



DIGI.COM BERHAD

Company no. 425190-X
(Incorporated in Malaysia)

Date: 19 October 2016

**Subject: INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016**

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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED	QUARTER ENDED	PERIOD ENDED	PERIOD ENDED
	30 SEPT 2016 RM'000	30 SEPT 2015 RM'000	30 SEPT 2016 RM'000	30 SEPT 2015 RM'000
Revenue	1,619,110	1,674,673	4,927,381	5,189,130
Other income	3,892	3,645	14,090	11,160
Foreign exchange and derivatives gains/(losses)	46	(25,822)	(3,392)	(27,964)
Depreciation and amortisation	(174,153)	(169,737)	(473,444)	(459,068)
Other expenses	(847,947)	(933,631)	(2,723,709)	(2,891,215)
Finance costs	(18,222)	(15,267)	(55,143)	(40,493)
Interest income	2,656	3,174	8,795	7,839
Profit before tax	585,382	537,035	1,694,578	1,789,389
Taxation	(147,001)	(140,420)	(436,547)	(449,199)
Profit for the period, representing total comprehensive income for the period, net of tax	438,381	396,615	1,258,031	1,340,190
Attributable to: Owners of the parent	438,381	396,615	1,258,031	1,340,190

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - CONT'D

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED	QUARTER ENDED	PERIOD ENDED	PERIOD ENDED
	30 SEPT 2016	30 SEPT 2015	30 SEPT 2016	30 SEPT 2015
Earnings per share attributable to owners of the parent (sen per share):				
- Basic	5.64	5.10	16.18	17.24
- 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 7 to 10)

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED AT 30 SEPT 2016 RM'000	AUDITED AT 31 DEC 2015 RM'000
Non-current assets		
Property, plant and equipment	2,756,980	2,643,214
Intangible assets	469,770	516,684
Prepayments	67,869	82,005
	3,294,619	3,241,903
Current assets		
Inventories	26,683	116,794
Trade and other receivables	989,640	921,924
Derivative financial instruments	1,908	-
Tax recoverable	94,904	148,140
Cash and short-term deposits	331,220	233,557
	1,444,355	1,420,415
TOTAL ASSETS	4,738,974	4,662,318
Non-current liabilities		
Loans and borrowings	1,203,888	25,376
Deferred tax liabilities	275,206	325,030
Provision for liabilities	38,772	35,283
	1,517,866	385,689
Current liabilities		
Trade and other payables	1,803,973	2,056,176
Derivative financial instruments	-	118
Provision for liabilities	7,163	6,195
Deferred revenue	392,884	426,223
Loans and borrowings	257,259	1,268,531
Tax payable	179,786	24
	2,641,065	3,757,267
Total liabilities	4,158,931	4,142,956
Equity		
Share capital	77,750	77,750
Reserves	502,293	441,612
Total equity - attributable to owners of the parent	580,043	519,362
TOTAL EQUITY AND LIABILITIES	4,738,974	4,662,318
Net assets per share (RM)	0.07	0.07

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Interim Financial Report on pages 7 to 10)

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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 2016	77,750	691,905	(250,293) ¹	519,362
Total comprehensive income	-	-	1,258,031	1,258,031
Transaction with owners:				
Dividend for the financial year ended 31 December 2015				
- fourth interim dividend	-	-	(380,975)	(380,975)
Dividend for the financial year ending 31 December 2016				
- first interim dividend	-	-	(396,525)	(396,525)
- second interim dividend	-	-	(419,850)	(419,850)
At 30 September 2016	<u>77,750</u>	<u>691,905</u>	<u>(189,612)</u>	<u>580,043</u>
At 1 January 2015	77,750	691,905	(83,518) ¹	686,137
Total comprehensive Income	-	-	1,340,190	1,340,190
Transaction with owners:				
Dividend for the financial year ended 31 December 2014				
- fourth interim dividend	-	-	(559,800)	(559,800)
Dividend for the financial year ended 31 December 2015				
- first interim dividend	-	-	(474,275)	(474,275)
- second interim dividend	-	-	(458,725)	(458,725)
At 30 September 2015	<u>77,750</u>	<u>691,905</u>	<u>(236,128)</u>	<u>533,527</u>

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.

