



# Axiata Group

26 September 2013

- Axiata Group Berhad (“Axiata”) is pleased to announce that PT XL Axiata Tbk. (“XL”) is leading the Indonesian Telecom market consolidation with the acquisition of PT Axis Telekom Indonesia (“Axis”)
- **Axiata has consistently emphasized its focus on in-market consolidation as a key value driver across its footprint**
  - XL addresses its key constraints and achieves spectrum parity in a market with exploding demand for data services
  - XL will deliver a higher quality customer experience with a lower and more efficient capex spend
  - The overall Indonesian telecommunications industry will benefit from improved market discipline
- **In line with Axiata’s long-term strategic objectives and its commitment to its core markets**
  - Indonesia is a key growth market and is the 2nd largest contributor to Axiata’s revenue and EBITDA
  - Axiata has a strong market position in each of the markets it operates in
- **The transaction highlights Axiata’s prudent investment philosophy across multiple markets and market cycles**
  - EPS accretive for Axiata in the medium term
  - Group leverage impact mitigated since transaction is funded through a combination of Axiata shareholder loan and XL external debt
- **The transaction will be a first of its kind in terms of scale and complexity in the Indonesian telecommunications industry**
  - XL’s stable and seasoned management team is fully geared up to secure immediate benefits and ensure the smooth integration of Axis’ operations to ensure a win-win for all stakeholders

A decorative graphic in the bottom left corner consisting of several overlapping, colorful triangles in shades of blue, green, yellow, and red.

**Reiterates Axiata’s willingness and capacity to drive transformational, value enhancing market initiatives across its footprint**

# XL is today leading the Indonesian telecom industry consolidation by acquiring Axis



**Leads consolidation:**  
Benefits for customers, Indonesian telecom industry and all stakeholders

XL addresses its current challenges and reinforces its **market leadership position**



## Transaction structure

### **XL will acquire a 95% equity stake in Axis**

- XL has entered into a conditional sale and purchase agreement with STC and Teleglobal, a subsidiary of STC, in compliance with the Indonesian regulations

## Transaction consideration

### **Axis is valued at a 100% enterprise value of US\$865 million, on a cash free and debt free basis**

- Payment of a nominal value for Axis' equity
- Redemption by XL of part of Axis' indebtedness

## Completion

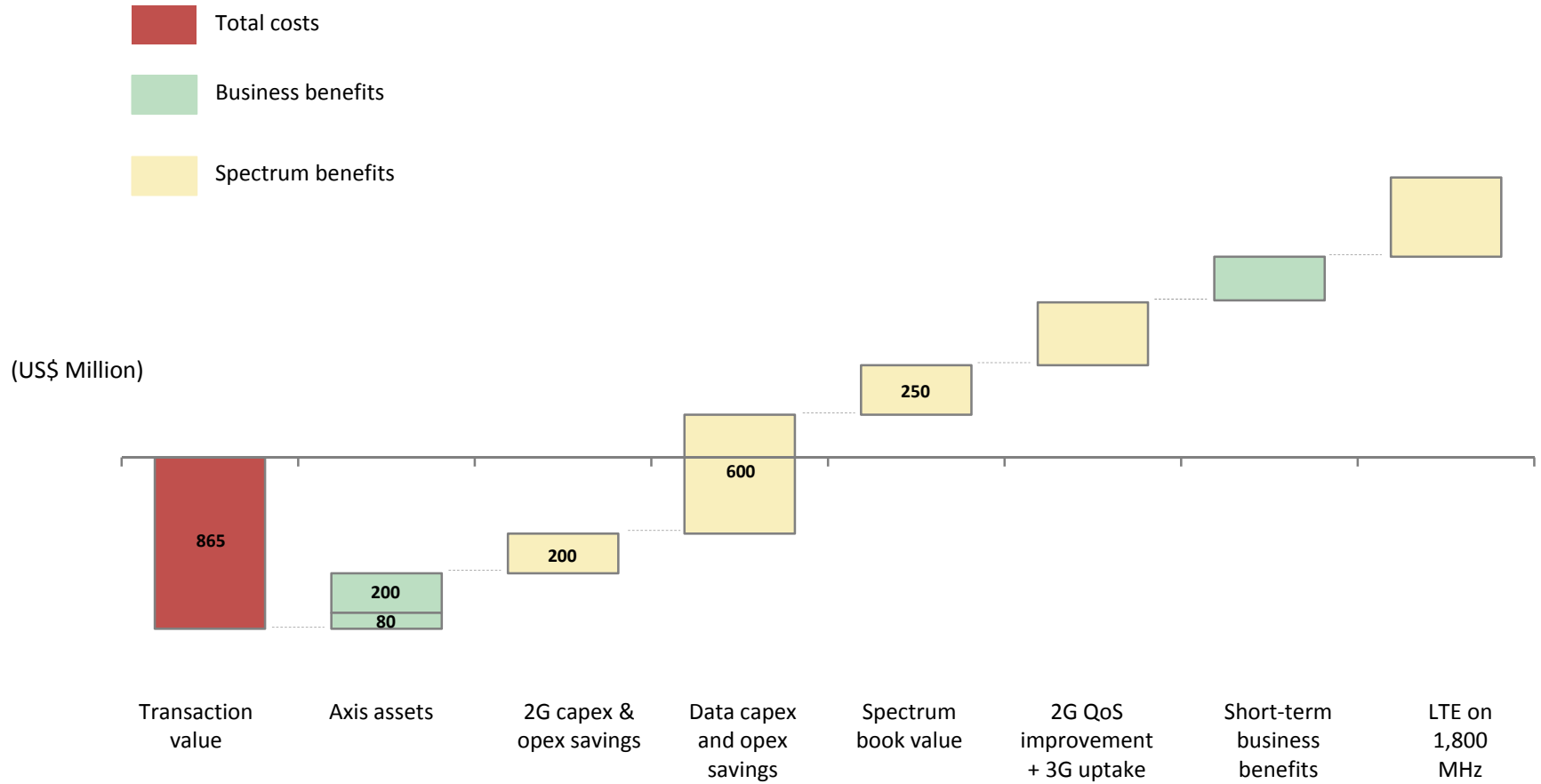
### **Conditional SPA executed, transaction completion subject to obtaining:**

