

MAXIS TRANSCRIPT: 1Q2022 RESULTS BRIEFING

This is the official Maxis transcript of the teleconference presentation that was given on the results presentation briefing call on Friday 29 April 2022. This script should be used in conjunction with the presentation document and the Bursa Malaysia results announcement both are available on the Maxis IR website.

Good morning, Ladies and Gentlemen, this is Gokhan Ogut speaking.

A warm welcome to everyone and thank you for participating in our first quarter FY2022 results briefing.

Joining me today are Wayne Treeby our Chief Financial and Strategy Officer; Paul McManus, Chief Enterprise Business Officer; Loh Keh Jiat, Chief Marketing and Consumer Business Officer; and also Paul Zaman from Investor Relations.

This call will follow our usual format: a short presentation then we are open for questions, finishing by 11am.

For our first quarterly results briefing of FY2022, we are introducing a couple of changes to our presentation and I hope you will be liking these changes. We will be providing progress updates on our fibre rollout plans and our digital transformation journey, and as promised, we will provide revenue insights into our Consumer and Enterprise Business.

We like to start each quarterly reporting session by reminding you of our Corporate MAX Strategy. This has created the strategic direction and enabled Maxis to be Malaysia's Leading Converged Solutions Provider since the start of MAX strategy execution in 2019.

We are focused on maintaining our first mover advantage and strengthening our market leadership in our converged network and core mobile business and so are building more fibre, to drive harder our growing Fibre and Home Broadband base, whilst we deliver on our brand promise of Unmatched Personalised Experience.

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Our Purpose, of “Always Be Ahead” drives our continued investments and focus in the following key areas of:

- Accelerating Fibre and Home Broadband penetration and supporting JENDELA;
- Positioning Maxis Business, our Enterprise arm, as the preferred ICT digitalisation partner for all of Malaysian businesses;
- Maintaining leadership in network and technology; providing a Rangkaian Menyeluruh, or “All-ways Connected” of access choices to our customers including: 4G/LTE, fibre, direct internet access, SD-WAN, satellite and 5G in the future;
- Expanding our physical and digital channels for sales and service;
- Building critical capabilities, culture and systems for sustainable productivity and working capital management results, this is our XLR8 programme, which Wayne will talk more about later.

We are also now seriously embracing ESG and updating our MAX Strategy to incorporate our ESG goals, which we will discuss further in the coming months with you.

A great deal has happened since 2019, and we would like to share with you our ongoing investments in delivering Maxis’ converged network.

We consider ourselves a significant fixed network provider in Malaysia, and expect to add another 400,000 premise passes in the next 12 to 18 months, providing connectivity to Malaysian households, businesses and schools. The investments are a combination of commercial capex and USP clawback capex as part of the Government’s JENDELA initiative.

For households and townships, we continue to partner with property developers at their planning and build stages, this includes our long-standing partnership with Gamuda and more recently with Teladan Setia.

For our Enterprise Business, we are committed to provide the best and most appropriate connectivity to meet our customers’ needs. We are targeting to connect and service over 70 thousand businesses, especially those in

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industrial zones. Our SD-WAN network has now grown and offers over 1,300 locations across the country. This, with our 4G WBB service provides a ubiquitous coverage to business with distributed sites. For the bigger corporates, we offer Direct Internet Access (DIA) and Private Leased Circuits (PLC).

We were recently awarded a Government contract to build fibre network in the Southern Region, targeting 127 schools and 27k surrounding premises in the states of Negeri Sembilan, Melaka and Johor. We were one of three fixed providers to be awarded contracts across the country, and endeavour to win further contracts in the future.

We have invested around RM300 million annually since 2019, in capex and opex, in our digital and cybersecurity capabilities, and recently completed and commissioned our new customer service and billing systems for both our Consumer and Enterprise businesses.

In Consumer business, we have upgraded our billing and CRM systems to enable a seamless service experience across our converged network.

In Enterprise business, the new enhanced IT systems and processes are adding further capabilities in converged access, managed networks, cloud, IoT and e-commerce services.

Accelerated by the Covid-19 pandemic, our digital distribution strategy through Maxis Online Store, as well as customised offerings through our mobile applications – MyMaxis App and Hotlink App, has yielded positive returns. Sales via our Maxis Online Store more than doubled over the past year, making it our largest Maxis store today.

