



## **DIGI.COM BERHAD**

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

**Date: 15 July 2022**

**Subject: INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER  
AND FINANCIAL PERIOD ENDED 30 JUNE 2022**

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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER			
	QUARTER ENDED	QUARTER ENDED		PERIOD ENDED	PERIOD ENDED	
	30 JUN 2022 RM'000	30 JUN 2021 RM'000	%	30 JUN 2022 RM'000	30 JUN 2021 RM'000	%
<b>Revenue</b>	<b>1,538,867</b>	<b>1,618,472</b>	<b>-5</b>	<b>3,060,583</b>	<b>3,168,694</b>	<b>-3</b>
Other income	6,843	4,320		15,142	12,183	
Net (loss)/gain on foreign exchange and fair value movement of foreign currency forward contracts	(326)	4,507		(1,179)	4,712	
Depreciation, amortisation and impairment	(309,267)	(324,707)		(606,660)	(633,854)	
Other expenses	(803,992)	(883,544)		(1,591,969)	(1,704,097)	
Net loss on fixed assets written-off and disposed	(9,051)	(193)		(23,648)	(1,719)	
Gain on termination of right-of-use assets	261	54		562	344	
Finance costs	(67,506)	(53,433)	<b>+26</b>	(129,054)	(130,066)	<b>-1</b>
Interest income	6,212	7,267		12,648	15,094	
<b>Profit before tax<sup>1</sup></b>	<b>362,041</b>	<b>372,743</b>	<b>-3</b>	<b>736,425</b>	<b>731,291</b>	<b>+1</b>
Taxation	(141,998)	(92,831)		(280,233)	(186,552)	
<b>Profit for the period, representing total comprehensive income for the period, net of tax</b>	<b>220,043</b>	<b>279,912</b>	<b>-21</b>	<b>456,192</b>	<b>544,739</b>	<b>-16</b>
Attributable to:						
Owners of the parent	<b>220,043</b>	<b>279,912</b>	<b>-21</b>	<b>456,192</b>	<b>544,739</b>	<b>-16</b>

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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - CONT'D**

	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	QUARTER	QUARTER	%	PERIOD	PERIOD	%
	ENDED	ENDED		ENDED	ENDED	
	30 JUN 2022	30 JUN 2021		30 JUN 2022	30 JUN 2021	
Earnings per share						
attributable to owners						
of the parent						
(sen per share):						
- Basic	2.83	3.60		5.87	7.01	
- Diluted <sup>2</sup>	NA	NA		NA	NA	

Note:<sup>1</sup> Included in profit before tax are professional and legal expenses in relation to the proposed merger between Digi.Com Berhad and Celcom Axiata Berhad of RM6.4mil and RM9.6mil for Q2 2022 QTD and YTD respectively (Q2 2021 QTD: RM1.7mil; YTD: RM1.7mi). Please refer to Note B7 for further details on the proposed merger exercise.

Note:<sup>2</sup> 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 9 to 14)

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b>UNAUDITED AT 30 JUN 2022 RM'000</b>	<b>AUDITED AT 31 DEC 2021 RM'000</b>
<b>Non-current assets</b>		
Property, plant and equipment	2,751,240	2,863,675
Intangible assets	275,418	284,057
Right-of-use assets	2,739,842	2,828,720
Other investments	78	78
Trade and other receivables	329,612	320,862
Contract costs	70,823	71,687
Contract assets	21,681	21,757
Derivative financial instruments	-	26,365
	<u>6,188,694</u>	<u>6,417,201</u>
<b>Current assets</b>		
Inventories	132,952	116,568
Trade and other receivables	1,131,488	1,050,392
Contract assets	41,982	51,127
Derivative financial instruments	125	-
Cash and short-term deposits	137,979	204,527
	<u>1,444,526</u>	<u>1,422,614</u>
<b>TOTAL ASSETS</b>	<u><u>7,633,220</u></u>	<u><u>7,839,815</u></u>
<b>Non-current liabilities</b>		
Loans and borrowings	3,859,305	3,835,854
Derivative financial instruments	1,354	-
Deferred tax liabilities	271,809	303,027
Other liabilities	141,532	136,053
	<u>4,274,000</u>	<u>4,274,934</u>
<b>Current liabilities</b>		
Trade and other payables	1,381,608	1,444,024
Contract liabilities	323,713	346,088
Derivative financial instruments	-	183
Loans and borrowings	890,693	1,123,421
Tax payable	202,903	18,354
	<u>2,798,917</u>	<u>2,932,070</u>
<b>Total liabilities</b>	<u><u>7,072,917</u></u>	<u><u>7,207,004</u></u>