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Interim Financial Report on pages 7 to 10)

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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	PERIOD ENDED 30 SEPT 2016 RM'000	PERIOD ENDED 30 SEPT 2015 RM'000
Cash flows from operating activities		
Profit before tax	1,694,578	1,789,389
Adjustments for:		
Non-cash items	516,185	488,280
Finance costs	55,143	40,493
Interest income	(8,795)	(7,839)
Operating cash flow before working capital changes	<u>2,257,111</u>	<u>2,310,323</u>
Changes in working capital:		
Net change in current assets	(80,270)	(149,750)
Net change in current liabilities	(289,241)	(57,260)
Cash generated from operations	<u>1,887,600</u>	<u>2,103,313</u>
Advance payment for bandwidth	-	(83,125)
Interest paid	(70,770)	(44,279)
Government grant received	79,352	-
Payments for provisions	(171)	(143)
Taxes paid	(253,373)	(360,559)
Net cash generated from operating activities	<u>1,642,638</u>	<u>1,615,207</u>
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(537,889)	(613,677)
Interest received	8,843	8,015
Proceeds from disposal of property, plant and equipment	39	567
Proceeds from disposal of other investment	28	-
Net cash used in investing activities	<u>(528,979)</u>	<u>(605,095)</u>
Cash flows from financing activities		
Drawdowns of loans and borrowings	1,200,000	1,000,000
Repayments of loans and borrowings	(1,016,509)	(751,718)
Dividends paid	(1,197,350)	(1,492,800)
Net cash used in financing activities	<u>(1,013,859)</u>	<u>(1,244,518)</u>

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS - CONT'D

	PERIOD ENDED 30 SEPT 2016 RM'000	PERIOD ENDED 30 SEPT 2015 RM'000
Net increase/(decrease) in cash and cash equivalents	99,800	(234,406)
Effect of exchange rate changes on cash and cash equivalents	(2,137)	13,988
Cash and cash equivalents at beginning of period	233,557	526,278
Cash and cash equivalents at end of period	<u>331,220</u>	<u>305,860</u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Interim Financial Report on pages 7 to 10)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
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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 2015.

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 2015 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 2016:

Annual Improvements to MFRSs 2012–2014 Cycle

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to MFRS 116 and MFRS 141: Agriculture - Bearer Plants

Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations

Amendments to MFRS 127: Equity Method in Separate Financial Statements

Amendments to MFRS 101: Disclosure Initiatives

Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception

MFRS 14: Regulatory Deferral Accounts

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

A2. Seasonality or Cyclicity of Interim Operations

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

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

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 September 2016, other than the drawdowns of floating-rate term loans ("FRTL") and the repayments of FRTL and Revolving Credit ("RC") facilities as disclosed in Note A5.

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 financial period ended 30 September 2016.

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
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NOTES TO THE INTERIM FINANCIAL REPORT - CONT'D

A5. Debts and Equity Securities

There were no issuance, repurchase and repayment of debt and equity securities for the financial period ended 30 September 2016, other than:

The drawdowns of:

- (i) FRTL amounting to RM450.0 million in March 2016;
- (ii) FRTL amounting to RM200.0 million in June 2016;
- (iii) FRTL amounting to RM100.0 million in July 2016; and
- (iv) FRTL amounting to RM450.0 million in September 2016.

and, the repayments of:

- (i) FRTL amounting to RM98.0 million in March 2016 and final settlement of RM112.0 million in September 2016;
- (ii) RC facility amounting to RM100.0 million in April 2016, RM100.0 million in May 2016 and RM200.0 million in June 2016; and
- (iii) RC facility amounting to RM100.0 million in July 2016, RM100.0 million in August 2016 and RM200.0 million in September 2016.

A6. Dividend Paid

For the financial period ended 30 September 2016:

- (i) The fourth 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 2015 was paid on 25 March 2016;
- (ii) The first interim tax exempt (single-tier) dividend of 5.1 sen per ordinary share amounting to RM396.5 million in respect of the financial year ending 31 December 2016 was paid on 24 June 2016; and
- (iii) The second interim tax exempt (single-tier) dividend of 5.4 sen per ordinary share amounting to RM419.9 million in respect of the financial year ending 31 December 2016 was paid on 30 September 2016.

