



DIGI.COM BERHAD

Company no. 425190-X
(Incorporated in Malaysia)

Date: 28 April 2017

**Subject: INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND FINANCIAL PERIOD ENDED 31 MARCH 2017**

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED	QUARTER ENDED	PERIOD ENDED	PERIOD ENDED
	31 MAR 2017 RM'000	31 MAR 2016 RM'000	31 MAR 2017 RM'000	31 MAR 2016 RM'000
Revenue	1,574,043	1,652,842	1,574,043	1,652,842
Other income	6,542	5,190	6,542	5,190
Foreign exchange and derivatives (losses)/gains	(2,366)	9,282	(2,366)	9,282
Depreciation and amortisation	(176,144)	(155,653)	(176,144)	(155,653)
Other expenses	(867,591)	(963,356)	(867,591)	(963,356)
Finance costs	(28,862)	(17,322)	(28,862)	(17,322)
Interest income	4,140	2,579	4,140	2,579
Profit before tax	509,762	533,562	509,762	533,562
Taxation	(136,649)	(134,520)	(136,649)	(134,520)
Profit for the period, representing total comprehensive income for the period, net of tax	373,113	399,042	373,113	399,042
Attributable to:				
Owners of the parent	373,113	399,042	373,113	399,042

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - CONT'D

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED	QUARTER ENDED	PERIOD ENDED	PERIOD ENDED
	31 MAR 2017	31 MAR 2016	31 MAR 2017	31 MAR 2016
Earnings per share attributable to owners of the parent (sen per share):				
- Basic	4.80	5.13	4.80	5.13
- 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 11)

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED AT 31 MAR 2017 RM'000	AUDITED AT 31 DEC 2016 RM'000
Non-current assets		
Property, plant and equipment	2,869,079	2,832,265
Intangible assets	434,840	453,777
Other investments	163	100
Prepayments	113,499	62,572
	<u>3,417,581</u>	<u>3,348,714</u>
Current assets		
Inventories	76,329	47,822
Trade and other receivables	1,755,904	1,707,679
Derivative financial instruments	-	4,034
Tax recoverable	-	13,121
Cash and short-term deposits	478,792	376,588
	<u>2,311,025</u>	<u>2,149,244</u>
TOTAL ASSETS	<u><u>5,728,606</u></u>	<u><u>5,497,958</u></u>
Non-current liabilities		
Loans and borrowings	1,799,999	1,798,837
Deferred tax liabilities	275,109	311,285
Provision for liabilities	40,533	40,034
	<u>2,115,641</u>	<u>2,150,156</u>
Current liabilities		
Trade and other payables	1,953,362	1,947,851
Derivative financial instruments	547	-
Provision for liabilities	6,267	7,547
Deferred revenue	355,408	390,074
Loans and borrowings	757,862	483,036
Tax payable	20,336	24
	<u>3,093,782</u>	<u>2,828,532</u>
Total liabilities	<u>5,209,423</u>	<u>4,978,688</u>
Equity		
Share capital	769,655	77,750
Share premium	-	691,905
Accumulated losses	(250,472)	(250,385)
Total equity - attributable to owners of the parent	<u>519,183</u>	<u>519,270</u>
TOTAL EQUITY AND LIABILITIES	<u><u>5,728,606</u></u>	<u><u>5,497,958</u></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 7 to 11)

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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	-	-	373,113	373,113
Transaction with owners:				
Dividend for the financial year ended 31 December 2016 - fourth interim dividend	-	-	(373,200)	(373,200)
Transfer to share capital ¹	691,905	(691,905)	-	-
At 31 March 2017	<u>769,655</u>	<u>-</u>	<u>(250,472)</u>	<u>519,183</u>
At 1 January 2016	77,750	691,905	(250,293) ²	519,362
Total comprehensive Income	-	-	399,042	399,042
Transaction with owners:				
Dividend for the financial year ended 31 December 2015 - fourth interim dividend	-	-	(380,975)	(380,975)
At 31 March 2016	<u>77,750</u>	<u>691,905</u>	<u>(232,226)</u>	<u>537,429</u>

Note:¹The new Companies Act 2016 ("New Act"), which came into operation 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.

