DIGI.COM BERHAD

Company no. 425190-X
(Incorporated in Malaysia)

Date: **13 April 2018**

Subject: **INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018**

Table of contents	**Page**

DIGI.COM BERHAD
Company no. 425190-X
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2018

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
		QUARTER ENDED	QUARTER ENDED		PERIOD ENDED	PERIOD ENDED	
		31 MAR 2018	31 MAR 2017		31 MAR 2018	31 MAR 2017	
	Note	RM'000	RM'000	%	RM'000	RM'000	%
Revenue		**1,634,531**	**1,574,043**	**+4**	**1,634,531**	**1,574,043**	**+4**
Other income		5,308	6,542		5,308	6,542	
Net gain/(loss) on foreign exchange and fair value movement of forward foreign exchange contracts		2,654	(2,366)		2,654	(2,366)	
Depreciation and amortisation		(230,927)	(176,144)		(230,927)	(176,144)	
Other expenses		(867,690)	(867,591)		(867,690)	(867,591)	
Finance costs		(33,570)	(28,862)	**+16**	(33,570)	(28,862)	**+16**
Interest income		4,712	4,140		4,712	4,140	
Profit before tax		515,018	509,762	**+1**	515,018	509,762	**+1**
Taxation		(128,907)	(136,649)		(128,907)	(136,649)	
Profit for the period, representing total comprehensive income for the period, net of tax		**386,111**	**373,113**	**+3**	**386,111**	**373,113**	**+3**
Attributable to:							
Owners of the parent		**386,111**	**373,113**	**+3**	**386,111**	**373,113**	**+3**

DIGI.COM BERHAD
Company no. 425190-X
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2018

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - CONT'D

	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	QUARTER ENDED 31 MAR 2018	QUARTER ENDED 31 MAR 2017	%	PERIOD ENDED 31 MAR 2018	PERIOD ENDED 31 MAR 2017	%
Earnings per share attributable to owners of the parent (sen per share):						
- Basic	4.97	4.80		4.97	4.80	
- Diluted[1]	NA	NA		NA	NA	

Note:[1]NA denotes "Not Applicable"

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Notes to the Interim Financial Report on pages 8 to 13)

DIGI.COM BERHAD
Company no. 425190-X
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2018

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED AT 31 MAR 2018 RM'000	AUDITED AT 31 DEC 2017 RM'000
Non-current assets		
Property, plant and equipment	2,898,998	2,908,968
Intangible assets	897,397	937,100
Other investments	178	163
Derivative financial instruments	7,083	355
Prepayments	116,851	101,163
Contract costs	72,855	-
	3,993,362	3,947,749
Current assets		
Inventories	95,153	59,138
Contract assets	134,157	-
Trade and other receivables	1,316,542	1,216,988
Tax recoverable	26,834	34,693
Cash and short-term deposits	461,301	575,045
	2,033,987	1,885,864
TOTAL ASSETS	6,027,349	5,833,613
Non-current liabilities		
Loans and borrowings	2,690,829	2,691,438
Deferred tax liabilities	317,980	297,523
Provision for liabilities	44,582	44,077
	3,053,391	3,033,038
Current liabilities		
Trade and other payables	1,975,457	1,928,256
Contract liabilities	4,682	-
Derivative financial instruments	133	1,447
Provision for liabilities	6,425	5,914
Deferred revenue	309,265	333,343
Loans and borrowings	8,769	12,881
Tax payable	16	16
	2,304,747	2,281,857
Total liabilities	5,358,138	5,314,895
Equity		
Share capital	769,655	769,655
Accumulated losses	(100,444)	(250,937)
Total equity - attributable to owners of the parent	669,211	518,718
TOTAL EQUITY AND LIABILITIES	6,027,349	5,833,613
Net assets per share (RM)	0.09	0.07

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Interim Financial Report on pages 8 to 13)

DIGI.COM BERHAD
Company no. 425190-X
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2018