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 financial period ended 30 September 2016 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 September 2016 including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations.

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NOTES TO THE INTERIM FINANCIAL REPORT - CONT'D

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 2015.

A11. Capital Commitments

Capital commitments of the Group in respect of property, plant and equipment and intangible assets not provided for as of 30 September 2016 are as follows:

	RM'000
Approved and contracted for	389,000
Approved but not contracted for	712,000

A12. Related Party Transactions

The related party transactions of the Group have been entered into in the normal course of business. Listed below are the significant transactions and balances with related parties of the Group during the current financial period:

	Transactions for the period ended 30 SEPT 2016 RM'000	Balance due from/(to) at 30 SEPT 2016 RM'000
With the ultimate holding company and fellow subsidiaries		
- Telenor ASA Consultancy services rendered	14,855	(37,228)
- Telenor Consult AS Personnel services rendered	(166)	177
- Telenor GO Pte Ltd Personnel services rendered	12,942	(15,229)
- Telenor Global Services AS Sales of interconnection services on international traffic	1,868	(4,887)
Purchases of interconnection services on international traffic	18,636	
Purchases of international roaming services	1,508	
Purchases of IP transit	486	
Purchases of global connectivity	1,000	

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NOTES TO THE INTERIM FINANCIAL REPORT - CONT'D

A12. Related Party Transactions – cont'd

	Transactions for the period ended 30 SEPT 2016 RM'000	Balance due from/(to) at 30 SEPT 2016 RM'000
With the ultimate holding company and fellow subsidiaries – cont'd		
- Total Access Communication Public Company Limited		421
Sales of international roaming services	13	
Purchases of international roaming services	(299)	
- dtac TriNet Co. Ltd		(355)
Sales of interconnection services on international traffic	121	
Purchases of interconnection services on international traffic	5,087	
Sales of international roaming services	217	
Purchases of international roaming services	217	
Bandwidth leasing income	3,013	
- Telenor IT Asia Sdn Bhd		(8,648)
Rental income and services rendered for Asian Infrastructure Shared Services Centre	698	
Services rendered on Asian Infrastructure Shared Services Centre	5,680	
- Telenor Global Shared Services AS		(9,284)
Services rendered on Enterprise Resource Planning (“ERP”) and Enterprise applications	7,020	
Purchases of customer centre off-shoring services	2,348	
- Prabhu Money Transfer Sdn Bhd		232
Sales of telecommunication and related services	<u>767</u>	

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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

We have provided a full analysis of the Group's performance 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

The Group achieved quarter-on-quarter growth of 1.6% in PBT to RM 585 million, uplifted by stronger EBITDA of RM 775 million (2Q 2016: RM 735 million) which was offset by the higher depreciation in current quarter. EBITDA margin increased to 48% (2Q 2016: 44%) resulted from lower traffic cost and decrease in device cost from lower device sales in current quarter.

Service revenue stood resilient at RM 1.55 billion, sustained by better quality prepaid subscribers and the growing postpaid subscriber base building up by a steady increase in 4G LTE subscribers on account of wider 4G LTE and LTE –A coverage.

B3. Prospects For Remaining Quarters Up to The End of Financial Year 31 December 2016

We have provided a full analysis of the Group's prospects up to 31 December 2016 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 financial period ended 30 September 2016 was made up as follows:

	Individual quarter	Cumulative quarter
	Quarter ended 30 SEPT 2016 RM'000	Period ended 30 SEPT 2016 RM'000
Income tax:		
- Current tax expense	(157,890)	(458,799)
- Under-provision in prior years	-	(27,572)
Deferred tax		
- Net originating and reversal of timing differences	10,889	40,028
- Recognition and reversal of prior year's timing differences	-	9,796
Total	(147,001)	(436,547)

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

B5. Taxation – cont'd

The Group's effective tax rate for the current quarter and financial period ended 30 September 2016 of 25.1% and 25.8% respectively are higher than the statutory tax rate of 24.0%, mainly due to certain expenses not deductible for tax purposes.

