STATEMENT BY DIGITAL NASIONAL BERHAD (DNB)

We refer to the recent article by Reuters on the 5G rollout in Malaysia, to be provided by DNB through a single shared infrastructure as opposed to enabling Mobile Network Operators (MNOs) to bid and rollout multiple infrastructures. Although DNB facilitated a detailed interview with senior management, unfortunately, Reuters elected to ignore facts presented and instead, regretfully, presented an inaccurate and lop-sided view.

DNB would like to again reiterate the following:

1. **The Reuters report concluded that no single major telcos have signed up yet.**

   FACT: Yes, it is correct that no telco has yet signed up with DNB. DNB has explained that the reason for that is that typically, a Reference Access Offer (RAO) has to be published in accordance with the Mandatory Standards of Access.

   We have drafted an RAO for 5G wholesale services and shared it with MCMC and key industry players in September to enable them to provide their feedback.

   DNB has since then been in discussions with MCMC and the telcos to align around the final terms and conditions.

   The RAO will form the basis for DNB to enter into commercial agreements with Licensees who are Access Seekers once these feedback have been received and evaluated. DNB anticipates finalizing its RAO by end-November upon MCMC's approval.

   Subsequently, DNB will begin commercial negotiations with the telcos. Hence, we will only be able to sign up the telcos AFTER the publication of the RAO. It is thus clear that DNB has not sought any sign-up and neither expects the MNOs to sign anything until after the RAO is published.

In any event, it is worth noting that on the 10th of November 2021, DNB conducted a successful trial integration of five telcos' Core Networks to DNB's 5G Radio Access Network (RAN). The event was widely reported in the media.

2. **The Reuters report also states that the cost of 5G to the MNOs will be higher than the cost these telcos can generate on their own.**

   FACT: Incremental or marginal cost per GB of 4G of the telcos currently is at least RM0.50. We believe the cost per GB of 5G from DNB which has been communicated to the telcos is **<u>significantly lower</u>** than the cost to generate on their own networks.

   The logic for lower costs with a single shared infrastructure is simple. Everywhere in the world, highways are built and shared for drivers of all makes of cars. **<u>Imagine the costs if each make of car were to build their own highways for exclusive use.</u>**

3. **The third point made in the report, which has unfortunately been widely circulated by those with vested interests, is that the telcos will become less profitable if they must buy from DNB and consequently, their stock prices will decline and result in a loss of RM45 billion in market capitalisation.**

   FACT: The Government announced the formation of DNB with the mandate to quickly roll out 5G in Malaysia through a single shared infrastructure **<u>on 18 February 2021</u>**. The stock prices of **<u>ALL</u>** listed telcos have outperformed the KLSE Composite Index since then. Clearly, **<u>investors do not believe the telcos will face value destruction</u>**.

   In fact, there is every reason that **<u>the lower cost of 5G services from DNB should lead to higher net earnings</u>** and therefore, logically, translate into a higher stock prices of these telcos.

CONCLUSION:

FACT: Despite vested industry assertions of lower profits, it has not been mentioned that the Government has had to budget **an additional RM28 billion of public and private money** under the JENDELA initiative to connect to less urban places which profit driven MNOs have failed to provide coverage for. We have seen, especially over the last two years since schools and institutions of learning closed because of the pandemic, how students have had to trek to urban areas or even climb trees to get coverage for their online classes and learning.

FACT: It has taken these telcos seven years to reach 4G coverage in populated areas of 82.2%. On the other hand, DNB targets to roll out 5G to more than 80% of coverage in populated areas by 2024.

Surely the interests of the rakyat and enterprises in Malaysia must be the main priority of all Telcos.

ENDS