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONT'D**

	<b>UNAUDITED AT 30 JUN 2022 RM'000</b>	<b>AUDITED AT 31 DEC 2021 RM'000</b>
<b>Equity</b>		
Share capital	769,655	769,655
Accumulated losses	(209,352)	(136,844)
<b>Total equity - attributable to owners of the parent</b>	<u>560,303</u>	<u>632,811</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>7,633,220</u>	<u>7,839,815</u>
<b>Net assets per share (RM)</b>	<u>0.07</u>	<u>0.08</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Interim Financial Report on pages 9 to 14)

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Share capital RM'000	Accumulated losses RM'000	Total RM'000
<b>At 31 December 2021/ 1 January 2022</b>	769,655	(136,844) <sup>1</sup>	632,811
Total comprehensive income	-	456,192	456,192
Transaction with owners:			
Dividend for the financial year ended 31 December 2021 - fourth interim dividend	-	(303,225)	(303,225)
Dividend for the financial year ending 31 December 2022 - first interim dividend	-	(225,475)	(225,475)
<b>At 30 June 2022</b>	<u>769,655</u>	<u>(209,352)</u>	<u>560,303</u>

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

	Share capital RM'000	Accumulated losses RM'000	Total RM'000
<b>At 31 December 2020/ 1 January 2021</b>	769,655	(163,799) <sup>1</sup>	605,856
Total comprehensive income	-	544,739	544,739
Transaction with owners:			
Dividend for the financial year ended 31 December 2020 - fourth interim dividend	-	(279,900)	(279,900)
Dividend for the financial year ended 31 December 2021 - first interim dividend	-	(264,350)	(264,350)
<b>At 30 June 2021</b>	<u>769,655</u>	<u>(163,310)</u>	<u>606,345</u>

Note:<sup>1</sup> 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 9 to 14)

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	PERIOD ENDED 30 JUN 2022 RM'000	PERIOD ENDED 30 JUN 2021 RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	736,425	731,291
Adjustments for:		
Non-cash items	693,307	658,649
Finance costs	129,054	130,066
Interest income	(12,648)	(15,094)
Operating cash flow before working capital changes	<u>1,546,138</u>	<u>1,504,912</u>
Changes in working capital:		
Net change in current assets	(134,295)	(70,495)
Net change in contract assets	9,221	5,808
Net change in contract costs	(40,947)	(6,222)
Net change in current liabilities	(61,268)	(32,396)
Net change in contract liabilities	(22,375)	9,827
<b>Cash generated from operations</b>	<u>1,296,474</u>	<u>1,411,434</u>
Advanced payment for bandwidth	-	(3,640)
Interest paid	(77,094)	(105,478)
Government grant received	28,328	113,244
Payments for provisions	(14)	(27)
Taxes paid (net of refund)	(126,902)	(94,822)
<b>Net cash generated from operating activities</b>	<u>1,120,792</u>	<u>1,320,711</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment and intangible assets	(256,148)	(346,672)
Interest received	2,392	3,148
Prepayment for spectrum assignment	(11,760)	-
Proceeds from disposal of property, plant and equipment	1,116	326
<b>Net cash used in investing activities</b>	<u>(264,400)</u>	<u>(343,198)</u>
<b>Cash flows from financing activities</b>		
Drawdowns of loans and borrowings	350,000	-
Repayments of loans and borrowings	(744,518)	(333,073)
Dividends paid	(528,700)	(544,250)
<b>Net cash used in financing activities</b>	<u>(923,218)</u>	<u>(877,323)</u>



