PROPOSED ACQUISITION OF TOWER ASSETS FROM SMART COMMUNICATIONS, INC. AND DIGITEL MOBILE PHILIPPINES, INC.

(Unless otherwise stated, exchange rate of Philippine Peso (PHP) 12.28: 1 Ringgit Malaysia (RM) being the middle rate prevailing as at 5.00 p.m. on 18 April 2022 as published by Bank Negara Malaysia, has been applied in this announcement for illustration purposes)

1.0 INTRODUCTION

Axiata Group Berhad ("**Axiata**") is pleased to announce that ISOC edotco Towers, Inc ("**edotco Philippines**" or "**Purchaser**"), a wholly owned subsidiary of edotco Group Sdn Bhd ("**edotco**") which in turn is a 63.0% owned subsidiary of Axiata, had on 19 April 2022 entered into a Sale and Purchase Agreement ("**SPA**") with Smart Communications, Inc. ("**SMART**") and Digitel Mobile Philippines, Inc. ("**DMPI**"), collectively "**Sellers**") for the acquisition of all of Sellers' rights, title, benefits and interest in 2,973 telecom towers and related assets in the Philippines ("**Transferred Assets**") for a total purchase consideration of PHP42,000 million (equivalent to RM3.42 billion) ("**Purchase Price**") ("**Proposed Acquisition of PLDT Tower Assets**" or "**Transaction**").

(Each of the Sellers and the Purchaser shall be referred to as a "**Party**" and together, as the "**Parties**")

2.0 INFORMATION OF THE PARTIES

2.1 edotco Philippines

edotco Philippines (Company Registration No. CS201841918) is a private limited company incorporated in The Philippines on 22 November 2018. The paid-up share capital of edotco Philippines currently stands at PHP510,204,082 divided into 510,204,082 common stock with par value of PHP1.00 each. Investments in edotco Philippines are held through edotco Investment (Labuan) Limited, a wholly owned subsidiary of edotco. edotco Philippines is an Independent Tower Company ("**ITC**") principally involved in the provision of telecommunication infrastructure and services in the Philippines, licensed by the Department of Information and Communications Technology ("**DICT**"), Philippines in 2020.

2.2 SMART and DMPI

SMART (Company Registration No. 186066) is a domestic corporation incorporated in The Philippines on 24 January 1991. As at the date hereof, the paid-up share capital of SMART is PHP2,732,022,294 divided into 2,732,022,294 ordinary shares. SMART is principally involved in the provision of wireless communications and digital services in the Philippines.

DMPI (Company Registration No. A200113504) is a domestic corporation incorporated in The Philippines on 18 September 2001. As at the date hereof, the paid-up share capital of DMPI is PHP1,865,879,400 divided into 18,658,794 ordinary shares. DMPI is principally involved in the provision of mobile telecommunication services in the Philippines.

As at the date hereof, both SMART and DMPI have good and valid title as owners of the Transferred Assets which consist of 2,973 telecom towers of which 2,643 (89%) are ground-based, and 330 (11%) are rooftop, located across Metro Manila, South Luzon, Palawan, Visayas and Mindanao.

Both SMART and DMPI are part of PLDT Group[1], Philippines' largest fully integrated telco company. Through its principal business group from fixed line to wireless, PLDT Group offers a wide range of telecommunications and digital services across the Philippines' most extensive fiber optic backbone, and fixed line and cellular networks.

PLDT is listed on the Philippine Stock Exchange (PSE:TEL) and its American Depositary Shares are listed on the New York Stock Exchange (NYSE:PHI).