Note:²The 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 11)

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

	PERIOD ENDED	PERIOD ENDED
	31 MAR 2017	31 MAR 2016
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	509,762	533,562
Adjustments for:		
Non-cash items	186,699	160,135
Finance costs	28,862	17,322
Interest income	(4,140)	(2,579)
Operating cash flow before working capital changes	721,183	708,440
Changes in working capital:		
Net change in current assets	(105,769)	(20,616)
Net change in current liabilities	(21,528)	(56,436)
Cash generated from operations	593,886	631,388
Advance payment for bandwidth	(55,994)	-
Interest paid	(31,724)	(31,490)
Government grant received	23,708	15,539
Payments for provisions	(36)	(54)
Taxes paid	(139,393)	(146,498)
Net cash generated from operating activities	390,447	468,885
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(193,924)	(170,308)
Purchase of unquoted investment	(63)	-
Interest received	4,099	2,484
Proceeds from disposal of property, plant and equipment	276	-
Net cash used in investing activities	(189,612)	(167,824)
Cash flows from financing activities		
Drawdowns of loans and borrowings	275,000	450,000
Repayments of loans and borrowings	-	(100,068)
Dividends paid	(373,200)	(380,975)
Net cash used in financing activities	(98,200)	(31,043)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS - CONT'D

	PERIOD ENDED 31 MAR 2017 RM'000	PERIOD ENDED 31 MAR 2016 RM'000
Net increase in cash and cash equivalents	102,635	270,018
Effect of exchange rate changes on cash and cash equivalents	(431)	(827)
Cash and cash equivalents at beginning of period	376,588	233,557
Cash and cash equivalents at end of period	<u>478,792</u>	<u>502,748</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 11)

INTERIM FINANCIAL REPORT FOR THE FIRST 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 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 financial period ended 31 March 2017, other than:

- (i) drawdown of revolving credit ("RC") facility as disclosed in Note A5; and
- (ii) the credit balance of the Company's share premium account as at 31 January 2017 had become part of the Company's share capital pursuant to the New Act.

A4. Material Changes in Estimates

There were no changes in estimates of amounts reported in prior financial periods that have a material effect in the current quarter and financial period ended 31 March 2017.

A5. Debts and Equity Securities

There were no issuance, repurchase and repayment of debt and equity securities for the financial period ended 31 March 2017, other than the drawdown of RC facility amounting to RM275.0 million in February 2017.

A6. Dividend Paid

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.

A7. Segment Information

Segmental information is not presented as the Group is primarily engaged in the provision of mobile communication services and its related products in Malaysia.

A8. Material Events Subsequent to the End of the Interim Period

There are no material events subsequent to the current quarter and financial period ended 31 March 2017 up to the date of this report, other than:

In relation to the announcement made on 14 February 2017 for the proposed establishment of Sukuk Programmes by the Group's wholly-owned subsidiary, Digi Telecommunications Sdn Bhd ("DTSB"), DTSB had on the respective dates issued the following:

(i) Islamic Medium Term Notes (IMTN)

DTSB had on 14 April 2017 issued the first series of IMTN amounting to RM 900.0 million in nominal value pursuant to the IMTN Programme.

Salient terms are set out as below:

	Tranche 001	Tranche 002	Tranche 003
Issue Size	RM300.0 million	RM300.0 million	RM300.0 million
Issue Price	100% of the Issue Size	100% of the Issue Size	100% of the Issue Size
Tenure	5 years	7 years	10 years
Yield-to-Maturity	4.38% p.a.	4.53% p.a.	4.65% p.a.
Profit rate	4.38% p.a.	4.53% p.a.	4.65% p.a.

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NOTES TO THE INTERIM FINANCIAL REPORT - CONT'D

A8. Material Events Subsequent to the End of the Interim Period (cont'd)

(ii) Islamic Commercial Papers (ICP)

DTSB had on 20 April 2017 issued ICP amounting to RM 5.0 million in nominal value at 3.83% discount rate with a tenure of one (1) month pursuant to the ICP Programme.

Proceeds from these transactions will be utilised for general corporate purposes of DTSB and/or its subsidiaries, which are Shariah-compliant.

A9. Changes in the Composition of the Group

There were no material changes in the composition of the Group for the current quarter and financial period ended 31 March 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 March 2017 are as follows:

	RM'000
Approved and contracted for	<u>1,088,000</u>
Approved but not contracted for	<u>805,000</u>

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NOTES TO THE INTERIM FINANCIAL REPORT - CONT'D

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 31 MAR 2017 RM'000	Balance due from/(to) at 31 MAR 2017 RM'000
With the ultimate holding company and fellow subsidiaries		
- Telenor ASA		(42,837)
Consultancy services rendered	11,022	
Licenses and trademarks	2,644	
- Telenor GO Pte Ltd		(1,044)
Personnel services rendered	3,147	
- Total Access Communication Public Company Limited		263
Sales of international roaming services	2	
Purchases of international roaming services	227	
- Telenor Global Services AS		(8,050)
Sales of interconnection services on international traffic	973	
Purchases of interconnection services on international traffic	6,887	
Purchases of international roaming services	(549)	
Purchases of IP transit	167	
Purchases of global connectivity	317	
- dtac TriNet Co. Ltd		(936)
Sales of interconnection services on international traffic	29	
Purchases of interconnection services on international traffic	381	
Sales of international roaming services	181	
Purchases of international roaming services	684	