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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS - CONT'D**

	<b>PERIOD ENDED 30 JUN 2022 RM'000</b>	<b>PERIOD ENDED 30 JUN 2021 RM'000</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(66,826)	100,190
Effect of exchange rate changes on cash and cash equivalents	278	-
<b>Cash and cash equivalents at beginning of financial period</b>	204,527	302,853
<b>Cash and cash equivalents at end of financial period</b>	<u>137,979</u>	<u>403,043</u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Interim Financial Report on pages 9 to 14)

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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 2021.

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 2021 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 2022:

MFRS 1, MFRS 9 and MFRS 141	Annual Improvements to MFRS Standards 2018–2020
MFRS 3	Reference to the Conceptual Framework (Amendments to MFRS 3 Business Combinations)
MFRS 116	Property, Plant and Equipment — Proceeds before Intended Use (Amendments to MFRS 116 Property, Plant and Equipment)
MFRS 137	Onerous Contracts — Cost of Fulfilling a Contract (Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets)

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 financial period ended 30 June 2022, other than as disclosed in Note A5:

- (i) the repayment of floating-rate term financing-i ("FRTF-i");
- (ii) the repayment of floating-rate term loan ("FRTL");
- (iii) the drawdown of floating-rate revolving credit ("FRRC");
- (iv) the drawdown of floating-rate revolving credit i ("FRRC-i");
- (v) the repayment of floating-rate revolving credit ("FRRC");
- (vi) the repayment of floating-rate revolving credit i ("FRRC-i");
- (vii) the repayment of Islamic Medium Term Notes ("IMTN"); and
- (viii) the drawdown of floating-rate term financing-i ("FRTF-i").

**A4. Material Changes in Estimates**

There were no changes in estimates of amounts reported in prior financial years that have a material effect for the financial period ended 30 June 2022.

**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 30 June 2022, other than:

**(i) FRTF-i, FRTL, FRRC, FRRC-i and IMTN**

For the financial period ended 30 June 2022, the Group made:

- (a) repayment of FRTF-i amounting to RM75.0 million in March 2022;
- (b) repayment of FRTL amounting to RM62.5 million in March 2022;
- (c) drawdown of FRRC amounting to RM125.0 million in March 2022;
- (d) drawdown of FRRC-i amounting to RM25.0 million in March 2022;
- (e) repayment of FRRC-i amounting to RM25.0 million in April 2022;
- (f) repayment of IMTN amounting to RM300.0 million in April 2022;
- (g) drawdown of FRTF-i amounting to RM200.0 million in April 2022;
- (h) repayment of FRTL amounting to RM50.0 million in June 2022; and
- (i) repayment of FRRC amounting to RM50.0 million in June 2022.

**A6. Dividend Paid**

For the financial period ended 30 June 2022:

- (i) The fourth interim tax exempt (single-tier) dividend of 3.9 sen per ordinary share amounting to RM303.2 million in respect of the financial year ended 31 December 2021 was paid on 25 March 2022; and
- (ii) The first interim tax exempt (single-tier) dividend of 2.9 sen per ordinary share amounting to RM225.5 million in respect of the financial year ending 31 December 2022 was paid on 24 June 2022.

**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.

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**NOTES TO THE INTERIM FINANCIAL REPORT - CONT'D**

**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.

**A9. Changes in the Composition of the Group**

There were no material changes in the composition of the Group for the financial period ended 30 June 2022 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 2021.