[1]Each of Smart and DMPI is respectively a wholly owned subsidiary and 99.6% subsidiary of PLDT. Each of the Sellers is a duly enfranchised telecommunications company authorized by the NTC to provide telecommunications services in the Philippines, including the wireless business

3.0 DETAILS OF PROPOSED ACQUISITION OF PLDT TOWER ASSETS AND SALIENT TERMS

3.1 Basis for Purchase Price, Adjustments and Termination

The Purchase Price for the Transferred Assets is based on, inter-alia, the enterprise value of the Transferred Assets on a debt-free and cash-free basis, which will be disbursed in phases in accordance with the successful transfer of the first batch of Transferred Assets consisting of at least 1,500 sites ("**First Closing**") and the subsequent successful transfers of the remaining batches of the Transferred Assets ("**Subsequent Closing**"). Details of the payment of the Purchase Price are as follows:-

i) A deposit of PHP4,200 million placed in escrow on the date of this announcement which will be deducted from the Purchase Price to be paid at First Closing;

ii) The consideration amount for the First Closing and the consideration amount with respect to the portion of the Transferred Assets for each Subsequent Closing; and

iii) Post-closing adjustments on the Purchase Price which include, inter-alia, the amount of prepaid assigned obligations less the amount of accrued retained obligations with respect to the liabilities and obligations of the Transferred Assets owned to commercial counterparties and other third parties (e.g. rents, fees, charges for water and electricity, regulatory payments, taxes, etc.) at the First Closing and each Subsequent Closing.

The Transferred Assets shall be purchased free and clear of all liens (other than the permitted liens that included, inter-alia, arising by operation of law or in the ordinary course of business and/or imposed by any governmental entity on a "where is" and, as to condition, "as is" basis "with all faults", subject to warranties by the Sellers.

3.2 Conditions Precedent

The SPA is conditional upon, inter-alia, satisfaction of the following conditions (or waiver) to First Closing and to each Subsequent Closing. First Closing shall be subject to the satisfaction (or waiver) of the following conditions precedent on or prior to 9 months from the date of the SPA or such other date as may be mutually agreed by the Parties ("**First Closing Longstop Date")**:-

i) Receipt of the required lessor consents for the assignment of assigned contracts in respect of at least 1,500 available sites; and

ii) There shall not be in effect any law which makes illegal or enjoins or prevents the consummation of the transactions contemplated by the SPA at First Closing.

Each Subsequent Closing shall be subject to the satisfaction (or waiver) of the following conditions on or prior to the date falling 9 months from the First Closing date or such other date as may be mutually agreed in writing by the Parties ("**Subsequent Closing Longstop Date**"):-

i) Receipt of the required lessor consents for assignment of assigned contracts in respect of (i) at least 400 available sites (excluding sites already transferred at First Closing or at any prior Subsequent Closing); or (ii) for the final Subsequent Closing, the remaining available sites, if fewer; and

ii) There shall not be in effect any law which makes illegal or enjoins or prevents the consummation of the transactions contemplated by the SPA at such Subsequent Closing.

3.3 Termination

The Parties may terminate the SPA by, inter-alia, prior mutual written consent of the Parties before the First Closing Longstop Date, or by either Party, if the First Closing has not occurred on or before the First Closing Longstop Date, provided either Party has at such time not breached any of its obligations under the SPA, any of which has, directly or indirectly, led to the failure to satisfy any First Closing conditions.

Concurrent with the execution of the SPA, SMART has also entered into a Master Service Agreement with edotco Philippines on the lease back of the Transferred Assets ("**Proposed Lease Back Transaction**"). In addition to the Proposed Lease Back Transaction, edotco Philippines has also been granted the commitment to build and develop 750 build-to-suit ("**BTS**") sites for leasing to SMART in the future ("**Committed BTS**").

4.0 SOURCE OF FUNDING

The Transaction will be funded through a combination of both internally generated funds and external funding.

Save for the Purchase Price and any liabilities arising as a consequence of consolidating edotco Philippines as a subsidiary of Axiata, Axiata will not be assuming any liabilities pursuant to the Proposed Acquisition of PLDT Tower Assets. No financial commitments are also required from Axiata to finance the operations of edotco Philippines.