- All relevant regulatory approvals <sup>(1)</sup>
- XL shareholders' approval
- Spectrum retention

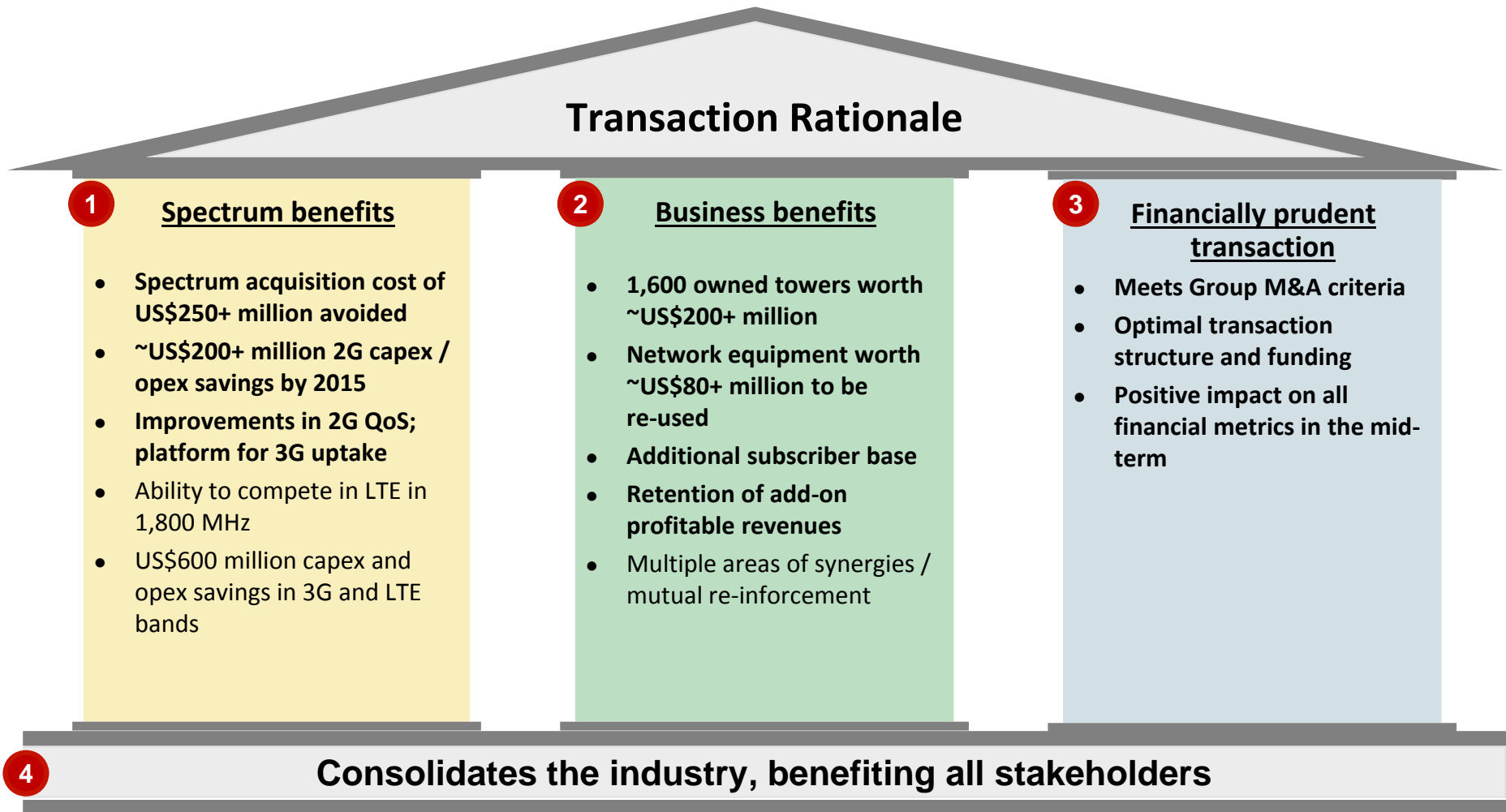
*(1) Includes approval from Ministry of Communications and Informatics of Indonesia ("MCIT"), Badan Koordinasi Penanaman Modal ("BKPM"), and Komisi Pengawas Persaingan Usaha ("KPPU")*