**A11. Capital Commitments**

Capital commitments of the Group in respect of property, plant and equipment and intangible assets not provided for as of 30 June 2022 are as follows:

	<b>RM'000</b>
Approved and contracted for	<u>189,256</u>
Approved but not contracted for	<u>343,894</u>

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**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:

	<b>Transactions for the period ended 30 JUN 2022 RM'000</b>	<b>Balance due (to)/from at 30 JUN 2022 RM'000</b>
With the ultimate holding company and fellow subsidiaries		
- Telenor ASA		(8,723)
Business service cost	19,601	
Consultancy services rendered	519	
Licenses and trademarks	4,625	
- Telenor Procurement Company Pte Ltd		(4,210)
Managed services rendered	14,468	
- Telenor GO Pte. Ltd.		(205)
Personnel services rendered	1,660	
- Telenor Global Services AS		(3,184)
Sales of interconnection services		
on international traffic	6,447	
Purchases of interconnection services		
on international traffic	4,505	
Purchases of global connectivity	1,666	
Clearing house services rendered for		
international roaming arrangements	270	
Services rendered on digital marketing and distribution platform	4,886	
- dtac TriNet Co. Ltd.		547
Bandwidth leasing income	1,786	
Sales of interconnection services		
on international traffic	285	
Purchases of interconnection services		
on international traffic	96	
Sales of international roaming services	55	
Purchases of international roaming services	226	

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**NOTES TO THE INTERIM FINANCIAL REPORT - CONT'D**

**A12. Related Party Transactions – cont'd**

	<b>Transactions for the period ended 30 JUN 2022 RM'000</b>	<b>Balance due (to)/from at 30 JUN 2022 RM'000</b>
With the ultimate holding company and fellow subsidiaries		
- Telenor Global Shared Services AS Services rendered on Enterprise Resource Planning and Enterprise applications	2,121	(8,228)
- Telenor Global Services Singapore Pte Ltd Bandwidth leasing income Bandwidth leasing expenses Purchases of IP transit	4,082 1,630 158	202
- Telenor Norge AS Business security strategy execution rendered Sales of international roaming services Purchases of international roaming services	3,348 7 6	(643)
- Telenor Connexion AB Managed services rendered Purchases of international roaming services	392 122	(13)
- Telenor Myanmar Ltd Consultancy services rendered Sales of international roaming services Purchases of international roaming services	10 12 1	-
- Telenor Pakistan AB (Private) Ltd Managed services rendered Purchases of international roaming services	44 5	-

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**NOTES TO THE INTERIM FINANCIAL REPORT - CONT'D**

**A12. Related Party Transactions – cont'd**

	<b>Transactions for the period ended 30 JUN 2022 RM'000</b>	<b>Balance due (to)/from at 30 JUN 2022 RM'000</b>
With the ultimate holding company and fellow subsidiaries		
- Grameenphone Ltd		464
Consultancy services rendered	38	
Sales of international roaming services	2	
Purchases of international roaming services	19	
- Total Access Communication Public Company Limited		-
Consultancy services rendered	37	
- Telenor A/S		6
Sales of international roaming services	4	
Purchases of international roaming services	2	
- Telenor Sverige AB		3
Sales of international roaming services	9	
Purchases of international roaming services	1	
- Telenor Maritime AS		-
Managed services rendered	44	

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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 ("2Q 2022") compared with immediate preceding quarter ("1Q 2022") is provided in the "Management Discussion & Analysis" enclosed.

