

AXIATA GROUP BERHAD (“AXIATA”)

PROPOSED AMALGAMATION OF ROBI AXIATA LIMITED (“ROBI”) AND AIRTEL BANGLADESH LIMITED (“AIRTEL BANGLADESH”)

(Unless stated otherwise, the exchange rates of RM1.00:USD0.2355 and RM1.00:BDT18.48 based on Bloomberg as at 27 January 2016, being the latest practicable date, are used throughout this announcement for illustration purpose)

We refer to the announcement released by Axiata on 9 September 2015 on the entry by Axiata into discussions with Bharti Airtel Limited (“**Bharti Airtel**”) to explore the possibility of combining the business operations of their telecommunication subsidiaries in Bangladesh; namely, Robi and Airtel Bangladesh.

1.0 INTRODUCTION

We are pleased to announce that Robi, a 91.59% owned subsidiary of Axiata, held through its wholly-owned subsidiary Axiata Investments (Labuan) Limited (“**AIL**”), had on 28 January 2016 entered into an agreement with, inter-alia, Bharti Airtel Holdings (Singapore) Pte. Ltd. (“**Bharti Singapore**”) for the amalgamation of Airtel Bangladesh with Robi (“**Agreement**”) on the terms set in the Agreement and Companies Act 1994 of Bangladesh (“**Companies Act**”) (“**Proposed Merger**”). The Proposed Merger shall be satisfied fully via issuance of new ordinary shares of BDT10 each in Robi (“**Robi Share**”) by Robi to Bharti Singapore for shareholding of up to 25% plus 1 Robi Share on a fully diluted basis of the combined entity of Robi and Airtel Bangladesh (“**Consideration**”). Pursuant to the Proposed Merger, Robi shall be the surviving corporation, and hereafter referred to as “**MergeCo**”. At 100%, the Implied Enterprise Value (“**Implied EV**”) on cash free debt-free basis of the MergeCo is in the range between USD1.85 billion to USD2.20 billion (equivalent to approximately RM7.86 billion to RM9.34 billion).

2.0 DETAILS OF THE PROPOSED MERGER

2.1 Key Terms of the Agreement

2.1.1 Implementation of the Proposed Merger

Robi and Airtel Bangladesh shall implement the Proposed Merger by way of the Scheme of Amalgamation in accordance with the Companies Act and jointly obtaining the approval of the High Court of Bangladesh for amalgamation of both companies pursuant to the terms of the Agreement and Scheme of Amalgamation. The Proposed Merger will become effective; inter-alia, after the receipt of the approval of the High Court of Bangladesh (“**High Court**”) and filing of the order (“**Merger Filing**”) with the Registrar of Joint Stock Companies and Firms of Bangladesh (“**RJSC**”) (“**Effective Date**”).

2.1.2 Consideration and Post-Completion Adjustments

- i) As consideration for the Proposed Merger, Robi shall issue and allot to Bharti Singapore such number of Robi Shares not exceeding 1,178,535,001 as the Consideration. The actual number of Robi Shares will be determined as at the Effective Date and shall not exceed such number of shares representing the Consideration (being the enlarged of share capital of the MergeCo); and
- ii) The Consideration shall be issued and credited as fully paid and free from encumbrances with all rights, privileges, restrictions and conditions based on the shareholders’ agreement to be entered into between the existing shareholders of Robi; namely; Axiata, AIL and NTT Docomo, Inc (“**NTT Docomo**”), Neasden Assets Limited, Ephraim Assets Limited, Calamint Investments Limited, Thurso Investments Limited (collectively “**NTT Parties**”) with Bharti and Bharti Singapore (“**New Shareholders’ Agreement**”).

