



CELCOMDIGI BERHAD

Company no. 199701009694 (425190-X)
(Incorporated in Malaysia)

Date: 28 May 2024

**Subject: INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2024**

| <u>Table of contents</u> | <u>Page</u> |
|--|--------------------|
| Unaudited Condensed Consolidated Statement of Comprehensive Income | 1 - 2 |
| Unaudited Condensed Consolidated Statement of Financial Position | 3 - 4 |
| Unaudited Condensed Consolidated Statement of Changes in Equity | 5 - 6 |
| Unaudited Condensed Consolidated Statement of Cash Flows | 7 - 8 |
| Notes to the Interim Financial Report | 9 - 13 |
| Additional information required by the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Bursa Securities LR") (Appendix 9B) | 14 - 24 |

CELCOMDIGI BERHAD
Company no. 199701009694 (425190-X)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2024

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | INDIVIDUAL QUARTER QUARTER ENDED | | CUMULATIVE QUARTER PERIOD ENDED | |
|--|--|-----------------------|---------------------------------------|-----------------------|
| | 31 MAR 2024 RM'000 | 31 MAR 2023 RM'000 | 31 MAR 2024 RM'000 | 31 MAR 2023 RM'000 |
| Revenue | 3,154,239 | 3,180,297 | 3,154,239 | 3,180,297 |
| Other income | 18,879 | 21,779 | 18,879 | 21,779 |
| Net gain on foreign exchange and fair value movement of foreign currency forward contracts | 1,924 | 15,963 | 1,924 | 15,963 |
| Depreciation, amortisation and impairment | (768,790) | (916,415) | (768,790) | (916,415) |
| Other expenses | (1,849,019) | (1,707,610) | (1,849,019) | (1,707,610) |
| Fair value gain on investment in shares | 2 | - | 2 | - |
| Finance costs | (152,713) | (161,726) | (152,713) | (161,726) |
| Interest income | 20,106 | 20,536 | 20,106 | 20,536 |
| Share of profit of an associate and a joint venture | 2,626 | 7,476 | 2,626 | 7,476 |
| Profit before tax and zakat | 427,254 | 460,300 | 427,254 | 460,300 |
| Taxation and zakat | (56,187) | (139,500) | (56,187) | (139,500) |
| Profit for the period | 371,067 | 320,800 | 371,067 | 320,800 |

CELCOMDIGI BERHAD
Company no. 199701009694 (425190-X)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2024

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
- CONT'D

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|--------------------|----------------|--------------------|----------------|
| | QUARTER | | PERIOD | |
| | 31 MAR 2024 | 31 MAR 2023 | 31 MAR 2024 | 31 MAR 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Other comprehensive loss, net of tax | | | | |
| <u>Item that may be reclassified to profit or loss in subsequent periods</u> | | | | |
| Foreign currency translation differences | (88) | (464) | (88) | (464) |
| Total comprehensive income for the period, net of tax | 370,979 | 320,336 | 370,979 | 320,336 |
| Profit for the period, attributable to: | | | | |
| - Owners of the Company | 376,457 | 317,921 | 376,457 | 317,921 |
| - Non-controlling interests | (5,390) | 2,879 | (5,390) | 2,879 |
| | 371,067 | 320,800 | 371,067 | 320,800 |
| Total comprehensive income for the period, attributable to: | | | | |
| - Owners of the Company | 376,369 | 317,457 | 376,369 | 317,457 |
| - Non-controlling interests | (5,390) | 2,879 | (5,390) | 2,879 |
| | 370,979 | 320,336 | 370,979 | 320,336 |
| Earnings per share attributable to owners of the Company (sen per share): | | | | |
| - Basic | 3.21 | 2.71 | 3.21 | 2.71 |
| - Diluted ¹ | NA | NA | NA | NA |

Note: ¹ NA denotes "Not Applicable"

(The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Notes to the Interim Financial Report on pages 9 to 13)

CELCOMDIGI BERHAD
Company no. 199701009694 (425190-X)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2024

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | AS AT 31 MAR 2024 RM'000 | AS AT 31 DEC 2023 RM'000 |
|--|--------------------------------|--------------------------------|
| Non-current assets | | |
| Property, plant and equipment | 5,989,670 | 6,127,292 |
| Intangible assets | 18,970,023 | 18,950,800 |
| Right of use assets | 6,163,563 | 6,444,331 |
| Investment in an associate and a joint venture | 165,905 | 170,979 |
| Other investments | 38 | 36 |
| Trade and other receivables | 647,482 | 647,700 |
| Contract costs | 145,137 | 134,900 |
| Contract assets | 169,181 | 118,653 |
| Other assets | 233,233 | 233,233 |
| Derivative financial assets | 64,189 | 64,538 |
| Deferred tax assets | 119,011 | 119,011 |
| | 32,667,432 | 33,011,473 |
| Current assets | | |
| Inventories | 239,211 | 246,653 |
| Trade and other receivables | 2,561,421 | 2,457,086 |
| Contract assets | 297,695 | 307,109 |
| Other investments | 24 | 24 |
| Tax recoverable | 5,206 | 7,482 |
| Derivative financial assets | 126 | - |
| Cash and short-term deposits | 268,763 | 397,018 |
| | 3,372,446 | 3,415,372 |
| TOTAL ASSETS | 36,039,878 | 36,426,845 |
| Non-current liabilities | | |
| Trade and other payables | 9,125 | 11,850 |
| Loans and borrowings | 10,664,809 | 10,769,424 |
| Deferred tax liabilities | 1,317,115 | 1,367,439 |
| Contract liabilities | 33 | 8,481 |
| Other liabilities | 334,653 | 389,224 |
| | 12,325,735 | 12,546,418 |