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital RM'000	Accumulated losses RM'000	Total RM'000
At 31 December 2017		769,655	(250,937) [1]	518,718
Impacts arising from adoption of:				
- MFRS 15	(Note A1)	-	128,187	128,187
- MFRS 9	(Note A1)	-	(6,155)	(6,155)
At 1 January 2018		769,655	(128,905)	640,750
Total comprehensive income		-	386,111	386,111
Transaction with owners:				
Dividend for the financial year ended 31 December 2016				
- fourth interim dividend		-	(357,650)	(357,650)
At 31 March 2018		769,655	(100,444)	669,211

Note:[1] The deficit was a result of the Group's capital management initiatives carried out during the financial year ended 31 December 2012. The Company ("Digi.Com Berhad") received dividends from one of its subsidiaries in the form of bonus issue of redeemable preference shares and capital repayment amounting to RM509.0 million and RM495.0 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.

DIGI.COM BERHAD
Company no. 425190-X
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2018

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - CONT'D

	Share capital RM'000	Share premium RM'000	Accumulated losses RM'000	Total RM'000
At 31 December 2016/ 1 January 2017	77,750	691,905	(250,385) [1]	519,270
Total comprehensive Income	-	-	373,113	373,113
Transaction with owners:				
Dividend for the financial year ended 31 December 2016				
- fourth interim dividend	-	-	(373,200)	(373,200)
Transfer to share capital[2]	691,905	(691,905)	-	-
At 31 March 2017	769,655	-	(250,472)	519,183

Note:[2] The new Companies Act 2016 ("New Act"), which came into effect on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the New Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Interim Financial Report on pages 8 to 13)

DIGI.COM BERHAD
Company no. 425190-X
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2018

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	PERIOD ENDED 31 MAR 2018 RM'000	PERIOD ENDED 31 MAR 2017 RM'000
Cash flows from operating activities		
Profit before tax	515,018	509,762
Adjustments for:		
Non-cash items	247,294	186,699
Finance costs	33,570	28,862
Interest income	(4,712)	(4,140)
Operating cash flow before working capital changes	791,170	721,183
Changes in working capital:		
Net change in current assets	(125,297)	(105,769)
Net change in contract assets	(33,209)	-
Net change in contract costs	2,496	-
Net change in current liabilities	21,355	(21,528)
Net change in contract liabilities	(2,949)	-
Cash generated from operations	653,566	593,886
Advance payment for bandwidth	(21,418)	(55,994)
Interest paid	(37,152)	(31,724)
Government grant received	88,557	23,708
Payments for provisions	(7)	(36)
Taxes paid	(139,127)	(139,393)
Net cash generated from operating activities	544,419	390,447
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(299,621)	(193,924)
Purchase of unquoted investment	(15)	(63)
Interest received	4,968	4,099
Proceeds from disposal of property, plant and equipment	-	276
Net cash used in investing activities	(294,668)	(189,612)
Cash flows from financing activities		
Drawdowns of loans and borrowings	-	275,000
Repayments of loans and borrowings	(5,543)	-
Dividends paid	(357,650)	(373,200)
Net cash used in financing activities	(363,193)	(98,200)

DIGI.COM BERHAD
Company no. 425190-X
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2018

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS - CONT'D

	PERIOD ENDED 31 MAR 2018 RM'000	PERIOD ENDED 31 MAR 2017 RM'000
Net (decrease)/increase in cash and cash equivalents	(113,442)	102,635
Effect of exchange rate changes on cash and cash equivalents	(302)	(431)
Cash and cash equivalents at beginning of period	575,045	376,588
Cash and cash equivalents at end of period	461,301	478,792

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Interim Financial Report on pages 8 to 13)

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 2017.

