22 May 2023

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

ATTN: Mr Devanesan Evanson, Chief Executive Officer

Dear Mr Devanesan,

RE: Reply to the MSWG questions for the 26th Annual General Meeting of CelcomDigi Berhad

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Firstly, we thank you for the letter dated 5 May 2023, and noting your questions raised in the interests of all minority shareholders and all other stakeholders of the Company. We append below the response to your queries as highlighted in your letter.

Operational & Financial Matters

1. *With the merger of Celcom and Digi, what are the key challenges that needed to be addressed? What are the key strengths that each party brought to the table?*

   CelcomDigi's response

   a) Key Challenges

      The complexity of merging two large mobile operators of equal size was enormous, especially in having to conduct business as usual throughout the entire duration, while planning for the merger transaction and integration activities at the same time. Key challenges and considerations faced during the merger were:

      - Massive and complex integration planning which required attention to detailed delivery to strategise for benefit
      - Ensure business continuity and protecting day-to-day operations (BAU)
      - Consistent engagement and communication with all stakeholders involved
      - Cultural integration as well as organisational design and setup which required consistent alignment of way of work and key processes

   b) Key Strengths

      CelcomDigi was established with the aim of realising the combination of scale, experience, resources, and strengths of two iconic Malaysian brands – Celcom and Digi with a collective experience of more than 60 years. Some of the key strengths of the merger included:

      - Celcom's network has the broadest coverage in Malaysia complements Digi's high network consistency and quality to further elevate the overall connectivity experience of our enlarged customer base
        - Our 4G and 4G+ population coverage reached 96% and 90%, respectively
        - More resilient to better serve the growing demands and deliver Fibre and Enterprise opportunities.

- Economies of scale, experiences and resources and talent of two home-grown brands
    - Stronger distribution and sales channels
    - Leveraging on procurement synergies and enable local start-ups, local vendors, SMEs, large enterprises to access Telenor and Axiata global markets, while attracting global partners into Malaysia

- An inclusive and diverse workforce in gender, ethnicity, age, and experience, reflective of the myriad customers we serve
    - With a new CelcomDigi culture based on performance and innovation

- Driving operational excellence to sustain profitability margins, leveraging on each other's strength in cost and capital management
    - Strong balance sheet and financial capabilities, allowing us to invest for future growth and for Malaysia

2. *CelcomDigi is committed to executing its strategy in three areas, one of which is to focus on growth which entails continuously strengthening the core mobile business to sustain its market leadership position, while expanding the Home & Fibre and Enterprise businesses. (page 13 of IAR 2022)*

    (a) What is CelcomDigi's market share in the mobile business? What is its target?

    CelcomDigi's response

    CelcomDigi currently holds over 40% of mobile service revenue market share driven by our combined market leadership position across all segments. For 2023, we are optimistic of maintaining the growth momentum of Service Revenue leveraging on our growing high-value and differentiated customer offerings for all customer segments.

    (b) What is the current status and achievements for the Group's Home & Fibre and Enterprise businesses and what are the aspirations and targets?

    CelcomDigi's response

    We will be announcing our first full quarter results on 24 May 2023. More detailed financial information will be made available on our website. Meanwhile, our current status and achievements, and aspirations for both segments can be summarised below;

	Home & Fibre	Enterprise
Current Status and Achievements	• Launched our first Home Fibre campaign under CelcomDigi brand, with high-value plans leveraging on high-speed internet proposition	• Launched a range of digital and connectivity solutions namely Mobile, Fixed, IoT, Cloud, and Cybersecurity under CelcomDigi Business brand • Signed Memorandum of Understandings with entities: ○ MBSB Bank on banking digitalisation ○ Langkawi Port on smart port initiative
Aspirations and Targets	• The fastest growth in the market by differentiating CelcomDigi brand	• A clear leader in the Enterprise segment, serving enterprises of all sizes

3. *One of the Group's strategic pillars is to accelerate the sustainable integration of two leading telcos' networks, IT systems, channels, and people into one merged entity in order to quickly realise synergy savings and efficiencies that can be used to reinvest in future growth. (page 34 of IAR 2022)*

With the integration, what are the major areas of synergy and efficiencies? Is there a likelihood of staff layoff or voluntary separation scheme?

