AXIATA GROUP BERHAD ("AXIATA")

SALE OF 3,500 TELECOMMUNICATION TOWERS BY PT XL AXIATA TBK ("XL")

For purposes of this announcement, “USD” refers to United States Dollar, “IDR” refers to Indonesian Rupiah and “RM” refers to Ringgit Malaysia. Exchange rates used for conversion to RM are RM1:USD0.3057 and RM1:IDR3,717.5, based on the middle rates as at 12.00 p.m. on 30 September 2014 as published by Bank Negara Malaysia.

We refer to our announcement on 1 October 2014 and XL’s subsequent announcement to the Indonesia Stock Exchange in relation to the above on 2 October 2014.

1. INTRODUCTION

We are pleased to announce that XL, a 66.5%-owned subsidiary of Axiata, had on 30 September 2014 entered into an Asset Purchase Agreement (“APA”) with PT Solusi Tunas Pratama Tbk (“STP”) for the disposal by XL of 3,500 of its telecommunication towers at a cash consideration of IDR5.6 trillion (equivalent to USD460.5 million, RM1,506.4 million) (“Consideration”) (“Transaction”).

2. DETAILS OF THE TRANSACTION

2.1 Key terms of the APA

APA

2.1.1 Under the APA, XL will sell 3,500 of its telecommunication towers to STP for the Consideration. At the Transaction completion date (“Closing”), the 3,500 telecommunication towers will be owned by STP.

2.1.2 The Transaction is conditional upon, amongst others, the following being fulfilled or waived on or before the Closing:-

i) The corporate approvals of XL and STP shall have been obtained or given, as applicable, and shall be in full force and effect;

ii) The creditor(s) consent of XL and STP shall have been obtained or given, as applicable, and shall be in full force and effect; and

iii) There shall not be in effect any statute, regulation, order, decree or judgment of any governmental entity, which makes illegal or enjoins or prevents the consummation of the Transaction at Closing.

2.1.3 The APA may be terminated at any time prior to Closing, among others:-

i) By mutual written consent of XL and STP prior to the Long-Stop Date as referred to in point (ii) below;

ii) Automatically, if the Closing shall not have occurred on or before 31 December 2014 or such other date as may be mutually agreed in writing by the parties (in each case, the “Long-Stop Date”); and

iii) By either XL or STP, if there shall have been a material breach of any of the representations, warranties, agreements or covenants set forth in the APA on the part of the other party.
2.2 Consideration

2.2.1 The Consideration was based on the Binding Offer submitted by STP in relation to the tender process by XL of its towers launched on 1 July 2014.

2.2.2 The process was run through a 3-month open tender process with identical transactions terms offered to all participating bidders to ensure full and fair market discovery including comprehensive due diligence by the shortlisted bidders before the submission of Binding Offer on 29 September 2014. 19 bidders had shown interest in the process and were then shortlisted down to the serious bidders.

2.2.3 The Consideration represents an EV/EBITDA of 8.9x and EV/Tower of USD133,000 per tower.

2.2.4 The Consideration will be paid entirely in cash without any deferral on the Closing date of the transaction targeted by 31 December 2014.

2.2.5 The 3,500 towers sold will be transferred by XL to STP free from any charges and/or encumbrances.

3. INFORMATION ON STP

STP was established on 11 October 2006 with the primary focus of owning and operating telecommunication towers for wireless operators.

Currently, STP is the third largest independent owner and operator of towers for wireless operators in Indonesia. STP’s primary business is leasing space at its multi-tenant tower for all major wireless operators in Indonesia under long term lease agreements. STP owns and operates over 3,000 towers in Indonesia.

On September 2011, STP completed an initial public offering of its shares and is now listed on the Indonesian Stock Exchange (IDX).

4. INFORMATION ON XL

XL is 66.5% owned by Axiata through Axiata Investments (Indonesia) Sdn Bhd and is part of the Axiata group of companies. XL became a public company and listed its shares on the Indonesia Stock Exchange (formerly known as Jakarta Stock Exchange) in 2005 under the name PT Excelcomindo Pratama Tbk, before assuming its present name in 2009.

