AXIATA GROUP BERHAD ("AXIATA")

PROPOSED ACQUISITION BY PT XL AXIATA TBK. ("XL"), A SUBSIDIARY OF AXIATA, OF AN EQUITY INTEREST IN PT AXIS TELEKOM INDONESIA ("AXIS") ("PROPOSED ACQUISITION")

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*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:US0.3089, and RM1:IDR3,578, based on the middle rates as at 12.00 p.m. on 25 September 2013 as published by Bank Negara Malaysia.*

1. INTRODUCTION

On behalf of the Board of Directors ("**Board**") of Axiata, CIMB Investment Bank Berhad ("**CIMB**") is pleased to announce that XL, a 66.5%-owned subsidiary of Axiata, has on 26 September 2013 entered into a conditional sale and purchase agreement ("**SPA**") with Saudi Telecom Company ("**STC**") and Teleglobal Investments B.V. ("**Teleglobal**"), a 100%-owned subsidiary of STC, to purchase (or procure the purchase of) the entire issued share capital of Axis (the "**Acquisition Shares**") for a cash consideration of USD100. As part of the consideration, XL will procure the repayment of approximately USD865 million (equivalent to approximately RM2,800.3 million) of Axis' indebtedness (the "**Indebtedness**") (collectively the "**Consideration**").

2. DETAILS OF THE PROPOSED ACQUISITION

2.1 Key terms of the SPA

2.1.1 Under the SPA, Teleglobal will sell (or procure the sale) of the entire issued share capital of Axis for the Consideration. At the completion of the Proposed Acquisition ("**Closing**"), 95% of the Acquisition Shares will be held by XL and 5% of the Acquisition Shares will be held by a local Indonesian shareholder, in accordance with Indonesian regulations.

All other amounts owing by Axis in excess of the Indebtedness, with the exception of working capital, shall be settled by Teleglobal prior to Closing (the "**STC Settlement Obligation**").

2.1.2 The Proposed Acquisition is conditional upon, amongst others, the following being fulfilled or waived on or before the expiry of the conditions fulfilment period (the "**Conditions**"):

(i) Axis is to ensure that all of its material assets necessary to carry on its business in all material respects are free and clear from any claim, charge, lien, assignment, or any other third party rights;

(ii) the spectrum allocated to Axis meets the criteria prescribed in the SPA;

(iii) the written approval of the Badan Koordinasi Penanaman Modal of Indonesia being obtained for the transfer of the Acquisition Shares on terms satisfactory to the transacting parties;

(iv) STC, Teleglobal and Axis having agreed the debt settlement documentation with Axis' lenders and creditors in respect of the full and final settlement of the STC Settlement Obligation;

(v) the written approval of the Ministry of Communications and Informatics of Indonesia being obtained for the transfer of the Acquisition Shares on terms satisfactory to the transacting parties;

(vi) a favourable written non-binding opinion from the Komisi Pengawas Persaingan Usaha of Indonesia in respect of the Proposed Acquisition; and

(vii) the shareholders of XL approving the Proposed Acquisition as a “material transaction” at a meeting of shareholders to be convened.

The Conditions set out in Section 2.1.2(i) and (ii) may be waived by written notice from XL. No other Conditions may be unilaterally waived by any other party.

2.1.3 The SPA may be terminated, effective upon notice without further action of any party, at any time prior to the Closing:

(i) by Teleglobal if XL has committed a material breach of any material provisions of the SPA and Teleglobal has not waived such breach or such breach is not capable of being remedied or if remedied, within the timeframe set out in the SPA, and vice versa by XL if such breach was committed by Teleglobal;

(ii) by XL if Teleglobal has committed a material breach of any material provisions of the SPA and XL has not waived such breach or such breach is not capable of being remedied or if remedied, within the timeframe set out in the SPA;

(iii) immediately by Teleglobal upon a failure by Axiata to vote in favour of the transaction at the XL extraordinary general meeting of shareholders or XL’s failure to satisfy its closing delivery obligations;

(iv) immediately by XL upon Teleglobal’s failure to satisfy its closing delivery obligations; or

(v) immediately by either party if Axiata votes in favour of the transaction at the XL extraordinary general meeting of shareholders and the transaction is still not approved or the Closing fails to occur by 31 March 2014.