**B3. Prospects For The Financial Year Ending 31 December 2022**

Analysis of the Group's prospects up to 31 December 2022 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**

**Disaggregation of revenue from contracts with customers**

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

		<b>PERIOD ENDED</b>	<b>PERIOD ENDED</b>
	<b>Note</b>	<b>30 JUN 2022</b>	<b>30 JUN 2021</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>Major products/service lines</b>			
Telecommunication revenue	(a)	2,633,789	2,677,914
Sales of devices	(b)	381,019	447,979
Lease income	(c)	45,775	42,801
		<u>3,060,583</u>	<u>3,168,694</u>

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) Lease income accounted for on a straight-line basis over the lease term



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**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 30 June 2022 respectively were made up as follows:

	<b>Individual quarter</b>	<b>Cumulative quarter</b>
	<b>Quarter ended 30 JUN 2022 RM'000</b>	<b>Period ended 30 JUN 2022 RM'000</b>
Income tax:		
- Current tax expense	(138,811)	(311,454)
- Over-provision in prior years	-	3
Deferred tax:		
- Net origination and reversal of timing differences	(3,187)	31,218
<b>Total</b>	<b>(141,998)</b>	<b>(280,233)</b>

The Group's effective tax rate ("ETR") for the current quarter and financial period ended 30 June 2022 of 39.2% and 38.1% respectively are above the statutory tax rate of 24.0% due to prosperity tax impact arising from the one-off tax measure proposed by the Government of Malaysia in Budget 2022, whereby chargeable income above the RM100 million mark will be taxed at a rate of 33%, instead of 24% for the year of assessment 2022, deferred tax impact arising from prosperity tax and certain expenses which are not deductible for tax purposes.

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

**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:

**Advanced discussions to merge Digi.Com Berhad ("Digi") and Celcom Axiata Berhad ("Celcom")**

On 8 April 2021, Digi was informed by Telenor ASA ("Telenor"), the parent company of Digi's largest shareholder, Telenor Asia Pte Ltd, that Telenor and Axiata Group Berhad ("Axiata") are in discussion to merge the telco operations of Celcom and Digi ("MergeCo"), in which the parties will have an equal ownership of 33.1% each.

On 21 June 2021, Digi had entered into a conditional share purchase agreement ("SPA") with Axiata for the proposed merger.

On 24 November 2021, Digi had engaged with MCMC to initiate the merger assessment process in accordance with MCMC's Guidelines on Mergers and Acquisitions (the "Guidelines") and the merger application had been formally received by MCMC for its assessment in accordance with the Guidelines.

On 28 January 2022, Digi had submitted an application to the Securities Commission Malaysia to seek its approval for the proposed merger.

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**ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR (APPENDIX 9B)  
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**B7. Status of Corporate Proposals – cont'd**

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 (cont'd):

**Advanced discussions to merge Digi.Com Berhad ("Digi") and Celcom Axiata Berhad ("Celcom") – cont'd**

On 1 April 2022, MCMC had issued to Digi and Celcom a Statement of Issues ("SOI") pursuant to the Guidelines. The SOI sets out MCMC's preliminary view on competition effects that could arise from the potential merger and invites Digi and Celcom as applicants to submit comments, information and remedies on its assessment.

MCMC in its SOI has informed that Digi and Celcom will need to collectively address preliminary competition concerns across indicated market areas as below and respond to possible remedy recommendations provided in the SOI.

- (i) The national retail market for mobile & low-speed fixed broadband and data services, including the related local distribution channel markets;
- (ii) The national retail market for mobile voice and Person-to-Person ("P2P") messaging services, including the related local distribution channel market(s);
- (iii) The national wholesale market for mobile voice and P2P messaging services (including network sharing arrangements); and
- (iv) The national wholesale market for mobile broadband services (including network sharing arrangements)

The issuance of SOI is part of the merger assessment process under the Guidelines. It is intended to provide an opportunity for Digi and Celcom to make submissions in response to MCMC's preliminary findings, in line with the Guidelines. The SOI indicated that this is not the final decision of MCMC. Digi continued to engage with MCMC to provide a comprehensive response to the SOI for MCMC's considerations prior to their final decision.

On 17 June 2022, Digi and Axiata have agreed to extend the date by which the conditions precedent as set out in the SPA are to be satisfied or waived in accordance with the terms and conditions of the SPA ("Long Stop Date") from 21 June 2022 to 31 December 2022 or such other date as mutually agreed in writing between the parties.

