

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

### PROPOSED ESTABLISHMENT BY PT XL AXIATA TBK (FORMERLY KNOWN AS PT EXCELCOMINDO PRATAMA TBK) (“XL”), A SUBSIDIARY OF AXIATA, OF A PERFORMANCE-BASED LONG TERM INCENTIVE SCHEME FOR ELIGIBLE EMPLOYEES AND DIRECTORS OF XL (“PROPOSED XL LTIS”)

---

#### 1. INTRODUCTION

On behalf of the Board of Directors (“**Board**”) of Axiata, CIMB Investment Bank Berhad (“**CIMB**”) wishes to announce that the Board of Axiata had, on 27 December 2010, approved the proposed establishment by XL, a subsidiary of Axiata, of a performance-based long term incentive scheme for eligible employees and directors of XL (collectively referred to as “**XL Eligible Participants**”).

Reference to directors of XL in this announcement refers to individuals who act as executives who are fully responsible for the management of XL pursuant to Indonesian Company Law No. 40 year 2007 and XL’s Articles of Association.

Based on Indonesian Company Law No. 40 year 2007, Indonesia adopts a two-board system comprising a board of directors and a board of commissioners. The board of commissioners supervise, monitor and provide guidance to the board of directors with regards to managing the company.

#### 2. DETAILS OF THE PROPOSED XL LTIS

The Proposed XL LTIS will involve the issuance and allotment of new ordinary shares of Indonesian Rupiah 100 each in XL (“**XL Shares**”) to XL Eligible Participants who meet the criteria of eligibility for participation in the Proposed XL LTIS as set out in the Plan Rules of the Proposed XL LTIS and summarised in paragraph (ii) below.

The salient terms and conditions of the Proposed XL LTIS are as follows:

(i) **Maximum number of XL Shares available under the Proposed XL LTIS and maximum allowable allotment**

The total number of XL Shares which may be offered under the Proposed XL LTIS (“**XL LTIS Shares**”) shall not exceed 2% of the total issued and paid-up share capital (excluding treasury shares) of XL at any time during the duration of the Proposed XL LTIS.

If XL undertakes a share buy-back exercise or any other corporate proposal resulting in the total number of XL LTIS Shares issued and/or to be issued exceeding 2% of the total issued and paid-up share capital (excluding treasury shares) of XL, no additional XL Shares can be issued under the Proposed XL LTIS.

Notwithstanding the above, the XL LTIS Shares granted shall remain valid in accordance with the provisions of the Proposed XL LTIS regardless of any corporate proposal undertaken by XL, with due observance of prevailing laws and regulations.

The number of XL LTIS Shares to be granted to any XL Eligible Participant cannot be determined at this juncture and will be decided by XL's Nominating and Remuneration Committee ("**NRC**") and/or the Board of XL after taking into consideration, amongst others, their monthly base salary, number of months of service during the year, grade, individual performance, issue price of the XL LTIS Shares and the normalised profits after taxation of XL for the financial year under review.

**(ii) Eligibility**

Any person shall be eligible to participate in the Proposed XL LTIS if such person:

- (a) is recorded on the employment list of XL during the performance year under review;
- (b) is a director of XL, Vice President, General Manager, Manager, or is at a managerial level of XL who has an annual performance evaluation score which is ranked top 20% amongst employees of the relevant grades in XL; and
- (c) whose performance is deemed by the Board of XL to be eligible to participate in the Proposed XL LTIS.

Any employee who is seconded from or to XL may be eligible to participate in the Proposed XL LTIS at the absolute discretion of the Board of XL.

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

**(iii) Duration**

The Proposed XL LTIS shall be in force for a period of 9 years from the effective date of the implementation of the Proposed XL LTIS. The Proposed XL LTIS will cover 6 grants in relation to assessment years from 2010 to 2015, with a 3-year staggered lock-up period for each of the 6 grants.

**(iv) Issue price of the XL LTIS Shares**

The issue price of the XL LTIS Shares shall be at least the average closing price of XL Shares for 25 consecutive market days up to and including the market day prior to the announcement of the corresponding XL's general meeting of shareholders to be convened.

The XL LTIS Shares will be issued to the XL Eligible Participants without any consideration.

**(v) Ranking and listing status of XL LTIS Shares**

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

The awarded XL LTIS Shares will be listed on the Main Board of Bursa Efek Indonesia ("**IDX**") on the same market day as each grant/issuance date.

**(vi) Lock-up period**

The XL LTIS Shares will be subject to a lock-up period during which such shares are non-transferable. 50% of the XL LTIS Shares granted will be released from lock-up after 2 years and the remaining 50% after 3 years from the respective grant dates.

The lock-up period may be extended by a maximum of 1 additional year if certain financial targets and the minimum market price of XL Shares are not met.

During the lock-up period, the said XL LTIS Shares shall rank equally in all respect with the existing issued XL Shares, including but not limited to, the right to dividends and voting at any general meeting of shareholders of XL.