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 2017 except for the newly-issued Malaysian Financial Reporting Standards (“MFRS”), interpretations and amendments to standards to be applied by all Entities Other Than Private Entities for the financial periods beginning on or after 1 January 2018:

MFRS 15: Revenue from Contracts with Customers
MFRS 9: Financial Instruments
Annual Improvements to MFRS Standards 2014–2016 Cycle
MFRS 2: Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)
MFRS 140: Transfers of Investment Property (Amendments to MFRS 140)
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration

The adoption of the above did not have any significant effects on the interim financial report upon their initial application, other than as disclosed below:

MFRS 15 Revenue from Contracts with Customers

MFRS 15 is effective for annual periods beginning on or after 1 January 2018. MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers.

The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

In adopting MFRS 15, the Group has adopted the standard using the modified retrospective approach. This means that contracts that are still on-going as at 1 January 2018 will be accounted for as if they had been recognised in accordance with MFRS 15 at the commencement of the contract. The cumulative impact arising from the adoption will be recognised in retained earnings as at 1 January 2018 and comparatives will not be restated.

NOTES TO THE INTERIM FINANCIAL REPORT - CONT'D

A1. Basis of Preparation – cont'd

MFRS 15 Revenue from Contracts with Customers – cont'd

The Group has assessed the effects of applying the new standard on the financial statements and have identified the following areas that will be affected:

a. Revenue reallocation between device revenue and service revenue for multiple element arrangements

   In the case of multiple-element arrangements i.e. postpaid plans sold together with a subsidised device, a larger portion of the total consideration of the contract is attributable to the component delivered in advance (i.e. device), requiring higher recognition of revenue upfront. Correspondingly, this results in lower portion of the total consideration being attributable to provision of services.

   A contract asset is recognised in the statement of financial position when upfront payment due from the customer is lower than the device revenue recognised upfront (i.e. a receivable arising from the customer contract that has not yet legally come into existence). When upfront payment due from the customer is higher than the device revenue, a contract liability is recognised instead.

b. Incremental costs of obtaining a contract

   Incremental costs of obtaining a contract such as sales commissions has been capitalised and amortised consistently with the transfer of services to the customer when the expected amortisation period is more than one year.

   When the amortisation period is one year or less, the incremental costs are expensed when incurred.

MFRS 9 Financial instruments

MFRS 9 is effective for annual periods beginning on or after 1 January 2018. MFRS 9 introduces new requirements with impacts mainly relating to classification and measurement of financial instruments, impairment assessment based on the expected credit loss model and hedge accounting.

The Group has applied MFRS 9 retrospectively on the initial application date of 1 January 2018 and has elected not to restate comparatives.

The adoption of MFRS 9 did not have any significant effects on the interim financial report upon their initial application, except for the effect of applying the impairment assessment based on the expected credit loss model on trade receivables.

NOTES TO THE INTERIM FINANCIAL REPORT - CONT'D

A1. Basis of Preparation – cont'd

MFRS 9 Financial instruments – cont'd

The Group applied the simplified approach and calculated expected credit losses based on lifetime expected losses on all trade receivables. The Group established a provision matrix that is based on it's historical credit loss experience with trade recievables of similar credit risk characteristics, adjusted for forward-looking factors specific to the category of debtors and the economic environment.

In summary, the impacts of adopting MFRS 15 and MFRS 9 to opening balances are as follows:

Statement of financial position

1 January 2018

In RM'000	As previously reported	Impact of change in accounting policies Retrospective adjustments MFRS 15	MFRS 9	After adjustments
Assets				
Contract assets	-	100,948	-	100,948
Contract costs	-	75,350	-	75,350
Trade and other receivables	1,216,988	-	(8,099)	1,208,889
Impact to assets	1,216,988	176,298	(8,099)	1,385,187
Liabilities				
Contract liabilities	-	(7,631)	-	(7,631)
Deferred tax liabilities	(297,523)	(40,480)	1,944	(336,059)
Impact to liabilities	(297,523)	(48,111)	1,944	(343,690)
Equity				
Accumulated losses	(250,937)	128,187	(6,155)	(128,905)

A2. Seasonality or Cyclicality of Interim Operations

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

DIGI.COM BERHAD
Company no. 425190-X
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2018

NOTES TO THE INTERIM FINANCIAL REPORT - CONT'D

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

There were no items affecting assets, liabilities, equity, net income or cash flows that were unusual because of their nature, size or incidence for the current quarter and financial period ended 31 March 2018.

