

Date : 25 May 2017

Minority Shareholder Watchdog Group
Tingkat 11, Bangunan KWSP
No. 3, Changkat Raja Chulan
50200 Kuala Lumpur, Malaysia

Attention : Puan Lya Rahman

Dear Madam,

**AXIATA GROUP BERHAD ("AXIATA" OR "COMPANY")
ANNUAL GENERAL MEETING ("AGM") OF AXIATA**

We refer to the Minority Shareholder Watchdog Group's letter dated 22 May 2017. In relation thereto, we are pleased to provide our reply to your queries as follows:-

1. **It was reported that Axiata Group Bhd and two major shareholders, Singapore Press Holdings Ltd and Keppel Telecommunications & Transportation Ltd of Singapore's M1 Ltd were currently undertaking a strategic review of their respective shareholdings in M1 Ltd.**

When would the Board expect the strategic review to be completed?

The strategic review was commenced in early March of this year, and is still ongoing. At this time Axiata has not made any decision. We are not rushing to come to a decision, but target to complete the review by third quarter this year.

2. **Celcom Axiata Bhd together with Ericsson Malaysia had recently conducted the country's first 5G trial.**

When does the Group expect to provide the 5G network to consumers in Malaysia?

The plan is to be ready for testing by mid-2017 and to deploy by 2020, subject to all the regulatory approvals. Celcom has embarked on a journey to upgrade & further modernise its network to make sure that advance readiness initiatives are put in place to seamlessly migrate to technologies like LTE Advanced Pro (4.5G, 1Gbps throughput) and 5G in the future as & when these technologies become commercially available. Celcom has already demonstrated 400 Mbps throughput (Lightening Fast LTE, First Operator in Malaysia to do so) last month and rollout of this technology is currently in progress in phased manner. Celcom is also planning to test 700 Mbps throughput technology by mid-2018. Further, it is expected that LTE Advanced Pro (Standard 4.5G with 1 Gbps throughput) will be ready for testing by mid-2019 and 5G deployment is being planned by 2020. Kindly note that speed and throughput capability are equally dependent on the type of handset / device being used by the customer.

3. **It was reported that Idea Cellular will merge with Vodafone India.**

What would be the potential impact on Axiata?

As per the joint announcement dated 20 March 2017, Idea Cellular and Vodafone Group Plc announced the proposed merger of their respective operations in India (excluding Vodafone India's 42% stake in Indus Tower) to be satisfied via issuance of new shares of Idea, as the surviving entity post the merger exercise ("**Announcement**").

Shareholding Impact

Based on the Announcement, the shareholding of Idea, immediately post-merger, is envisaged to be as follows:

Shareholders	Idea Cellular (Pre Merger)	Idea Cellular (Post Merger)
Birla Group*	42.2%	26.0%
Axiata Group	19.8%	9.9%
Vodafone Group Plc*	-	45.1%
Public Float	38.0%	19.0%

**NOTE: The shareholding Post Merger include cash purchase of 4.9% by Birla Group from Vodafone Group Plc at Completion of the proposed merger for total consideration of INR39 bill (USD579 mill as at 20 March 2017) or approximately INR109 per share*

Potential Synergy Opportunity

Based on the Announcement, the proposed merger is expected to result in the following potential synergy opportunities:

- a) Creation of the largest Indian telecom operator with widest mobile network in the country with projected subscriber base of approximately 400 million subscribers, 35% customer market share, and 41% revenue market share; and
- b) Potential realisation of net present value of synergies of approximately USD10 billion (net of integration cost)

It is important to note that there is no guarantee that the full value of the synergy will be realised from the proposed merger given the execution and implementation risks customary to a merger of similar size and nature. However, we do believe that the merger will result in some synergies arising out of normal consolidation exercise of similar nature.

4. **Competitors such as Maxis and Digi have a population coverage for LTE of 88% and 86% respectively. Celcom has a population coverage of 76%.**

- (i) **What would be the targeted population coverage for Celcom at the end of FY2017?**

Celcom's target LTE population coverage by end of 2017 is 85%.

- (ii) **What would be the expected CAPEX incurred in expanding Celcom's population coverage?**

Celcom plans to invest capex of greater than RM1.4 billion for the FY2017 and of which 40% is for population coverage.

5. **The Group's borrowing's increased by RM5.9 billion to RM22.3 billion in FY2016 mainly due to new loan drawdown to fund the NCell acquisition in Nepal and forex losses on translation of US Dollar borrowings. This resulted in the Group's gearing to increase from 0.7 times in FY2015 to 0.9 times in FY2016.**

We noted that the Group is committed to undertake various initiatives which include hedging and paring down the gearing to a more comfortable level.

- (i) **To what extent has the Group hedged its foreign borrowings?**

As of to date, the Group has hedged 50% of its total USD currency borrowings within the Group.

- (ii) **What is the Group's comfortable level of gearing?**

The Group target level of gearing is below 2.5X Gross Debt/EBITDA.

6. **It was reported under the Business Review that Celcom's subscribers dropped by 14% from 12.2 million in FY2015 to 10.6 million in FY2016. The Revenue and PAT recorded a decrease of 10% and 29% respectively for FY2016 compared to FY2015.**

- (i) **What was the reason for the decrease in subscribers for FY2016?**

It is due to purging of inactive subscribers within prepaid which do not contribute to revenue and intense competition in the prepaid arena. We are strengthening our distribution channels to acquire quality subscribers.

- (ii) **What measures have been taken by the Board to improve the number of subscribers?**

Celcom is committed to remain competitive and attractive amidst the market headwind and intense competition. Celcom will continue to strengthen its dealer management, product proposition, customer experience and accelerate 4G network expansion. In achieving these, few key focus areas have been identified;

- a) Simplification of dealers hierarchy and facilitate dealers to work with Celcom via restructuring of distributions channels and sales automation;
- b) Improve product offerings which meets the customers need;
- c) Continue to build the data network to meet customer experience;
- d) Agile and customer focused organization; and
- e) Digitalization push.

- (iii) **How does the Board expect Celcom to perform for FY2017?**

While Celcom lost market share last year, we hope to stabilize our market and financial perseverance in the first half of this year and perform better than the industry in the second half.

Corporate Governance Matter

1. We noted that Ms Belle Ann Almeida attended only 7 out of 13 Board meetings.

What was the reason for her not being able to attend these meetings despite that the calendar for Board meetings providing scheduled dated to the Board are fixed in advance for the whole year?

Of the 13 Board meetings held in 2016, 6 were Special Board meetings that were not planned in advanced and some called on relatively short notice due to urgency to make decisions. Ms Almeida was not able to attend 4 of those meetings due to conflicting schedule. One of the remaining 2 Board meetings that Ms Almeida was not able to attend was Board Retreat where the dates were adjusted from the original dates as it involved travelling. Ms Almeida was not able to attend this Board Retreat and the other meeting from which she was absent due to her other commitments.

As announced today, Ms Almeida has resigned from Axiata Board effectively 25 May 2017.

Thank You.

Yours faithfully,

For and on behalf of

AXIATA GROUP BERHAD



TAN SRI JAMALUDIN IBRAHIM

Managing Director/President & Group Chief Executive Officer