



DIGI.COM BERHAD

Company no. 425190-X
(Incorporated in Malaysia)

Date: 23 January 2018

**Subject: INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER
AND FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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Company no. 425190-X
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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER
AND FINANCIAL YEAR ENDED 31 DECEMBER 2017

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | INDIVIDUAL QUARTER | | | CUMULATIVE QUARTER | | | |
|--|--------------------|-----------------------|-----------------------|--------------------|-----------------------|-----------------------|------------|
| | | QUARTER ENDED | QUARTER ENDED | | YEAR ENDED | YEAR ENDED | |
| | Note | 31 DEC 2017 RM'000 | 31 DEC 2016 RM'000 | % | 31 DEC 2017 RM'000 | 31 DEC 2016 RM'000 | % |
| Revenue | | 1,644,530 | 1,669,720 | -2 | 6,340,473 | 6,597,102 | -4 |
| Other income | | 5,170 | 4,466 | | 20,911 | 18,556 | |
| Net loss on foreign exchange and fair value movement of forward foreign exchange contracts | | (75) | (2,616) | | (4,797) | (6,008) | |
| Depreciation and amortisation | | (209,170) | (177,736) | | (785,611) | (651,181) | |
| Other expenses | | (918,269) | (931,034) | | (3,470,879) | (3,654,743) | |
| Settlement costs and exit fee | A12(i) | (6,028) | - | | (6,028) | - | |
| Finance costs | | (41,271) | (22,935) | +80 | (132,457) | (78,078) | +70 |
| Interest income | | 6,271 | 3,741 | | 23,738 | 12,536 | |
| Profit before tax | | 481,158 | 543,606 | -11 | 1,985,350 | 2,238,184 | -11 |
| Taxation | | (121,078) | (168,979) | | (508,652) | (605,526) | |
| Profit for the period/year, representing total comprehensive income for the period/year, net of tax | | 360,080 | 374,627 | -4 | 1,476,698 | 1,632,658 | -10 |
| Attributable to: | | | | | | | |
| Owners of the parent | | 360,080 | 374,627 | -4 | 1,476,698 | 1,632,658 | -10 |

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - CONT'D

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | | | |
|---|--------------------|------------------|--------------------|---------------|---------------|---|
| | QUARTER ENDED | QUARTER ENDED | % | YEAR ENDED | YEAR ENDED | % |
| | 31 DEC 2017 | 31 DEC 2016 | | 31 DEC 2017 | 31 DEC 2016 | |
| Earnings per share attributable to owners of the parent (sen per share): | | | | | | |
| - Basic | 4.63 | 4.82 | | 18.99 | 21.00 | |
| - Diluted ¹ | NA | NA | | NA | NA | |

Note:¹NA 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)

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | UNAUDITED AT 31 DEC 2017 RM'000 | AUDITED AT 31 DEC 2016 RM'000 |
|--|--|--|
| Non-current assets | | |
| Property, plant and equipment | 2,908,968 | 2,832,265 |
| Intangible assets | 937,100 | 453,777 |
| Other investments | 163 | 100 |
| Derivative financial instruments | 355 | - |
| Prepayments | 101,163 | 62,572 |
| | <u>3,947,749</u> | <u>3,348,714</u> |
| Current assets | | |
| Inventories | 59,138 | 47,822 |
| Trade and other receivables | 1,216,988 | 1,707,679 |
| Derivative financial instruments | - | 4,034 |
| Tax recoverable | 34,693 | 13,121 |
| Cash and short-term deposits | 575,045 | 376,588 |
| | <u>1,885,864</u> | <u>2,149,244</u> |
| TOTAL ASSETS | <u>5,833,613</u> | <u>5,497,958</u> |
| Non-current liabilities | | |
| Loans and borrowings | 2,691,438 | 1,798,837 |
| Deferred tax liabilities | 297,524 | 311,285 |
| Provision for liabilities | 44,077 | 40,034 |
| | <u>3,033,039</u> | <u>2,150,156</u> |
| Current liabilities | | |
| Trade and other payables | 1,928,255 | 1,947,851 |
| Derivative financial instruments | 1,447 | - |
| Provision for liabilities | 5,914 | 7,547 |
| Deferred revenue | 333,343 | 390,074 |
| Loans and borrowings | 12,881 | 483,036 |
| Tax payable | 16 | 24 |
| | <u>2,281,856</u> | <u>2,828,532</u> |
| Total liabilities | <u>5,314,895</u> | <u>4,978,688</u> |
| Equity | | |
| Share capital | 769,655 | 77,750 |
| Share premium | - | 691,905 |
| Accumulated losses | (250,937) | (250,385) |
| Total equity - attributable to owners of the parent | <u>518,718</u> | <u>519,270</u> |
| TOTAL EQUITY AND LIABILITIES | <u>5,833,613</u> | <u>5,497,958</u> |
| Net assets per share (RM) | <u>0.07</u> | <u>0.07</u> |