CelcomDigi's response

- Major Areas of Synergy and Efficiencies
  Realisation of synergies is mainly through the network modernisation and integration activities, IT platform consolidations and channel integrations, to drive better customer experience and unlock synergies.

  In addition, we are also placing a lot of emphasis in driving operational excellence (OE) across the company through simplification and application of advanced technology and OE mindset change.

- Layoff or voluntary separation scheme
  CelcomDigi reiterates our commitment to protect employee welfare with no forced retrenchments. With the increased scale to drive innovation growth, the company is well positioned to create opportunities for employees to continue to develop and transform operating model to drive new growth opportunities and develop new innovation for the company.

  Nevertheless, we will proactively review our human capital management as part of our OE transformation journey.

4. *One strategic focus area is to grow significant market share across all Enterprise segments through strategic partnerships enabled by beyond connectivity solutions. (page 35 of IAR 2022)*

   What is the progress to date?

   CelcomDigi's response

   Our newly introduced product offerings under CelcomDigi Business segment reflects the company's commitment in supporting all enterprises throughout their digitalisation journey. We are well positioned to expand our portfolio of managed services, digital solutions, as well as actively exploring possibilities using 5G technologies.

   In parallel, CelcomDigi continues to leverage on the strength of internal expertise, partnerships, and our subsidiaries namely Bridgenet and Infront Consulting, both of which are market leaders with significant credentials in their respective fields; cybersecurity and cloud.

5. *Other expenses at Group level rose sharply from RM771.715 million in FY 2021 to RM1,013.804 million in FY 2022. (page 134 of IAR 2022)*

   Which major areas accounted for the sharp increase and what are the reasons for the increase? What is the outlook for FY 2023?

   CelcomDigi's response

   The increase in Other Expenses arose from:

   a) one-off stamp duty, professional and legal expenses in relation to the acquisition of subsidiaries of RM141.4 million as indicated in Note 7 d) to the accounts (page 172 of the IAR 2022); and
   b) 1 month contribution of expenses of subsidiaries acquired on 30 November 2022 of RM103 million.

6. *Trade and other receivables*

	Group 2022 RM'000	2021 RM'000
Non-current		
Allowance for expected credit loss on trade receivables	(25,485)	-
Allowance for expected credit loss on deposits	(78,482)	-
Current		
Allowance for expected credit loss on trade receivables	(207,013)	(29,040)
Allowance for expected credit loss on other receivables	(415,699)	-
Allowance for expected credit loss on deposits	(96,168)	-

(page 190 of IAR 2022)

At the Group level, in FY 2022, there were sharp increases in allowances for credit losses for trade receivables, deposits and other receivables.

Please explain the sharp increases. Is there a need for the credit risk management policy to be reviewed?

CelcomDigi's response

The increase is due to the inclusion of the expected credit losses of subsidiaries acquired during the year amounting to RM773.2 million as set out in the table on the movement in allowance for expected credit losses in Note 34.2 (page 213 of the IAR 2022). The charge for the current financial year is RM79.5 million (FY2021: RM54.5 million), increased with the inclusion of the expected credit losses charge of the subsidiaries acquired.

The credit risk management policy of the Group as set out in Note 34.2 (page 212 of the IAR 2022) is reviewed periodically to ensure its effectiveness in addressing the credit risks of the Group.

We value your questions and trust that the above response provides clarity to the queries raised. Please do not hesitate to contact us further, should you have any further clarifications.

Thank you.

Yours sincerely,

Christine

Christine Lau

Head of Investor Relations

for **CelcomDigi Berhad**