



PT XL AXIATA TBK. (XL)

26 September 2013



XL to Acquire Axis

- PT XL Axiata Tbk. (“XL”) is pleased to announce the acquisition of PT Axis Telekom Indonesia (“Axis”)
- XL reinforces its position as a **leading operator** in the Indonesian telecommunications industry
- Teleglobal Investments B.V. (“Teleglobal”), a subsidiary of Saudi Telecom Company (“STC”), will sell (or procure the sale of) a 95% equity stake in Axis to XL
 - **Conditional sale and purchase agreement executed**
- Axis is valued at a **100% enterprise value of US\$865 million, on a cash free and debt free basis**
 - The purchase consideration will be utilised towards payment of a nominal value for Axis’ equity and redemption of Axis’ indebtedness
- XL will continue to work with regulators to obtain all relevant final approvals

Spectrum driven asset acquisition meets XL’s strategic objectives and disciplined investment criteria





XL is today leading the Indonesian telecom industry consolidation by acquiring Axis





Optimal transaction structure and consideration

Transaction structure

XL will acquire a 95% equity stake in Axis

- XL has entered into a conditional sale and purchase agreement with STC and Teleglobal, a subsidiary of STC, in compliance with the Indonesian regulations

Transaction consideration

Axis is valued at a 100% enterprise value of US\$865 million, on a cash free and debt free basis

- Payment of a nominal value for Axis' equity
- Redemption by XL of part of Axis' indebtedness

Completion

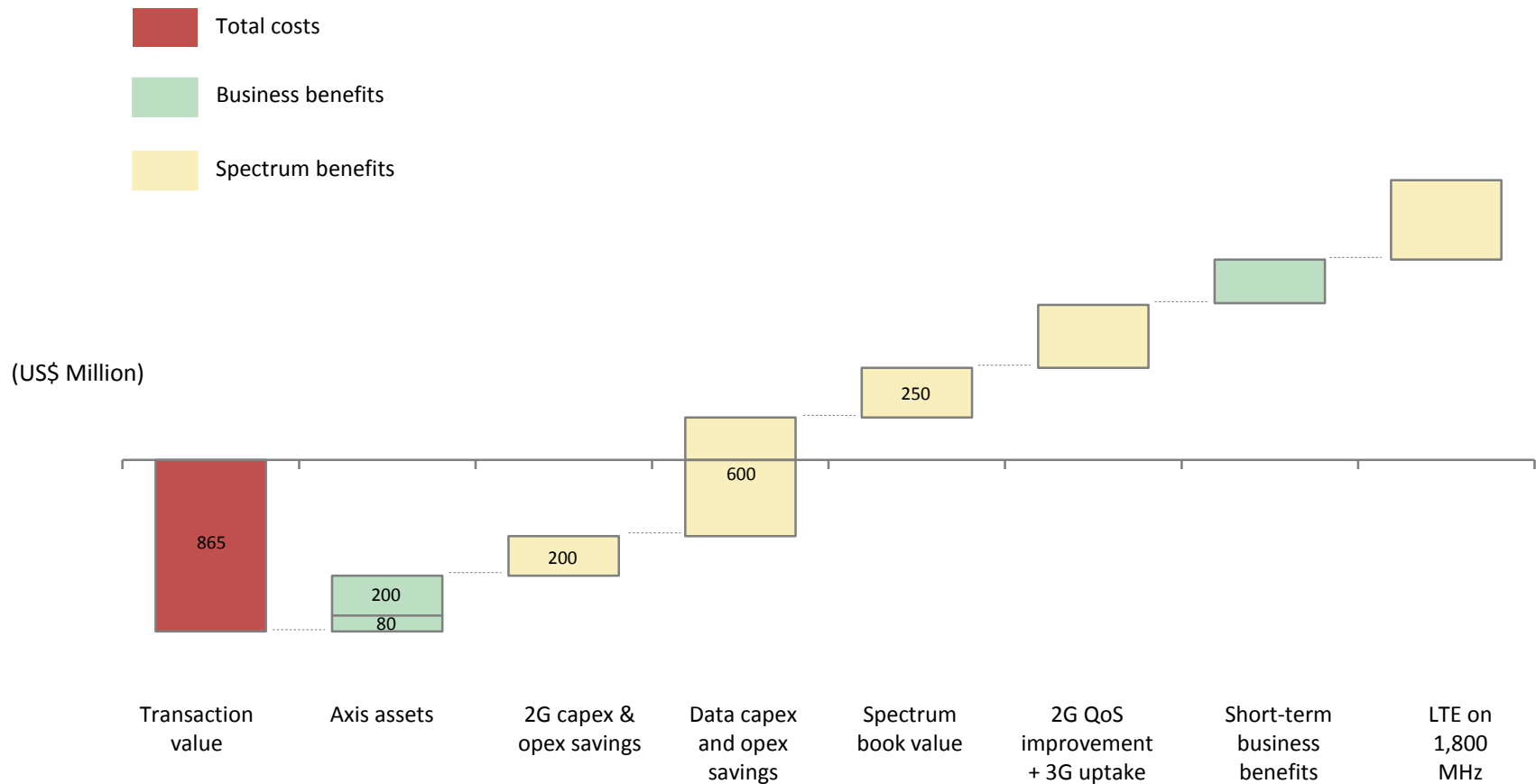
Conditional SPA executed, transaction completion subject to obtaining:

- All relevant regulatory approvals⁽¹⁾
- XL shareholders' approval
- Spectrum retention

(1) Includes approval from Ministry of Communications and Informatics of Indonesia ("MCIT"), Badan Koordinasi Penanaman Modal ("BKPM") and Komisi Pengawas Persaingan Usaha ("KPPU")



Strategic and quantifiable benefits complemented by a financially prudent transaction





Strategic and quantifiable benefits complemented by a financially prudent transaction

Transaction Rationale

- 1** **Spectrum benefits**
 - Spectrum acquisition cost of US\$250+ million avoided
 - ~US\$200+ million 2G capex / opex savings by 2015
 - Improvements in 2G QoS; platform for 3G uptake
 - Ability to compete in LTE in 1,800 MHz
 - US\$600 million capex and opex savings in 3G and LTE bands
- 2** **Business benefits**
 - 1,600 owned towers worth ~US\$200+ million
 - Network equipment worth ~US\$80+ million to be re-used
 - Additional subscriber base
 - Retention of add-on profitable revenues
 - Multiple areas of synergies / mutual re-inforcement
- 3** **Financially prudent transaction**
 - Meets Group M&A criteria
 - Optimal transaction structure and funding
 - Positive impact on all financial metrics in the mid-term

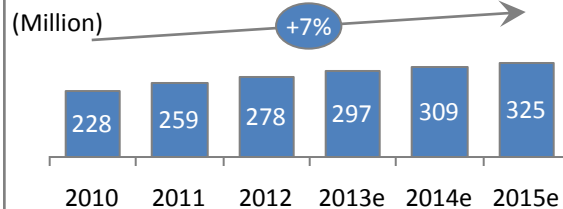
4 Consolidates the industry, benefiting all stakeholders

In bold: Immediate / short-term benefits



1 Spectrum is key to effectively compete and grow

Sizeable, growing subs base⁽¹⁾



Rapid shift to smartphones



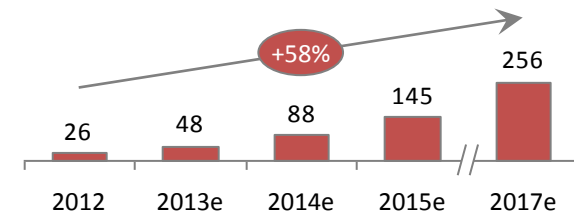
- 33 million smartphones (2012 end) – 15% of all handsets⁽¹⁾
- Increasing affordability – exp. 40% by 2015

Young subscriber base

....Much of this growth is being driven by teens, with >70% having a mobile phone...
- Nielsen Company⁽²⁾

**Indonesian market:
high growth,
strong data traction**

Exploding data traffic (PB⁽³⁾)