# Strategic and quantifiable benefits complemented by a financially prudent transaction



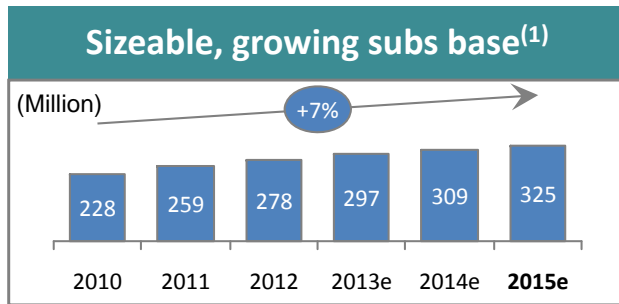
# Strategic and quantifiable benefits complemented by a financially prudent transaction



In bold: Immediate / short-term benefits



# 1 Spectrum is key to effectively compete and grow



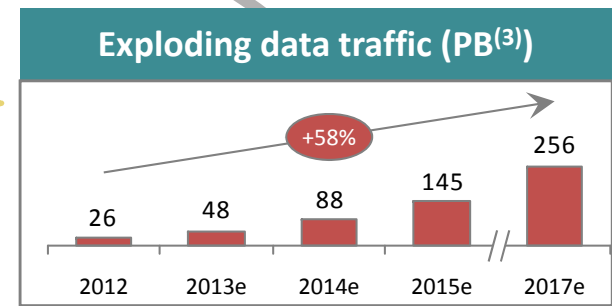
### Rapid shift to smartphones

- 33 million smartphones (2012 end) – 15% of all handsets<sup>(1)</sup>
- Increasing affordability – exp. 40% by 2015

### Young subscriber base

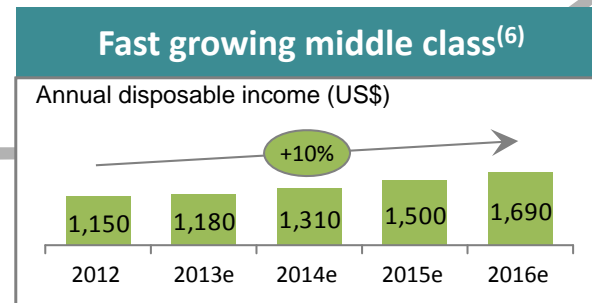
...Much of this growth is being driven by teens, with >70% having a mobile phone...  
- Nielsen Company<sup>(2)</sup>

**Indonesian market:  
high growth,  
strong data traction**



### Embracing digital lifestyle

- 4<sup>th</sup> largest Facebook market<sup>(4)</sup>
- Highest % of internet users using social media in Asia
- Largest BB market outside USA and UK<sup>(5)</sup>



(1) Source: Redwing Asia market information

(2) Nielsen report on mobile penetration (2011). Full quotation – “Much of this growth is being driven by teens, with more than 70 percent having a mobile phone connection, while the number of teens aged 10-14 having mobile phones increased more than five times during the five year period. Instant messaging or chatting is the top use of the phones for today’s young Indonesians, who prefer this use of the devices over voice calls or texting”

(3) Monthly mobile traffic (1 PB = 1,000 Terabytes); Source: Cisco’s VNI Mobile Forecast Highlights, 2012 - 2017

