

## **Bursa Announcement**

### **Subject: SETTLEMENT AGREEMENT BETWEEN DIGI TELECOMMUNICATIONS SDN BHD, TELENOR IT ASIA SDN BHD AND TELENOR GLOBAL SHARED SERVICES AS**

#### **Contents:**

#### **1. Introduction**

Pursuant to Paragraph 10.08(1) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad, the Board of Directors (“the Board”) of Digi.Com Berhad (“Digi” or “the Company”) wishes to announce that Digi Telecommunications Sdn Bhd (“DTSB”), a wholly-owned subsidiary of Digi has on 17 January 2018 entered into a Settlement Agreement with Telenor IT Asia Sdn Bhd (“TITA”) and Telenor Global Shared Services AS (“GSS”) to terminate and exit the Memorandum of Understanding (“MOU”) and Service Order for Information Technology (“IT”) Infrastructure Services between DTSB, GSS and TITA (collectively referred to as the “Parties”) entered on 7 November 2014 and 25 November 2016 respectively (“Settlement Agreement”).

#### **2. Rationale for the Settlement Agreement**

The Settlement Agreement will enable the Parties to reach an amicable solution to resolve challenges on cost level, quality and commercial issues unfolded in current on-going projects and subsequent running services executed under the MOU and Service Order, which were unforeseen at the time of entering into the MOU and Service Order.

The Final Settlement is undertaken following the mutual agreement between DTSB, GSS and TITA to terminate and exit the MOU and Service Order, and to be discharged from their respective obligations under the MOU and Service Order in the most beneficial and cost effective manner.

#### **3. Details of DTSB**

DTSB is a company incorporated in Malaysia wholly-owned by Digi. The principal activity of DTSB is provision of telecommunications and related services.

#### **4. Details of GSS**

4.1 GSS is a company incorporated in Norway and a wholly-owned subsidiary of Telenor ASA. The principal activity of GSS is provision of relevant shared services in areas including Finance & Accounting, Human Resource, IT and transactional procurement/purchases.

4.2 GSS is deemed to be a related party to Digi by virtue of the fact that Telenor ASA is a Major Shareholder of Digi by virtue of its 49% equity interest held by its wholly-owned subsidiary, Telenor Asia Pte Ltd in Digi.

#### **5. Details of TITA**

5.1 TITA is a company incorporated in Malaysia and a wholly-owned subsidiary of Telenor South East Asia Investment Pte Ltd, a related company of Telenor ASA. The principal activity of TITA is a Shared Services Center (“SSC”) delivering IT Infrastructure services.

5.2 TITA is deemed to be a related party to Digi by virtue of the fact that Telenor ASA is a Major Shareholder of Digi by virtue of its 49% equity interest held by its wholly-owned subsidiary, Telenor Asia Pte Ltd in Digi. (Telenor ASA and its subsidiary and related companies are collectively referred to as “Telenor”)

- 5.3 Lars-Ake Valdemar Norling, Tore Johnsen, Haakon Bruaset Kjoel and Torstein Pedersen are deemed interested in respect of Related Party Transactions to be entered with TITA as these Directors are acting as nominees/representatives of Telenor which is the Major Shareholder of Digi.

(Lars-Ake Valdemar Norling, Tore Johnsen, Haakon Bruaset Kjoel and Torstein Pedersen are collectively referred to as "Related Parties").

## **6. Details of the Terminated Service Order**

Pursuant to the provisions under a Memorandum of Understanding ("MOU") entered between Digi and GSS dated 7 November 2014 for a project in establishing IT SSC in Asia, DTSB has on 25 November 2016 entered into a Service Order with TITA for rendering of IT Infrastructure services (hereinafter referred to as the "Service Order"). Scope of services to be provided by TITA (or service vendor appointed by TITA) is described below:

- (a) To implement a centralised Infrastructure Shared Services Center and transition the Company's IT infrastructure operations to the SSC;
- (b) To execute an Infrastructure transformation programme:
  - Enterprise IT technology, tools and process standardization
  - Consolidation - hardware and software footprint reduction
  - Capability uplift - enhance functionality
  - Service quality uplift - enhance Service Level Agreement
  - Central management and control - single point of accountability

## **7. Salient Terms of the Settlement Agreement**

- 7.1 The Parties agree and acknowledge that the total settlement sum payable by DTSB to TITA of RM13,855,067 (Ringgit Malaysia Thirteen Million Eight Hundred Fifty Five Thousand and Sixty Seven) which represents the aggregate of:
- (a) the price for the Asset Transfer,
  - (b) DTSB's contribution to the settlement with appointed service vendor of TITA, and
  - (c) the relevant exit fee and termination charges for the IT Infrastructure Services under the MOU, Service Order and any other documentation between the Parties; (hereinafter referred to as the "Final Settlement").
- 7.2 DTSB agrees to pay to TITA and TITA agrees to accept from DTSB the payment of the total settlement sum as full and final settlement of the matters connected to the provision of the IT Infrastructure Services and termination of the same under the MOU, Service Order and any other documentation between the Parties as well as for the Asset Transfer.
- 7.3 The payment of the Final Settlement shall be made within 10 (ten) working days from the effective date.
- 7.4 TITA and GSS hereby waive, release and forever discharge DTSB of and from all actions, suits, obligations, claims and demands whatsoever which they have or hereafter can, shall or may have to any matters in connection with the Proposed Settlement Agreement.
- 7.5 Asset Transfer
- (a) As part of the Final Settlement, TITA has agreed to transfer and DTSB has agreed to accept the transfer of the ownership, rights, title and interest of the selected IT infrastructure as spelt out in the Settlement Agreement subject to the terms and conditions provided therein ("Asset Transfer").
  - (b) The Asset Transfer to Digi by TITA has already taken effect on 1 October 2017 to ensure no disruption to operations of Digi. It was agreed that payment for the Asset Transfer shall be made as part of Final Settlement as stated in Paragraph 7.3 above.