(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)

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share capital RM'000 | Share premium RM'000 | Accumulated losses RM'000 | Total RM'000 |
|---|----------------------------|----------------------------|---------------------------------|-----------------|
| At 1 January 2017 | 77,750 | 691,905 | (250,385) ² | 519,270 |
| Total comprehensive income | - | - | 1,476,698 | 1,476,698 |
| Transaction with owners: | | | | |
| Dividend for the financial year ended 31 December 2016 | | | | |
| - fourth interim dividend | - | - | (373,200) | (373,200) |
| Dividend for the financial year ended 31 December 2017 | | | | |
| - first interim dividend | - | - | (365,425) | (365,425) |
| - second interim dividend | - | - | (357,650) | (357,650) |
| - third interim dividend | - | - | (380,975) | (380,975) |
| Transfer to share capital ¹ | 691,905 | (691,905) | - | - |
| At 31 December 2017 | <u>769,655</u> | <u>-</u> | <u>(250,937)</u> | <u>518,718</u> |

Note:¹ 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.

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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 1 January 2016 | 77,750 | 691,905 | (250,293) ² | 519,362 |
| Total comprehensive Income | - | - | 1,632,658 | 1,632,658 |
| Transaction with owners: | | | | |
| Dividend for the financial year ended 31 December 2015 | | | | |
| - fourth interim dividend | - | - | (380,975) | (380,975) |
| Dividend for the financial year ended 31 December 2016 | | | | |
| - first interim dividend | - | - | (396,525) | (396,525) |
| - second interim dividend | - | - | (419,850) | (419,850) |
| - third interim dividend | - | - | (435,400) | (435,400) |
| At 31 December 2016 | <u>77,750</u> | <u>691,905</u> | <u>(250,385)</u> | <u>519,270</u> |

Note:² 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.

(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)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | YEAR ENDED 31 DEC 2017 RM'000 | YEAR ENDED 31 DEC 2016 RM'000 |
|---|-------------------------------------|-------------------------------------|
| Cash flows from operating activities | | |
| Profit before tax | 1,985,350 | 2,238,184 |
| Adjustments for: | | |
| Non-cash items | 831,394 | 702,456 |
| Finance costs | 132,457 | 78,078 |
| Interest income | (23,738) | (12,536) |
| Operating cash flow before working capital changes | <u>2,925,463</u> | <u>3,006,182</u> |
| Changes in working capital: | | |
| Net change in current assets | 330,299 | (848,938) |
| Net change in current liabilities | (83,394) | (155,403) |
| Cash generated from operations | <u>3,172,368</u> | <u>2,001,841</u> |
| Advance payment for bandwidth | (55,994) | - |
| Interest paid | (117,406) | (85,602) |
| Government grant received | 121,949 | 100,576 |
| Payments for provisions | (302) | (244) |
| Taxes paid | (543,993) | (484,252) |
| Net cash generated from operating activities | <u>2,576,622</u> | <u>1,532,319</u> |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment and intangible assets | (1,344,233) | (775,684) |
| Purchase of unquoted investment | (63) | (100) |
| Interest received | 23,370 | 12,438 |
| Proceeds from disposal of property, plant and equipment | 1,047 | 1,886 |
| Proceeds from disposal of other investment | - | 28 |
| Net cash used in investing activities | <u>(1,319,879)</u> | <u>(761,432)</u> |
| Cash flows from financing activities | | |
| Drawdowns of loans and borrowings | 1,680,000 | 2,025,000 |
| Repayments of loans and borrowings | (1,259,840) | (1,018,808) |
| Dividends paid | (1,477,250) | (1,632,750) |
| Net cash used in financing activities | <u>(1,057,090)</u> | <u>(626,558)</u> |

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS - CONT'D

| | YEAR ENDED 31 DEC 2017 RM'000 | YEAR ENDED 31 DEC 2016 RM'000 |
|--|-------------------------------------|-------------------------------------|
| Net increase in cash and cash equivalents | 199,653 | 144,329 |
| Effect of exchange rate changes on cash and cash equivalents | (1,196) | (1,298) |
| Cash and cash equivalents at beginning of year | 376,588 | 233,557 |
| Cash and cash equivalents at end of year | <u>575,045</u> | <u>376,588</u> |

(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)

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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 2016.