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(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2024

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONT'D

| | AS AT 31 MAR 2024 RM'000 | AS AT 31 DEC 2023 RM'000 |
|--|--------------------------------|--------------------------------|
| Current liabilities | | |
| Trade and other payables | 4,350,943 | 4,285,030 |
| Contract liabilities | 603,423 | 577,795 |
| Derivative financial liabilities | - | 362 |
| Loans and borrowings | 2,151,090 | 2,227,535 |
| Tax payable | 195,369 | 330,939 |
| | <u>7,300,825</u> | <u>7,421,661</u> |
| Total liabilities | <u>19,626,560</u> | <u>19,968,079</u> |
| Equity | | |
| Share capital | 16,595,687 | 16,595,687 |
| Foreign currency translation reserve | (70) | 18 |
| Share based payment reserve | 1,641 | 938 |
| Fair value reserve of financial asset at FVOCI | (42) | (42) |
| Accumulated losses | (283,029) | (248,884) |
| Total equity - attributable to owners of the Company | <u>16,314,187</u> | <u>16,347,717</u> |
| Non-controlling interests ("NCI") | 99,131 | 111,049 |
| Total equity | <u>16,413,318</u> | <u>16,458,766</u> |
| TOTAL EQUITY AND LIABILITIES | <u>36,039,878</u> | <u>36,426,845</u> |
| Net assets per share (RM) | <u>1.40</u> | <u>1.40</u> |

(The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Interim Financial Report on pages 9 to 13)

CELCOMDIGI BERHAD
Company no. 199701009694 (425190-X)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2024

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share capital RM'000 | Foreign currency translation reserve RM'000 | Share based payment reserve RM'000 | Fair value reserve of financial asset at FVOCI RM'000 | Accumulated losses RM'000 | Total RM'000 | NCI RM'000 | Total RM'000 |
|--|----------------------------|---|--|--|---------------------------------|-------------------|---------------|-------------------|
| At 31 December 2023/ 1 January 2024 | 16,595,687 | 18 | 938 | (42) | (248,884) ¹ | 16,347,717 | 111,049 | 16,458,766 |
| Profit for the financial period | - | - | - | - | 376,457 | 376,457 | (5,390) | 371,067 |
| Other comprehensive loss: | | | | | | | | |
| - Currency translation differences of a subsidiary | - | (88) | - | - | - | (88) | - | (88) |
| Transaction with owners: | | | | | | | | |
| - Dividend for the financial year ended 31 December 2023 - fourth interim dividend | - | - | - | - | (410,602) | (410,602) | | (410,602) |
| - Dividend paid to non-controlling interests | - | - | - | - | - | - | (6,528) | (6,528) |
| - Share based payment | - | - | 703 | - | - | 703 | - | 703 |
| At 31 March 2024 | 16,595,687 | (70) | 1,641 | (42) | (283,029) | 16,314,187 | 99,131 | 16,413,318 |

CELCOMDIGI BERHAD
Company no. 199701009694 (425190-X)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2024

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - CONT'D

| | Share capital RM'000 | Foreign currency translation reserve RM'000 | Share based payment reserve RM'000 | Fair value reserve of financial asset at FVOCI RM'000 | Accumulated losses RM'000 | Total RM'000 | NCI RM'000 | Total RM'000 |
|--|----------------------------|---|--|--|---------------------------------|-------------------|----------------|-------------------|
| At 31 December 2022/ 1 January 2023 | 16,595,687 | 103 | - | - | (299,560) ¹ | 16,296,230 | 102,744 | 16,398,974 |
| Profit for the financial year | - | - | - | - | 317,921 | 317,921 | 2,879 | 320,800 |
| Other comprehensive : | | | | | | | | |
| - Currency translation differences of a subsidiary | - | (464) | - | - | - | (464) | - | (464) |
| Transaction with owners: | | | | | | | | |
| - Dividend for the financial year ended 31 December 2022 - fourth interim dividend | - | - | - | - | (363,677) | (363,677) | - | (363,677) |
| - Dividend paid to non-controlling interests | - | - | - | - | - | - | (1,728) | (1,728) |
| At 31 March 2023 | 16,595,687 | (361) | - | - | (345,316) | 16,250,010 | 103,895 | 16,353,905 |

Note: ¹ Included a historical deficit as a result of the Group's capital management initiatives carried out in the financial year ended 31 December 2012. The Company received dividends from one of its subsidiaries in the form of bonus issue of redeemable preference shares and capital repayment amounting to RM509 million and RM495 million respectively. The Company had declared part of these as special dividends to its shareholders. The deficit arose from the elimination of these intra-group dividends at Group level.