And finally, we are also digitalising other areas of Maxis' front and back of house operations, increasing workforce efficiency through digitalised platforms and standardized workflows. This has in turn contributed to the success of the XLR8 productivity program.

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Our cautiously optimistic approach in managing the new norm and building upon our learnings from earlier phases of the pandemic, has worked well. Again, we have delivered pleasingly strong results, with positive growth in most areas.

We have continued to deliver strong year-on-year growth in Consumer Postpaid customer base which at 3.19 million, is up by +9.2%. We continue to be the Postpaid market leader in Malaysia.

The Consumer Prepaid market remains competitive. Nevertheless, we ended this period with 5.72 million Consumer Prepaid subscribers, despite continuous pre-to-post migration. We also did our annual housecleaning and clean out of dormant Prepaid subscribers. We continue to be the Prepaid market leader in Malaysia. This is a strong testament to our premium network and omni-channel distribution.

In Consumer Fibre and 4G WBB connections, we have delivered double digit YoY growth of +19.2% and ended the year with 615k Consumer home broadband subscribers.

In Enterprise Business, as a change, we are now reporting Business Registration Numbers, “BRNs”. Each BRN refers to a business account, which will often have a combination of access connectivity products such as postpaid mobile services, biz fibre, direct internet access, private leased circuits or SD-WAN.

More details on both Consumer Business and Enterprise Business later in this presentation.

Maxis continues to be a role model in digitalisation and is pleased that our customers also are continuing to embrace our mobile apps. Maxis app adoption is steady at 62% and Hotlink app adoption is at 73%, both now seem to have achieved their natural full adoption rate. We have introduced a new statistic called Digital Care, which refers to customer interactions taken through non-human interactions, including Virtual Interactive Voice

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Responder, and MaxBOT interactions. Of all customer interactions for the quarter, 22.8% of them were handled digitally, an encouraging double-digit growth of 14.7 percentage points YoY.

Now let me hand over to Wayne to drill down into the financials.

Thank you, Gokhan. Good morning, Ladies and Gentlemen.

Let's now turn to the financial highlights. Our cautious yet agile execution in managing the turbulent new norm continues to work well.

We have delivered pleasingly strong revenue results with positive growth in our both Consumer and Enterprise Businesses.

We will drill into more details in the subsequent slides. The Board of Directors fully recognises the importance of dividends to the Group's equity shareholders and is of the view that a prudent dividend preserves an optimal capital structure that protects our core business during this time of uncertainty. However, our successful agile response to the challenging economic environment is paying off, and it means that we are cautiously optimistic for the year ahead.

With great pleasure, I would like to announce the declared first quarter interim dividend for the FY2022 of 5 sen for this period. We have been prudent throughout FY2021 year and have ample cash reserves at the end of 1Q22 of RM 531 million. This follows our 5 sen dividend declared for 4Q21.

Our internal management goal is to target for the full year delivery of a DPS/EPS and DPS/FCFPS percentage of around 100% and to have the cash reserves to pay attractive and sustainable dividends.

Now let us drill down into the Service Revenue. Service Revenue for the quarter was RM2,030 million, up 3.0% YoY and 0.7% QoQ.

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The increase in Service Revenue is a testament of our strong brands, Maxis and Hotlink. Also, our converged strategy execution is building momentum and results, from our increasingly diverse portfolio of converged consumer and business services, especially bundled Fibre and 4G WBB and Enterprise solutions.

Moving on to Capex, Capex for 1Q22 was RM171 million, up 25.7% year-on-year but in-line with our normal phasing of Capex.

We continued to invest to maintain our superior 4G/LTE network that has over 93% population coverage.

Maxis also has the largest fiberised tower and base station footprint and continues to invest in this. We now have the majority of mobile base stations with direct fibre, and these are largely in key market centres. Maxis has over 92% of mobile base stations directly connected by fibre or a single hop microwave system to fibre. The aggregation network and backbone network are largely fibre, to which Maxis has over 21,000km fibre installed to-date. This means that our Consumer and Enterprise customers enjoy better upload and download speeds; better latency; and increased service reliability; all due to our significant investment in fibre and fibre rings.

Turning now to profitability, we delivered EBITDA of RM930 million for 1Q22, down YoY and relatively flat QoQ. This is largely due to the high device contracts volume in 1Q22, that resulted in higher device costs recorded for the quarter, though this locks in future revenues for the months to come, and also there was higher PFDD for the quarter.