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 2016 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 or after 1 January 2017:

Annual Improvements to MFRSs 2014–2016 Cycle

Amendments to MFRS 107: Disclosure Initiative

Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses

Amendments to MFRS 12: Disclosure of Interests in Other Entities

Companies Act 2016

The Companies Act 2016 (“New Act”) was enacted to replace the Companies Act 1965 with the objectives to create a legal and regulatory structure that will facilitate business, and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The New Act was passed on 4 April 2016 by the Dewan Rakyat (House of Representative) and gazetted on 15 September 2016. The New Act (except section 241 and Division 8 of Part III) becomes effective on 31 January 2017.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Group and of the Company upon the commencement of the New Act on 31 January 2017 are:

- (i) removal of the authorised share capital;
- (ii) shares of the Company will cease to have par or nominal value; and
- (iii) the Company’s share premium account will become part of the Company’s share capital.

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.

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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 year ended 31 December 2017, other than:

- (i) financing transactions executed under revolving credit ("RC") facilities and Sukuk Programmes as disclosed in Note A5;
- (ii) the credit balance of the Company's share premium account as at 31 January 2017 becoming part of the Company's share capital pursuant to the New Act; and
- (iii) the conversion of non-Islamic (herewith shall be known as "Conventional") banking facilities to Islamic banking facilities completed on 29 December 2017 as disclosed in Note A5 and B7.

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 year ended 31 December 2017.

A5. Debts and Equity Securities

There were no issuance, repurchase and repayment of debt and equity securities for the current quarter and financial year ended 31 December 2017, other than:

(i) Revolving credit ("RC")

- (a) Drawdown of RC facilities amounting to RM275.0 million in February 2017; and
- (b) Repayments of RC facilities amounting to RM500.0 million in April 2017 and RM250.0 million in May 2017.

(ii) Islamic Medium Term Notes ("IMTN")

On 14 April 2017, Digi Telecommunications Sdn Bhd ("DTSB"), a wholly-owned subsidiary of the Group, issued the first series of IMTN consisting of:

| 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 | | | |

(iii) Islamic Commercial Papers ("ICP")

On 20 April 2017, DTSB issued ICP amounting to RM 5.0 million in nominal value at 3.83% discount rate with a tenure of one (1) month, which was subsequently redeemed in full upon its maturity on 19 May 2017.

Proceeds from the issuance of IMTN and ICP are utilised for the general corporate purposes of DTSB and/or its subsidiaries, which are Shariah-compliant.

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NOTES TO THE INTERIM FINANCIAL REPORT - CONT'D

A5. Debts and Equity Securities (cont'd)

(iv) Conversion of conventional banking facilities to Islamic banking facilities

On 29 December 2017, the Group converted part of its existing floating-rate term loans ("FRTL") and RC facility to Islamic banking facilities consisting of floating-rate term financing-i ("FRTF-i") facility and revolving credit-i ("RC-i") facility. Details of the conversion are provided below:

| Facilities | Before conversion | After conversion |
|--------------|---|---|
| | Outstanding as at date of conversion RM' million | Outstanding after conversion RM' million |
| FRTL | 500.0 | n/a |
| RC | - | n/a |
| FRTF-i | n/a | 500.0 |
| RC-i | n/a | - |
| Total | 500.0 | 500.0 |

A6. Dividend Paid

For the financial year ended 31 December 2017:

- (i) The fourth interim tax exempt (single-tier) dividend of 4.8 sen per ordinary share amounting to RM373.2 million in respect of the financial year ended 31 December 2016 was paid on 31 March 2017;
- (ii) The first interim tax exempt (single-tier) dividend of 4.7 sen per ordinary share amounting to RM365.4 million in respect of the financial year ended 31 December 2017 was paid on 30 June 2017;
- (iii) The second 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 29 September 2017; and
- (iv) The third interim tax exempt (single-tier) dividend of 4.9 sen per ordinary share amounting to RM381.0 million in respect of the financial year ended 31 December 2017 was paid on 22 December 2017.