(The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Interim Financial Report on pages 9 to 13)

CELCOMDIGI BERHAD
Company no. 199701009694 (425190-X)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2024

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | PERIOD ENDED 31 MAR 2024 | PERIOD ENDED 31 MAR 2023 |
|---|-----------------------------|-----------------------------|
| | RM'000 | RM'000 |
| Cash flows from operating activities | | |
| Profit before tax | 427,254 | 460,300 |
| Adjustments for: | | |
| Non-cash items | 823,562 | 927,044 |
| Finance costs | 152,713 | 161,726 |
| Interest income | (20,106) | (20,536) |
| Operating cash flow before working capital changes | 1,383,423 | 1,528,534 |
| Changes in working capital: | | |
| Net change in inventories | 8,912 | (90,423) |
| Net change trade and other receivables | (243,091) | (396,766) |
| Net change in contract assets | 52,424 | 16,899 |
| Net change in contract costs | (38,677) | (21,332) |
| Net change in trade and other payables | (47,118) | 43,898 |
| Net change in contract liabilities | 15,566 | 16,483 |
| Cash flows from operations | 1,131,439 | 1,097,293 |
| Government grant received | 23,261 | 294,439 |
| Defined benefit paid | (7) | (44) |
| Taxes paid (net of refund) | (189,947) | (174,639) |
| Net cash flows from operating activities | 964,746 | 1,217,049 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment and intangible assets | (316,224) | (106,400) |
| Interest received | 3,534 | 7,204 |
| Dividends received | 7,701 | - |
| Proceeds from disposal of property, plant and equipment | 679 | 349 |
| Net cash flows used in investing activities | (304,310) | (98,847) |
| Cash flows from financing activities | | |
| Drawdowns of loans and borrowings | 29,277 | 18,888 |
| Repayments of loans and borrowings | (29,097) | (871,413) |
| Payment of lease liabilities | (248,619) | - |
| Interest paid | (121,944) | (157,916) |
| Dividends paid | (410,602) | (363,677) |
| Dividends paid to NCI | (6,527) | - |
| Net cash flows used in financing activities | (787,512) | (1,374,118) |

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Company no. 199701009694 (425190-X)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2024

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS - CONT'D

| | PERIOD ENDED 31 MAR 2024 RM'000 | PERIOD ENDED 31 MAR 2023 RM'000 |
|---|---------------------------------------|---------------------------------------|
| Net decrease in cash and cash equivalents | (127,076) | (255,916) |
| Effect of exchange rate changes on cash and cash equivalents | (1,179) | 597 |
| Net increase in restricted cash ¹ | (14,003) | (1,902) |
| Cash and cash equivalents at beginning of financial period | 393,978 | 1,218,292 |
| Cash and cash equivalents at end of financial period | <u>251,720</u> | <u>961,071</u> |
| Deposits, cash and bank balances | 268,763 | 965,479 |
| Less: | | |
| Restricted cash ¹ | (17,043) | (4,408) |
| Total cash and cash equivalents at end of financial year | <u>251,720</u> | <u>961,071</u> |

*Note:*¹ The restricted cash relates to deposits with licensed banks pledged as security for banking facilities granted to one of the subsidiaries and deposits with financial institutions that carry maturity periods of more than three months.

(The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Interim Financial Report on pages 9 to 13)

CELCOMDIGI BERHAD
Company no. 199701009694 (425190-X)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2024

NOTES TO THE INTERIM FINANCIAL REPORT

A1. Basis of Preparation

The interim financial report is unaudited and has been prepared in compliance with MFRS 134: Interim Financial Reporting.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2023.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2023 except for the newly-issued Malaysian Financial Reporting Standards ("MFRS") and amendments to standards to be applied by all Entities Other Than Private Entities for the financial periods beginning on 1 January 2024:

| | |
|--------------------------------------|---|
| Amendments to MFRS 16 | Lease Liability in a Sale and Leaseback |
| Amendments to MFRS 101 | Classification of Liabilities as Current or Non-Current |
| Amendments to MFRS 101 | Non-current Liabilities with Covenants |
| Amendments to MFRS 107 and MFRS 7 | Supplier Finance Arrangements |

The adoption of the above did not have any significant effects on the interim financial report upon their initial application.

A2. Seasonality or Cyclicity of Interim Operations

The operations of the Group were not significantly affected by any seasonal and cyclical factors.

A3. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

Other than as disclosed in Note A5, there was no other unusual item affecting assets, liabilities, equity, net income or cash flows due to their nature, size or incidence for the financial period ended 31 March 2024.

A4. Material Changes in Estimates

There were no material changes in estimates of amounts reported in the prior financial years that have a material effect for the financial period ended 31 March 2024.

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Company no. 199701009694 (425190-X)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2024

NOTES TO THE INTERIM FINANCIAL REPORT - CONT'D

A5. Debts and Equity Securities

There were no issuance, repurchase and repayment of debt and equity securities for the current quarter and financial period ended 31 March 2024, other than as disclosed below:

Floating-Rate Term Financing-i ("FRTF-i"), Floating-Rate Term Loan ("FRTL"), Floating-Rate Revolving Credit ("FRRC"), Fixed-Rate Term Financing, Fixed-Rate Term Financing-i, Sukuk and Banker's Acceptance

For the financial period ended 31 March 2024, the Group made:

- drawdown of FRRC amounting to RM4.01 million in Jan 2024
- drawdown of Banker's Acceptance amounting to RM1.28 million in Jan 2024
- repayment of Banker's Acceptance amounting to RM1.48 million in Jan 2024
- repayment of FRTL amounting to RM0.01 million in Jan 2024
- repayment of Fixed-Rate Term Loan amounting to RM0.02 million in Jan 2024
- drawdown of FRRC amounting to RM3.43 million in Feb 2024
- drawdown of Banker's Acceptance amounting to RM0.91 million in Feb 2024
- repayment of FRRC amounting to RM4.01 million in Feb 2024
- repayment of Banker's Acceptance amounting to RM0.75 million in Feb 2024
- repayment of FRTL amounting to RM0.01 million in Feb 2024
- repayment of Fixed-Rate Term Loan amounting to RM0.02 million in Feb 2024
- drawdown of FRRC amounting to RM18.33 million in Mar 2024
- drawdown of Banker's Acceptance amounting to RM1.32 million in Mar 2024
- repayment of FRRC amounting to RM21.75 million in Mar 2024
- repayment of Banker's Acceptance amounting to RM1.01 million in Mar 2024
- repayment of FRTL amounting to RM0.01 million in Mar 2024
- repayment of Fixed-Rate Term Loan amounting to RM0.02 million in Mar 2024

A6. Dividend Paid

The fourth interim tax exempt (single-tier) dividend of 3.5 sen per ordinary share amounting to RM410.6 million in respect of the financial year ended 31 December 2023 was paid on 27 March 2024.

CELCOMDIGI BERHAD
Company no. 199701009694 (425190-X)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2024

NOTES TO THE INTERIM FINANCIAL REPORT - CONT'D

A7. Segment Information

Segmental information is not presented as the Group is primarily engaged in the provision of mobile communication services and its related products in Malaysia.

A8. Material Events During and Subsequent to the Current Quarter

There were no material events during and subsequent to the current quarter up to the date of this report, other than as disclosed in Note A3.

A9. Changes in the Composition of the Group

There were no material changes in the composition of the Group for the financial period ended 31 March 2024 including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations.

A10. Changes in Contingent Liabilities and Contingent Assets

There were no material changes in contingent liabilities or contingent assets arising since the last audited financial statements for the financial year ended 31 December 2023.

A11. Capital Commitments

Capital commitments of the Group in respect of property, plant and equipment and intangible assets not provided for as of 31 March 2024 are as follows:

| | |
|-----------------------------|---------------|
| | RM'000 |
| Approved and contracted for | 1,026,433 |

CELCOMDIGI BERHAD
Company no. 199701009694 (425190-X)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2024

NOTES TO THE INTERIM FINANCIAL REPORT - CONT'D

A12. Related Party Transactions

Related party transactions entered by the Group were carried out in the ordinary course of business on agreed commercial terms. Listed below are the significant transactions with related parties of the Group for the financial period ended 31 March 2024:

| | RM'000 |
|--|---------------|
| <u>Sale of goods and services:</u> | |
| Related companies: | |
| Bandwidth leasing | 2,596 |
| Cloud based software infrastructure services | 8,903 |
| Commission fees on content related services | 2,529 |
| Domestic interconnect and roaming revenue | 3,676 |
| International interconnect and roaming services | 1,385 |
| International SMS revenue | 1,021 |
| Provision of telecommunication services | 11,034 |
| Site infrastructure lease income | 5,736 |
| Disposal of scrap | 811 |
| Joint venture company: | |
| Mobile virtual network operator related revenue | 51,484 |
| <u>Purchase of goods and services:</u> | |
| Related companies: | |
| Cloud based software infrastructure services | (1,211) |
| International interconnect and roaming services | (6,627) |
| Leased line/ bandwidth leasing | (62,261) |
| Business security cost | (2,998) |
| Managed Services including marketing and collection related services | (2,676) |
| Commission fees on content related services | (720) |
| Domestic interconnect and roaming expense | (858) |
| Global connectivity services | (400) |
| IP transit | - |
| IT related services | (1,174) |
| License and trademarks | (4,033) |
| Clearing house services received for international roaming arrangement | (685) |
| Personnel services payable and professional service | 73 |
| Site operating charges/infrastructure leasing and related services | (174,914) |
| Provision of 5G services | (16,347) |
| Managed services | (20,672) |

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Company no. 199701009694 (425190-X)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2024

NOTES TO THE INTERIM FINANCIAL REPORT - CONT'D

A12. Related Party Transactions (Cont'd)

Significant related party balances as at 31 March 2024 are as follows:

| | RM'000 |
|----------------------------------|---------------|
| Receivables from related parties | 17,462 |
| Receivables from joint ventures | 33,962 |
| Payable to related parties | (203,963) |
| Payable to associates | (436) |

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Company no. 199701009694 (425190-X)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2024

ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR (APPENDIX 9B)

B1. Review of Performance

| (RM mil unless otherwise indicated) | Q1 2024 | Q4 2023 | Q1 2023 | Variance | | Variance | |
|-------------------------------------|---------|---------|---------|--------------------|--------|--------------------|--------|
| | | | | Q1 2024 vs Q4 2023 | | Q1 2024 vs Q1 2023 | |
| Financial indicator | | | | | % | | % |
| Revenue | 3,154 | 3,275 | 3,180 | (121) | (3.7) | (26) | (0.8) |
| Service Revenue | 2,671 | 2,737 | 2,703 | (66) | (2.4) | (32) | (1.2) |
| Total Cost | 1,824 | 1,678 | 1,669 | 146 | 8.7 | 155 | 9.3 |
| EBITDA | 1,330 | 1,597 | 1,511 | (267) | (16.7) | (181) | (12.0) |
| EBITDA % on Revenue | 42.2 | 48.8 | 47.5 | | (6.6) | | (5.3) |
| PBT | 427 | 680 | 460 | (253) | (37.2) | (33) | (7.2) |
| PAT | 371 | 439 | 321 | (68) | (15.5) | 50 | 15.6 |
| Operational indicator | | | | | % | | % |
| Total subscribers ('000) | 20,465 | 20,552 | 20,292 | (87) | (0.4) | 173 | 0.9 |
| Blended ARPU (RM) | 40 | 41 | 42 | (1) | (2.4%) | (2) | (4.8%) |