2.1.3 Conditions Precedent

The Agreement is conditional upon regulatory approvals which include, inter-alia, the following unless otherwise waived by the parties to the Agreement on or before the closing:-

- i) Receipt of recommendation from Bangladesh Telecommunications Regulatory Commission (“**BTRC**”) for the Proposed Merger pursuant to the Bangladesh Telecommunication Act;
- ii) Receipt of approval or confirmation of no objection to the Proposed Merger from the Government of Bangladesh (“**Government**”);
- iii) Receipt of all relevant approvals and issue of all related licenses or authorisations from BTRC and issue to Robi of the Order of Merged Licenses;
- iv) Execution of the Shareholders’ Agreement;
- v) Approval of the High Court;
- vi) Approval by Bangladesh Securities and Exchange Commission of the issue of the Consideration; and
- vii) Completion of the Merger Filing with RJSC.

2.1.4 Completion and Effective Date

Completion shall take place on the same day as the Effective Date or such later date as Axiata and Bharti may agree but not before the Merger Filing has been completed and shall not exceed 150 calendar days after the date of the Agreement or such later date agreed between Axiata and Bharti Singapore.

Upon completion of the Proposed Merger, it is expected that Axiata, Bharti and NTT Parties will own 68.7%, 25.0% and 6.3% respectively in the MergeCo.

2.2 Basis and Justification for the Consideration

The Consideration was arrived at on a willing buyer willing seller basis after taking into consideration, among others, the Implied EV derived by, inter-alia, the potential benefits and synergies that Axiata expects to extract from the Proposed Merger which took into consideration, among others, the internal assessment of the management based on common valuation methodologies such as discounted cashflow basis, price-to-earnings multiples and enterprise value over earnings before interests, tax, depreciation and amortisation multiples of trading and transaction comparable, the historical performance of Airtel Bangladesh and the earnings potential and growth of the MergeCo.

Given that the Consideration is arrived based on, amongst others, range of the Implied EV, Axiata will not be assuming any further liabilities pursuant to the Proposed Merger, other than for the Consideration and those liabilities by operation of law and as consequence of consolidating the MergeCo as a subsidiary of Axiata of up to approximately USD93 million (equivalent to approximately RM395 million) and agreed level of working capital.

3.0 INFORMATION ON ROBI

Robi is a public company limited by shares incorporated in Bangladesh under the Companies Act on 22 October 1995. The issued and paid up share capital of Robi is BDT35,356,050,000 divided by 3,535,605,000 Robi Shares of which 91.59% is held by AIL and the remaining 8.41% is held by NTT Docomo.

Robi is a mobile telecommunication service provider in Bangladesh providing voice, data and other related services. Robi has an advanced GSM network and provides international roaming coverage in 145 countries through 385 operators outside of Bangladesh and operates 3G cellular mobile phone services throughout Bangladesh.

For the financial year ended 31 December 2014, Robi reported a revenue of BDT49,423.0 million (equivalent to approximately RM2,674.4 million) and net profit of BDT4,396.4 million (equivalent to approximately RM237.9 million). Robi is the second largest operator in terms of revenue market share and the third largest number in term of subscribers' market share in Bangladesh.

4.0 INFORMATION ON AIRTEL BANGLADESH, BHARTI SINGAPORE AND BHARTI AIRTEL

Airtel Bangladesh is a private limited company incorporated in Bangladesh. The issued and paid-up share capital of Airtel Bangladesh is BDT45,982,805,700 represented by 459,828,057 ordinary shares. Airtel Bangladesh is a wholly-owned subsidiary of Bharti Singapore which is in turn an indirect wholly-owned subsidiary of Bharti Airtel. Bharti Singapore is a private limited company incorporated in Singapore and operates as an investment holding company.

Airtel Bangladesh's principal activity is to install and operate telecommunication facilities in Bangladesh.

As at 31 March 2015, Airtel Bangladesh registered a revenue of BDT14,761.8 million (equivalent to approximately RM798.8 million) and net loss after tax of BDT8,411.4 million (equivalent to approximately RM455.2 million).