Operating commercially since October 1996, XL is currently a cellular service provider in Indonesia currently serving 62.9 million subscribers.

5. RATIONALE FOR THE TRANSACTION

The Transaction was undertaken to allow XL to outsource its passive infrastructure enabling XL to free up resources to focus on its core business of providing mobile services to its customers and secure long term infrastructure at preferential long term anchor tenant rates.

The number of towers sold was carefully selected by XL, taking into consideration the targeted proceeds, optimal size for a tender process as well as the profile of the towers to be retained.

The towers sold, were selected to ensure that there was no concentration of any specific region but have a distribution to mirror overall XL tower portfolio. This transaction was done at a multiple of EV/EBITDA of 8.9x that is value accretive through a positive NPV transaction.
for XL. Concurrent with the execution of APA, XL and STP have also entered into a Master Tower Lease Agreement whereby XL has agreed to lease back from STP the towers sold in the transaction for a period of 10 years with an option for XL to renew. It is a flat lease without any escalation of costs.

The sale proceeds from the Transaction will be utilised to reduce debt on the balance sheet.

The Transaction is in-line with XL’s ongoing objectives to drive improvements in coverage and quality of XL network.

6. RISK FACTORS OF THE TRANSACTION

There is no specific risk anticipated from the Transaction as XL is already leasing towers from a number of operators currently including STP. STP has also provided letters of commitment for the Transaction funding from international financial institutions. From operational standpoint, XL is confident in the ability of STP to ensure a smooth transition of the 3,500 towers in their own network and ensure continuity.

7. FINANCIAL EFFECTS OF THE TRANSACTION

7.1 Issued and Paid-up Share Capital and Substantial Shareholders’ Shareholdings

The Transaction is not expected to have any effect on Axiata’s issued and paid-up share capital and/or substantial shareholders’ shareholding in Axiata as the Transaction does not involve any issuance of ordinary shares in Axiata.

7.2 Net Asset (“NA”), NA per share and Gearing

The Transaction is expected to have a material effect on Axiata’s consolidated NA and NA per share as at 31 December 2014.

The Transaction is also expected to have a material impact on Axiata’s net debt ratio for the financial year ending 31 December 2014, and gross debt ratios in the medium to long term.

7.3 Earnings and Earnings per Share (“EPS”)

The Transaction is expected to have a material positive effect on Axiata’s consolidated earnings and EPS for the financial year ended 31 December 2014 as the Transaction is expected to be completed by the end of 2014.

The actual impact of the Transaction on the consolidated earnings and EPS of Axiata moving forward will depend on amongst others, the successful disintegration of the 3,500 towers from XL’s operations. Nevertheless, the Transaction is expected to contribute positively to the future earnings of the Axiata Group in the medium to long term.

8. APPROVALS REQUIRED

The Transaction is not subject to any regulatory approval and does not require the approval of the shareholders of XL and/or Axiata.

9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED

None of the Directors and major shareholders of Axiata and/or persons connected to them have any interest, direct or indirect, in the Transaction.
10. **DIRECTORS’ STATEMENT**

The Board of Axiata, after having considered the Transaction, is of the opinion that the Transaction is in the best interests of Axiata and its shareholders.

11. **OTHER INFORMATION REQUIRED UNDER THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (“MAIN LR”)**

The highest percentage ratio applicable to the Transaction pursuant to paragraph 10.02(g) of the Main LR is 5.1% based on the audited consolidated financial statements of Axiata for the financial period ended 31 December 2013.

12. **ADVISERS**

XL has retained independent advisors, namely, Bank of America Merrill Lynch as exclusive financial advisor and Assegaf Hamzah & Partners as legal counsel.

13. **ESTIMATED TIMEFRAME FOR COMPLETION**

Subject to satisfaction of all conditions precedent, barring any unforeseen circumstances, the Transaction is expected to be completed by 31 December 2014.

14. **DOCUMENT FOR INSPECTION**

The APA is available for inspection at Axiata’s registered office at Level 5, Axiata Centre, 9 Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia during normal business hours from Mondays to Fridays (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 2 October 2014.