

Group Financial Analysis¹

Axiata ended FY2014 with steady revenue and profitability amidst a challenging year affected by slowing industry growth, intense competition and adverse political environment in some markets. Diligent execution of strategies by most OpCos resulted in the Group recording 1.9% revenue growth to RM18,711.8 million, 4.4% higher at constant currency reflecting the Group's resilience from a diversified portfolio. Data continues to drive growth momentum with accelerated growth across all OpCos. This is evident from the 31.5% growth in data revenue, which now contributes 19.2% to total Group revenue, a substantial increase from 14.8% in FY2013. EBITDA stood at RM6,998.6 million and PATAMI for the year was lower at RM2,348.7 million, affected by Malaysia's IT-transformation related issues, impact of Axis integration and weaker Rupiah in Indonesia. At year end, the Group recorded strong cash balance of RM5.1 billion after RM1.9 billion in dividend payment and also aggressive investment in data-related capital expenditure across all OpCos. All round excellent performance was also recorded by our associate companies in India and Singapore. In terms of market presence, the Group continued to make significant progress with a growth of 9% to 266 million subscribers at the end of FY2014.

Malaysia saw challenges in FY2014 affected by issues pertaining to IT transformation, stricter regulatory controls over short code product offerings and slower industry growth. Hence, total revenue for the year declined by 3.6% to RM7,729.3 million. EBITDA also decreased by 9.7% to RM3,116.6 million following lower revenue. PAT of RM1,732.1² million was 16.8% below FY2013 due to lower EBITDA and certain tax incentives in FY2013.

In spite of the overall sluggish market and stiff competition, Malaysia ended the year with the highest number of subscribers versus its competitors for the second consecutive year. In addition, data revenue in Malaysia continued to gain traction and grew double-digit to 24.1% fueled by 50.3% growth in mobile internet and higher smartphone penetration. Data users of 6.2 million now represent 47.8% of its total subscriber base of 13.0 million. Malaysia will continue to focus on enhancing its mobile data network and accordingly invest substantially on its 4G/LTE network.

The completion of the IT transformation exercise and execution of the data leadership strategy is expected to eventually help Malaysia regain momentum and compete effectively.

In Indonesia Axis was acquired in Q1 2014 which saw a comprehensive integration exercise. The acquisition was important to obtain additional frequency to improve network quality and to also ensure that Indonesia will not be at a strategic disadvantage in the future in so far as frequency is concerned. Indonesia registered revenue of RM6,475.6 million in FY2014, an increase of 10.3% at constant currency (up 0.5% at actual currency) primarily driven by surge in data revenue and also contribution from Axis. FY2014 EBITDA stood at RM2,468.1 million, stable at constant currency (down 9.0% at actual currency) while EBITDA margin declined by 4 percentage points (pp) to 38% versus FY2013 due to the impact of the Axis integration. The integration was well-executed and completed by the end of FY2014, which was well ahead of schedule. This is reflected in QoQ performance whereby EBITDA margin increased by 4pp in Q4 2014. FY2014 loss after tax was RM249.2 million primarily due to the unrealised forex losses arising from weaker IDR and also due to the Axis integration. In line with Indonesia's strategy of focusing on its core business, Indonesia completed the sale of 3,500 towers to PT Solusi Tunas Pratama Tbk for RM1.5 billion which will be used to pare down debt and improve capital position.

Growth of data services in Indonesia continued to be strong. At local currency, data revenue in Indonesia increased by 41.6% during the year and contributed to 23.3% of total revenue as compared to 18.2% in FY2013. In addition, smartphone users grew 57.8% to 16.1 million which represents 27.0% of the total user base. As of year end 2014, Indonesia had 59.6 million users.

During the year, Indonesia continued to transform itself into a leading mobile internet provider amidst the changing business landscape. Various products and services in the areas of digital entertainment, mobile banking, mobile advertising and cloud services were offered to support customers' digital lifestyle and cater to the growing data business and trend towards smart devices.

Management efforts have gained recognition and the team won may accolades during the year, notably winning two awards at the Golden Ring Award 2014 for "Best Value Added Service" for *Gudang Aplikasi* services and "Best Customer Services".

Bangladesh continued its strong financial performance in FY2014 with double-digit growth in all key financial metrics and outperformed the market in terms of data revenue and EBITDA growth, despite operating in a challenging business and political environment.

