14 November 2022

Minority Shareholders Watch Group
Level 23, Unit 23-2
Menara AIA Sentral
No. 30, Jalan Sultan Ismail
50250 Kuala Lumpur

Attention : Mr Devanesan Evanson
Chief Executive Officer

Dear Sir,

AXIATA GROUP BERHAD ("AXIATA" OR "COMPANY")
EXTRAORDINARY GENERAL MEETING ("EGM") OF AXIATA

We refer to the Minority Shareholders Watch Group's letter dated 8 November 2022 and are pleased to provide our replies to your queries as follows:-

Proposed Merger of the telecommunication operations of Celcom Axiata Berhad ("Celcom") and Digi.Com Berhad ("Proposed Merger")

1. Axiata group's earnings before interest, tax, depreciation and amortization (EBITDA) derived from its Malaysia mobile segment was fairly stable in the past three years as shown below:

Financial year ended	2019 RM'000	2020 RM'000	2021 RM'000
EBITDA	2,618,458	2,589,948	2,825,957

(Source: Axiata Group Berhad's Annual Report 2021 and 2020)

In 2019, 2020 and 2021, Malaysia mobile segment contributed 24.6%, 24.3% and 24.8% to Axiata total group's EBITDA respectively.

(a) The Proposed Merger will see Axiata losing direct control over cashflows (as shown in the table above) from its wholly owned Celcom, which has been contributing about a quarter of Axiata's total group EBITDA. Moving forward, to what extend Axiata's group cashflows will be impacted as it will depend on dividend from MergeCo, whereas MergeCo will also has its own capex needs? Does MergeCo intend to formalize a dividend policy?

Axiata and Telenor have similar approach to optimise dividend payout from its subsidiaries, and this would include MergeCo. We expect the dividend from MergeCo to continue to be robust and in line with the dividends we received from Celcom prior to the merger. Dividend outlook will be predicated on considerations of, among others, macroeconomic headwinds, particularly in frontier markets which Axiata operates in.

Upon completion of the proposed merger, which is targeted to be on 30 November 2022, Celcom Digi Bhd board will determine and formalise its dividend policy.

In the short term we do expect lower cashflow's from MergedCo due to integration costs. However, this will be offset with flows from other yield assets within the portfolio.

(b) Upon completion of the Proposed Merger, Axiata group will place stronger reliance on cashflows and earnings from Sri Lanka, Nepal, Indonesia, Bangladesh and Cambodia which will expose the Group to greater risks (more volatility risks than Malaysia). Given the current challenging global macroeconomic environment (inflationary pressure, higher interest rates, currency volatility), how will profitability be impacted going forward and how does the Group manage and mitigate these business risks?

Despite the current macro-economic challenges, Axiata is expected to be ahead of its Headline KPI 2022 of:

a) Mid single digit revenue ex-device growth
b) High single digit EBIT growth

Axiata will continue to manage these business risk via Axiata Capital Structure,& Treasury policy, where key parameters include:

a) Managing gross debt/EBITDA within 3.0x.
b) Local debt mix >50%
c) Hedging of foreign debt >50%
d) Interest expense mix >50% fixed
e) Average borrowing tenure 3-5 years
f) Liquidity ratio >1.5x
g) Cash in panel financial institutions >95%
h) Cost of debt to lower by 20bps QoQ
i) Remain with debt covenants.

The Board Audit Committee and Board Risk and Compliance Committee's periodically review the Macro situation and management actions to mitigate the risks. Macro situation is identified as a significant risk in Axiata's risk heatmap. Impact to profitability has been consequent to unrealised losses from strengthening of USD against all operating and reporting currencies. We expect this situation to start easing from 2023. However, on an underlying basis, performance has been ahead of headline KPI's.

(c) The Proposed Merger will create significant value from synergies realised through the integration of Celcom's and Digi's networks, information technology and sales & marketing departments (page 15 of Circular dated 28 October 2022), is there potential significant capex savings as both Celcom and Digi share the same network infrastructure? If yes, how much?

Synergies are anticipated to be realised mainly through consolidation of network and IT infrastructure. This will result in capex savings post integration of the two networks enabling greater economies of scale which will create more capability for funding future investments. The scale, capacity and value created will allow the MergeCo Group to target its investments to benefit Malaysian customers and businesses through stronger combined network, multi-channel distribution, enhanced digital access and offerings and wider product offerings supporting Government initiatives.

More details on the synergy values will be shared once the transaction has closed.

We will present all the abovementioned questions and our responses thereto at the Extraordinary General Meeting to be held on Friday, 18 November 2022.

Thank you.

Yours sincerely,
For and on behalf of
AXIATA GROUP BERHAD

VIVEK SOOD
Joint Acting Group Chief Executive Officer