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A12. Related Party Transactions – cont'd

	Transactions for the period ended 31 MAR 2017 RM'000	Balance due from/(to) at 31 MAR 2017 RM'000
With the ultimate holding company and fellow subsidiaries – cont'd		
- Telenor IT Asia Sdn Bhd		(14,171)
Rental income and services rendered for Asian Infrastructure Shared Services Centre	110	
Services rendered on Asian Infrastructure Shared Services Centre	1,959	
- Telenor Digital Services AS		(95)
Consultancy fees	677	
- Telenor Global Shared Services AS		(2,783)
Services rendered on Enterprise Resource Planning (“ERP”) and Enterprise applications	2,639	
- Valyou Sdn Bhd		15
Sales of telecommunication and related services	30	
Personnel services rendered	626	
- Telenor Financial Services AS		187
Personnel services rendered	246	
- Telenor Global Services Singapore Pte Ltd		776
Bandwidth leasing income	779	

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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 ("1Q 2017") compared with immediate preceding quarter ("4Q 2016") is provided in the "Management Discussion & Analysis" enclosed.

B3. Prospects For Remaining Quarters Up to The End of Financial Year 31 December 2017

Analysis of the Group's prospects up to 31 December 2017 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 financial period ended 31 March 2017 was made up as follows:

	Period ended 31 MAR 2017 RM'000
Income tax:	
- Current tax expense	(163,826)
- Under-provision in prior periods	(9,000)
Deferred tax	
- Net originating and reversal of timing differences	36,177
Total	(136,649)

The Group registered higher effective tax rate than the statutory tax rate of 24.0% for the financial period ended 31 March 2017 at 26.8% after accounting for an estimated tax adjustment from the review of tax incentive claimable in prior periods amounting to RM9.0 million and 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 MAR 2017 RM'000
Non-current		
FRTL	(a)	1,784,370
Finance lease obligation		15,629
		1,799,999
Current		
RC		747,872
Finance lease obligation		9,990
		757,862
Total loans and borrowings		2,557,861

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

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

No.	Outstanding amount as at 31 MAR 2017 RM'000	Month of first drawdown	Month of first repayment
i	1,000,000	March 2016	September 2019
ii	400,000	June 2016	December 2019
iii	400,000	October 2016	April 2020

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

B8. Financial Instruments

As at 31 March 2017, 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)	Liability (RM'000)
Foreign currency forward contracts - Less than one year	21,000	93,639	93,092	(547)

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 first interim tax exempt (single-tier) dividend of 4.7 sen per ordinary share (1Q 2016: 5.1 sen per ordinary share) in respect of the financial year ending 31 December 2017, which will be paid on 30 June 2017. The entitlement date is on 31 May 2017.

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 31 May 2017 in respect of transfers; and
- (ii) shares bought on Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of Bursa Securities.

Year-to-date ("YTD") dividend for the financial period ended 31 March 2017 is 4.7 sen per ordinary share (YTD 2016: 5.1 sen).

B11. Earnings Per Share

Basic Earnings Per Share

The basic earnings per share for the financial period ended 31 March 2017 has been calculated as per the summary below:

	Period ended 31 MAR 2017 RM'000	Period ended 31 MAR 2016 RM'000
Earnings		
Profit for the period, Amount attributable to owners of the parent	373,113	399,042
Weighted average number of ordinary shares ('000)	7,775,000	7,775,000
Basic earnings per share (sen)	4.80	5.13

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 2016 were not subject to any qualification.

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

	As at 31 MAR 2017 RM'000	As at 31 MAR 2016 RM'000
Total (accumulated losses)/retained earnings of Digi.Com Berhad and its subsidiaries:		
- Realised	(284,037)	(274,593)
- Unrealised	33,565	42,367
Total	(250,472)	(232,226)

B14. Additional Disclosures

	Period ended 31 MAR 2017 RM'000	Period ended 31 MAR 2016 RM'000
Impairment losses on trade receivables	(10,362)	(14,229)
Reversal/(allowance) for inventory obsolescence	468	(841)
Foreign exchange gain	2,215	22,341
Loss on derivatives	(4,581)	(13,059)

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 31 March 2017.

c.c. Securities Commission