(a) Comparison against preceding quarter (Q1 2024 vs Q4 2023)

In Q1 2024, the Group achieved a total revenue of RM3,154 million, a 3.7% or RM121 million decrease compared to the previous quarter. Service revenue declined by 2.4% or RM66 million to RM2,671 million notably in Mobile segment and Wholesale segments. Prepaid revenue declined due to the impact of the interconnect regulated rate reduction, coupled with one lesser calendar day and softer usages from a declining Prepaid subscriber base resulting from lower rotational one time sim acquisition. Postpaid revenue decreased mainly due to interconnect, lower roaming usages attributable to seasonal factors and lower bulk SMS revenue.

The total costs increased by 8.7% or RM146 million to RM1,824 million, primarily due to cost incurred from a voluntary separation scheme in the current quarter and a higher credit loss allowance from one-off credit adjustments in the preceding quarter. Conversely, device costs dropped by RM50 million in the current quarter in line with lower device sales.

As a result, EBITDA declined by 16.7% to RM1,330 million, with an EBITDA margin of 42.2%. PBT for Q1 2024 decreased by 37.2% to RM427 million, a flow through from the lower EBITDA. The flow-through impact from PBT to PAT is cushioned by a reversal of over-recognition of tax provision.

CELCOMDIGI BERHAD
Company no. 199701009694 (425190-X)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2024

ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR (APPENDIX 9B) - CONT'D

B1. Review of Performance (Cont'd)

- (b) Comparison against corresponding quarter of preceding year (Q1 2024 vs Q1 2023)

The Group's total revenue for Q1 2024 was 0.8% or RM26 million lower despite an enlarged base of 20.5million, with an additional 173,000 subscribers added to the Group against corresponding quarter of preceding year.

Service revenue decreased 1.2% or RM32 million to RM2,671 million against corresponding quarter of preceding year, attributed by lower Prepaid and Postpaid segments which were impacted by the lower interconnect rate, reduced bulk messaging traffic and overall softer usages.

The decline in both Prepaid and Postpaid revenue was cushioned by the strong performance in Home and Fiber and Wholesale segments, recording a combined increased sales of 22% or RM19 million. Home and Fibre recorded a 35.5% growth in the subscriber base, while Wholesale revenue increased from higher traffic demand.

Total costs increased by 9.3% or RM155 million against corresponding quarter of preceding year, primarily due to higher cost of sales in line with higher roaming and cost incurred from a voluntary separation scheme. Accordingly, EBITDA declined by 12.0% to RM1,330 million against Q1 2023, reflecting a margin of 42.2%. Conversely, the decrease in PBT narrowed to 7.2% or RM33 million due to lower depreciation arising from the revision in assets useful life since 2023, as majority of the impacted assets have been fully depreciated in Q1 2024.

Q1 2024 PAT improved by 15.6% or RM50 million despite a decline in PBT, as this was aided by a reversal of over-recognition of tax provision.

B2. Explanatory Comments on Any Material Change in the Profit Before Tax for the Quarter Reported on as Compared with the Immediate Preceding Quarter

Material changes in the Group's Profit Before Tax for the current quarter compared to the immediate preceding quarter is provided in Note B1.

CELCOMDIGI BERHAD
Company no. 199701009694 (425190-X)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2024

ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR (APPENDIX 9B) - CONT'D

B3. Prospects For The Financial Year Ending 31 March 2024

As we progress into the second year of merger, our focus remains steadfast on completing network and IT integration initiatives while maximizing synergy realization. We have completed 44% of the nationwide network integration and modernisation programme, ahead of schedule in our three-year post-merger transformation journey. We are committed to innovation and differentiation, leveraging our integrated capabilities to deliver compelling value propositions and superior experiences to customers. The successful execution of integration and synergy realization initiatives positions us for sustained growth and market leadership, as we continue to capitalize on the synergies and opportunities unlocked by the merger.

Despite the challenge of declining Average Revenue Per User (ARPU), reflective of the broader market conditions and competitive dynamics, proactive measures are taken to stabilize ARPU. Through targeted initiatives such as data-driven pricing strategies and value-added service bundling, competitiveness is maintained while ensuring customer affordability. Concurrently, the focused digital transformation agenda aims to innovate customer experiences through digital platforms and omni-channel engagement.

We remain supportive of the Government's 5G ambitions and is ready to invest in building a leading 5G network for Malaysia while continuing to drive 5G adoption and digitalisation of Malaysian enterprises and consumers.