A4. Material Changes in Estimates

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current quarter and financial period ended 31 March 2018.

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 2018.

A6. Dividend Paid

The fourth interim tax exempt (single-tier) dividend of 4.6 sen per ordinary share amounting to RM357.7 million in respect of the financial year ended 31 December 2017 was paid on 23 March 2018.

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 Subsequent to the End of the Interim Period

There are no material events subsequent to the current quarter and financial period ended 31 March 2018 up to the date of this report.

A9. Changes in the Composition of the Group

There were no material changes in the composition of the Group for the current quarter and financial period ended 31 March 2018 including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations.

A10. Changes in Contingent Liabilities

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 2017.

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 2018 are as follows:

	RM'000
Approved and contracted for	244,895
Approved but not contracted for	575,124

DIGI.COM BERHAD
Company no. 425190-X
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2018

NOTES TO THE INTERIM FINANCIAL REPORT - CONT'D

A12. Related Party Transactions

Related party transactions ("RPT") entered into by the Group were carried out in the normal course of business and on agreed commercial terms with the related parties. Listed below are the significant transactions and balances with related parties of the Group during the current financial period:

	Note	Transactions for the year ended 31 MAR 2018 RM'000	Balance due from/(to) at 31 MAR 2018 RM'000
With the ultimate holding company and fellow subsidiaries			
- Telenor ASA			(34,355)
Consultancy services rendered		12,019	
Licenses and trademarks		2,366	
- Telenor Procurement Company			(4,656)
Managed services rendered		1,582	
- Telenor GO Pte Ltd			(1,234)
Personnel services rendered		1,254	
- Telenor Global Services AS			(6,150)
Sales of interconnection services on international traffic		701	
Purchases of interconnection services on international traffic		12,192	
Purchases of international roaming services		541	
Purchases of global connectivity		397	
Clearing house services rendered for international roaming arrangement		48	
- Total Access Communication Public Company Limited			263
Sales of international roaming services		1	
Purchases of international roaming services		81	
Device management fee payable		123	
- dtac TriNet Co. Ltd			(1,134)
Sales of interconnection services on international traffic		1	
Purchases of interconnection services on international traffic		218	
Sales of international roaming services		76	
Purchases of international roaming services		398	

DIGI.COM BERHAD
Company no. 425190-X
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2018

NOTES TO THE INTERIM FINANCIAL REPORT - CONT'D

A12. Related Party Transactions – cont'd

	Note	Transactions for the year ended 31 MAR 2018 RM'000	Balance due from/(to) at 31 MAR 2018 RM'000
With the ultimate holding company and fellow subsidiaries – cont'd			
- Telenor Digital Services AS			(3,623)
Consultancy fees		176	
Services rendered on digital marketing and distribution platform		324	
Purchases of cloud based software infrastructure services		1,276	
Technical services rendered		1,823	
- Telenor Global Shared Services AS			(14,760)
Services rendered on Enterprise Resource Planning ("ERP") and Enterprise applications		2,629	
- Telenor Myanmar Ltd			(456)
Purchases of interconnection services on international traffic		459	
Sales of international roaming services		9	
Purchases of international roaming services		35	
Sales of digital services		64	
- Telenor Global Services Singapore Pte Ltd			1,100
Bandwidth leasing income		21	
- Tapad Inc. US			(786)
Services rendered on digital marketing and distribution platform		694	

DIGI.COM BERHAD
Company no. 425190-X
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2018

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

B1. Review of the Performance of the Company and its Principal Subsidiaries

Analysis of the Group's performance is provided in the "Management Discussion & Analysis" enclosed.