2.1.4 The SPA also includes other customary conditions precedent and termination clauses. The obligations of Teleglobal under the SPA are guaranteed by STC.

2.2 Consideration

2.2.1 Given the net liabilities position of Axis as at today, the cash consideration of USD100 represents the consideration to be paid for the share capital of Axis.

2.2.2 The Consideration represents the enterprise value of Axis, on a cash free and debt free basis, and has been primarily derived by valuing the potential benefits and synergies that XL expects to extract from the Proposed Acquisition.

2.2.3 The Consideration will be funded via internally generated funds of XL, borrowings and a shareholder loan from Axiata.

2.2.4 Save for the settlement of the Indebtedness, XL will not expressly assume any liabilities pursuant to the Proposed Acquisition.

3. INFORMATION ON TELEGLOBAL AND STC

Incorporated in the Netherlands, Teleglobal is a 100%-owned subsidiary of STC. Teleglobal is a holding company.

STC was incorporated in 1998 and listed on the Saudi Stock Exchange in early 2003. STC is majority owned by the Government of the Kingdom of Saudi Arabia and is the largest telecommunication service provider in the Middle East and North Africa.

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 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 with 54 million subscribers as at 30 June 2013.

5. INFORMATION ON AXIS

Axis is 80.1%-owned by Teleglobal, with the remaining 14.9% and 5% stakes respectively held by Althem B.V. and a local Indonesian shareholder. Incorporated in Indonesia, Axis commenced operations in 2008 as a mobile telecommunications operator in Indonesia.

6. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition is a spectrum driven asset acquisition. The consolidated XL group post Closing is expected to have spectrum parity, in particular enhanced and compatible spectrum in the 1,800 MHz bandwidth. This would lead to improvements in the quality of XL's 2G and 3G services. This acquisition will provide significant benefits to customers and all stakeholders.

XL's acquisition of Axis offers several benefits as follows**:**

(i) Over 65 million customers will immediately benefit from the superior quality of service and wider coverage;

(ii) Consolidates the industry further and paves the way for more prudent, growth focused expansion with a more efficient capital expenditure profile;

(iii) Supports the government's national broadband objective;

(iv) Addresses XL's current challenges as it provides additional spectrum capacity to XL, subject to regulatory approvals, leading to:

  (a) significantly enhanced quality of service and network experience on both 2G and 3G; and

  (b) enhanced asset utilisation, particularly on XL's towers and network equipment, with tangible reduction in capital and operational expenditure; and

(v) Further reinforces XL's leadership position, with sizeable business operations and scale resulting in:

  (a) larger subscriber base and on-net community;

  (b) stronger and more effective data focus and traction amongst the youth segment; and

  (c) complementary businesses with multiple areas of revenue and cost synergies.

Significant synergies are also expected to be realised from the integration of XL's and Axis' operations including, amongst others, cost savings on capital and operational expenditure through the re-use or redeployment of Axis' assets.

7. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

Indonesia’s economy performed well in 2012 amid a slowdown and uncertainty in the global economy. Economic growth was maintained at a robust level of 6.2%, while inflation remained low (4.3%) and controlled within its target range of 4.5 +/- 1%. Amid weaker exports performance, national economic expansion was driven mainly by strong domestic demand, buttressed by favourable macroeconomic and financial conditions. This condition has encouraged economic activities by the household as well as business sector.