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 Financial Year

There are no material events subsequent to the current quarter and financial year ended 31 December 2017 up to the date of this report.

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NOTES TO THE INTERIM FINANCIAL REPORT - CONT'D

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 year ended 31 December 2017 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 2016.

A11. Capital Commitments

Capital commitments of the Group in respect of property, plant and equipment and intangible assets not provided for as of 31 December 2017 are as follows:

| | RM'000 |
|---------------------------------|---------------|
| Approved and contracted for | 413,000 |
| Approved but not contracted for | 848,000 |

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 year:

| | Note | Transactions for the year ended 31 DEC 2017 RM'000 | Balance due from/(to) at 31 DEC 2017 RM'000 |
|---|-------------|---|--|
| With the ultimate holding company and fellow subsidiaries | | | |
| - Telenor ASA | | | (27,557) |
| Consultancy services rendered | | 35,137 | |
| Licenses and trademarks | | 9,475 | |
| - Telenor Procurement Company | | | (3,404) |
| Managed services rendered | | 3,447 | |
| - Telenor GO Pte Ltd | | | (564) |
| Personnel services rendered | | 11,854 | |
| - Total Access Communication Public Company Limited | | | 343 |
| Sales of international roaming services | | 5 | |
| Purchases of international roaming services | | 660 | |

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A12. Related Party Transactions – cont'd

| | Note | Transactions for the year ended 31 DEC 2017 RM'000 | Balance due from/(to) at 31 DEC 2017 RM'000 |
|---|------|---|--|
| With the ultimate holding company and fellow subsidiaries – cont'd | | | |
| - Telenor Global Services AS | | | (6,200) |
| Sales of interconnection services on international traffic | | 3,557 | |
| Purchases of interconnection services on international traffic | | 30,883 | |
| Purchases of international roaming services | | 398 | |
| Purchases of IP transit | | 777 | |
| Purchases of global connectivity | | 1,435 | |
| Clearing house services rendered for international roaming arrangement | | 129 | |
| - dtac TriNet Co. Ltd | | | (1,532) |
| Sales of interconnection services on international traffic | | 122 | |
| Purchases of interconnection services on international traffic | | 1,571 | |
| Sales of international roaming services | | 528 | |
| Purchases of international roaming services | | 2,223 | |
| - Telenor IT Asia Sdn Bhd | | | (24,260) |
| Rental income and services rendered for Asian Infrastructure Shared Services Centre | | 333 | |
| Services rendered on Asian Infrastructure Shared Services Centre | | 5,872 | |
| Settlement costs and exit fee payable | (i) | 6,028 | |
| - Telenor Digital Services AS | | | (566) |
| Consultancy fees | | 1,025 | |
| Services rendered on digital marketing and distribution platform | | 299 | |
| Purchases of cloud based software infrastructure services | | 364 | |
| - Telenor Global Shared Services AS | | | (12,631) |
| Services rendered on Enterprise Resource Planning (“ERP”) and Enterprise applications | | 10,984 | |

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A12. Related Party Transactions – cont'd

| | Note | Transactions for the year ended 31 DEC 2017 RM'000 | Balance due from/(to) at 31 DEC 2017 RM'000 |
|--|------|---|--|
| With the ultimate holding company and fellow subsidiaries – cont'd | | | |
| - Valyou Sdn Bhd | | | 19 |
| Sales of telecommunication and related services | | 118 | |
| Personnel services rendered | | 645 | |
| - Telenor Financial Services AS | | | - |
| Personnel services rendered | | 247 | |
| - Telenor Global Services Singapore Pte Ltd | | | 904 |
| Bandwidth leasing income | | 6,144 | |
| - Tapad Inc. US | | | (107) |
| Services rendered on digital marketing and distribution platform | | 1,544 | |
| | | 1,544 | |

- (i) This RPT is disclosed with reference made to the Settlement Agreement for termination of IT Infrastructure Support Services announced on 17 January 2018, details summarised below:

Digi Telecommunications Sdn Bhd (“DTSB”), a wholly-owned subsidiary of the Group 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. Both TITA and GSS are related parties to the Group, and the service to be terminated is a recurring related party transaction (“RRPT”) that had obtained shareholders' mandate in prior periods.