5.0 RATIONALE FOR THE PROPOSED ACQUISITION OF PLDT TOWER ASSETS

Rationale for the Proposed Acquisition of PLDT Tower Assets are as follows:-

i) **Diversification and Strengthening of edotco's Pan-Asian Platform with Exposure to a High Growth Market**

The Transaction increases edotco's exposure to the stable, fast-growing emerging markets, while diversifying its portfolio from the frontier markets. In particular, the Philippines presents a unique high-growth opportunity in a nascent tower market with strong governmental support and significant infrastructure needs. With a more balanced portfolio of towers across the emerging and frontier markets, the growth profile of edotco is expected to be more sustainable and predictable, going forward. Post Transaction, edotco will cement its position as the 6th largest ITC globally and will be operating and managing a diversified portfolio of approximately 54,000 towers across Malaysia, Indonesia, Philippines, Bangladesh, Pakistan, Cambodia, Myanmar, Laos and Sri Lanka.

ii) **Become a Leading Independent Tower Company in the Philippines**

Post-Transaction, edotco Philippines will own and operate approximately 3,100 towers; hence, becoming the largest ITC in the Philippines. The Transaction enables edotco to achieve immediate scale in the Philippines, cementing its position as one of the two incumbent ITCs in a three player Mobile Network Operator ("**MNO**") market. With a sizeable tower portfolio, strong operational capabilities, and an established relationship with PLDT as a strong anchor tenant, edotco Philippines will be instrumental in shaping and developing the growing ITC market in the Philippines.

iii) **Establish a Platform to Accelerate Organic and Inorganic Growth**

The Committed BTS, in addition to the existing 485 BTS orders that edotco Philippines has already secured from other MNOs will further strengthen edotco's position to benefit organically from the growing BTS demand and digital infrastructure needs in the country, driven by the increasing capacity and coverage requirements of MNOs. Additionally, the enlarged platform will also enable edotco Philippines to be well placed for future inorganic growth opportunities in the Philippines, given its scale and operational track record. Following the Transaction, it is anticipated that more tower opportunities would come to market as existing MNOs continue to move toward an asset-light model.

iv) **Ability to Realize Significant and Immediate Colocation Upside**

The acquired tower portfolio has historically been captive to PLDT, which presents significant colocation potential (from the current 1.0x tenancy ratio). Further, 89% of the acquired towers are ground-based with majority having optimal height (>40 metres) for colocation. The portfolio is also spread across the southern region of the Philippines, an underserved region with significant infrastructure needs, which is expected to be the next frontier of growth for the MNOs. The Committed BTS orders are also expected to be situated at strategic locations with high colocation potential, driven by the roll out of 5G and network densification requirements.

v) **Leverage edotco's Operational Excellence and Innovative Infrastructure Solutions to Unlock Synergies for the Transaction**

Through edotco's deep experience in operating across different emerging and frontier markets in Asia, edotco Philippines will be able to leverage and benefit from the resources and knowledge of the broader edotco Group. This includes edotco's centralised tower design expertise, procurement functions, IT / accounting systems, energy optimisation and other innovation solutions, which results in operational efficiency and economies of scale. This translates into potential synergies and value creation opportunities for edotco Philippines.

6.0 MARKET OVERVIEW AND FUTURE PROSPECTS

6.1 Overview of the Philippine Economy

The Philippines is an archipelagic nation located in Southeast Asia with a population of over 109 million. The Philippine economy is the third largest economy in ASEAN, driven primarily by agriculture and the industrial and services sectors. Gross Domestic Product ("**GDP**") in the Philippines grew by 5.6% to USD377 billion in 2021, after the economy contracted by 9.6% in 2020 due to the COVID-19 pandemic. GDP in the Philippines is expected to increase further by 6.0% in 2022.