(Source: Bank Indonesia’s 2012 Economic Report on Indonesia)

Indonesia's economic growth continues to be influenced by the slowing condition of the global economy. In the 2nd quarter of 2013 (“**Q2/2013**”), economic growth was recorded at 5.81% (year on year (“**yoy**”)), down from 6.03% (yoy) in the previous quarter and below the 5.9% (yoy) of Bank Indonesia forecast. Growth in household consumption slowed to 5.06% (yoy) in Q2/2013 from the 1st quarter of 2013 (“**Q1/2013**”) level of 5.17%. Investment recorded more modest growth in Q2/2013 at 4.67% (yoy), down from 5.78% (yoy) in Q1/2013. Exports, while not satisfactorily strong, showed overall improvement during Q2/2013 with growth climbing from 3.57% (yoy) in the previous quarter to 4.78% (yoy) during the quarter under review. In keeping with the improvement in exports, imports also charted positive growth in Q2/2013.

Looking forward, Indonesia's economic growth for 2013 is predicted to reach the lower end of the 5.8%-6.2% range. This forecast is based in part on the impact of slowing economic growth in China and escalating inflationary pressure. Nevertheless, in 4th quarter of 2013, preparations for holding the 2014 national elections are expected to provide a renewed boost to economic growth. In view of this outlook for the economy, Bank Indonesia will forge closer policy coordination with the Indonesian Government in order to steer the economy towards more balanced and healthier growth amid a process of world economic recovery that has disappointed expectations. In 2014, economic growth is forecasted to rebound to the 6.4%-6.8% range.

(Source: Bank Indonesia Monetary Policy Review August 2013)

Based on Informa Telecoms & Media data, Indonesia’s mobile service revenue hit USD12.5 billion in 2012, with 60.9% of revenue derived from voice services and the remaining 39.1% coming from non-voice or data services. In 2013, it is estimated that overall mobile revenue will grow by 10.1% to USD13.7 billion, 40.3% of which will come from non-voice services. The increasing popularity of smartphones contributed heavily to the growing data revenues. Meanwhile, smartphone penetration is anticipated to reach 34% in 2015 from 14% in 2012.

(Source: Informa Telecoms & Media)

8. RISK FACTORS OF THE PROPOSED ACQUISITION

The Proposed Acquisition would subject Axiata to risks inherent in the telecommunications industry in Indonesia where Axiata already has a presence via XL. Such risks may include competition from other telecommunications operators, changes in economic and political conditions, rapid technological changes, capital requirements and foreign currency fluctuations, amongst others. Any adverse change in these conditions may have a material adverse effect on Axiata. These risks are addressed as part of Axiata's ordinary course of business and are not expected to represent new risks to Axiata's operations.

Nevertheless, the following are key risk factors relating specifically to the Proposed Acquisition:

(i) Integration risks

One of the key drivers for the Proposed Acquisition is the synergistic benefits that are expected to be derived from the combination of both businesses in their respective core competencies. Upon completion of the Proposed Acquisition, the existing business functions, systems and personnel of Axis may be integrated into those of XL. There can be no assurance that:

(a) the accounting and risk management policies of Axis are similar to those of XL and that the financial reporting and internal control procedures, business processes, policies and systems of both Axis and XL can be integrated and unified successfully and without any material provisions having to be made;

(b) there are no disruptions to key business processes and impact of business continuity, which includes attrition of customers and accounts;

(c) the key employees of both Axis and XL will remain with the enlarged group after the Proposed Acquisition, and that possible differences between business cultures and practices of the two companies can be addressed;

(d) management of both Axis and XL will remain focused on on-going business concerns during the implementation of the Proposed Acquisition and integration of Axis and XL;

(e) there will not be customer attrition for the enlarged XL group following the completion of the Proposed Acquisition; and

(f) other integration related issues,

which may result in the Axiata group not being able to fully realise the anticipated benefits and value from the Proposed Acquisition and which accordingly may have a material adverse effect on the financial and operating conditions of the Axiata group.