## 8. Completion

With the completion of the Settlement Agreement, the MOU and Service Order were terminated in their entirety and have no further effect and neither party hereto shall have any further claim against the other pursuant to the terms and conditions of the MOU and Service Order or arising therefrom.

## 9. Basis of Consideration

The Final Settlement for the Settlement Agreement comprises of payments for Asset Transfer, settlement cost and exit fee & termination charges (as described in Paragraph 7.1(a), (b) & (c) above) for a total cash consideration of RM13,855,067, and were arrived on the following basis:

<b>Final Settlement</b>	<b>Amount (RM'mil)</b>	<b>Basis of Consideration</b>
Asset Transfer	7.8	Assets that were in place for rendering IT infrastructure service were handed over to DTSB on 1 October 2017 after TITA cut-over their support service. Digi has assumed ownership in accordance with the Settlement Agreement.  These assets are deemed to be transferred at fair value, which has been reached through negotiation.
Severance cost and exit fee & termination charges	6.1	<b>Severance cost</b> Severance cost is reference to payments to departing personnel, by taking into consideration the provisions of the Employment Act, 1955 and/or other relevant legislation, including the Termination and Lay Off Benefits Regulations, 1980.  <b>Exit fee &amp; termination charges</b> Exit cost comprises of contract termination charges and compensation for operating costs committed by TITA on the basis of on-going provision of services should the contract is not terminated.  The above represents additional cost that crystalized and matured due to the early termination of the Service Order. Comparisons were made with actual charges for reimbursement of similar services committed by TITA when provided by external third parties.
<b>Total</b>	<b>13.9</b>	

## 10. Financial Impact of the Settlement Agreement

The Final Settlement and termination of MOU and Service Order, as well as the Asset Transfer will not have a material financial impact for the financial year ended 31 December 2017 and financial year ending 31 December 2018, nor will it have any effect on the share capital and substantial shareholders' shareholdings of the Company. It is not expected to have material effect on the net assets per share, earnings per share and gearing of the Company for the financial year ended 31 December 2017 and financial year ending 31 December 2018.

## 11. Risk Factor

The completion of the Settlement Agreement is subject to, inter-alia, the fulfillment of the terms and conditions set out in the Settlement Agreement. There can be no assurance that the performance of the obligations of the respective parties under the Settlement Agreement will be satisfied and/or fulfilled. In the event of non-fulfillment of any of the terms and conditions of the Settlement Agreement, the Settlement Agreement may be terminated and the proposed settlement arrangement will not be completed.

Nevertheless, the Company will take all reasonable steps to ensure that the terms and conditions are met to complete the Settlement Agreement.

## 12. Directors' and Major Shareholders' Interests

The direct and indirect interest of the interested Major Shareholder and the interested Directors of Digi and Persons Connected with them as at 17 January 2018 are summarised below:

Name	Shareholding			
	← Direct →		← Indirect →	
	Shares	%	Shares	%
<b>Interested Major Shareholder</b> Telenor	-	-	3,809,750,300 (Note a)	49.00
<b>Directors:-</b>				
Lars-Ake Valdemar Norling	-	-	-	-
Tore Johnsen	-	-	-	-
Haakon Bruaset Kjoel	-	-	-	-
Torstein Pedersen	-	-	-	-

*Note: (a)* Deemed interested by virtue of its 100% interest in Telenor Asia Pte Ltd

Save as disclosed, no other directors and/or major shareholders of the Company and/or person connected with them have any interest, whether directly or indirectly in the Settlement.

## 13. Audit & Risk Committee's Statement

The Audit & Risk Committee (with the exception of Mr Tore Johnsen), having considered all the relevant factors in respect of the Settlement Agreement is of the opinion that entering into the Settlement Agreement is in the best interest of the Company as the Settlement Agreement is entered under fair, reasonable and on normal commercial terms which are not detrimental to the interest of the minority shareholders and due to the reasons stated in the rationale.

## 14. Board of Directors' Statement

The Directors (other than the Directors who have abstained as stated in Section 5.3 above) having considered all the relevant factors in respect of the Settlement Agreement is of the opinion that terminating the MOU and Service Order between DTSB, GSS and TITA is in the best interest of the Company.

## 15. Approval Required

The value of the above transactions would not breach the 5% percentage ratio as prescribed under the MMLR. As such the Company does not require the approval of its shareholders.

**16. Highest Percentage Ratio**

The highest percentage ratio applicable to the Settlement Agreement pursuant to Paragraph 10.02(g) of the MMLR of Bursa Malaysia Securities Berhad is 2.7%, calculated based on the consideration of RM13.9 million over the latest audited Net Assets position of Digi Group as at 31 December 2016 of RM519.3 million.

**17. Transactions with the Same Related Party for the Preceding 12 Months**

There are no other transactions between the Company and the Related Parties and/or person connected with them for the preceding 12 months pursuant to Paragraph 10.12(1) of the MMLR, other than RRPTs covered under the shareholders' mandate presented in the Circular to Shareholders of Digi dated 10 April 2017.

**18. Documents available for inspection**

The Settlement Agreement is available for inspection by members at the registered office of the Company at Lot 6.05, Level 6, KPMG Tower 8, First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia during normal business hours from Mondays to Fridays (except public holidays) for a period of 3 months from the date of this announcement.

**This announcement is dated 17 January 2018.**