In 2021, the industrial and services sectors led the rebound in growth as COVID-19 containment measures affecting businesses eased in several regions. Progress in increasing vaccination coverage has also boosted consumer and business confidence. Industrials expanded by 8.2% due to stronger domestic demand for manufacturing and recovery in exports, while services increased by 5.3% from the contributions from the trade, finance and information communication industries. All major sectors contributed to growth except agriculture, which marginally contracted on the back of African swine fever and Typhoon Rai. Unemployment rate in 2021 ended at 6.6%, the second lowest month of the year, on the back of economic recovery. While headline inflation across the Philippines rose to 3.9% in 2021 because of higher food prices and oil prices, Bangko Sentral ng Pilipinas ("**BSP**") maintained the key policy interest rate at 2% to encourage economic recovery.

In 2022, economic recovery is expected to continue, underpinned by growing domestic investment and consumption. In March 2022, Metro Manila and other areas shifted to Alert 1, the lowest level of COVID-19 restrictions as daily case count averages below 1,000. The further lifting of mobility restrictions is expected to boost consumer sentiment and encourage investments. Unemployment rate is expected to continue to decline as more businesses resume operations. BSP left key policy interest rate unchanged in the latest policy review meeting (in March 2022) but highlighted its readiness to temper increasing price pressures.

(Source: Asian Development Bank; Philippine Statistics Authority)

6.2 Market: Positive Outlook on the Philippine Telecom and Tower Market

There are currently three MNOs in the Philippine mobile market. PLDT and Globe are the dominant players with more than 71 million and 87 million mobile subscribers respectively. In July 2019, Dito was issued a telecommunication permit to operate as the third MNO and foster competition amongst the incumbents. As of December 2021, Dito has built over 4,000 towers, is present in approximately 500 cities and municipalities across the Philippines with over 5 million subscribers. Moving forward, strong demand for mobile data is expected to continue as Philippines accelerates its 5G rollout, supported by one of the highest smartphone penetration rates (at approximately 78%) among Southeast Asian countries. The pandemic has also led to the rapid digitising economy and higher demand for video and social media content, resulting in a substantial increase in data consumption.

The nascent independent tower industry in the Philippines started in 2020 after the implementation by the DICT of Common Tower Policy, allowing multiple telecommunication networks to share tower infrastructure, with a view to enhance the level of service quality for consumers. Driving further growth and development in the sector, the DICT reported a targeted roll out of an additional 50,000 towers[2] throughout the country. As reported by the National Telecommunications Commission ("NTC") in June 2021, there were approximately 24,614 towers in the Philippines owned by MNOs (PLDT: 10,433, Globe: 10,941 and Dito: 3,240), presenting significant room for growth for ITCs. In order to meet the growing tower demand, the DICT has a total of 19 ITCs registered (as of March 2022) requirements to secure permits for the construction of towers have also been streamlined, reducing the processing time from more than 200 days to 16 days. As of October 2021, more than 3,600 permits and clearances to build towers have been approved.

(Source: DICT; NTC; GSM Association; Philippine News Agency)

6.3 Prospects for Axiata post the Proposed Acquisition of PLDT Tower Assets

Axiata expects that, the Proposed Acquisition of PLDT Tower Assets, through edotco, upon completion will cement edotco's position as the 6th largest ITC globally and one of the leading tower companies in Asia and the leading ITC in the Philippines[3].

Based on the prospects of the telecommunications and independent tower market in the Philippines, the Board is of the opinion that the Proposed Acquisition of PLDT Tower Assets will contribute positively to the future earnings of Axiata and support its long-term strategies and objectives, thereby enhancing shareholder value.

In addition, the Proposed Acquisition of PLDT Tower Assets will reduce edotco's exposure to Axiata Operating Companies from 56% to 48% with increased portfolio concentration towards emerging markets from frontier footprint.