Bharti Airtel is a leading global telecommunications company with operations in 20 countries across Asia and Africa. Headquartered in New Delhi, India, the company ranks amongst the top 3 mobile service providers globally in terms of subscribers. In India, the company's product offerings include 2G, 3G and 4G wireless services, mobile commerce, fixed line services, high speed DSL broadband, IPTV, DTH, enterprise services including national & international long distance services to carriers. In the rest of the geographies, it offers 2G, 3G and 4G wireless services and mobile commerce. Bharti Airtel had over 346 million customers across its operations at the end of November 2015.

5.0 RATIONALE FOR THE PROPOSED MERGER

Robi has 28.4 million subscribers as at end of September 2015 and is market leader in Chittagong and Comilla regions. As at the same period, Airtel Bangladesh has 9.7 million subscribers with strong market position in Dhaka and youth segment. Overall, the Proposed Merger will position the MergeCo as the strong No. 2 player with a pan-Bangladesh presence.

From Robi's standpoint, the Proposed Merger will allow Robi to:-

- i) Access Airtel Bangladesh spectrum in the 900Mhz, 1800Mhz and 2100 Mhz bands providing Robi with opportunities to further tap the Bangladesh market; particularly, for mobile data services;
- ii) Eliminate redundancies between the networks of the 2 companies and, where possible; optimise the utilisation of network assets and towers of Airtel Bangladesh to strengthen Robi's 2G and 3G coverage across the country. It is envisaged that the MergeCo will also be more efficient in capital expenditure and operational expenditure spend due to scale efficiencies going forward;
- iii) Strengthen its market position in Dhaka youth segment leading to Robi to be the strong number 2 mobile operator with nearly 40 million customers;
- iv) Enhance the scale of operations and reduce overheads, administrative, managerial and other expenditure, whilst improving operational rationalisation, organisational efficiency, and optimal utilisation of various resources;
- v) Improve competitive intensity; enhance consumer choice and quality of service offered in Bangladesh telecommunications sector; and

- vi) Enable Robi to be better prepared for internet and data provision as the Proposed Merger will accommodate affordable mobile internet services across Bangladesh. To this end, the Proposed Merger will help to improve the cost of operations and business viability, which would lead to improved investment environment to support long term commitment towards expansion of mobile telecommunications services across the country.

6.0 INDUSTRY OVERVIEW AND FUTURE PROSPECTS

Overview of the Bangladesh mobile telecommunications industry

As of 31 December 2015, Bangladesh had a total of 134.4¹ million mobile connections with both SIM penetration rate and market penetration rate at 83%. The growth rate of mobile subscribers in Bangladesh looks healthy, with an average growth rate of 6.7%¹ across the year 2015.

Mobile data or internet services penetration have relatively lagged behind, with a total of 10.7 million customers with a penetration rate of only 7% as of 31 December 2015. In the industry, Grameen Phone Ltd. is the number one player with 51.5 million subscribers, with Banglalink being the number two player with 31 million subscribers and finally; Robi, in third position with 28.4 million subscribers². In September 2015, Axiata and Bharti Airtel commenced merger discussions for their Bangladesh operations. The Proposed Merger is expected to take the MergeCo into the second spot in place of Banglalink.

(Sources: 1. GSMA Intelligence, 2. Bangladesh Telecommunication Regulatory Commission)

7.0 SOURCE OF FUNDS

No funding is required for the Proposed Merger as Bharti Singapore will be issued the Consideration in the MergeCo. The debt of the MergeCo will be in the same proportion to the shareholding of Axiata, NTT Parties and Bharti Singapore.

8.0 RISK FACTORS

The Proposed Merger would subject Axiata to risks inherent in the telecommunications industry. The following are the key risk factors relating to the Proposed Merger:-

i) Completion Risk

The completion of the Proposed Merger is conditional upon the conditions under the Agreement as set out in Section 2.1.3 of this announcement being fulfilled or otherwise waived. There can be no assurance that such conditions will be fulfilled or waived within the timeframe stipulated in the Agreement.

ii) Regulations and Licences

The operation of mobile telecommunications business and provision of related services in Bangladesh are subject to certain approvals, licences, registrations and permission granted by the Government and regulated by BTRC. Any unfavourable amendments to the terms and conditions of the licences could have a material adverse effect on the MergeCo businesses and performance.

iii) Integration Risk

MergeCo will need to integrate and harmonise the existing networks of Robi and Airtel Bangladesh into a single network. This could involve the redesign, physical relocation and synchronising related software and customer data bases. The integration of network could give rise to assets redundancy that will require impairment, or may give rise to additional capital expenditure in integrating the two networks.