1Q22 PAT was a solid RM298m. On a QoQ basis it is up by 3.1%, though YoY it was a decline of 10.8%.

This was mostly due to our Depreciation and Amortisation that has changed in nature over the year, although it should now stabilize at the current level.

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In-keeping with our prudent approach on our business, we reviewed the expected commercial life of our spectrum and decided to amortise this over a shorter economic life, triggering an incremental increase in amortisation starting in 3Q21.

All 3G assets have also been fully depreciated as of December 2021, in anticipation of a full 3G shutdown in first half 2022.

We maintain a very sharp focus on Operating Free Cash Flow (OFCF) and cash management.

We again delivered an underlying OFCF of RM669 million for 1Q22, that is RM68 million higher on a YoY basis.

Operating FCF QoQ is affected by the phasing of collections and payments. However, on full year basis, largely are normalized, so the underlying strong cash flow is apparent.

We continue to drive cost improvement and manage working capital through our XLR8 program. As mentioned in the previous quarter, we have achieved and delivered working capital benefits and cost savings of over RM1 billion over 2019 to 2021.

We are also building on the success of our previous productivity programmes, with XLR8 mobilization themes around:

- Driving continuous cost improvement discipline
- Reinforcing and applying our Maxis Way culture, to have shift in thinking to challenge the status quo and identify resource waste and so focusing on what activities make a difference to our customers and competitiveness
- Digital Transformation of front office and back-office processes.

These savings will be used to fuel our growth capex programme and re-invested into growth areas for the business.

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Now, let me handover to Loh to share with us the performance of Consumer Business

Thank you, Wayne.

We have seen a solid growth in Consumer for both Mobile and Fibre which is mainly driven by a clear convergence strategy. Riding on this focus, we have 3 strong pillars.

The first is broadening mobile connectivity, geographic reach, and device offerings. Some of the key factors are to broaden target segments while defending high value base, ensuring we continue to enhance customers' value creation, target, and win over under-indexed markets and channel expansion.

The second pillar is having a prominent service differentiator for Home Connectivity. Home continues to deliver healthy customer growth with our focus on service and in-home Wi-Fi experience; best Wi-Fi 6 routers & mesh for whole home Wi-Fi coverage, introducing wide range of easy to own home device on Zerolution to maximize fibre experience at home and strengthen our service differentiation with dedicated Maxperts to support our customers. For unfibred areas or Maxis untapped market, we deploy our fibre own build and seeking access strategy to provide more connectivity to more households.

The third pillar focuses on enabling a seamless and convenient digital lifestyle and solutions experience to complement the connectivity. Today, more businesses/ products are transitioning to over-the-top, direct to consumer delivery and subscription-based business models, and the C-19 pandemic has accelerated its consumption acceptance. However, this rush to digitalize has created a very complex digital world to navigate with differing walled-garden ecosystems; we believe Maxis can play a prime enabler role to unify and converge with our strengths in Digital ID, Direct Carrier Billing, Subscription and Credit Management, and our Digital Platforms.

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Source and contact: paulzaman@maxis.com.my

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Backed by a strong convergence strategy, consumer revenue as a whole grew by 1.5% QoQ and 2.4% YoY. Consumer subscribers remained flattish YoY and a slight decline by 1.7% QoQ due to a slowdown in prepaid in weaker markets and pre to post migration, as well as a clean-up of our prepaid base.

Consumer postpaid continues to win market share with both revenue and subscribers recorded a growth quarter-over-quarter and year-over-year. Maxis Postpaid Revenue Q122 was RM785m. QoQ grew by 2.5% and YoY by 4.9%.

Maxis postpaid subscriber landed at 3,189k in Q122. QoQ grew by 1.6% and YoY grew by 9.2%.

ARPU stood at RM78, decreased from Q421 at RM78.6.

Moving onto Consumer Prepaid, Hotlink Unlimited continues to successfully attract higher value monthly internet users. The new Hotlink Pantas plan launched end Jan 2022 targeting under-served segments (sachet internet / budget users) has shown some improved GA mix and acquisitions of new segments not addressed by Unlimited.

4G data users grew by +220k YoY to 84% of total subs base. Subs decline was largely attributable to clean-ups with negligible impact to revenues. Hotlink continued success with efforts to migrate higher value prepaid subscribers to postpaid, growing overall customer lifetime value. However, this has an impact on prepaid subscriber numbers.