7.0 RISK FACTORS OF THE PROPOSED ACQUISITION OF PLDT TOWER ASSETS

The following are the risks identified which is not exhaustive, in relation to the Proposed Acquisition of PLDT Tower Assets:-

i) Investment Risk

There is no assurance that the anticipated benefits of the Proposed Acquisition of PLDT Tower Assets will be realised or that Axiata will be able to generate sufficient returns from this investment to offset the investments costs. There is also no assurance that the expected financial performance could be achieved post completion. However, the investment risk can be mitigated given that terms of the Master Service Agreement provide cashflow certainty from the Transferred Assets (with additional immediate colocation upside) and the future Committed BTS by SMART.

ii) Completion and Subsequent Risks

The completion of the Proposed Acquisition of PLDT Tower Assets is conditional upon the Conditions Precedent under the SPA set out in section 3.2 above being fulfilled (or waived). There can be no assurance that such conditions will be fulfilled (or waived) within the timeframe stipulated in the SPA. Nevertheless, it is anticipated that these risks can be mitigated by proactively engaging with the relevant third parties to obtain all the necessary approvals, consents, no objections and documents required within the timeframe stipulated in the SPA.

iii) Political, Economic and Regulatory Environment

The value generated from the Transferred Assets could be impacted by the changes in the political, economic and regulatory conditions in the Philippines and/or relevant provinces in the Philippines. The various political, economic and regulatory conditions could range from changes in political leadership, introduction of new regulations, economic downturn and changes in interest rates.

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[2] There were approximately 16,000 towers (in January 2019) when DICT (in the Philippine News Agency) first announced the targeted roll out of at least 50,000 additional towers across the Philippines

[3] 3,073 towers in Philippines with global combined portfolio of tower owned and managed of ~54,000 towers

iv) Telecommunications and Tower Market Landscape

The telecommunications industry and the independent tower sector in the Philippines are constantly evolving, which could result in rapid changes to its market dynamics. This includes the competition amongst the existing ITCs (18 registered ITCs with DICT as of March 2022) which are competing for market share. While there is no assurance that edotco Philippines will be successful in overcoming the competition, edotco Philippines is well positioned to win new BTS and colocation orders from the existing MNOs given its scale (being the largest ITC by tower count) and operational track record. There is also a possibility of new entrants which increases the number of MNOs in the market, however, this should impact the ITC market positively given the higher colocation potential.

v) Regulations and Licenses

The operations of telecommunication infrastructure businesses and provision of related services in Philippines are subject to certain approvals, licences, concessions, registrations and permissions granted by the DICT and various government units. Changes in laws, regulations or government policy in the Philippines or the industry could potentially impact edotco Philippines' business performance.

vi) Technological Risks

Telecommunications technology continues to evolve over time and there is no certainty that the current telecommunication arrangement between passive and active infrastructure will remain as it is. The biggest technological risk to ITC would be the evolution to active network sharing.

The increased active network sharing among MNOs in the Philippines will potentially reduce the need for additional active equipment on telecommunication towers. Continued growth of such trends and future technological changes may adversely affect the profitability or competitiveness of edotco Philippines. This may have additional financial implications for edotco Philippines as it may need to increase its capital expenditure to implement new telecommunications infrastructure technologies at a faster rate than previously planned to better its service offerings such as small cells deployment. Additionally, new emerging connectivity technologies developed by technology developers globally may also present potential competition.

vii) Asset Transition Risks

One of the key drivers of business performance post Transaction is dependent on edotco Philippines' ability to successfully execute the transition plan on the Transferred Assets. While there is no assurance that the implementation of the transition plan will be on schedule and successful, such risk can be mitigated by having a dedicated task force from both edotco Philippines and PLDT to work in close partnership ahead of Transaction closing.

8.0 FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION OF PLDT TOWER ASSETS

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

The Proposed Acquisition of PLDT Tower Assets will not have any effect on Axiata's issued and paid-up share capital and/or substantial shareholders' shareholding in Axiata as it does not involve any issuance of new ordinary shares in Axiata.