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

Analysis of material changes in the Group's Profit Before Tax for current quarter ("1Q 2018") compared with immediate preceding quarter ("4Q 2017") is provided in the "Management Discussion & Analysis" enclosed.

B3. Prospects For Remaining Quarters Up to The End of Financial Year 31 December 2018

Analysis of the Group's prospects up to 31 December 2018 is provided in the "Management Discussion & Analysis" enclosed.

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

Not applicable.

B5. Revenue

(a) 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).

In RM'000		**Period ended 31 MAR 2018**			**Period ended 31 MAR 2017***
Major products/ service lines		As reported under MFRS 118	MFRS 15 adjustments in current period	As reported under MFRS 15	As reported under MFRS 118
Telecommunication revenue	(a)	1,496,923	(22,229)	1,474,694	1,484,541
Sales of devices	(b)	84,727	58,387	143,114	73,558
Lease income	(c)	16,723	-	16,723	15,944
		1,598,373	36,158	1,634,531	1,574,043

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

(a) Services transferred over time
(b) Products transferred at a point in time
(c) Income not within the scope of MFRS 15

* The Group has adopted MFRS 15 using the modified retrospective approach. This means that the cumulative impact arising from the adoption will be recognised in retained earnings as at 1 January 2018 and comparatives are not restated.

DIGI.COM BERHAD
Company no. 425190-X
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2018

B5. Revenue (cont'd)

(b) Impacts of applying MFRS 15

The following table summarise the impacts of adopting MFRS 15 on the Group's statement of financial position as at 31 March 2018.

Statement of financial position

31 March 2018	**Impact of change in accounting policies**		
In RM'000	As reported under MFRS 118	MFRS 15 adjustments	As reported under MFRS 15
Assets			
Contract assets	-	134,157	134,157
Contract costs	-	72,855	72,855
Impact to assets	-	207,012	207,012
Liabilities			
Contract liabilities	-	(4,682)	(4,682)
Deferred tax liabilities	(269,421)	(48,559)	(317,980)
Impact to liabilities	(269,421)	(53,241)	(322,662)
Equity			
Accumulated losses	(254,215)	153,771	(100,444)

B6. Taxation

The Group's taxation charge for the current quarter and financial period ended 31 March 2018 was made up as follows:

	Period ended 31 MAR 2018 RM'000
Income tax:	
- Current tax expense	(146,987)
Deferred tax	
- Net originating and reversal of timing differences	18,080
Total	(128,907)

DIGI.COM BERHAD
Company no. 425190-X
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2018

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

B6. Taxation (cont'd)

The Group's effective tax rate for the current quarter and financial period ended 31 March 2018 was 25.0% and is higher than the statutory tax rate of 24.0%, mainly due to certain expenses not deductible for tax purposes.

B7. Status of Corporate Proposals

There are no corporate proposal announced but not completed in the interval from the date of the last report and the date of this announcement.

B8. Group Borrowings

	Note	As at 31 MAR 2018 RM'000	As at 31 MAR 2017 RM'000
Non-current			
Floating-rate term loans ("FRTL")	(a)	1,286,240	1,784,370
Finance lease obligation		6,907	15,629
Floating-rate term financing-i ("FRTF-i")	(a)	498,819	-
Islamic Medium Term Notes ("IMTN")	(b)	898,863	-
		2,690,829	1,799,999
Current			
Revolving credits ("RC")		-	747,872
Finance lease obligation		8,769	9,990
		8,769	757,862
Total loans and borrowings		2,699,598	2,557,861

The above unsecured loans and borrowings and debt securities are denominated in Ringgit Malaysia.

Any difference between proceeds (net of transaction costs) and the settlement or redemption of borrowings and debt securities is recognised in profit and loss over the period of the borrowings and debt securities using the effective interest rate method.

