

Date : 23 May 2016

Minority Shareholder Watchdog Group  
Tingkat 11, Bangunan KWSP  
No. 3, Changkat Raja Chulan  
50200 Kuala Lumpur, Malaysia

**Attention : Puan Lya Rahman**

Dear Madam,

**AXIATA GROUP BERHAD (“AXIATA” OR “COMPANY”)  
ANNUAL GENERAL MEETING (“AGM”) OF AXIATA**

We refer to the Minority Shareholder Watchdog Group’s letter dated 18 May 2016. In relation thereto, we are pleased to provide our reply to your queries as follows:-

**1. In the segmental reporting, Malaysia and Sri Lanka reported lower segment profit of RM1.3 billion and RM98.6 million respectively in FY2015 as compared to RM2.7 billion and RM159.7 million respectively in FY2014.**

- (a) **The lower profit in Malaysia was due to higher share of loss of associates amounting RM35.5 million and lower other non-cash income as compared to last year. Please explain the reason(s) for the lower non-cash income and higher share of loss of associates.**

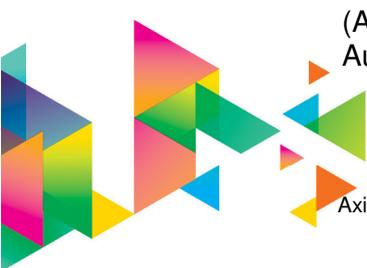
The lower non-cash income in FY2015 as compared to FY2014 is attributed to higher non-cash income of RM1,008 million in Celcom (Malaysia) for FY2014 primarily due to capital gains from the completion of carve-out exercise of edotco Malaysia Sdn Bhd into edotco Group Sdn Bhd (“**edotco Group**”). (This gain; however, was eliminated at consolidated level in FY2014. There was no such one-off capital gains in FY2015).

Higher share of loss of associate was mainly due to start-up losses from our new joint venture, namely, 11street in 2015 of RM47 million arising from advertisement and marketing expenses.

- (b) **The lower profit in Sri Lanka was attributed by higher non-cash expenses and higher tax. Please explain the nature of the non-cash expenses and the reason for the higher tax.**

Higher non-cash expenses recorded for Sri Lanka in 2015 was mainly due to foreign exchange losses arising from the appreciation of the USD currency against SLR currency by approximately 9% in 2015.

Higher tax incurred in 2015 was mainly due to the one-off super gain tax amounting to RM51.5 million (±SLR1.8 billion) imposed by the new Sri Lanka Government; namely, the Finance Bill and Telecommunication Levy (Amendment) on FY2014 profits. Please also refer to Note 11 – Taxation of the Audited Financial Statements for financial year ended 31 December 2015.



2. **Celcom Mobile, a wholly-owned subsidiary of Axiata had received notices of spectrum reduction from Malaysian Communications and Multimedia Commission (“MCMC”). The current allocation will be lowered from 2x17MHz to 2x10MHz in 900MHz band and from 2x25MHz to 2x20MHz in 1800MHz band.**

**(a) Was there any reason given by MCMC for the spectrum reallocation?**

MCMC; had through their notices, informed Celcom that the spectrum reallocation is in line with the Government of Malaysia’s decision to optimise spectrum resources.

**(b) Did the Company make an appeal to MCMC against the spectrum reallocation?**

Celcom have written and engaged with MCMC several times on the concerns on the proposed spectrum reallocation as per their notices. Initial concerns based on MCMC’s proposal are:-

- i) Immediate restriction on the use of existing spectrum
- ii) Migration timeline;
- iii) Restriction on technology deployment; and
- iv) Financial and quality of service impacts.

**(c) Would there be any disruption to Celcom mobile service arising from the spectrum reallocation?**

Celcom is performing spectrum re-planning, retuning and optimization as a result of the reallocation in order to release 7MHz x 2 in the 900MHz band and 5MHz x 2 in 1800MHz band. During this exercise, consumers may experience service and quality interruptions. We aim to avoid or at least minimise any interruptions through meticulous planning and execution. This will be carried out through a phased approach per region and conducting strict KPI monitoring post each reallocation and retuning activities.