Furthermore, there may be a possibility that the regulators will not allow the immediate integration of Axis with XL and may require them to operate as two separate mobile operators in the short-term. Should this materialise, the anticipated benefit and value from the Proposed Acquisition may be delayed or not fully realised.

(ii) Completion

The Proposed Acquisition is conditional upon the Conditions set out in Section 2.1.2 above being fulfilled or waived. These include regulatory approvals which are beyond the control of Teleglobal, STC and XL. As such, the Proposed Acquisition may not be completed if any of the Conditions are not fulfilled or waived.

(iii) Risks relating to Axis

For the financial year ended 31 December 2012, Axis recorded net losses of IDR5,481,361 million (equivalent to approximately RM1,532.0 million) and net liabilities of IDR6,423,212 million (equivalent to approximately RM1,795.2 million). While XL has plans to improve Axis' profitability, there is no certainty that Axis will be profitable in the near future or that additional capital will not be required from XL to fund Axis business and/or settle its liabilities as and when they come due.

(iv) Goodwill and impairment

The Axiata group is expected to recognise additional goodwill arising from the Proposed Acquisition. Axiata may potentially be required to charge any impairment in the future relating to the additional goodwill. Any impairment of goodwill will result in a charge to the consolidated earnings of Axiata.

9. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

9.1 Issued and paid-up share capital and substantial shareholders' shareholdings

The Proposed Acquisition 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 Proposed Acquisition does not involve any issuance of ordinary shares in Axiata.

9.2 Net asset ("NA"), NA per share and gearing

The Proposed Acquisition is not expected to have any effect on Axiata's consolidated NA and NA per share as at 31 December 2013 as it is expected to be completed in 2014. However, Axiata's net gearing is expected to increase as a result of XL's obligation to procure the repayment of the Indebtedness upon Closing. Purely for illustrative purposes, based on the audited consolidated financial statements of Axiata as at 31 December 2012 and assuming no indebtedness at Axis for working capital purposes, Axiata's net gearing is expected to increase from 0.22 times to 0.34 times, on a proforma basis.

9.3 Earnings and earnings per share ("EPS")

The Proposed Acquisition is not expected to have any effect on Axiata's consolidated earnings and EPS for the financial year ended 31 December 2013 as the Proposed Acquisition is expected to be completed in 2014.

The actual impact of the Proposed Acquisition on the consolidated earnings and EPS of Axiata moving forward will depend on amongst others, the successful integration of Axis' operations and the realisation of synergies from the Proposed Acquisition.

Nevertheless, the Proposed Acquisition is expected to contribute positively to the future earnings of the Axiata group in the medium to long term.

10. APPROVALS REQUIRED

The Proposed Acquisition is subject to the following approvals set forth in the Conditions described in Section 2.1.2(iii) to (vii) being obtained prior to the completion of the Proposed Acquisition.

The applications to the relevant authorities, where applicable, are expected to be submitted within 3 months from the date of this announcement.

11. 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 Proposed Acquisition.

12. DIRECTORS' STATEMENT

The Board of Axiata, after having considered all aspects of the Proposed Acquisition (including but not limited to the rationale and prospects as discussed in Sections 6 and 7 above), is of the opinion that the Proposed Acquisition is in the best interests of Axiata and its shareholders.

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

The highest percentage ratio applicable to the Proposed Acquisition pursuant to paragraph 10.02(g) of the Listing Requirements is 13.9% based on the audited consolidated financial statements of Axiata for the financial period ended 31 December 2012.

14. ADVISERS

CIMB has been appointed as financial adviser to Axiata for the Proposed Acquisition in respect of compliance with the relevant Malaysian regulatory requirements.

Merrill Lynch (Singapore) Pte. Ltd. has been appointed as the exclusive financial adviser to XL in respect of the Proposed Acquisition.

15. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all approvals being obtained, the Proposed Acquisition is expected to be completed by 31 March 2014.

16. DOCUMENT FOR INSPECTION

The SPA 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 26 September 2013.