The early termination of TITA services is a result of an exercise carried out by the Group to insource the IT infrastructure under the Group's IT environment.

| | As at 31 DEC 2017 RM'000 |
|---|--------------------------------|
| Pursuant to the Settlement Agreement, DTSB shall make a payment for final settlement sum of RM13,855,000 to TITA for: | |
| (a) Transfer of assets taken place at 1 October 2017 | 7,827 |
| (b) Settlement costs and exit fee | 6,028 |
| | 13,855 |

The Settlement Agreement is expected to be completed by the end of January 2018.

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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER
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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 ("4Q 2017") compared with immediate preceding quarter ("3Q 2017") is provided in the "Management Discussion & Analysis" enclosed.

B3. Prospects For The Next Financial Year Ending 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. Taxation

The Group's taxation charge for the current quarter and financial year ended 31 December 2017 respectively were made up as follows:

| | Individual quarter | Cumulative quarter |
|---|--|-------------------------------------|
| | Quarter ended 31 DEC 2017 RM'000 | Year ended 31 DEC 2017 RM'000 |
| Income tax: | | |
| - Current tax expense | (93,895) | (525,892) |
| - Over-provision in prior years | 12,478 | 3,478 |
| Deferred tax | | |
| - Net originating and reversal of timing differences | (32,297) | 21,126 |
| - Recognition and reversal of prior year's timing differences | (7,364) | (7,364) |
| Total | (121,078) | (508,652) |

The Group's effective tax rates for the current quarter and financial year ended 31 December 2017 of 25.2% and 25.6% respectively are higher than the statutory tax rate of 24.0%, mainly due to certain expenses not deductible for tax purposes.

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

B6. 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.

B7. Group Borrowings

| | Note | As at 31 DEC 2017 RM'000 | As at 31 DEC 2016 RM'000 |
|--|------|--------------------------------|--------------------------------|
| Non-current | | | |
| Conventional financing facilities: | | | |
| FRTL | (a) | 1,291,635 | 1,783,728 |
| Finance lease obligation | | 8,338 | 15,109 |
| Islamic securities and financing facilities: | | | |
| FRTF-i | (b) | 492,642 | - |
| IMTN | (c) | 898,823 | - |
| | | <u>2,691,438</u> | <u>1,798,837</u> |
| Current | | | |
| Conventional financing facilities: | | | |
| RC | | - | 473,046 |
| Finance lease obligation | | 12,881 | 9,990 |
| | | <u>12,881</u> | <u>483,036</u> |
| Total loans and borrowings | | <u>2,704,319</u> | <u>2,281,873</u> |

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:

| | As at 31 DEC 2017 RM'000 | As at 31 DEC 2016 RM'000 |
|--|--------------------------------|--------------------------------|
| Borrowings and debt securities: | | |
| Floating rate | 1,784,277 | 2,256,774 |
| Fixed rate | 920,042 | 25,099 |
| | <u>2,704,319</u> | <u>2,281,873</u> |

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–CONT'D**

B7. Group Borrowings (cont'd)

- (a) Repayments of non-current FRTL will commence 42 months from first drawdown as disclosed below, except for FRTL converted to FRTF-i discussed in Note B7(b) below.

| No. | Outstanding amount as at 31 DEC 2017 RM'000 | Month of first drawdown | Month of first repayment |
|-----|--|-------------------------|--------------------------|
| i | 500,000 | March 2016 | September 2019 |
| ii | 400,000 | June 2016 | December 2019 |
| iii | 400,000 | October 2016 | April 2020 |

- (b) On 29 December 2017, the Group converted part of its existing conventional banking facilities to Islamic banking facilities. Following the conversion, the Group had requested for the disbursement of the RM500.0 million of FRTF-i to refinance an existing FRTL outstanding of the same amount. These changes are disclosed in Note A5.
- (c) On 4 April 2017, the Group through its wholly-owned subsidiary, DTSB, established an Islamic medium term notes (“IMTN”) programme of up to RM5.0 billion in nominal value (“IMTN Programme”); and an Islamic commercial papers (“ICP”) programme of up to RM1.0 billion in nominal value (“ICP Programme”), which have a combined limit of up to RM5.0 billion in nominal value (collectively referred to as “Sukuk Programme”) based on the Islamic principle of Murabahah (via a Tawarruq arrangement).

The tenures of the IMTN and ICP Programme are fifteen (15) and seven (7) years, respectively from the date of the first issuance. On 8 January 2018, RAM Rating Services Berhad reaffirmed the AAA rating for the IMTN Programme and P1 rating for the ICP Programme.