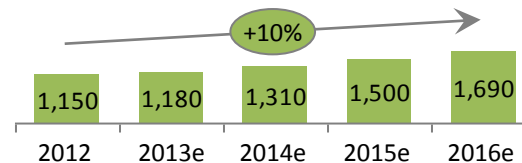
Embracing digital lifestyle



- 4th largest Facebook market⁽⁴⁾
- Highest % of internet users using social media in Asia
- Largest BB market outside USA and UK⁽⁵⁾

Fast growing middle class⁽⁶⁾

Annual disposable income (US\$)



(1) Source: Redwing Asia market information

(2) Nielsen report on mobile penetration (2011). Full quotation – “Much of this growth is being driven by teens, with more than 70 percent having a mobile phone connection, while the number of teens aged 10-14 having mobile phones increased more than five times during the five year period. Instant messaging or chatting is the top use of the phones for today’s young Indonesians, who prefer this use of the devices over voice calls or texting”

(3) Monthly mobile traffic (1 PB=1,000 Terabytes); Source: Cisco's VNI Mobile Forecast Highlights, 2012 - 2017

(4) Source: SocialBakers.com

(5) Source: Reuters

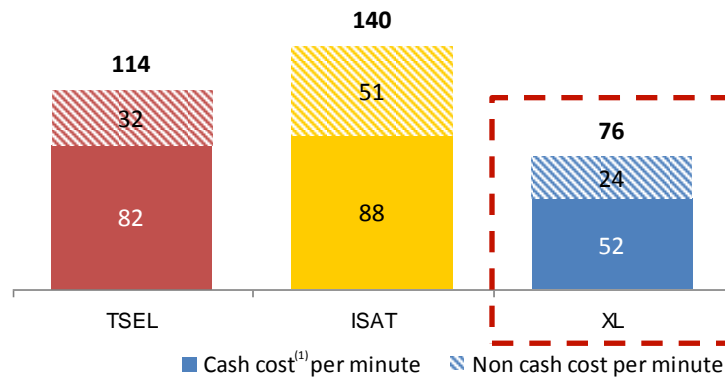
(6) Public sources



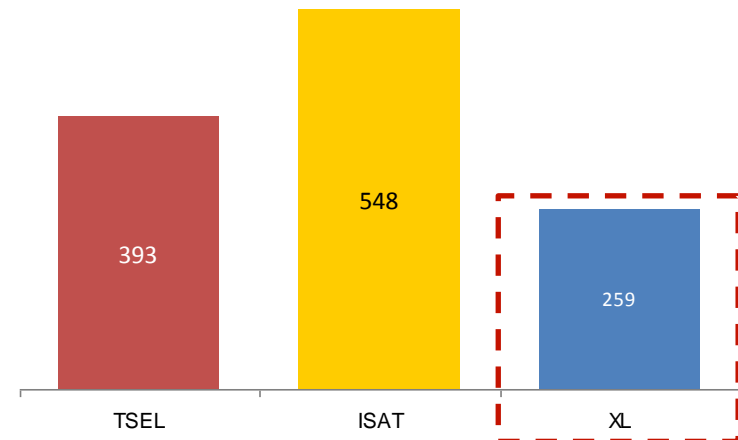
1 Spectrum parity will further enhance XL's cost leadership...

XL is already the cost leader in spite of current challenges

2012 Cost per Minute (IDR)



2012 Capex per Minute (IDR)



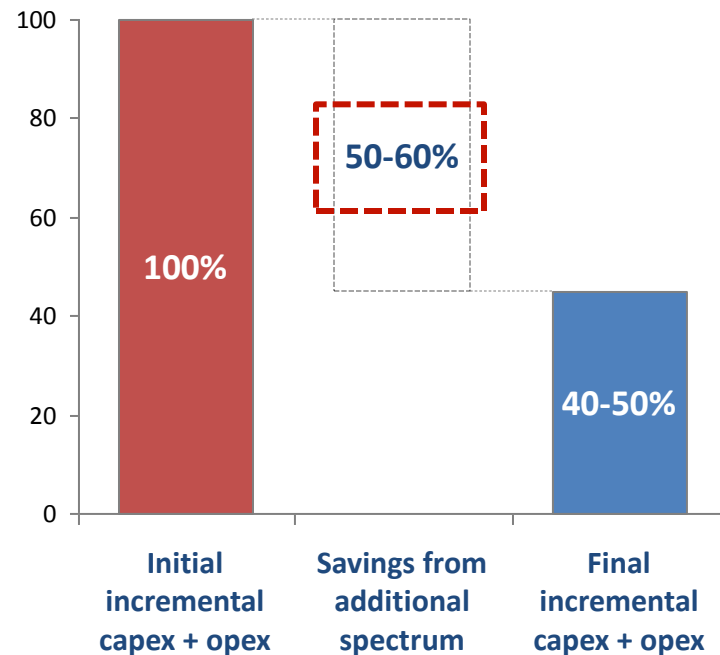
**XL + Axis will now achieve spectrum parity with competitors
– Unleashing its potential!**