(4) Source: SocialBakers.com

(5) Source: Reuters

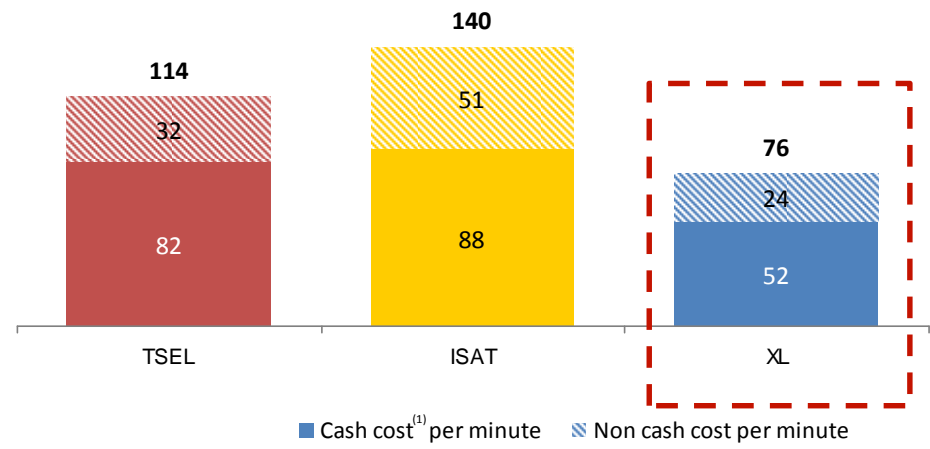
(6) Public sources

# 1 Spectrum parity will further enhance XL's cost leadership...

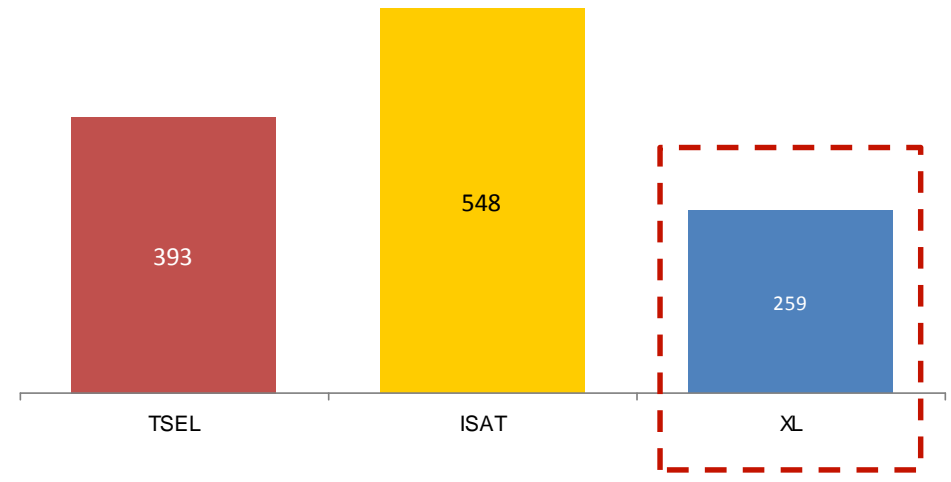


XL is already the cost leader in spite of current challenges

2012 Cost per Minute (IDR)



2012 Capex per Minute (IDR)



XL + Axis will now achieve spectrum parity with competitors – Unleashing its potential!

Sources: Public disclosures  
 (1) Cash cost consist of OPEX (include COGS) and net finance cost