¹ All financial numbers are based on Malaysia GAAP

² Normalised result for OpCo

Bangladesh's revenue continued its growth trajectory for the year, surging by 14.4% led by higher data, voice and SMS revenue. Data revenue in particular registered growth of 120.1% at local currency and accounted for 5.8% of total FY2014 revenue, double from the previous year. The aggressive drive for revenue growth also positively impacted EBITDA, which generated excellent growth of 22.9%. Bangladesh's PAT grew 24.1% despite continued investments in growth-related capex.

Sri Lanka achieved remarkable growth in revenue to RM1,686.2 million, an increase of 9.2%. Total mobile subscribers increased by almost 10% to 9.5 million. Positive results were also demonstrated across its businesses of mobile, digital pay television, and fixed line. Underpinned by strong performance in revenue, continuous operational improvements and cost rescaling programmes, EBITDA grew 8.1% in FY2014. PAT performance in turn grew double digit to 19.8% due to higher EBITDA and lower foreign exchange losses in FY2014 versus the previous year.

Capital investment in Sri Lanka during the year was 28.4% lower compared to FY2013 mainly due to the reprioritisation of key projects coupled with selective roll-out of networks. Capital expenditure during the year was directed mainly towards investments in 2G, 3G and 4G networks, Optical Fibre Network expansion projects and the Bay of Bengal Sub-Marine Cable project, with the aim of strengthening its leadership position in the country's telecommunications sector. As a result, Sri Lanka continued to exhibit a structurally robust balance sheet, with net debt to EBITDA ratio further improved from 1.29x in FY2013 to 0.92x in FY2014.

Cambodia posted stellar growth in all key financial metrics despite operating in a competitive and crowded market. Revenue increased by 48.4% during the year as data revenue more than doubled, now accounting for 22.4% of total revenue versus 13.0% in FY2013. Arising from the growth in revenue coupled with tightened cost management, Cambodia's EBITDA and PAT grew 80.1% and more than 100% respectively. Total subscribers increased by 22.9% to 6.5 million at the end of FY2014.

Excellent performance from regional associates in India and Singapore helped the Group maintain its strong results in FY2014.

India achieved a solid 18.8% growth in revenue for the nine months period ending December 2014 driven by a 16.9% increase in customer base. During the period, India cemented

itself as one of the few top global operators with over 150 million quality subscribers, adding 22.2 million new subscribers to end at 150.5 million year to date. Concurrently, India was able to increase average revenue per user (ARPU) by 5.9%, a commendable achievement.

India also continued its EBITDA growth momentum, posting an increase of 27.7% growth. PAT in the period grew 63.3% due to higher EBITDA, partly offset by higher depreciation and amortisation costs arising from prudent revision and reduction in the estimated useful life of its core network equipment.

Singapore ended FY2014 with modest increment of 1.4% in service revenue, driven by growth in its postpaid and fixed customer base as well as higher revenue from mobile data. Including handset sales, Singapore's total revenue increased by 6.8% year-on-year. EBITDA and PAT increased by 7.4% and 9.7% respectively. In December 2014, Singapore launched the country's first next-generation 4G network which enables download speeds of up to 300Mbps and will continue to invest in its networks to further improve customer experience. Singapore will also increase its presence in the corporate enterprise segment which it believes it is well-positioned to capture, through its enhanced new state-of-the-art data centre and suite of cloud solutions.

The Group ended the year with a strong balance sheet position. Cash and bank balance is at a strong RM5.1 billion after RM1.9 billion dividend payment during the year. Group total assets grew 12.9% in FY2014 with higher intangible assets and property, plant and equipment due to acquisition of Axis in Indonesia as well as continuous investments on network infrastructure across the Group's footprint. Group's debt levels are very healthy with Gross Debt to EBITDA at 1.99x and Net Debt to EBITDA at 1.25x. The healthy balance sheet will provide the flexibility required for future organic growth and potential industry consolidation in various markets.

During the year, the Group's Board of Directors declared an interim tax exempt dividend under single tier system of 8 sen per share, which was paid in the fourth quarter of the year. In light of the decent performance of the Group for FY2014, the Group's Board of Directors has recommended and announced a tax exempt final dividend under single tier system of 14 sen per share, bringing the total dividend declared for FY2014 to 22 sen per share. The final dividend is subject to the approval of the shareholders at the forthcoming AGM.