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 30 SEPT 2016 RM'000
Non-current		
FRTL	(a)	1,186,174
Finance lease obligation		17,714
		1,203,888
Current		
RC		247,575
Finance lease obligation		9,684
		257,259
Total loans and borrowings		1,461,147

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

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

No.	Outstanding amount as at 30 SEPT 2016 RM'000	Month of first drawdown (Note A5)	Month of first repayment
i	800,000	March 2016	September 2019
ii	400,000	June 2016	December 2019

(b) The Group fully repaid the current FRTL outstanding of RM112.0 million in September 2016 as disclosed in Note A5.

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

B8. Financial Instruments

As at 30 September 2016, the Group's outstanding foreign currency forward contracts for the purpose of hedging certain foreign currency-denominated payables, are as detailed below:

Type of derivative	Contract value in foreign currency (USD'000)	Notional value (RM'000)	Fair value (RM'000)	Asset (RM'000)
Foreign currency forward contracts - Less than one year	21,300	86,389	88,297	1,908

Accounting Policy

The above foreign currency forward contracts were entered into by the Group 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 foreign currency hedging policy. In line with the Group's foreign currency 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.

Speculative activities are strictly prohibited. We adopt 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.

The cash requirement for settling of foreign currency forward contracts is solely from the Group's working capital, in view of its relative immateriality.

Derivative financial instruments comprise forward contracts in the foreign exchange market. Derivatives are stated at fair value which is equivalent to the marking of the derivatives to market, using prevailing market rates. Derivatives with positive market values (unrealised gains) are included under current assets and derivatives with negative market values (unrealised losses) are included under current 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 and the ineffective portion of an effective hedge, are recognised in profit and loss.

Credit Risk Management Policy

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

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

B9. Material Litigation

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

B10. Dividends

The Board of Directors has declared a third interim tax exempt (single-tier) dividend of 5.6 sen per ordinary share (3Q 2015: 5.1 sen per ordinary share) in respect of the financial year ending 31 December 2016, which will be paid on 30 December 2016. The entitlement date is on 1 December 2016.

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 1 December 2016 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 September 2016 is 16.1 sen per ordinary share (YTD 2015: 17.1 sen).

B11. Earnings Per Share

Basic Earnings Per Share

The basic earnings per share for the financial period ended 30 September 2016 have been calculated as per the summary below:

	Individual Quarter		Cumulative Quarter	
	Quarter ended 30 SEPT 2016 RM'000	Quarter ended 30 SEPT 2015 RM'000	Period ended 30 SEPT 2016 RM'000	Period ended 30 SEPT 2015 RM'000
Earnings				
Profit for the period, Amount attributable to owners of the parent	438,381	396,615	1,258,031	1,340,190
Weighted average number of ordinary shares ('000)	7,775,000	7,775,000	7,775,000	7,775,000
Basic earnings per share (sen)	5.64	5.10	16.18	17.24

Diluted Earnings Per Share - Not applicable

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

B12. Auditors' Report on Preceding Annual Financial Statements

The latest audited financial statements for the financial year ended 31 December 2015 were not subject to any qualification.

B13. Disclosure of Realised and Unrealised Profits/(Losses)

	As at 30 SEPT 2016 RM'000	As at 30 SEPT 2015 RM'000
Total (accumulated losses)/retained earnings of Digi.Com Berhad and its subsidiaries:		
- Realised	(235,921)	(253,233)
- Unrealised	46,309	17,105
Total	(189,612)	(236,128)

B14. Additional Disclosures

	Individual Quarter		Cumulative Quarter	
	Quarter ended 30 SEPT 2016 RM'000	Quarter ended 30 SEPT 2015 RM'000	Period ended 30 SEPT 2016 RM'000	Period ended 30 SEPT 2015 RM'000
Impairment losses on trade receivables	(11,672)	(12,127)	(38,675)	(28,606)
Reversal/(allowance) for inventory obsolescence	385	(1,299)	(418)	(1,211)
Foreign exchange loss	(2,699)	(28,277)	(5,417)	(32,178)
Gain on derivatives	2,745	2,455	2,025	4,214

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 financial period ended 30 September 2016.

c.c. Securities Commission