**(d) Would there be an additional CAPEX to be incurred arising from the spectrum reallocation as the mobile service may be disrupted?**

There will be additional cost for implementing the spectrum re-allocation such as cost for re-planning, re-tuning and optimisation. Further explicit cost that the industry players will incur will come from spectrum assignment fees. The arrangement of those fees have yet to be communicated to the industry as such it is too early to give an overall estimate for additional CAPEX.

In addition, we are of the view that it is appropriate to highlight that with increasing data traffic, a reduced spectrum position is equal to reducing capacity for the respective network players that had to give up spectrum which would require investments into more sites and equipment to "rebuild" this capacity and compensate for lesser spectrum and avoid a degradation of network experience for customers. The alternative to this is that new spectrum is made available in the mid-term future.

**3. The Group had recently entered tower business in Myanmar via edotco Group Sdn. Bhd. What would be the expected investment amount and investment return from the investment?**

edotco Group entered into the Myanmar market with an investment of USD125 million to acquire 75% of Digicel Myanmar Tower Company Limited (now known as edotco Myanmar Limited) ("**edotco Myanmar**") and intends to invest further up to USD200 million over the next 3 years to build the business.

edotco Myanmar has made strong progress in the past 6 months since the acquisition by edotco Group. Given edotco Myanmar and the market is in a growth phase, we expect positive cash flows to be generated from the cumulative investment within 3 to 5 years

**4. XL Indonesia reported a much lower segment loss of RM10.9 million in FY2015 as compared to a much higher segment loss of RM225.1 million in FY2014. Excluding the impact of unrealised forex transactions, XL Indonesia would have recorded a profit. Is the company's profit sustainable in the future?**

XL recorded a much lower segment loss mainly due to the one-off gain in 2015 amounting to RM511.2 million on the disposal of tower. In FY2015, XL implemented its Transformation Agenda's 3R – Revamp, Rise & Reinvent to adapt to the changing market dynamics and focus on the value creation as it seeks to build a more sustainable business for the future.

- Revamp – shift subscriber acquisition from “no value” to “value” subscriber
- Rise – seeks to move XL brand up the value ladder via a dual brand strategy with Axis to address different segments of the market
- Reinvent – going beyond today's business model

Consequently, XL started 2016 with a promising note, recording improvements in revenue and EBITDA in 1Q16 as a result of XL's focus on the higher value subscribers and improved product pricing as well as cost efficiencies. PAT continues to be under pressure.

**5. Please explain the performance metrics/targets and financial measure(s) that would be used by Board Remuneration Committee (“BRC”) in the granting of the RSP and ADS LTIP awards to eligible directors and employees?**

For granting of Axiata LTIP, the minimum requirement is that a minimum company performance target of PATAMI must be met. The performance criteria for Axiata LTIP to vest include Total Shareholders' Return (TSR) and under the Proposed LTIP, to include Return on Capital Employed (ROCE) set at various performance levels. Individual performance is also one of the measurements.

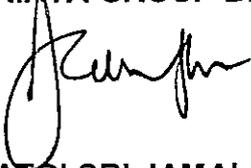
ADS LTIP is a management incentive cash plan that has been approved by the Board for implementation. This is intended to be paid in cash to eligible employees. For better management of cash flow, we are seeking the flexibility for the payout of this plan to include issuance of Axiata Shares or a combination of cash and Axiata Shares. Hence, shareholders' approval is sought for payout using Axiata shares.

**6. Are there any claw-back provisions for shares granted when the grantees did not perform as expected in the LTIP?**

Shares granted may not vest unless vesting conditions that include the company's performance targets, namely PATAMI, TSR, ROCE and individual performance targets are met. Even after shares are vested, they are further subjected to claw-back provision and/or forfeiture in the event of criminal, fraud or deliberate financial misstatements.

Thank You.

Yours faithfully,  
For and on behalf of  
**AXIATA GROUP BERHAD**



**DATO' SRI JAMALUDIN IBRAHIM**  
**Managing Director/President & Group Chief Executive Officer**