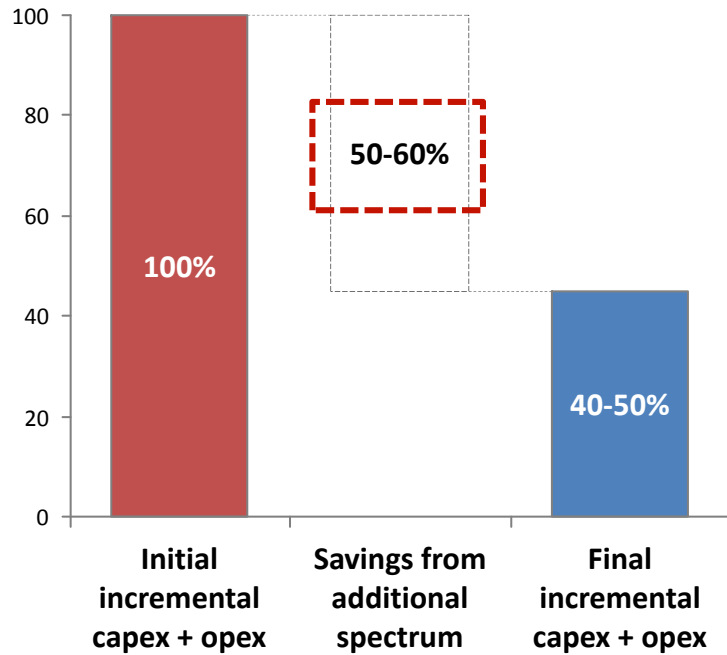
1

# ... with deployment efficiency going from good to exceptional in the mid-term

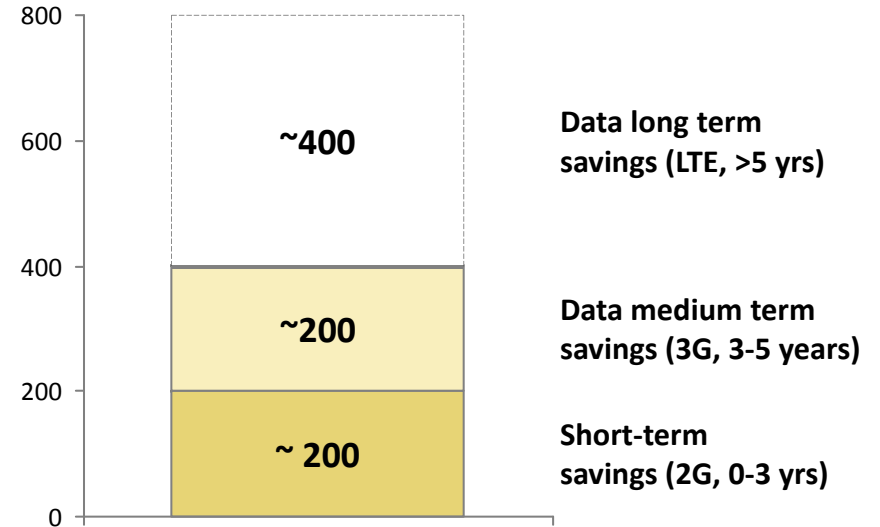
We estimate ~ 50-60% <sup>(1)</sup> savings for incremental capex / opex spends...

... which results in tangible savings in the short and medium term

Total Capex and Opex (Normalized to 100%)



Savings (US\$ million)



Immediate reduction in capex commitment from US\$900mm to US\$600mm for 2013 alone

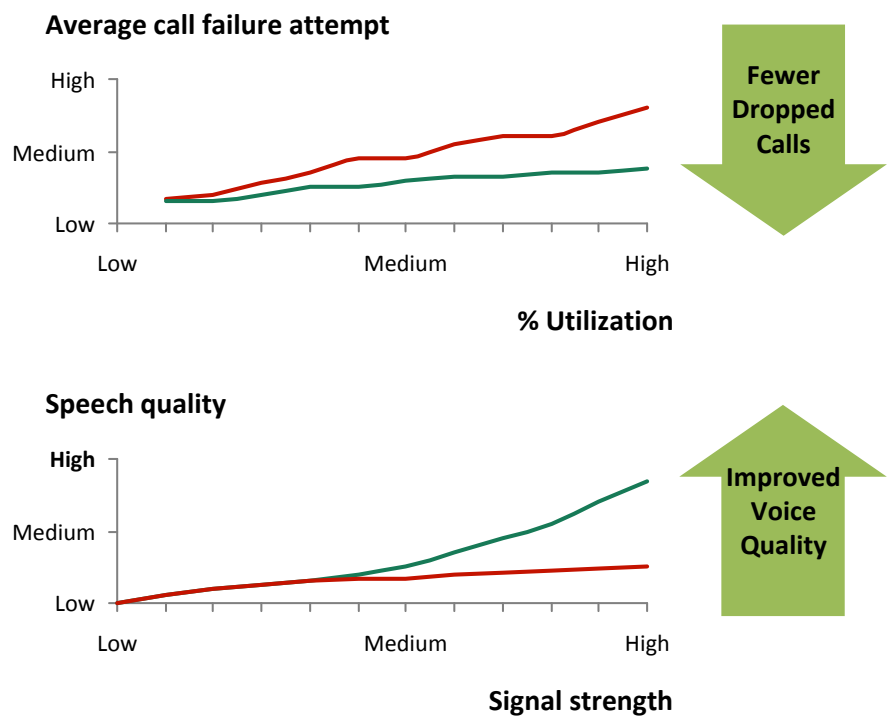
Source: XL estimates  
(1) In dense areas