Save and except for the extension of the Long Stop Date, all other terms and conditions of the SPA remain unchanged.

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**B7. Status of Corporate Proposals – cont'd**

On 28 June 2022, MCMC has issued to Digi and Celcom ("Parties") a Notice of No Objection (the "Notice") dated 28 June 2022. The Notice was issued further to MCMC's completion of its assessment of the proposed merger and the Parties' application for authorization of conduct on 16 June 2022 and notifies the Parties that MCMC does not object to the proposed merger. The Notice also states that MCMC has reviewed the undertaking offered by the Parties in connection with the application ("Undertaking").

The Parties believe that the Undertaking fully addresses the issues identified by the MCMC and ensures that consumers in Malaysia will continue to benefit from effective competition in mobile telecommunications services. The Undertaking includes:

- (i) Divestment of 70 MHz of MergeCo's spectrum across 1800 MHz, 2100 MHz, and 2600 MHz, the first band to be returned to the MCMC within 24 months after completion of the proposed merger and the second and third bands to be returned within 36 months after completion of the proposed merger;
- (ii) Establishing a separate independent business unit for Mobile Virtual Network Operator ("MVNO") wholesale business under MergeCo within six months after completion of the merger and ensuring continuity of access to wholesale services for MVNOs at terms no worse off than existing agreements;
- (iii) Divestment of Celcom's "Yoodo" brand within the stipulated time after completion of the merger as committed to MCMC, which currently offers fully digital and customisable retail mobile plans to subscribers;
- (iv) Enabling non-exclusive distributors in the Sabah, Sarawak, Kelantan, Pahang and Terengganu regions by the end of Year 3 after completion of the proposed merger; and
- (v) Positioning the existing Digi and Celcom brands as products under a single MergeCo corporate brand by the end of Year 2 after completion of the proposed merger.

The completion of the proposed merger will now be subject to the approval of the Securities Commission, Bursa Malaysia, by both Axiata and Digi shareholders, and other customary terms and conditions. The closing of the transaction is estimated to be within the second half of 2022.

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**B8. Group Borrowings**

	Note	As at 30 JUN 2022 RM'000	As at 30 JUN 2021 RM'000
<b>Non-current</b>			
FRTL	(a)	-	218,581
FRTF-i	(a)	344,837	293,370
IMTN	(b)	1,498,888	1,498,596
Lease liabilities		<u>2,015,580</u>	<u>2,080,200</u>
		<u>3,859,305</u>	<u>4,090,747</u>
<b>Current</b>			
FRTL	(c)	221,463	225,000
FRTF-i	(c)	150,000	150,000
IMTN	(b)	-	300,000
FRRC	(d)	75,000	-
Lease liabilities		<u>444,230</u>	<u>538,176</u>
		<u>890,693</u>	<u>1,213,176</u>
<b>Total loans and borrowings</b>		<u>4,749,998</u>	<u>5,303,923</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.

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

	As at 30 JUN 2022 RM'000	As at 30 JUN 2021 RM'000
<b>Borrowings and debt securities:</b>		
Floating rate	791,300	886,951
Fixed rate	<u>3,958,698</u>	<u>4,416,972</u>
	<u>4,749,998</u>	<u>5,303,923</u>

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

**B8. Group Borrowings – cont'd**

- (a) Repayment of FRTF-i will commence 42 months from first drawdown. Repayment for non-current portion of FRTF-i is as disclosed below:

No.	Outstanding amount as at 30 JUN 2022 RM'000	Month of next repayment
<b>Non-current</b>		
FRTF-i i	350,000	June 2024

- (b) The details of the Group's outstanding IMTN as at 30 June 2022 are set out as follow:

IMTN	Nominal value RM' million	Tenure	Profit rate per annum	Maturity date
Tranche 002	300.0	7 years	4.53%	12 April 2024
Tranche 003	300.0	10 years	4.65%	14 April 2027
Tranche 004	450.0	7 years	3.50%	18 September 2026
Tranche 005	450.0	10 years	3.60%	20 September 2029
<b>Total</b>	1,500.0			

The proceeds from IMTN have been partially hedged against interest rate risk using interest rate swaps as disclosed in Note B9.