9.2 Net Asset ("NA"), NA per Share and Gearing

For illustrative purposes only, based on the latest audited consolidated statements of the financial position of Axiata as at FYE 31 December 2021 and on the assumption that the Proposed Acquisition of PLDT Tower Assets had been completed on that date, the pro-forma effects on the NA and gearing of the Axiata are as follows:

	Audited as at 31 December 2021	**After the Proposed Acquisition of PLDT Tower Assets**
	RM'000	**RM'000**
Share Capital	13,905,207	13,905,207
Retained Earnings	6,754,950	6,754,950
Reserves	(2,654,833)	(2,654,833)
Total equity attributable to owners of the Company	**18,005,324**	**18,005,324**
Non-Controlling Interests	7,060,505	7,060,505
Total Equity	**25,065,829**	**25,065,829**
No. of Axiata Shares in issue ('000)	9,172,317	9,172,317
NA per Axiata Share (RM)(1)	1.96	1.96
Borrowings(2)	19,050,495	23,005,074
Lease Liabilities(3)	10,170,995	10,170,995
Total Interest-Bearing Borrowings	29,221,490	33,176,069
Gearing (times)(4)	1.17x	1.32x

Notes:

(1) Computed based on total equity attributable to owners of Axiata divided by number of shares of Axiata in issue.

(2) Assuming external borrowings of RM3,954.6 million (net of transaction costs) to finance the Proposed Acquisition of PLDT Tower Assets.

(3) Excluding lease liabilities of the Proposed Acquisition of PLDT Tower Assets under Malaysian Financial Reporting Standards ("MFRS") 16 - Leases as lease contracts with landowners are subject to assignment.

(4) Calculated based on total interest-bearing borrowings divided by total equity as at 31 December 2021.

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9.3 Earnings and Earnings per Share ("EPS")

For illustrative purposes only, based on the latest audited consolidated financial statements of Axiata for the FYE 31 December 2021 and assuming that the Proposed Acquisition of PLDT Tower Assets had been effected on 1 January 2021, being the beginning of the FYE 31 December 2021, the pro-forma effects on the basic EPS of Axiata are as follows:

		RM'000
Audited consolidated profit after taxation and minority interests ("**PATAMI**") of Axiata for the FYE 31 December 2021		818,900
Add:	Estimated Revenue and Expenses (Net)	98,093
Less:	Estimated Depreciation and Amortisation(1)	(149,555)
Less:	Estimated Finance Costs(1) (2)	(100,410)
Pro-forma consolidated PATAMI of Axiata after the Proposed Acquisition of PLDT Tower Assets		**667,028**
Weighted average number of Axiata Shares in issue ('000)		9,172,317
<u>Basic EPS of Axiata (sen)</u>(3)		
• Based on the audited consolidated PATAMI of Axiata for the FYE 31 December 2021		8.9
• Based on pro-forma consolidated PATAMI of Axiata after the Proposed Acquisition of PLDT Tower Assets		7.3

Notes:

(1) The pro-forma effects have not accounted for effects arising from:-

(i) MFRS 16 - Leases as lease contracts with landowners are subject to assignment; and

(ii) Asset retirement obligation arising from the Proposed Acquisition of PLDT Tower Assets.

(2) Subject to finalisation of terms and conditions with the banks.

(3) Computed based on the relevant PATAMI divided by weighted average number of Axiata Shares in issue during the FYE 31 December 2021.

10.0 APPROVAL / CONSENT REQUIRED

The Proposed Acquisition of PLDT Tower Assets is not subject to the approval of the shareholders of Axiata.

11.0 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 of PLDT Tower Assets.

12.0. DIRECTORS' STATEMENT / RECOMMENDATION

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

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

The highest percentage ratio applicable to the Proposed Acquisition of PLDT Tower Assets pursuant to paragraph 10.02(g) (ii) of the Main LR is 11.96% based on audited consolidated financial statements of Axiata for the financial period ended 31 December 2021.

14.0 ADVISORS

edotco has appointed Greenhill & Co. as financial advisor and Eversheds Sutherland and Romulo as international and local legal advisors. Ernst & Young and SGV & Co. have been appointed to perform financial and tax due diligence services respectively.

15.0 ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all approvals being obtained, the Proposed Acquisition of PLDT Tower Assets is expected to be completed by 31 December 2022.

16.0 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 19 April 2022.