# 1 2G quality of service and 3G uptake enhanced by additional spectrum

Immediate improvement in XL 2G quality of service

Provides a platform to drive uptake in 3G services



Improved brand and customer perception for 2G and 3G services



Unleashing 2G capacity  
Ample capacity for 3G

Enhanced traction in adoption of 3G services

— With additional spectrum  
— Without additional spectrum

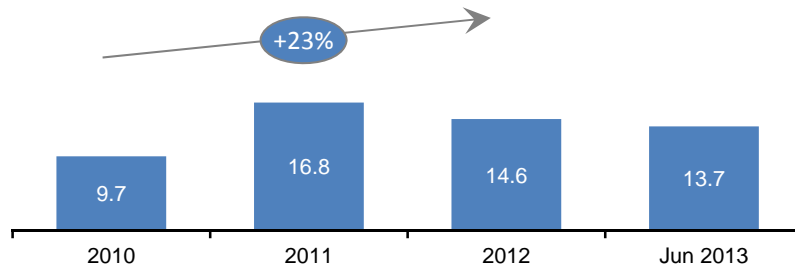
Source: XL estimates



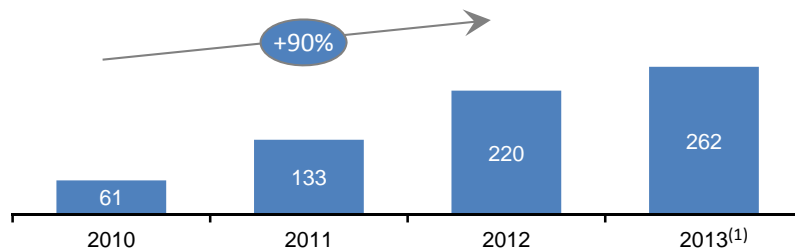
## 2 Axis: momentum and traction

### A company with growth momentum....

No. of subscribers (Million)



Revenues (US\$ Mn)



### ... Emerging as a relevant player in the Indonesian telecoms market

- Adequate spectrum allocation
- Traction in mobile data services
- Customer base with high proportion of heavy data users
- Leading presence in the online space
  - Focus on internet services and data packages
- Best in class CRM practices – improved efficiency of customer retention programs

### Yet subscale to strive on its own in the dynamic Indonesian market

Note: 1 USD = 11,000 IDR  
Source: Company internal data, IEMR  
(1) Annualized based on 1H 2013 revenue



## 2 Tangible benefits from Axis' existing assets alone



Additional towers worth  
US\$200+ million

Transfer of ownership of over **1,600+ towers** from Axis to XL

Immediately enhance capacity and coverage

**Immediate availability** for re-use or sale



~ US\$80 million of savings from equipment re-use

3 primary sources of equipment savings



RAN



Core



Transmission

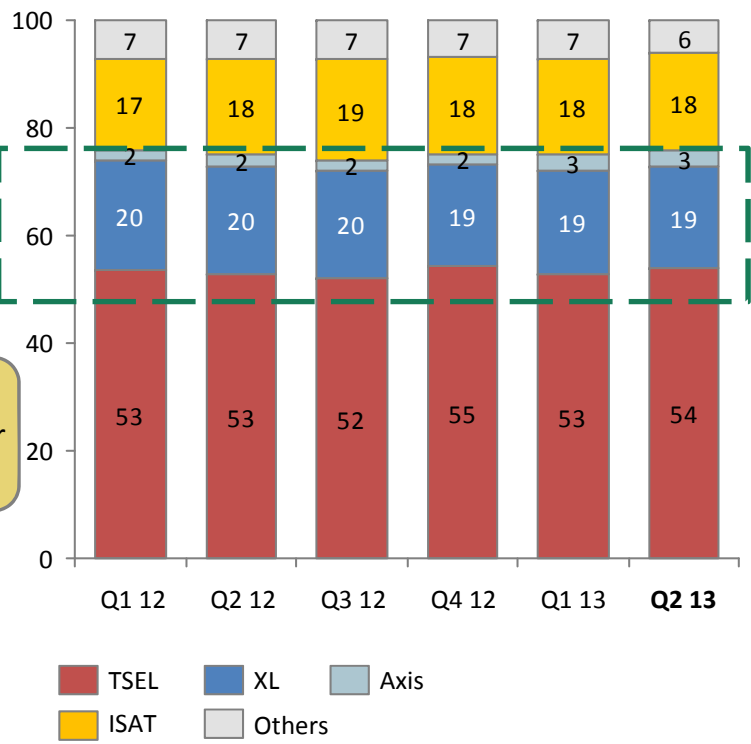


## 2 XL reinforces market leadership position

### Revenue market share improvement...

### ... in addition to significant size and scale of operations

Revenue market share (%)