1 ... with deployment efficiency going from good to exceptional in the mid-term

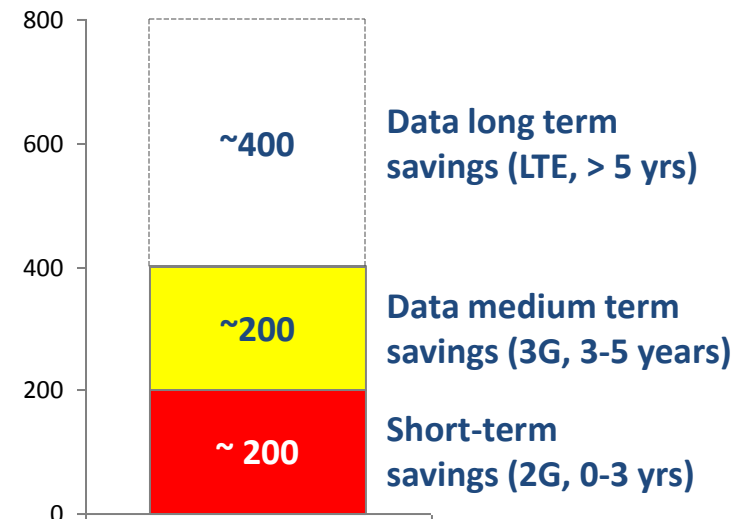
We estimate ~ 50-60% ⁽¹⁾ savings for incremental capex / opex spends...

Total Capex and Opex (Normalized to 100%)



... which results in tangible savings in the short and medium term

Savings (US\$ million)

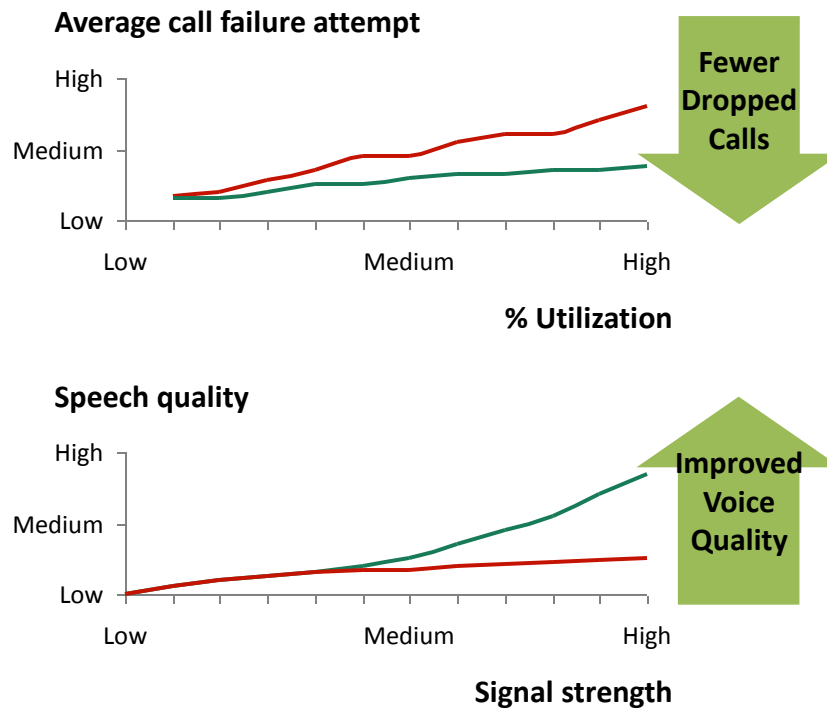


Immediate reduction in capex commitment from US\$900mm to US\$600mm for 2013 alone