Barring unforeseen circumstances and potential impact from dual 5G network implementation, our guidance for the year remains as follows:

| | |
|------------------------------|---------------------------|
| Service Revenue Growth | Low single digit increase |
| EBIT | Similar level to 2023 |
| Capex-to-Total Revenue Ratio | Between 15% to 18% |

CELCOMDIGI BERHAD
Company no. 199701009694 (425190-X)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2024

**ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR (APPENDIX 9B) -
CONT'D**

B4. Explanatory Notes for Variance of Actual Profit from Forecast Profit/Profit Guarantee

Not applicable.

B5. Revenue

Disaggregation of revenue from contracts with customers

In the following table, revenue is disaggregated by major products or service lines (which also represent our defined performance obligations).

| | Note | Period ended 31 Mar 2024 RM'000 | Period ended 31 Mar 2023 RM'000 |
|---|------|---------------------------------------|---------------------------------------|
| Major products/service lines | | | |
| Telecommunication revenue | (a) | 2,629,493 | 2,669,718 |
| Sales of devices | (b) | 455,825 | 455,572 |
| Total revenue from contracts with customers | | 3,085,318 | 3,125,290 |
| Lease income | (c) | 27,373 | 22,137 |
| Other revenue | (d) | 41,548 | 32,870 |
| Total Revenue | | 3,154,239 | 3,180,297 |

Timing of revenue recognition for respective major products/service lines represented by:

- (a) Services transferred over time
- (b) Devices transferred at a point in time
- (c) Lease income accounted for on a straight-line basis over the lease term
- (d) Cybersecurity, networking, information and communication solutions and other services transferred over time

CELCOMDIGI BERHAD
Company no. 199701009694 (425190-X)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2024

**ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR (APPENDIX 9B) -
CONT'D**

B6. Taxation

The Group's taxation charge for the current quarter and financial period ended 31 March 2024 respectively were made up as follows:

| | Period ended 31 Mar 2024 RM'000 | Period ended 31 Mar 2023 RM'000 |
|--|---------------------------------------|---------------------------------------|
| Income tax: | | |
| - Current tax expense | (63,276) | (201,190) |
| - Under-provision in prior years | (1,301) | (23,047) |
| Deferred tax | | |
| - Net origination and reversal of timing differences | (43,044) | 84,737 |
| - Over-provision of deferred tax liabilities in prior years | 51,434 | - |
| Total | (56,187) | (139,500) |

The Group's effective tax rate ("ETR") for both the current quarter and financial year to date ended 31 March 2024 is 13.2%, which is below the statutory tax rate of 24.0% due to overprovision of prior year taxes.

B7. Status of Corporate Proposals

There were no corporate proposals announced but not completed in the interval from the date of the last report and the date of this announcement, other than:

Proposed Subscription of shares in Digital Nasional Berhad ("DNB")

On 1 December 2023, Infranation Sdn Bhd, a wholly-owned subsidiary of CelcomDigi Berhad entered into a conditional share subscription agreement with Minister of Finance (Incorporation) ("MoF Inc.") and DNB ("SSA") to subscribe for 100,000 new ordinary shares in DNB at the aggregate price of RM100,000 ("DNB Shares") and provide shareholder advances of RM233.2 million to DNB ("Proposed Shareholder Advance", together with the Proposed Subscription and Proposed Acquisition, "Proposed Transaction") in accordance with the terms as set out in the SSA. As at 31 December 2023, an upfront payment of RM233.2 million have been made via internally generated funds. As at April 2024, CelcomDigi has subscribed to the DNB Shares.

CELCOMDIGI BERHAD
Company no. 199701009694 (425190-X)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2024

**ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR (APPENDIX 9B) -
CONT'D**

B7. Status of Corporate Proposals – cont'd

Update on Undertaking given to Malaysian Communications & Multimedia Commission ("MCMC")

As part of the merger approval which has been completed on 30 November 2022 ("Closing"), the Group has given MCMC an undertaking in the five (5) areas as follows:

(a) Spectrum divestment

The Group undertakes to return to MCMC a total of 70MHz of spectrum in the following three bands (each referred to as a "Band") to address the issue of spectrum concentration post-merger – 10MHz in the 1800MHz spectrum band, 20MHz in the 2100MHz spectrum band and 40MHz in the 2600MHz spectrum band; First band to be returned within two (2) years from Closing, second and third band within three (3) years from Closing.

(b) Mobile Virtual Network Operators ("MVNO") wholesale remedy

The Group undertakes to establish an independent MVNO wholesale business unit within six (6) months after Closing, and to ensure the continuity of access to wholesale services for existing and new MVNOs at terms no worse off than existing agreements for a duration of three (3) years from Closing.

(c) Divestment of Yoodo business

As part of the undertakings committed to the Malaysian Communications and Multimedia Commission (MCMC) on the merger, CelcomDigi is required to either divest Yoodo, our digital telco brand, to a willing external third party within 18 months of the merger completion. In the event this is not possible, to then discontinue the Yoodo within three months of the divestment timeline.

The Group conducted a process to evaluate interest from several parties not connected to the Group or our Group of companies. These external parties comprise of companies from within and outside of Malaysia and the sector and this process was run by credible external advisors.

After assessing the proposals by several interested parties, the Group decided to discontinue the Yoodo brand in compliance to the Undertaking as none of the proposals met our expectations. This discontinuation will be completed by 29 August 2024.

(d) Removal of exclusive arrangements with distributors in five states

The Group undertakes during a period of three (3) years from Closing:

- (i) to remove exclusive arrangements with its exclusive distributors in Sabah, Labuan, Sarawak, Terengganu, Pahang, and Kelantan; and
- (ii) not to enter into new exclusive arrangements with distributors in these regions, unless otherwise approved by MCMC.