XL's leadership position further strengthened



**Adequate spectrum resources vs. competition**



**Over 65 million subscribers, including a large BB subscriber base**



**Amongst the largest on-net community**



**Larger operating footprint: Nationwide network and distribution footprint**



Sources: Third-party research, Company filings

## Optimal transaction structure and funding reflect XL's disciplined approach

### Viable capital structure upon Closing

- The transaction will be settled for a nominal equity value and repayment by XL of part of Axis' indebtedness
- Teleglobal will settle all other Axis' indebtedness prior to closing

### Optimal transaction funding

- Transaction to be funded by a combination of a shareholder loan from Axiata and external debt to be raised by XL

### Spectrum driven asset acquisition

- XL to re-use/redeploy significant elements of Axis' assets/network
- Only integrate profitable Axis' customers
- Cost reduction to let go unprofitable elements of the business

(1) Additional nominal US\$100 payable for the purchase of Axis equity

## Financially prudent transaction focused on enhancing shareholders' value - XL

### Positive impact on top line growth

- Enhances XL's growth profile

### Optimized capex spend

- Network efficiency drives lower new capex commitments: clearly quantifiable capex savings identified

### Manageable impact on XL leverage

- Current leverage (Debt/LTM EBITDA): 1.9x<sup>(1)</sup>
- Leverage increase by <2x with a strong deleveraging profile, comfortably within covenants and ratings triggers

### Positive mid – long term earnings impact

- Short term negative EBITDA impact mitigated by quantifiable business benefits and accelerated integration
- Expected to be EPS accretive in the medium term

