

AXIATA GROUP BERHAD (“AXIATA” OR “COMPANY”)

PROPOSED ESTABLISHMENT BY DIALOG AXIATA PLC (“DIALOG”), A SUBSIDIARY OF AXIATA, OF A PERFORMANCE-BASED LONG TERM INCENTIVE PLAN FOR ELIGIBLE EMPLOYEES AND EXECUTIVE DIRECTORS OF DIALOG (“PROPOSED DIALOG LTIP”)

1. INTRODUCTION

On behalf of of Axiata, CIMB Investment Bank Berhad (“**CIMB**”) wishes to announce that the Board of Dialog, a subsidiary of Axiata listed on the Colombo Stock Exchange (“**CSE**”), had on 19 March 2013 approved the proposed establishment by Dialog, of a performance-based long term incentive plan for eligible employees and executive directors of Dialog (collectively referred to as “**Dialog Eligible Participants**”). The Proposed Dialog LTIP will be independent of and will exist in parallel with its existing Employee Share Option Scheme (“**Dialog ESOS**”) which was established in 2005. Telekom Malaysia Berhad, the then holding company of Dialog before the demerger of its mobile and fixed-line business, had on 16 May 2006 sought its shareholders’ approval for the Dialog ESOS. Dialog will not grant any further share options to employees under the ESOS, given that an alternative scheme is proposed to be implemented.

2. DETAILS OF THE PROPOSED DIALOG LTIP

The Proposed Dialog LTIP will involve the issuance and allotment of new ordinary shares in Dialog (“**Dialog Shares**”) to Dialog Eligible Participants who meet the criteria of eligibility for participation in the Proposed Dialog LTIP as set out in the Rules for the Proposed Dialog LTIP and summarised in paragraph (ii) below.

The salient terms and conditions of the Proposed Dialog LTIP are as follows:

(i) Maximum number of Dialog Shares available under the Proposed Dialog LTIP and maximum allowable allotment

The total number of Dialog Shares which may be offered under the Proposed Dialog LTIP (“**Dialog LTIP Shares**”) and any other employee share scheme (where options have been granted but ownership of shares have not been transferred to employees) (“**Dialog Employee Schemes**”) shall not in aggregate exceed 5% of the total number of shares in issue (“**Maximum Shares**”) at any time during the duration of the Proposed Dialog LTIP.

(ii) Eligibility

Any person shall be eligible to participate in the Proposed Dialog LTIP if such person:

- (a) has attained the age of eighteen years;
- (b) has entered into a full-time or fixed term contract of employment with, and is on the payroll of Dialog or any of its subsidiaries and whose service has been confirmed;
- (c) is not a non-executive or an independent director of Dialog; and
- (d) has fulfilled any other eligibility criteria which has been determined by the Board of Dialog at its absolute discretion, as the case may be.

Any employee who is seconded from Dialog or any of its subsidiaries to any other company may be eligible to participate in the Proposed Dialog LTIP at the absolute discretion of the Board of Dialog.

Eligibility under the Proposed Dialog LTIP does not confer on any Dialog Eligible Participant any claim, right to participate in, or any other right whatsoever under the Proposed Dialog LTIP, and a Dialog Eligible Participant does not acquire or have any right over, or in connection with, any Dialog LTIP Share under the Proposed Dialog LTIP unless a share grant has been awarded by the Board of Dialog to that Dialog Eligible Participant.

(iii) Duration

The Proposed Dialog LTIP shall be in force for a period of 8 years from the effective date of implementation of the Proposed Dialog LTIP.

(iv) Reference price of the Dialog LTIP Shares

The reference price at which the Dialog LTIP Shares to be allotted will be based on the market price, being the volume-weighted average price of the Dialog Shares on the day the Dialog LTIP Shares are granted to the Dialog Eligible Participants.

(v) Ranking and listing status of Dialog LTIP Shares

The Dialog LTIP Shares shall, upon issuance, rank equally in all respects with the existing issued Dialog Shares.

The awarded Dialog LTIP Shares will be listed on the CSE upon issuance.

(vi) Amendments and/or modifications

Any or all provisions of the Proposed Dialog LTIP may only be modified by a resolution of the Board of Dialog with the approval of the CSE, subject to conditions as may be prescribed by the CSE, which could include Dialog obtaining its shareholders' approval. Nonetheless, no modification and/or amendments to the Proposed Dialog LTIP shall be made which will adversely alter the rights of Dialog Eligible Participants, who have been granted Dialog LTIP Shares, without the consent in writing of such Dialog Eligible Participants.