(e) Single corporate brand

The Group undertakes to position Digi's and Celcom's prepaid and postpaid products under a single corporate brand within 2 years of Closing.

As at 31 Mar 2024, the Group is progressing as planned and on track to meet the agreed timelines.

Compulsory Winding-Up ("CWU") of Infront Consulting Group (S) Pte. Ltd. ("Infront SG")

On 29 February 2024, the Company announced that Infront Consulting Group (M) Sdn Bhd ("Infront MY"), a 60% indirect subsidiary of the Company held via Celcom Berhad had filed a CWU petition against Infront SG, a 69% owned subsidiary of Infront MY, in the High Court of the Republic of Singapore ("Court") pursuant to Section 125(1)(e) of the Insolvency, Restructuring and Dissolution Act 2018, Singapore ("IRDA").

CELCOMDIGI BERHAD
Company no. 199701009694 (425190-X)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2024

**ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR (APPENDIX 9B) -
CONT'D**

B7. Status of Corporate Proposals – cont'd

Compulsory Winding-Up ("CWU") of Infront Consulting Group (S) Pte. Ltd. ("Infront SG") - cont'd

Further to the announcement above, the Company had on 5 April 2024 announced that the High Court of the Republic of Singapore has at the hearing on 5 April 2024 granted the CWU Order against Infront SG.

The total cost of investment in Infront SG is RM172,406 whereby Infront MY has made full impairment of such cost during the quarter. The CWU is not expected to have any material financial and operational impact for the financial year ending 31 December 2024. The Company is not expected to have any material losses arising from the CWU.

B8. Group Borrowings

| | As at 31 Mar 2024 | | As at 31 Dec 2023 | |
|-----------------------------------|-------------------------|--------------------------|-------------------------|--------------------------|
| | RM'000 Current | RM'000 Non-current | RM'000 Current | RM'000 Non-current |
| <u>Secured</u> | | | | |
| FRTL | 176 | 1,632 | 174 | 1,677 |
| Fixed-rate term financing | 212 | 179 | 211 | 233 |
| Banker's Acceptance | 5,129 | - | 4,854 | - |
| | <u>5,517</u> | <u>1,811</u> | <u>5,239</u> | <u>1,910</u> |
| <u>Unsecured</u> | | | | |
| FRTL | 175,000 | 432,736 | 175,000 | 432,530 |
| FRTF-i | 250,000 | 2,530,807 | 250,000 | 2,529,912 |
| Sukuk | 650,000 | 3,596,835 | 650,000 | 3,596,790 |
| FRRC | 1,250 | - | 1,250 | - |
| Lease liabilities | 1,069,323 | 4,102,620 | 1,146,046 | 4,208,282 |
| | <u>2,145,573</u> | <u>10,662,998</u> | <u>2,222,296</u> | <u>10,767,514</u> |
| Total loans and borrowings | <u>2,151,090</u> | <u>10,664,809</u> | <u>2,227,535</u> | <u>10,769,424</u> |

The Group's borrowings and debt securities portfolio of fixed and floating interest/profit rate are as follows:

| | As at 31 Mar 2024 RM'000 | As at 31 Dec 2023 RM'000 |
|--|--------------------------------|--------------------------------|
| Borrowings and debt securities: | | |
| Floating rate | 3,396,730 | 3,395,397 |
| Fixed rate | 9,419,169 | 9,601,562 |
| | <u>12,815,899</u> | <u>12,996,959</u> |

CELCOMDIGI BERHAD
Company no. 199701009694 (425190-X)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2024

**ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR (APPENDIX 9B) -
CONT'D**

B8. Group Borrowings – cont'd

The weighted average effective interest/profit rates excluding lease liabilities at the reporting date for borrowings and debt securities are as follows:

| | As at 31 Mar 2024 % | As at 31 Dec 2023 % |
|---------------------------|---------------------------|---------------------------|
| FRTL and FRTF-i | 4 | 4 |
| Fixed-rate term financing | 4 | 4 |
| Sukuk | 4 | 4 |
| FRRC and FRRC-i | 5 | 4 |
| Banker's Acceptance | 5 | 5 |

B9. Financial Instruments

As at 31 March 2024 the Group's outstanding net derivative financial instruments are detailed below:

| Type of derivatives | Notional value | Fair value - asset |
|---------------------------------------|----------------|--------------------|
| | RM'000 | RM'000 |
| Foreign currency forward contracts | | |
| - Less than one year | 37,015 | 126 |
| Interest rate swaps contracts | | |
| - One year to three years | 675,000 | 3,048 |
| - More than three years | 100,000 | 203 |
| Convertible warrants in an associate: | | |
| - Less than one year | 19,251 | 60,938 |

Accounting Policy

The Group uses derivatives comprising foreign currency forward contracts and interest rate swaps to manage risk exposures related to changes in foreign currency and interest rates.

(a) Foreign currency risk

The Group enters into foreign currency forward contracts to minimise its exposure to foreign currency risks as a result of transactions denominated in currencies other than its functional currency, arising from the normal business activities in accordance with the Group's hedging policy. In line with the Group's hedging policy, hedging is only considered for firm commitments and highly probable transactions of which hedging shall not exceed 100% of the net exposure value. Firm commitments are netted-off against receivables denominated in the same currency, and only the net exposures are hedged so as to maximise the Group's natural hedge position.