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

Borrowings and debt securities:	As at 31 MAR 2018 RM'000	As at 31 MAR 2017 RM'000
Floating rate	1,785,059	2,532,242
Fixed rate	914,539	25,619
	2,699,598	2,557,861

DIGI.COM BERHAD
Company no. 425190-X
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2018

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

B8. Group Borrowings (cont'd)

(a) Repayments of non-current FRTL and FRTF-i will commence 42 months from first drawdown as disclosed below:

	No.	Outstanding amount as at 31 MAR 2018 RM'000	Month of first repayment
FRTL:			
	i	500,000	September 2019
	ii	400,000	December 2019
	iii	400,000	April 2020
FRTF-i:			
	iv	500,000	September 2019

(b) The details of the Group's outstanding IMTN as at 31 March 2018 are set out as follow:

IMTN	Nominal value RM' million	Tenure	Profit rate per annum	Maturity date
Tranche 001	300.0	5 years	4.38%	14 April 2022
Tranche 002	300.0	7 years	4.53%	12 April 2024
Tranche 003	300.0	10 years	4.65%	14 April 2027
Total	900.0			

B9. Financial Instruments

As at 31 March 2018, the Group's outstanding net derivative financial instruments are detailed below:

Type of derivative	Notional value (RM'000)	Fair value - (liability)/asset (RM'000)
Foreign currency forward contracts:		
- Less than one year	23,343	(133)
Interest rate swaps contracts		
- More than three years	750,000	7,083

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

B9. Financial Instruments (cont'd)

Accounting Policy
The Group uses derivatives comprising of 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.

(b) Interest rate risk

The Group manages its interest rate risk by having a balanced 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 IMTN with notional principal amounts of RM750.0 million. The interest rate swaps entitles the Group to receive interest at a fixed rate ranging from 4.38% 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 IMTN.

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.

There were no changes for cash requirement since the end of the previous financial year ended 31 December 2017.

DIGI.COM BERHAD
Company no. 425190-X
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2018

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

B9. Financial Instruments (cont'd)

Accounting Policy (cont'd)

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.

Credit Risk Management Policy

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

B10. Material Litigation

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

B11. Dividends

The Board of Directors has declared a first interim tax exempt (single-tier) dividend of 4.9 sen per ordinary share (1Q 2017: 4.7 sen per ordinary share) in respect of the financial year ending 31 December 2018, which will be paid on 29 June 2018. The entitlement date is on 4 June 2018.

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

(i) shares transferred to the Depositor's Securities Account before 4.00 p.m. on 4 June 2018 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 2018 is 4.9 sen per ordinary share (YTD 2017: 4.7 sen).

DIGI.COM BERHAD
Company no. 425190-X
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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2018

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

B12. Earnings Per Share

Basic Earnings Per Share

The basic earnings per share for the current quarter and financial period ended 31 March 2018 have been calculated as per the summary below:

	Period ended 31 MAR 2018 RM'000	Period ended 31 MAR 2017 RM'000
Earnings		
Profit for the period,		
Amount attributable to owners of the parent	386,111	373,113
Weighted average number of ordinary shares ('000)	7,775,000	7,775,000
Basic earnings per share (sen)	4.97	4.80

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 2017 were not subject to any qualification.

B14. Additional Disclosures

	Period ended 31 MAR 2018 RM'000	Period ended 31 MAR 2017 RM'000
Impairment losses on trade receivables	(16,230)	(10,362)
(Allowance)/reversal for inventory obsolescence	(517)	468
Gain on disposal of property, plant and equipment	-	276
Foreign exchange gain	1,340	2,215
Fair value gain/(loss) on forward foreign exchange contracts	1,314	(4,581)
Fair value loss on interest rate swaps	(1,649)	-

Other than the items highlighted above which have been included in the condensed consolidated statement of comprehensive income, there were no profits/(losses) on any other items and sale of quoted securities, investments and properties included in the results for the current quarter and financial period ended 31 March 2018.

c.c. Securities Commission