 million



Operational Expenditure

USD 208 million

Multiplier effect for every

USD 1

spent on **Capex** generated

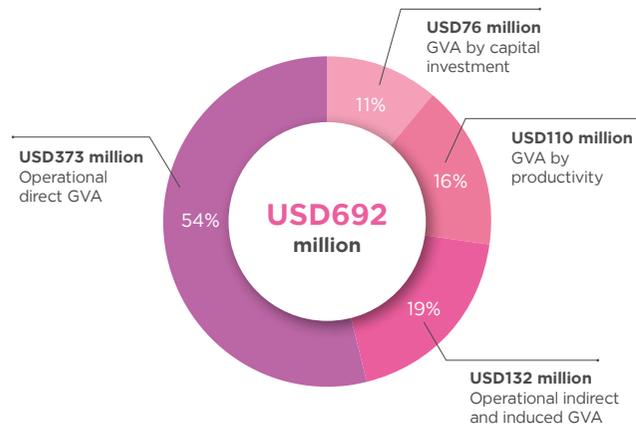
USD 7.2
GDP

National Contribution Report

Nepal



Figure 1: GDP contribution to Nepalese economy 2017



Economic and Financial Contributions

With a total operating expenditure of USD208 million and capital investment of USD96 million, Ncell's total GDP contribution to the Nepalese economy was estimated at USD692 million. This comprised of contributions from Ncell's direct operation of USD373 million, indirect contribution of USD132 million through procurement from local suppliers, USD76 million generated by Ncell's capital investment and productivity gains of USD110 million through the increase in the mobile penetration rate of 6.3% in 2017 (see Figure 1). Every USD1 spent by Ncell through its capital investment contributed USD7.2 to the GDP.

Moving into 2018, Ncell will continue to focus on extending its data leadership as one of the key growth driver, whilst maintaining voice and international long distance revenue contribution. Ncell will also put greater emphasis on expanding its Digital Services ecosystem.

Investing and Innovating for the Long-Term

Ncell made capital investments totalling USD96 million in 2017 which grew by 57% from USD61 million in 2016. Capital investment plays a significant role in enhancing the company's competitiveness and contributing to Nepal's economy.

Contributions to Public Finance

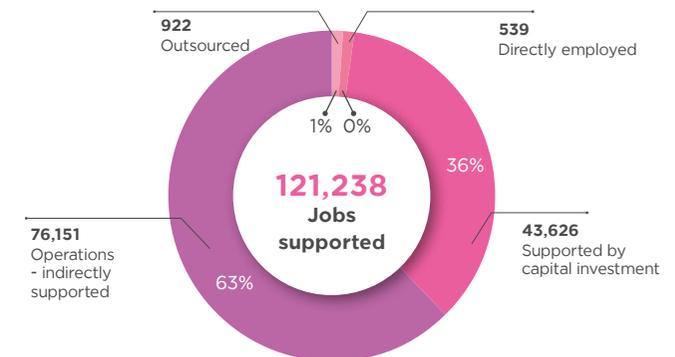
Ncell contributed USD277 million in taxes to the Nepal Government, accounting for 4.5% of the country's total tax revenue. Ncell was recognised by the Government of Nepal as the largest income taxpayer of the country in FY2012-2013 and 2013-2014.

Ncell contributes to the Government treasury in the form of License Fees, Telephone Service Tax, Ownership Tax, Value Added Tax, Withholding Tax, Income Tax, Royalty, Frequency Fee and Rural Telephone Development Fund.

Talent Development

Ncell provided 539 direct jobs in 2017 of which 99% of the employees were Nepalese (see Figure 2). About 25% of Ncell employees were women. Ncell's operations also indirectly supported an additional 76,151 jobs and outsourced a further 922. Its capital investments, meanwhile, supported 43,626 jobs.

Figure 2: Total employment impact 2017



Note: As a % of total GDP contribution; Numbers may not balance due to rounding

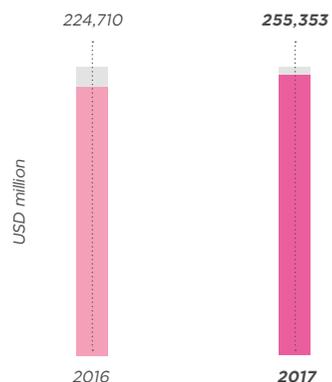


Nepal

Ncell's labour productivity

Ncell's productivity, measured as Gross Value Added (GVA) per employee, was estimated at USD255,353 in 2017 (see figure 3). The high productivity was mainly due to its high operational profit, which accounted for more than 60% of operational revenue in 2017.

Figure 3: Ncell's labour productivity, 2016-2017



In Support of the National Agenda

Human resource and agriculture are two key sectors under the 'Envisioning Nepal 2030' strategy set out by the Nepal National Planning Commission. ICT will play an important role driving these two areas to enhance national education, and provide disruptive solutions to transform and modernise agriculture practices.

Education

The vision of education for Nepal is to achieve universal basic education by 2025. Nepal aims to allocate 20% of the national total budget in 2018 towards education. The government is developing initiatives such as Education for All, and the School Sector Reform Plan to improve the quality of education and narrow the education gender gap. E-learning portals and universal access to ICT will support the government's drive towards this vision.

Ncell has a long established record of supporting education development in Nepal. As part of the 'Pahilo SIM' campaign, Ncell provided partial scholarships to 48 Secondary Education Exam students to help them complete their bridge course before enrolling in college. The Ncell Scholarship and Excellence Award recognises top students pursuing a Bachelor of Engineering, Electrical, Electronics, Communications and Computer science with a bursary of RS.100,000.

Agriculture

Agriculture transformation is considered to be one of the key growth drivers of Nepal's economy. Agriculture employs 78% of the economically active population in Nepal, and contributes 34% to the GDP. Two initiatives have been developed to improve income of the agriculture communities, The Knowledge-based Integrated Sustainable Agriculture and Nutrition Project (KISAN); and the Agriculture and Food Security Project (AFSP) will improve productivity, strengthen competitiveness, build resilience, and a stronger enabling agriculture environment.

As part of its Corporate Social Responsibility initiative, Ncell has supported rural communities in ensuring sustainable development and access to basic needs. Ncell supported households in the hilltop villages of Syangja district by providing access to water through installing water pumps. Equipped with smart metering, the pumps have helped communities improve their livelihoods as they can efficiently manage water for household and commercial farming. Families are able to earn extra income by growing high-value crops using drip irrigation.

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.