CELCOMDIGI BERHAD
Company no. 199701009694 (425190-X)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2024

**ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR (APPENDIX 9B) -
CONT'D**

B9. Financial Instruments – cont'd

Accounting Policy – cont'd

(b) Interest rate risk

The Group manages its interest rate risk by having a mixed portfolio of fixed and floating rate financial liabilities that is consistent with the interest rates profiles acceptable to the Group. To manage this, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, a fixed interest rate for floating rates.

The Group uses interest rate swaps to hedge the fair value risk in relation to the fixed interest rates of Sukuk with notional principal amounts of RM775 million. The interest rate swaps entitles the Group to receive interest at a fixed rate ranging from 3.50% to 4.65% per annum, and in return, pays interest quarterly at floating rate plus a spread. The swaps mature at varying dates based on the maturity of different tranches of Sukuk.

Speculative activities are strictly prohibited. The Group adopts a layered approach to hedging, where a higher percentage of hedging will be executed for closer-dated exposures and with time, increase the hedge as the probability of the underlying exposure increases. The derivatives and their underlying exposures will be monitored on an on-going basis.

Credit Risk Management Policy

Foreign currency forward contracts and interest rate swap transactions are executed only with credit-worthy financial institutions in Malaysia that are governed by appropriate policies and procedures.

There were no changes in the cash requirement of, nor the policies governing the derivatives since the end of the previous financial year ended 31 December 2023.

Derivatives are stated at fair value which is equivalent to the marking of these derivatives to market, using prevailing market rates. Derivatives with positive market values (unrealised gains) are included under assets, whereas derivatives with negative market values (unrealised losses) are included under liabilities in the statement of financial position. Any gains or losses arising from derivatives held for trading purposes, or changes in fair value on derivatives during the financial period that do not qualify for hedge accounting are recognised in profit and loss as disclosed in Note B14.

B10. Material Litigation

There were no pending material litigations as at the date of this report.

CELCOMDIGI BERHAD
Company no. 199701009694 (425190-X)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2024

**ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR (APPENDIX 9B) -
CONT'D**

B11. Dividends

The Board of Directors has declared a first interim tax exempt (single-tier) dividend of 3.5 sen per ordinary share (Q1 2023: 3.2 sen per ordinary share) in respect of the financial year ending 31 December 2024, which will be paid on 28 June 2024. The entitlement date is on 14 June 2024.

A Depositor shall qualify for the entitlement only in respect of:

- (i) shares transferred to the Depositor's Securities Account before 4:30 p.m. on 14 June 2024 in respect of transfers; and
- (ii) shares bought on Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of Bursa Securities.

Year-to-date ("YTD") dividend for the financial period ended 31 March 2024 is 3.5 sen per ordinary share (YTD 2023: 3.2 sen).

B12. Earnings Per Share

Basic Earnings Per Share

The basic earnings per share for the current quarter and financial period ended 31 March 2024 have been calculated as per the summary below:

| | Quarter ended 31 Mar 2024 | Quarter ended 31 Mar 2023 | Period ended 31 Mar 2024 | Period ended 31 Mar 2023 |
|---|------------------------------|------------------------------|-----------------------------|-----------------------------|
| Earnings | | | | |
| Profit for the period, attributable to owners of the Company (RM'000) | 376,457 | 317,921 | 376,457 | 317,921 |
| Weighted average number of ordinary shares ('000) | 11,731,508 | 11,731,508 | 11,731,508 | 11,731,508 |
| Basic earnings per share (sen) | 3.21 | 2.71 | 3.21 | 2.71 |

Diluted Earnings Per Share - Not applicable

B13. Auditors' Report on Preceding Annual Financial Statements

The latest audited financial statements for the financial year ended 31 December 2023 were not subject to any qualification.

CELCOMDIGI BERHAD
Company no. 199701009694 (425190-X)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2024

**ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR (APPENDIX 9B) -
CONT'D**

B14. Additional Disclosures

| | Quarter ended 31 Mar 2024 RM'000 | Quarter ended 31 Mar 2023 RM'000 | Period ended 31 Mar 2024 RM'000 | Period ended 31 Mar 2023 RM'000 |
|---|--|--|---------------------------------------|---------------------------------------|
| Allowance for expected credit losses on trade receivables and contract assets | (26,996) | (18,385) | (26,996) | (18,385) |
| Reversal for inventory obsolescence | 1,470 | 2,958 | 1,470 | 2,958 |
| Net loss on fixed assets written-off and disposed | (11,537) | (990) | (11,537) | (990) |
| Fair value gain on investment in shares | 2 | - | 2 | - |
| Gain on termination of leases | 7,642 | - | 7,642 | - |
| Foreign exchange gain/(loss) | 2,964 | (871) | 2,964 | (871) |
| Fair value (loss)/gain on derivative financial instruments | (1,040) | 16,834 | (1,040) | 16,834 |
| Fair value loss on interest rate swaps | (1,127) | (323) | (1,127) | (323) |

Other than as presented in the condensed consolidated statement of comprehensive income and as disclosed above, there were no gains or losses on disposal of quoted or unquoted investments or properties nor any other material items for the current quarter and financial year to date ended 31 March 2024.