

Axiata and Telenor to Combine Asian Operations in Mega Merger of Equals

Aim to Create a New Global Champion; Headquartered in Malaysia

Axiata Group Berhad (“**Axiata**”) and Telenor ASA (“**Telenor**”) (together “**Parties**”) are in discussions to establish a new merged global entity (“**Proposed Transaction**”) by combining Axiata and Telenor’s Asian operations within both their ASEAN and South Asia (“**Region**”) footprint markets. This is in line with the intention of creating a Global Champion comprising of their diverse market-leading portfolio of telecommunications, digital and infrastructure assets.

The Parties have indicated that there is no certainty the Proposed Transaction will result in any binding agreement or obligations on the Parties to proceed with any acquisition, merger or divestment.

While several issues and matters have yet to be determined and agreed upon, given the mutual due diligence to be undertaken shortly involving several entities across nine countries, Axiata has opted for an early voluntary disclosure to provide transparency to its shareholders as discussions progress.

Globally, the telecommunications industry has seen significant shifts in terms of industry structure whereby, the distinction between fixed and wireless services is blurring towards convergence. At the same time, market competition continues to intensify beyond traditional players but also from strong internet-based services and content providers. Technology advancement and digital service adoption have surged exponentially, triggering robust opportunities but also complexities across the Consumer, Home, Enterprise and Internet of Things (“IoT”) market segments.

In parallel, prices for products and services have steadily fallen in the past few years while capital expenditure especially on network, quality coverage and advanced technology continue to rise in an effort to meet the ever-increasing customer demand for data. In this highly competitive environment, to innovate, deliver affordable and competitive services as well as improve profitability, the ability to scale rapidly, deliver efficiencies and deploy global best practices become increasingly crucial.

The Proposed Transaction aims to enable the new merged entity (“**MergedCo**”) to bring together Axiata and Telenor’s Asian operations unique combination of scale, competencies and vast experiences in leading and managing emerging and frontier markets. The Parties have also stated their stipulated intention to list the MergedCo on Bursa Malaysia and another major international exchange within the next few years. As a Global Champion, the MergedCo will now include a Malaysian Champion, a Global TowerCo, and the largest Innovation Center in this Region, all to be headquartered in Malaysia.

- A. Global Champion: The international MergedCo on merger will have proforma revenue of more than RM50 billion and Earnings Before Interest, Taxes, Depreciation & Amortisation (“EBITDA”) of more than RM20 billion and controlled operating subsidiaries in nine countries with a combined total population of more than one billion people and 300 million customers. With its unique portfolio, the MergedCo will be one of the largest telecommunications groups in the Region in terms of value, revenue and profit, and with a strengthened balance sheet to support aggressive growth and expansion in the Consumer, Home, Enterprise and IoT/Artificial Intelligence (“AI”) market segments.

Additionally, the portfolio of controlled telecommunication operations shall comprise six countries with number one positions, two countries with number two positions and one market with third position within their respective markets.

Separately, Robi Axiata Limited, a subsidiary of Axiata operating in Bangladesh shall continue to be managed independently by Axiata post completion of this proposed transaction.

In bringing together assets from both Parties, the Proposed Transaction has the potential to deliver up to around RM20 billion incremental value in synergies through consolidation of assets and organisations, economies of scale and scope, and complementary best practices of the Parties.

- B. Malaysian Champion: In addition to the pan-Asia presence, the Proposed Transaction is intended to create a true Malaysian Champion by merging Celcom Axiata Berhad (“**Celcom**”) and Digi.Com Berhad (“**Digi**”), which will in turn become the largest mobile operator in Malaysia.
- C. Global TowerCo: The Proposed Transaction will also potentially lead to the formation of a global top five mobile infrastructure player, by combining edotco Group Sdn Bhd (“edotco”), the existing Axiata TowerCo which is currently the 13th largest TowerCo globally, and Telenor’s Asian tower assets.
- D. Innovation Center: Lastly, the opportunity will establish the largest Innovation Center in the Region to include IoT and 5G, as well as a Global Talent Factory.

While the shareholding will reflect the relative asset valuation, resulting in Telenor being the majority shareholder of the global MergedCo anticipated to own 56.5% and Axiata will own 43.5%, both parties acknowledging that this is preliminary subject to adjustments and due diligence. This proposed transaction will be based on the principle of merger of equals between Axiata and Telenor. The intention is to create a commercial Board governed company, combining the best-in-class talents, capabilities and culture of Axiata and Telenor in the MergedCo group.

Telenor and Axiata will work in good faith towards a binding agreement in relation to the Proposed Transaction by end of quarter three, 2019 following the due diligence exercise.

Should the parties agree to sign an agreement, the eventual transaction will be subject to approvals by shareholders and regulatory bodies, amongst others.

Axiata will provide further updates as required.

This announcement is dated 6 May 2019