1 2G quality of service and 3G uptake enhanced by additional spectrum

Immediate improvement in XL 2G quality of service



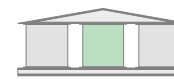
Provides a platform to drive uptake in 3G services

Improved brand and customer perception for 2G and 3G services



Unleashing 2G capacity
Ample capacity for 3G

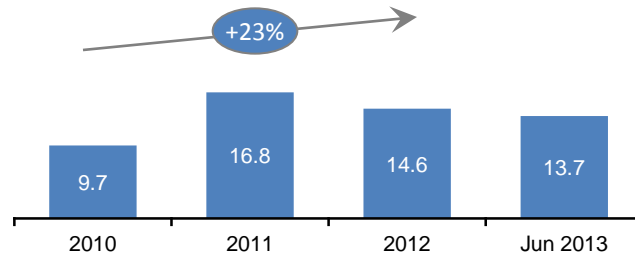
Enhanced traction in adoption of 3G services



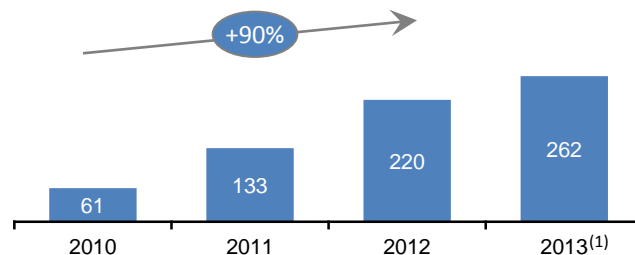
2 Axis: momentum and traction

A company with growth momentum....

No. of subscribers (Million)



Revenues (US\$ Mn)



... Emerging as a relevant player in the Indonesian telecoms market

- Adequate spectrum allocation
- Traction in mobile data services
- Customer base with high proportion of heavy data users
- Leading presence in the online space
 - Focus on internet services and data packages
- Best in class CRM practices – improved efficiency of customer retention programs

Yet subscale to strive on its own in the dynamic Indonesian market



2 Tangible benefits from Axis' existing assets alone



**Additional towers worth
US\$200+ million**

Transfer of ownership of over
1,600+ towers from Axis to XL

Immediately enhance capacity and
coverage

Immediate availability for re-use or sale



**~ US\$80 million of savings from
equipment re-use**

3 primary sources of equipment savings



RAN



Core



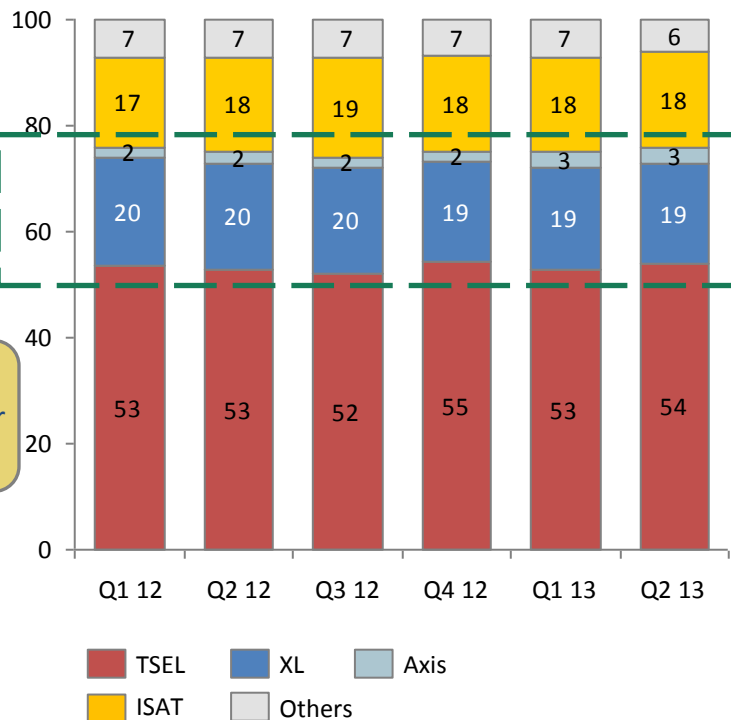
Transmission



2 XL reinforces market leadership position

Revenue market share improvement...