The details of issuance and redemption in relation to Sukuk Programmes as at 31 December 2017 are disclosed in Note A5.

The proceeds from IMTN have been partially hedged against interest rate risk using interest rate swaps as disclosed in Note B8.

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-CONT'D**

B8. Financial Instruments

As at 31 December 2017, 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 | 58,228 | (1,447) |
| Interest rate swaps contracts - More than three years | 750,000 | 355 |

(i) Interest rate swap transactions

In 2Q 2017, the Group entered into interest rate swaps with notional amounts totaling RM750.0 million that entitles it to receive interest at a fixed rate ranging from 4.38% to 4.65% per annum, and in return, pays interest quarterly at floating rates plus a spread. The swaps mature at varying dates based on the maturity of different tranches of the IMTN.

(ii) Accounting Policy

The Group uses derivatives comprising of forward 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.

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CONT'D**

B8. Financial Instruments (cont'd)

(ii) Accounting Policy (cont'd)

(b) Interest rate risk

The Group is exposed to interest rate risk through funding activities. Changes in interest rates affect the fair value of assets and liabilities.

The Group reviews its composition of fixed and floating rate debts based on assessment of its existing exposure and desirable interest rate profiles acceptable to the Group. Hedging instruments such as interest rate swaps are used to manage these risks.

IMTN issued by the Group under the Sukuk Programme are fixed rate debts. In order to manage interest rate risk on the fair value of the underlying liability, a portion of the proceeds from IMTN were swapped to floating interest rate by using interest rate swaps.

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.

By entering into interest swap agreements in 2Q 2017, the Group had swapped the coupon payment obligation of the underlying liability of IMTN from semi-annual fixed rate payments to quarterly floating rate payments. Besides this, there were no other changes for cash requirement since the end of the previous financial year ended 31 December 2016.

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 year that do not qualify for hedge accounting are recognised in profit and loss.

(iii) 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.

B9. Material Litigation

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

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B10. Dividends

The Board of Directors has declared a fourth interim tax exempt (single-tier) dividend of 4.6 sen per ordinary share (4Q 2016: 4.8 sen per ordinary share) in respect of the financial year ended 31 December 2017, which will be paid on 23 March 2018. The entitlement date is on 26 February 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 26 February 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 year ended 31 December 2017 is 18.8 sen per ordinary share (YTD 2016: 20.9 sen).

B11. Earnings Per Share

Basic Earnings Per Share

The basic earnings per share for the current quarter and financial year ended 31 December 2017 have been calculated as per the summary below:

| | Individual Quarter | | Cumulative Quarter | |
|--|--|--|-------------------------------------|-------------------------------------|
| | Quarter ended 31 DEC 2017 RM'000 | Quarter ended 31 DEC 2016 RM'000 | Year ended 31 DEC 2017 RM'000 | Year ended 31 DEC 2016 RM'000 |
| Earnings Profit for the period/year, Amount attributable to owners of the parent | 360,080 | 374,627 | 1,476,698 | 1,632,658 |
| Weighted average number of ordinary shares ('000) | 7,775,000 | 7,775,000 | 7,775,000 | 7,775,000 |
| Basic earnings per share (sen) | 4.63 | 4.82 | 18.99 | 21.00 |

Diluted Earnings Per Share - Not applicable

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CONT'D**

B12. Auditors' Report on Preceding Annual Financial Statements

The latest audited financial statements for the financial year ended 31 December 2016 were not subject to any qualification.

B13. Additional Disclosures

| | Individual Quarter | | Cumulative Quarter | |
|--|--|--|-------------------------------------|-------------------------------------|
| | Quarter ended 31 DEC 2017 RM'000 | Quarter ended 31 DEC 2016 RM'000 | Year ended 31 DEC 2017 RM'000 | Year ended 31 DEC 2016 RM'000 |
| Impairment losses on trade receivables | (15,513) | (12,029) | (45,425) | (50,704) |
| Reversal for inventory obsolescence | 307 | 1,745 | 487 | 1,327 |
| Loss on disposal of property, plant and equipment | (292) | (743) | (111) | (707) |
| Foreign exchange gain/(loss) | 721 | (4,742) | 684 | (9,668) |
| Fair value (loss)/gain on forward foreign exchange contracts | (796) | 2,126 | (5,481) | 4,152 |
| Fair value loss on interest rate swaps | (11,766) | - | (361) | - |

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 year ended 31 December 2017.

c.c. Securities Commission