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CONT'D**

**B8. Group Borrowings – cont'd**

- (c) The amounts of FRTL and FRTF-i classified as current liabilities are due within the next 12 months.

The current portion of FRTL consists of:

- (i) tranches of RM62.5 million each which are repayable in September 2022 and March 2023 respectively; and
- (ii) tranches of RM50.0 million each which are repayable in December 2022 and June 2023 respectively.

The current portion of FRTF-i consists of tranches of RM75.0 million each which are repayable in September 2022 and March 2023 respectively.

- (d) The amounts of FRRC has to be repaid within 12 months from the date of drawdown and have no specific repayment date.

**B9. Financial Instruments**

As at 30 June 2022 the Group's outstanding net derivative financial instruments are detailed below:

Type of derivatives	Notional value RM'000	Fair value - asset/(liability) RM'000
Foreign currency forward contracts - Less than one year	36,979	125
Interest rate swaps contracts - One year to three years	300,000	3,330
- More than three years	475,000	(4,684)

**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.

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CONT'D**

**B9. Financial Instruments – cont'd**

**Accounting Policy – cont'd**

**(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 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 IMTN 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 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 in the cash requirement of the derivatives since the end of the previous financial year ended 31 December 2021.

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 that are governed by appropriate policies and procedures.



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CONT'D**

**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 second interim tax exempt (single-tier) dividend of 2.8 sen per ordinary share (2Q 2021: 3.6 sen per ordinary share) in respect of the financial year ending 31 December 2022, which will be paid on 30 September 2022. The entitlement date is on 1 September 2022.

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 1 September 2022 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 30 June 2022 is 5.7 sen per ordinary share (YTD 2021: 7.0 sen).

**B12. Earnings Per Share**

*Basic Earnings Per Share*

The basic earnings per share for the current quarter and financial period ended 30 June 2022 have been calculated as per the summary below:

	Individual Quarter		Cumulative Quarter	
	Quarter ended 30 JUN 2022 RM'000	Quarter ended 30 JUN 2021 RM'000	Period ended 30 JUN 2022 RM'000	Period ended 30 JUN 2021 RM'000
<b>Earnings</b>				
Profit for the period, attributable to owners of the parent	220,043	279,912	456,192	544,739
Weighted average number of ordinary shares ('000)	7,775,000	7,775,000	7,775,000	7,775,000
Basic earnings per share (sen)	2.83	3.60	5.87	7.01

Diluted Earnings Per Share - Not applicable

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CONT'D**

**B13. Auditors' Report on Preceding Annual Financial Statements**

The latest audited financial statements for the financial year ended 31 December 2021 were not subject to any qualification.

**B14. Additional Disclosures**

	Individual Quarter		Cumulative Quarter	
	Quarter ended 30 JUN 2022 RM'000	Quarter ended 30 JUN 2021 RM'000	Period ended 30 JUN 2022 RM'000	Period ended 30 JUN 2021 RM'000
Impairment losses on trade receivables and contract assets	(11,621)	(14,068)	(22,968)	(23,806)
Reversal/(allowance) for inventory obsolescence	950	(238)	1,392	94
Loss on write-off of property, plant and equipment	(9,051)	(193)	(23,648)	(1,719)
Gain on termination of right-of-use assets	261	54	562	344
Foreign exchange (loss)/gain	(382)	4,609	(1,487)	4,188
Fair value gain/(loss) on foreign currency forward contracts	56	(102)	308	524
Fair value (loss)/gain on interest rate swaps	(14,347)	1,728	(26,411)	(20,740)

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 30 June 2022.

c.c. Securities Commission