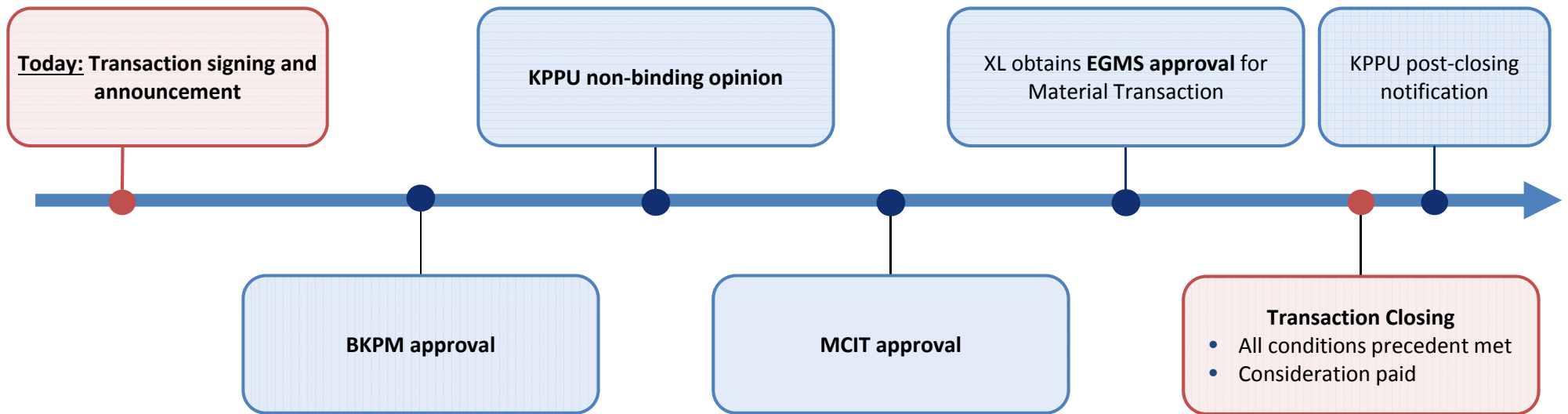
### Dividend policy maintained

- XL dividend policy remains unchanged

(1) As of 30 June 2013

# Process initiated for regulatory approvals with clearly defined steps

## Indicative Timeline

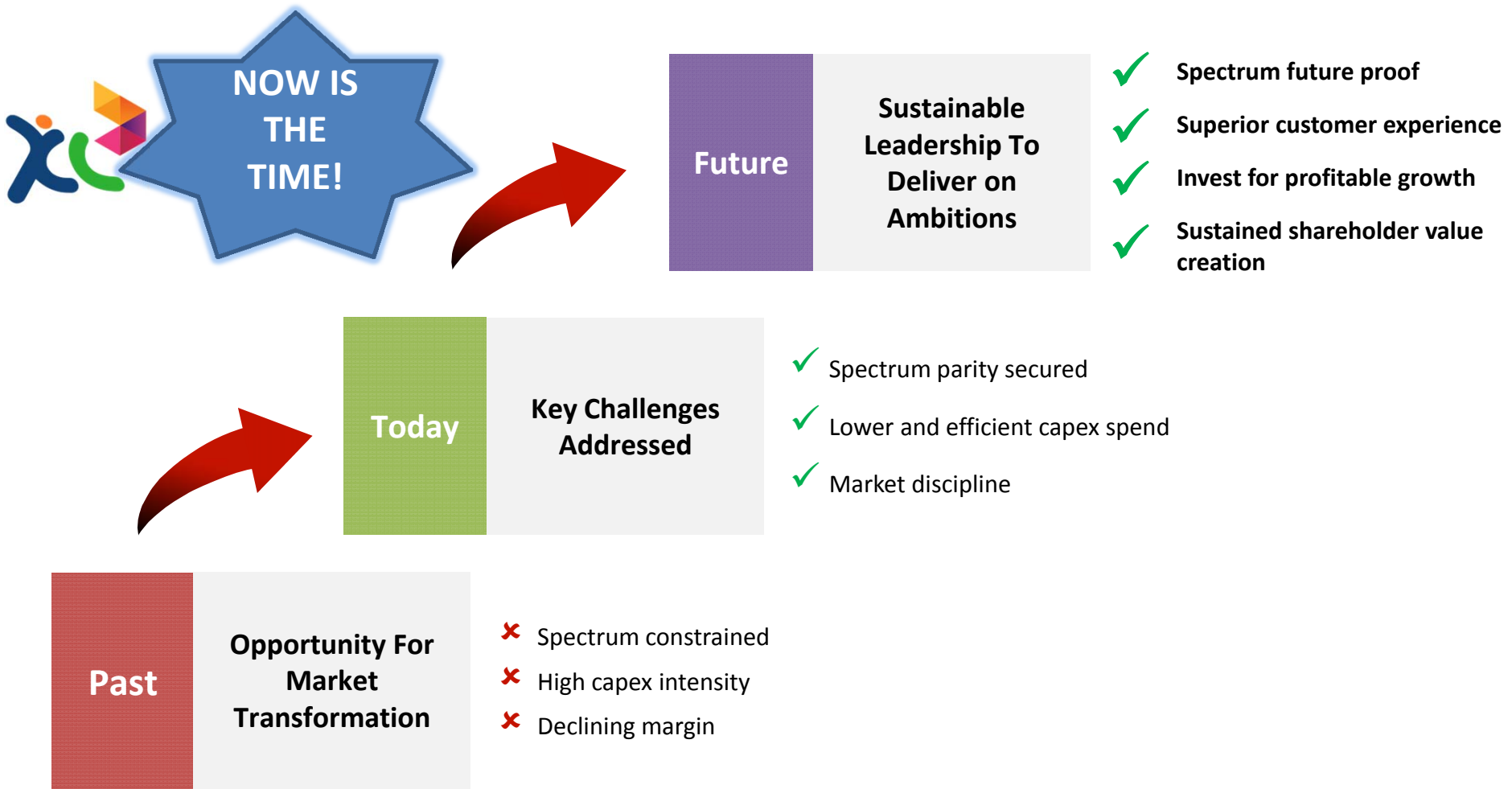


Transaction closing will be post receipt of all relevant regulatory approvals





# XL is now uniquely positioned for sustainable industry leadership



# In-line with Axiata's Long Term Strategy and Financial Objectives

- **Axiata has a long term commitment to its core markets**
- **Prudent investment philosophy across market cycles based on its significant experience in multiple markets**
- **Axiata is a believer in the rationale and benefits of in-market consolidation, executed at the right time**
  - XL made a strategic decision to secure additional spectrum and improve market discipline
  - XL embarked on a well planned strategy to evaluate strategic options
  - Axis emerged as the optimal target across spectrum, network, valuation and willingness to be consolidated
  - Axiata has proven success with in-market consolidation and integration – Hello + Smart in Cambodia, and Dialog + Suntel in Sri Lanka
- **Combination reinforces Axiata's M&A criteria**
  - Acquisition expected to be EPS accretive in the medium term
  - Optimal funding structure via a combination of Axiata shareholder loan and XL external debt mitigates group leverage impact
    - Current leverage (Debt/LTM EBITDA): 1.9x <sup>(1)</sup>
    - No meaningful impact to leverage coupled with a strong deleveraging profile – well within covenants and ratings triggers
  - Axiata and XL dividend policies remain unchanged
  - XL controls the enlarged entity

*(1) As of 30 June 2013*