During the integration period, the MergeCo will need to re-align the business operations of two entities such as product offering and pricing, sales and distribution, billing and collection, customer support and necessary system support. Any prolonged period taken or failure to successfully integrate the networks and business operations could have a material adverse impact on customer satisfaction, business operations and financial performance the MergeCo.

iv) Impairment Risk

Axiata may recognise goodwill arising from the Proposed Merger, the amount of which will depend on the fair value of the assets and liabilities acquired as at the completion date. Any fair value adjustments allocated to the identifiable assets and liabilities, and the effect of amortisation of the fair value adjustments, if any, from the Proposed Merger may materially and adversely affect Axiata's financial position.

9.0 FINANCIAL EFFECTS OF THE PROPOSED MERGER

9.1 Issued and Paid-up Share Capital and Substantial Shareholders' Shareholdings

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

9.2 Net Assets ("NA"), NA per share and Gearing

The Proposed Merger is not expected to have a material effect on Axiata's consolidated NA and NA per share as at 31 December 2014.

The Proposed Merger is not expected to have a material impact on Axiata's net debt and/or gearing as at 31 December 2014.

9.3 Earnings and Earnings per Share ("EPS")

The Proposed Merger is expected to have a dilutive impact on Axiata's consolidated earnings and EPS for the financial year ending 31 December 2016. The actual impact of the Proposed Merger on the consolidated earnings and EPS of Axiata moving forward will depend on amongst others, the successful integration of Airtel Bangladesh's operations and the realisation of synergies from the Proposed Merger. Notwithstanding that, the Proposed Merger is expected to contribute positively to the future earnings of the Axiata Group in the medium to long term.

10.0 APPROVALS REQUIRED

The Proposed Merger is subjected to regulatory approvals as outlined in Section 2.1.3 above and the approvals of the shareholders of Robi and Bharti Airtel. The shareholders of Robi and Airtel Bangladesh had at the shareholders' meeting held on 21 December 2015 and 15 December 2015 respectively approved the Proposed Merger.

Barring any unforeseen circumstances, applications to the relevant authorities for the Proposed Merger are expected to be submitted by the second quarter of 2016.

The Proposed Merger does not require the approval of the shareholders of Axiata or any regulatory authorities in Malaysia.

11.0 INTERESTS OF DIRECTORS AND MAJOR/SUBSTANTIAL SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

None of the Directors and major shareholders of Axiata and/or persons connected to them has any direct or indirect interest in the Proposed Merger.

12.0 DIRECTORS' STATEMENT

The Board of Axiata, after having considered all aspects of the Proposed Merger (including but not limited to the rationale and prospects discussed in Sections 5 and 6 above), is of the opinion that the Proposed Merger is in the best interests of Axiata.

13.0 OTHER INFORMATION REQUIRED UNDER THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD ("MAIN LR")

The highest percentage ratio applicable based on the Implied EV in relation to the Proposed Merger pursuant to paragraph 10.02(g) of the Main LR is approximately 11.26%.

14.0 ADVISERS

CIMB is the adviser to Axiata for the Proposed Merger in respect of compliance with the relevant Malaysian regulatory requirements.

15.0 ESTIMATED TIMEFRAME FOR COMPLETION

Subject to satisfaction of all conditions precedent, barring any unforeseen circumstances, the Proposed Merger is expected to be completed by the first half of 2016.

16.0 DOCUMENTS FOR INSPECTION

The Agreement and ancillary agreements in relation to the Proposed Merger are 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 28 January 2016.