

21 March 2025

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

Attention : Dr Ismet Yusoff
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 19 March 2025 and are pleased to provide our replies to your queries as follows:-

- 1. The Proposed Merger is expected to drive tower consolidation, optimising infrastructure usage, enhancing operational efficiency and improving network reliability which will in turn bring about synergistic value. (Page 17 of the Circular)**

Please provide a detailed breakdown of the expected cost synergies and revenue synergies over the next five years. How will these be realised, and what are the key execution risks?

The Proposed Merger is expected to realise annual run rate pre-tax synergies of US\$300-400M after integration. Detailed planning is being carried out to realise these synergies rapidly.

Broadly, the key sources of synergies are:

Network and IT:

- Decommissioning 20-30% of sites of the overlapping footprint resulting in savings in energy and lease costs
- Optimising network assets such as the radio network, microwave links and fiber back haul
- Selectively investing in targeted locations where the combined entity has high profitability
- Efficient use of combined spectrum resources
- Rationalising for duplication in IT systems

Procurement: Increased ability to secure better pricing from Network equipment, TowerCo, FibreCo and IT vendors

Commercial: Channel optimisation by enhancing direct retailer relationships and increasing digital distribution

Key execution risks would include potential time delays and termination penalties as a consequence of network optimisation activities, which require weighing benefits against potential costs.

XL Smart has appointed a highly experienced management and integration team to oversee and execute the integration plan.

2. **There are currently four key mobile network operators (“MNOs”) in the Indonesian mobile market. Telkomsel is the incumbent with the largest subscriber base, and sees the highest revenue, EBITDA margin, and net income margin. The Indosat–Hutchison merger in 2022 established Indosat Ooredoo Hutchinson (IOH), which is now the second-largest player. (Page 18 of the Circular)**

Given that the Indonesian telecommunications market is highly competitive, how does the MergeCo plan to position itself against established players such as Telkomsel and IOH?

XL has outperformed competition in terms of gaining revenue market share on numerous occasions. It has done so while maintaining high EBITDA margins and conservatively managing capital expenditure. As all the MNOs in Indonesia face similar challenge in high CAPEX and pressure on profit, we expect the creation of XL Smart to lead to a prolonged period of market repair. XL Smart will also have greater scale in spectrum, network and subscribers to compete more effectively, which may discourage TSEL and IOH from competing irrationally. In addition, with the acquisition of the ~0.8m broadband subscribers of Linknet, XL is now firmly established as the #2 operator in the broadband market. As fixed mobile convergence and bundling become increasingly standard, this integrated ability will further strengthen its market position relative to competition.

3. **The Indonesian mobile market is dominated by prepaid subscribers and experiences high churn rates, limiting opportunities for ARPU growth. While the Proposed Merger may support 5G deployment, significant capital investment is still required. Given these challenges, what is MergeCo’s strategy to achieve profitability while addressing the increasing demand for 5G services?**

MergeCo will undertake several measures to improve profitability after the start of 5G CAPEX cycle:

- Only deploy 5G selectively in areas with demand and high 5G device penetration
- Optimise 4G CAPEX once 5G is deployed
- Use higher 5G efficiency to lower the cost per GB as data usage increases

In addition, MergeCo will remain focused on market repair and growth in ARPU, which is currently at only 0.6% of GDP per capita, which is one of the lowest in the region.

4. **The table below sets forth the gain from tower sale and leaseback from FYE 2022 to FYE 2024:**

Million Rupiah	FYE 2022	FYE 2023	FYE 2024
Gain from tower sale and leaseback	446,805	424,062	415,641

Given that the proposed Merger aims to drive tower consolidation, will the Company continue with its asset-light strategy to optimise network synergies?

Both XL Axiata and Smartfren currently lease a large majority of its towers, while each owning an inconsequential number of towers. Going forward, MergeCo will continue its current approach, and work with TowerCos to realise network synergies by dismantling redundant towers.

5. What contingency plans are in place if the expected synergies and benefits do not materialise as projected?

Many of the envisioned synergies relate to network optimisation with a high degree of visibility and pathway to realisation. These have been tested in the Indonesian market with the IOH merger, which realised a large scale tower decommissioning and dismantling within 2 years. Therefore, we are confident that these synergies will be realised within the time frame indicated. Furthermore, Axiata has a strong track record of realising synergies from in-market consolidations in highly competitive markets in Bangladesh, Sri Lanka and Malaysia. In case synergy realisation is delayed, Axiata and Sinar Mas have contingency plans to improve overall ROI, including prudently managing new capital expenditure and reducing operating expenses.

We will present all the above-mentioned questions and our responses thereto at the Extraordinary General Meeting to be held on Monday, 24 March 2025.

Thank you.

Yours sincerely,
For and on behalf of
AXIATA GROUP BERHAD



VIVEK SOOD
Group Chief Executive Officer and Managing Director