To sustain a high performance culture within Dialog, the Dialog LTIP Shares granted to the Dialog Eligible Participants will be vested only if Dialog and the Dialog Eligible Participants meet certain financial and/or performance targets to be determined by the Board of Dialog.

The Proposed Dialog LTIP will be established pursuant to CSE Listing Rules and is subject to the approval in-principle of the CSE and Dialog's shareholders at a general meeting of shareholders to be convened.

3. RATIONALE FOR THE PROPOSED DIALOG LTIP

The key rationale of the Proposed Dialog LTIP are as follows:

- (i) to align its performance-based long term incentive plan to international best practices;
- (ii) to reward and retain high performing Dialog Eligible Participants thereby aligning the interest of eligible employees to drive longer term shareholder value enhancement; and
- (iii) to drive employee performance as well as to attract new talents in the future.

4. EFFECTS OF THE PROPOSED DIALOG LTIP

4.1 Issued and paid-up share capital

The Proposed Dialog LTIP will not have any effect on the issued and paid-up share capital of Axiata as the Proposed Dialog LTIP involves the issuance of Dialog Shares, not ordinary shares of RM1.00 each in Axiata (“**Axiata Shares**”).

4.2 Substantial shareholders’ shareholdings

The Proposed Dialog LTIP will not have any effect on the shareholdings of Axiata’s substantial shareholders in Axiata as the scheme involves the issuance of Dialog Shares, not Axiata Shares.

4.3 Earnings

In accordance with FRS 2 “Share-Based Payment” as issued by the Malaysian Accounting Standards Board, the potential expense arising from the grant of rights over Dialog LTIP Shares will be measured by the fair value of the Dialog LTIP Shares on the grant date. The fair value of the Dialog LTIP Shares is based on the market price of Dialog Shares and dependent on amongst others, the implied volatility, the vesting period and the projected dividend yield of our Company as well as any vesting conditions which may be imposed. The said fair value will be recognised as an expense over the vesting period.

As the actual number of Dialog LTIP Shares to be issued under the Proposed Dialog LTIP is uncertain and not determinable at this juncture due to, amongst others, the fulfillment of performance conditions, different vesting periods and employee turnover, the actual impact to Axiata’s consolidated profit after tax is not determinable.

In addition to the impact of FRS 2, the Proposed Dialog LTIP will also result in a dilution of Axiata’s interest in Dialog. The impact of the dilution is dependent on, amongst others, the market price of the Dialog Shares as at the grant date, the actual number of Dialog LTIP Shares to be issued and the terms and conditions of the Proposed Dialog LTIP. The impact of the dilution of interest in Dialog will reduce the consolidated retained earnings of Axiata.

4.4 Net Assets (“NA”) and gearing

Assuming that all the Dialog LTIP Shares are issued and vested on 31 December 2012, the impact of the Proposed Dialog LTIP on Axiata’s consolidated NA and gearing (computed as total borrowings divided by NA) as at 31 December 2012 is not material.

4.5 Convertible securities

As at 28 February 2013, save for the 101.2 million outstanding options and 18.9 million restricted share awards awarded under the performance-based employee share scheme for Axiata's eligible employees, Axiata does not have any other convertible securities. The Proposed Dialog LTIP will not have any effect on the terms and conditions of such outstanding options and/or restricted share awards.

5. APPROVALS REQUIRED

The Proposed Dialog LTIP is subject to the following approvals being obtained:

- (i) the approval in-principle by the CSE; and
- (ii) the shareholders of Dialog at a general meeting of shareholders to be convened.

The Proposed Dialog LTIP is not conditional upon any other proposal.

Further to a waiver sought from Bursa Malaysia Securities Berhad ("**Bursa Securities**"), we have received a letter from Bursa Securities dated 7 February 2013 confirming that after considering, amongst others, the relevant facts and circumstances, Axiata's shareholders approval is not required for the Proposed Dialog LTIP.

6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of Axiata's Directors, major shareholders and persons connected to them have any direct or indirect interest in the Proposed Dialog LTIP.

7. ESTIMATED TIME FRAME FOR IMPLEMENTATION

Barring any unforeseen circumstances, Dialog intends to implement the Proposed Dialog LTIP by the 1st half of 2013.

8. ADVISERS

CIMB has been appointed by Axiata as the adviser for the Proposed Dialog LTIP in relation to Malaysian regulatory requirements.

9. DIRECTORS' STATEMENT

The Directors of Axiata, having considered all aspects, are of the opinion that the Proposed Dialog LTIP is in the best interest of the Axiata group of companies.

This announcement is dated 20 March 2013.