

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

ESTABLISHMENT BY PT XL AXIATA TBK (“XL”), A SUBSIDIARY OF AXIATA, OF A LONG TERM INCENTIVE PROGRAM 2016 – 2020 (“PROPOSED XL LTIP 2016-2020”)

1. INTRODUCTION

We are pleased to announce that the shareholders of XL, a 66.43%-owned subsidiary of Axiata listed on the Indonesia Stock Exchange (“**IDX**”) had at the Extraordinary General Meeting of Shareholders held on 10 March 2016 approved the establishment the Proposed XL LTIP 2016-2020 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 (“**Directors**”) and a Board of Commissioners (“**Commissioners**”). The Commissioners supervise, monitor and provide guidance to the Directors with regards to managing the company

2. DETAILS OF THE PROPOSED XL LTIP 2016-2020

The Proposed XL LTIP 2016-2020 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 as set out in its rules and summarised in paragraph (ii) below.

The salient terms and conditions of the Proposed XL LTIP 2016-2020 are as follows:

(i) **Maximum number of XL Shares available under the Proposed XL LTIP 2016-2020 and maximum allowable allotment**

The total number of XL Shares which may be offered shall not exceed 265,000,000 XL Shares, and not exceed the threshold of issuance based on prevailing regulations (excluding treasury shares) during the duration of the Proposed XL LTIP 2016-2020.

If XL undertakes a share buy-back exercise or any other corporate proposal resulting in the total number of XL Shares issued and/or to be issued exceeding 10% 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 LTIP 2016-2020.

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

The number of XL Shares to be granted to any XL Eligible Participant cannot be determined at this juncture and will be decided according to a formula consisting of, amongst others, their monthly base salary, number of months of service during the year, grade, individual performance, share price of the XL Shares and the performance of XL measured using Return on Capital Employed. A committee duly authorised and appointed by the Directors (“**LTI Committee**”) shall be responsible for developing and managing the Proposed XL LTIP 2016-2020.

Depending on XL's performance and individual performance measured over the performance period, the final number of XL Shares vested to XL Eligible Participants would be based on the performance kickers. Adjustments may result in XL Shares being vested higher or lower than the amount originally granted at the beginning of the performance period. The long-term eventual performance kicker structure provides meaningful rewards for performance and more importantly, provides alignment with long term incentive awards of Axiata.

(ii) Eligibility

XL Eligible Participants shall be eligible to participate in the Proposed XL LTIP 2016-2020, if such person:-

- (a) Is recorded on the employment list of XL on the grant date;
- (b) Director of XL, so long he or she is appointed at the General Meeting of Shareholders of XL before or on each grant cycle. The appointed Director will join the subsequent grants, and
- (c) Contract employees after minimum 2 consecutive years of service. For contract period outside the minimum period, eligibility shall be determined based on discretion by the LTI Committee for employees and Commissioners for Directors.

Any employee who is seconded from or to XL may be eligible to participate in the Proposed XL LTIP 2016-2020 at the absolute discretion of the Directors of XL.

Eligibility under the Proposed XL LTIP 2016-2020 does not confer on any XL Eligible Participant any claim, right to participate in, or any other right whatsoever under the Proposed XL LTIP 2016-2020, and an XL Eligible Participant does not acquire or have any right over, or in connection with, any XL Share under Proposed XL LTIP 2016-2020 unless a share grant has been awarded by the Directors of XL to that XL Eligible Participant.

(iii) Duration

The Proposed XL LTIP 2016-2020 shall be in force for a period of 8 years from the effective date of its implementation. The Proposed XL LTIP 2016-2020 will cover 6 grants with 3 years performance period prior to vesting for each grants except for Grant Cycle 1A which shall cover 2-years performance period prior to vesting in relation to assessment years from 2016 to 2020, with a 1-lock-up period for each of the 6 grants once vested.

(iv) Share Price of the XL Shares

The price for XL Shares for each vesting shall be determined based on the average closing price for 25 consecutive market days up to and including the market day prior to the issuance of new XL Shares.

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

(v) Ranking and Listing Status of XL Shares

The XL Shares issued under the Proposed XL LTIP 2016-2020 shall, upon issuance, rank equally in all respects with the existing issued XL Shares.

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

(vi) Lock-Up Period

In accordance with the prevailing Capital Markets Regulations, the XL Shares issued upon vesting are non-transferable and could not be transacted for a period of 1 year.