**(vii) Amendments and/or modifications**

Any or all provisions of the Proposed XL LTIS may be modified by a resolution of XL's NRC and/or the Board of XL having duly observed the approval and authority granted by XL's general meeting of shareholders to the NRC and/or Board of XL, except that:

- (a) no modification and/or amendments to the Proposed XL LTIS shall be made which will adversely alter the rights of XL Eligible Participants, who have been granted XL LTIS Shares, without the consent in writing of such XL Eligible Participants; and
- (b) no modification and/or amendments to the Proposed XL LTIS shall be made to the advantage of the XL Eligible Participants without the approval of XL's NRC and/or XL's Board and XL's shareholders at a general meeting.

To sustain a high performance culture within XL, XL intends to carry out the following:

- (i) grant the XL LTIS Shares to XL Eligible Participants only if XL and the XL Eligible Participants meet certain financial and/or performance targets to be determined by the Board of XL; and
- (ii) impose lock-up conditions to the XL LTIS Shares granted, which will only be removed over time (as described in paragraph (vi) above) and may be extended if certain financial targets and the minimum market price of XL Shares are not met.

XL has decided to implement the Proposed XL LTIS (where XL LTIS Shares will be issued to XL Eligible Participants without any consideration) instead of a conventional option scheme as it is simple to understand and therefore, would have a higher perceived value to better attract and motivate key talent as compared to a conventional option scheme.

**3. RATIONALE FOR THE PROPOSED XL LTIS**

The key rationale of the Proposed XL LTIS are as follows:

- (i) to reward the XL Eligible Participants based on the current and future financial performance of XL, thereby aligning their interest to drive longer term shareholder value enhancement;
- (ii) to retain high performing XL Eligible Participants as well as to attract new talents in the future; and

- (iii) to provide opportunity for the XL Eligible Participants to participate in the equity of XL, thereby creating a strong sense of company ownership amongst the XL Eligible Participants.

#### **4. EFFECTS OF THE PROPOSED XL LTIS**

##### **4.1 Issued and paid-up share capital**

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

##### **4.2 Substantial shareholders’ shareholdings**

The Proposed XL LTIS will not have any effect on the shareholdings of Axiata’s substantial shareholders in Axiata as the scheme involves the issuance of XL 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 issuance of the XL LTIS Shares will be measured by the fair value of the XL LTIS Shares on the issuance date. The fair value of the XL LTIS Shares is dependent on the market price of XL Shares as at the issuance date. The said fair value will be recognised as an expense over the vesting period.

As the actual number of XL LTIS Shares to be issued under the Proposed XL LTIS 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 XL LTIS will also result in a dilution of Axiata’s interest in XL. The impact of the dilution is dependent on, amongst others, the market price of the XL Shares as at the issuance date, the actual number of XL LTIS Shares to be issued and the terms and conditions of the Proposed XL LTIS.

As the Proposed XL LTIS is intended to be implemented in 2011, pursuant to FRS 127 (revised) “Consolidated and Separate Financial Statements” which is effective for Axiata from 1 January 2011, the impact of the dilution of interest in XL will reduce the consolidated retained earnings of Axiata but is not expected to have any effect on Axiata’s consolidated profit after tax.

The application of the new accounting policy above differs from existing accounting policy whereby the potential dilution would have the effect of reducing Axiata’s consolidated profit after tax.

##### **4.4 Net Assets (“NA”) and gearing**

Assuming that all the XL LTIS Shares are issued and vested on 31 December 2009, the impact of the Proposed XL LTIS on Axiata’s consolidated NA and gearing (interest bearing indebtedness divided by NA) as at 31 December 2009 is negligible.

#### **4.5 Convertible Securities**

As at 15 December 2010, save for the 121,064,800 outstanding options awarded under the performance-based employee share option scheme for Axiata's eligible employees, Axiata does not have any other convertible securities. The Proposed XL LTIS will not have any effect on the terms and conditions of such outstanding options.

#### **5. APPROVALS REQUIRED**

The Proposed XL LTIS is subject to the following approvals being obtained:

- (i) the shareholders of XL at a general meeting of shareholders to be convened; and
- (ii) Axiata shareholders at an extraordinary general meeting to be convened.

It is to be noted that pursuant to the Capital Market Supervisory Agency and Financial Institution Rule No. IX.D.4 of Indonesia, the approval of the shareholders of XL for the issuance of the XL LTIS Shares will be valid for 2 years only. To ensure that the Proposed XL LTIS will be valid for the duration of the Proposed XL LTIS, XL will undertake all necessary actions to seek new approvals from the shareholders of XL for the issuance of XL LTIS Shares, when required.

A preliminary listing, which is administrative in nature, will be filed with the IDX by XL's Share Registrar upon obtaining XL's shareholders approval for the Proposed XL LTIS. Upon each grant/issuance date, the XL LTIS Shares awarded under the Proposed XL LTIS would be automatically listed on IDX.

The Proposed XL LTIS is not conditional upon any other proposal.

#### **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 XL LTIS.

#### **7. ESTIMATED TIME FRAME FOR COMPLETION**

Barring any unforeseen circumstances, XL intends to implement the Proposed XL LTIS by the 1<sup>st</sup> half of 2011.

#### **8. ADVISERS**

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

#### **9. DIRECTORS' STATEMENT**

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

This announcement is dated 27 December 2010.