Revenue market share (%)



... in addition to significant size and scale of operations



Adequate spectrum resources vs. competition



Over 65 million subscribers, including a large BB subscriber base



Amongst the largest on-net community



Larger operating footprint: Nationwide network and distribution footprint



3 Optimal transaction structure and funding reflect XL's disciplined approach

Viable capital structure upon closing

- The transaction will be settled for a nominal equity value and repayment by XL of part of Axis' indebtedness
- Teleglobal will settle all other Axis' indebtedness prior to closing

Optimal transaction funding

- Transaction to be funded by a combination of a shareholder loan from Axiata and external debt to be raised by XL

Spectrum driven asset acquisition

- XL to re-use/redeploy significant elements of Axis' assets/network
- Only integrate profitable Axis' customers
- Cost reduction to let go unprofitable elements of the business





3 Financially prudent transaction focused on enhancing shareholders' value

Positive impact on top line growth

- Enhances XL's growth profile

Optimized capex spend

- Network efficiency drives lower new capex commitments: clearly quantifiable capex savings identified

Manageable impact on XL leverage

- Current leverage (Debt/LTM EBITDA): 1.9x⁽¹⁾
- Leverage increase by <2x with a strong deleveraging profile, comfortably within covenants and ratings triggers

Positive mid – long term earnings impact

- Short term negative EBITDA impact mitigated by quantifiable business benefits and accelerated integration
- Expected to be EPS accretive in the medium term

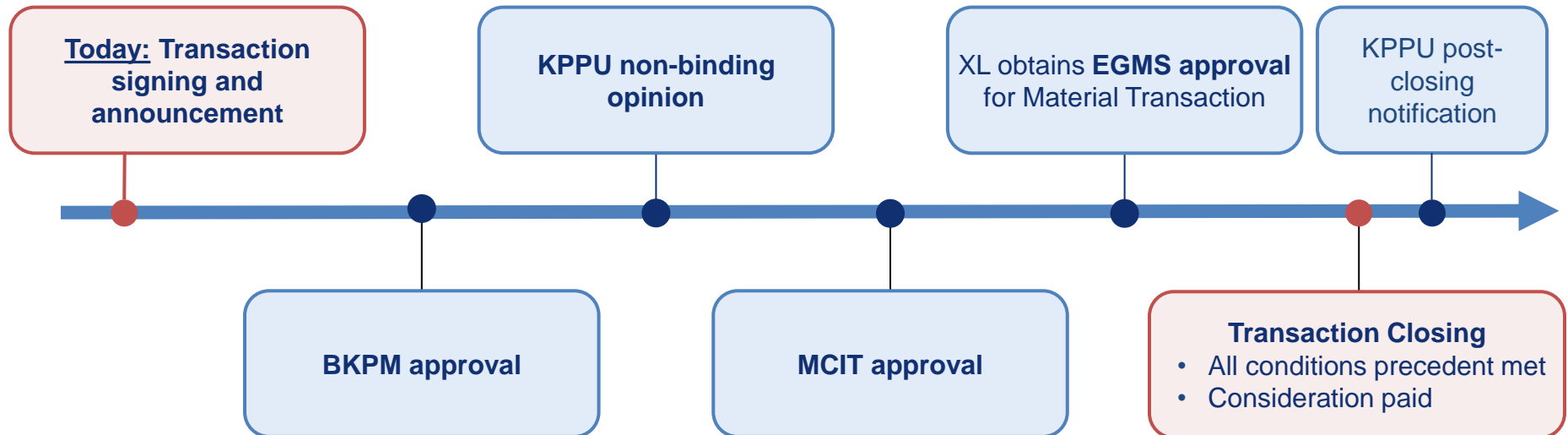
Dividend policy maintained

- XL dividend policy remains unchanged



Process initiated for regulatory approvals with clearly defined steps

Indicative Timeline



Transaction closing will be post receipt of all relevant regulatory approvals



XL is now uniquely positioned for sustainable industry leadership