During the lock-up period, the said XL 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 LTIP 2016-2020 may be modified by a resolution of the Commissioners of XL, except that:-

- a) No modification and/or amendments to the Proposed XL LTIP 2016-2020 shall be made which will adversely alter the rights of XL Eligible Participants, who have been granted XL Shares, without the consent in writing of such XL Eligible Participants; and
- b) No modification and/or amendments to the Proposed XL LTIP 2016-2020 shall be made to the advantage of the XL Eligible Participants without the approval of XL's Commissioners and XL's shareholders at a general meeting.

XL has decided to implement the Proposed XL LTIP 2016-2020 (where XL 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 LTIP 2016-2020

The key rationale of the Proposed XL LTIP 2016-2020 are as follows:-

- i) Drive long term performance by motivating employees at all levels in the achievement of organisation's long term objectives in increasing enterprise value (wealth creation) that aligned with shareholders perspective;
- ii) Reward individual performance by recognising employees' individual performance and contribution towards XL's overall performance, the better the performance the higher the LTI awards;
- iii) Ensuring employees' retention especially to Senior Management and high performers whose contributions are essential to XL's long term growth and profitability;
- iv) Creating a strong sense of ownership and instill loyalty;
- v) Encourage attraction by supporting XL's development of economic value proposition in attracting potential talents with relevant skills in the talent market competition; and
- vi) Motivate participants to optimise performance standards and efficiency.

4. EFFECTS OF THE PROPOSED XL LTIP 2016-2020

4.1 Issued and Paid-Up Share Capital

The Proposed XL LTIP 2016-2020 will not have any effect on the issued and paid-up share capital of Axiata as the Proposed XL LTIP 2016-2020 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 LTIP 2016-2020 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 MFRS 2 “Share-Based Payment” as issued by the Malaysian Accounting Standards Board, the potential expense arising from the issuance of the XL Shares under the Proposed XL LTIP 2016-2020 will be measured by the fair value of the XL Shares on the issuance date. The fair value of the XL 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 Shares to be issued under the Proposed XL LTIP 2016-2020 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 MFRS 2, the Proposed XL LTIP 2016-2020 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 Shares to be issued and the terms and conditions of the Proposed XL LTIP 2016-2020. Based on the maximum number of XL Shares expected to be issued, the dilution of Axiata’s interest is estimated at maximum of 3%.

The Proposed XL LTIP 2016-2020 which is to be implemented in 2016 is not expected to have a material impact on Axiata’s consolidated profit after tax.

4.4 Net Assets (“NA”) and Gearing

As the issuance of XL Shares, subject XL meeting the performance conditions, is scheduled in 2018, the Proposed XL LTIP 2016-2020 will not have any impact on Axiata’s consolidated NA and gearing (interest bearing indebtedness divided by NA) as at 31 December 2015.

4.5 Convertible Securities

As at 10 March 2016, save for the 24,303, 493 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 LTIP 2016-2020 will not have any effect on the terms and conditions of such outstanding options.

5. APPROVALS REQUIRED

The Proposed XL LTIP 2016-2020 is subject to approval of the shareholders of XL which was obtained at the EGMS held on 10 March 2016. The Proposed XL LTIP 2016-2020 is not subjected to the approval of the shareholders of Axiata.

It is to be noted that pursuant to the Financial Services Authority (OJK) Regulation No 38/POJK.04/2014, the approval of the shareholders of XL for the issuance of the XL Shares will be

valid for 5 years. To ensure that the Proposed XL LTIP 2016-2020 will be valid for the duration of the Proposed XL LTIP 2016-2020, XL will undertake all necessary actions to seek new approvals from the shareholders of XL for the issuance of XL Shares.

A preliminary listing, which is administrative in nature, will be filed with the IDX by XL's Share Registrar upon vesting of the first grant in 2018 for Grant IA. Upon each vesting, the XL Shares granted under the Proposed XL LTIP 2016-2020 would be automatically listed on IDX.

The Proposed XL LTIP 2016-2020 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 LTIP 2016-2020.

7. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, XL intends to implement the Proposed XL LTIP 2016-2020 by the 1st half of 2016.

8. DIRECTORS' STATEMENT

The Directors of Axiata, having considered all aspects, are of the opinion that the Proposed XL LTIP 2016-2020 is in the best interest of the Axiata group of companies.

This announcement is dated 11 March 2016.