ARPU improved from increased internet spend compensating for voice & content revenues decline. The high penetration of Hotlink App at 3.5 million subs allowing for high cross-sell / up-sell with personalized offers.

Moving on to Home Connectivity, Fibre and WBB continue to show a steady growth with connections up by 4.1% QoQ and by 19.2% YoY. The good traction in Home continues driven by the increase in awareness of having a

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good Wi-Fi quality and experience and coupled with easy to own devices to enhance the experience. We continue to leverage on network and service superiority to drive convergence while growing household base with segmented approach.

Now let me hand over to Paul McManus to share the performance of Enterprise Business.

Thank you, Loh.

With a strong momentum in 2021, despite economic challenges, Maxis Business continues to see this continue into the new year 2022. We are reaching the end of our build phase, and our ICT transformation journey is close to completion - we have transformed our systems and processes, built up robust solution portfolios and built a market leading talent and capability pool which we will continue to invest in.

We continue to build inorganically across our capability and value escalator by locking in 5 acquisitions to-date. MyKris, our latest managed services acquisition has fully integrated into Maxis Business, and we are starting to see this already pay dividends. We continue to see pleasing growth in our new capability areas, particularly in our Cloud and Managed Services business – both growing by high double digits YoY.

As borders reopen and with MCO restrictions hopefully behind us, Maxis Business is now moving from build to growth and is ready to serve the market with our holistic converged offerings, underpinned by our world-class and growing converged fixed and mobile networks and our unmatched customer experience.

In Q1, we recently announced our partnership with MIMOS and Huawei to build a 5G and AI innovation hub to accelerate industrial use cases enabled by 5G, AI, and other advanced technologies as well as serve as an incubator for innovative solutions. We were also selected by Teladan Setia to connect

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more individual families with the best fibre connectivity, starting with >2K homes in Melaka.

In the recent Asia eCommerce Awards, we were pleased to be recognised as a regional leader in the provision of online digital marketing and commerce services, winning 4 Gold, 1 Silver and 2 Bronze for our success in helping our key customers shine and excel in their online marketing aspirations. Our one-stop solution for eCommerce and retail has been empowering Malaysian businesses over the years, especially during the lockdowns, and we will uphold our push to enable all businesses of all sizes to 'Always Be Ahead'.

We have come a long way in building our partnership ecosystem to better serve our customers and as we move up the ICT stack, we will continue to work closely with our global technology partners such as Microsoft, AWS, Cisco, Commvault and most recently, HPE (Hewlett Packet Enterprise) who recently recognised Maxis Business as their strategic service provider for 2021.

Despite the challenging economic environment, we continue to see growth and continued positive momentum (+5.4% YoY) for our Enterprise revenue and growth (+4.2% YoY) on new Enterprise customers (BRNs) for new diversified billable services beyond our historical core mobile business.

With these successes in hand, we are pleased with our progress and outlook as we step into the second quarter with positive momentum as we continue our ambitions to grow our offerings across the entire ICT solution portfolio. This 'Year of Execution' will see us differentiate ourselves through disruptive converged solutions building upon our significant continued investment in both our own Fibre build and mobile expansion, further growing the reach and impacts delivered through our leading software defined network nationwide.

The pandemic has brought digitalisation to new levels and businesses are truly feeling the dependence on technology to connect with their

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community. Driven by this, we will continue to invest significantly in our network, converged solutions, and people, to ensure we bring the best value and unmatched customer experience to all Malaysian businesses.

Thank you. Now let me hand over to Gokhan.

Thank you, Paul.

Please refer to the Bursa disclosure for our 1Q22 Results and specifically our Prospects (Bursa Note 17) – in summary due to ongoing unprecedented uncertainty, our Board of Directors still feel it is prudent not to give guidance for FY2022.

Our leadership is steadfast in capturing the converged services opportunity of a digitalised world and Digital Malaysia and our priorities remain.

Thank you for your attention and we are ready to take your questions.

We will provide a transcript of our presentation speech excluding the Q&A session, posted on the Maxis IR website by early next week.

Please raise your virtual hand if you wish to ask a question.

<Q&A session>

On behalf of the Maxis family, we would like to wish all of you celebrating “Selamat Hari Raya, maaf Zahir dan Batin.” And for those travelling, please travel safe.

Thank you, and we will see you next quarter.