



DIGI.COM BERHAD

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

Date: 20 October 2022

**Subject: INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022**

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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 SEP 2022 RM'000	30 SEP 2021 RM'000	%	30 SEP 2022 RM'000	30 SEP 2021 RM'000	%
Revenue	1,531,886	1,584,385	-3	4,592,469	4,753,079	-3
Other income	3,981	3,365		19,123	15,548	
Net (loss)/gain on foreign exchange and fair value movement of foreign currency forward contracts	(966)	(2,869)		(2,145)	1,843	
Depreciation, amortisation and impairment	(306,560)	(321,629)		(913,220)	(955,483)	
Other expenses	(785,776)	(796,505)		(2,377,745)	(2,500,602)	
Net loss on fixed assets written-off and disposed	(12,688)	(2,414)		(36,335)	(4,134)	
Gain on termination of right-of-use assets	-	103		561	448	
Finance costs	(57,159)	(54,035)	+6	(186,213)	(184,101)	+1
Interest income	7,046	8,080		19,694	23,174	
Profit before tax¹	379,764	418,481	-9	1,116,189	1,149,772	-3
Taxation	(115,282)	(105,666)		(395,515)	(292,218)	
Profit for the period, representing total comprehensive income for the period, net of tax	264,482	312,815	-15	720,674	857,554	-16
Attributable to:						
Owners of the parent	264,482	312,815	-15	720,674	857,554	-16

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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 SEP 2022	30 SEP 2021		30 SEP 2022	30 SEP 2021	
Earnings per share						
attributable to owners						
of the parent						
(sen per share):						
- Basic	3.40	4.02		9.27	11.03	
- Diluted ²	NA	NA		NA	NA	

Note:¹ 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 RM3.0mil and RM12.6mil for Q3 2022 QTD and 2022 YTD respectively (Q3 2021 QTD: RM2.3mil; 2021 YTD: RM4.0mi). Please refer to Note B7 for further details on the proposed merger exercise.

Note:² 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

	UNAUDITED AT 30 SEP 2022 RM'000	AUDITED AT 31 DEC 2021 RM'000
Non-current assets		
Property, plant and equipment	2,722,103	2,863,675
Intangible assets	297,000	284,057
Right-of-use assets	2,775,656	2,828,720
Other investments	78	78
Trade and other receivables	321,850	320,862
Contract costs	72,715	71,687
Contract assets	26,435	21,757
Derivative financial instruments	-	26,365
	6,215,837	6,417,201
Current assets		
Inventories	118,636	116,568
Trade and other receivables	1,229,441	1,050,392
Contract assets	50,391	51,127
Derivative financial instruments	483	-
Cash and short-term deposits	185,305	204,527
	1,584,256	1,422,614
TOTAL ASSETS	7,800,093	7,839,815
Non-current liabilities		
Loans and borrowings	4,066,845	3,835,854
Derivative financial instruments	4,009	-
Deferred tax liabilities	273,502	303,027
Other liabilities	145,717	136,053
	4,490,073	4,274,934
Current liabilities		
Trade and other payables	1,428,701	1,444,024
Contract liabilities	325,918	346,088
Derivative financial instruments	-	183
Loans and borrowings	698,666	1,123,421
Tax payable	249,650	18,354
	2,702,935	2,932,070
Total liabilities	7,193,008	7,207,004

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONT'D

	UNAUDITED AT 30 SEP 2022 RM'000	AUDITED AT 31 DEC 2021 RM'000
Equity		
Share capital	769,655	769,655
Accumulated losses	(162,570)	(136,844)
Total equity - attributable to owners of the parent	<u>607,085</u>	<u>632,811</u>
TOTAL EQUITY AND LIABILITIES	<u>7,800,093</u>	<u>7,839,815</u>
Net assets per share (RM)	<u>0.08</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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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital RM'000	Accumulated losses RM'000	Total RM'000
At 31 December 2021/ 1 January 2022	769,655	(136,844) ¹	632,811
Total comprehensive income	-	720,674	720,674
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 - second interim dividend	- - -	(225,475) (217,700)	(225,475) (217,700)
At 30 September 2022	<u>769,655</u>	<u>(162,570)</u>	<u>607,085</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
At 31 December 2020/ 1 January 2021	769,655	(163,799) ¹	605,856
Total comprehensive income	-	857,554	857,554
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 - second interim dividend	- - -	(264,350) (279,900)	(264,350) (279,900)
At 30 September 2021	<u>769,655</u>	<u>(130,395)</u>	<u>639,260</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 9 to 14)

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

	PERIOD ENDED 30 SEP 2022 RM'000	PERIOD ENDED 30 SEP 2021 RM'000
Cash flows from operating activities		
Profit before tax	1,116,189	1,149,772
Adjustments for:		
Non-cash items	1,035,441	1,059,166
Finance costs	186,213	184,101
Interest income	(19,694)	(23,174)
Operating cash flow before working capital changes	2,318,149	2,369,865
Changes in working capital:		
Net change in current assets	(246,420)	(177,845)
Net change in contract assets	(3,942)	8,437
Net change in contract costs	(65,302)	(67,885)
Net change in current liabilities	(15,366)	45,619
Net change in contract liabilities	(20,170)	31,566
Cash generated from operations	1,966,949	2,209,757
Advanced payment for bandwidth	-	(4,095)
Interest paid	(122,890)	(118,014)
Government grant received	59,054	187,101
Payments for provisions	(27)	(27)
Taxes paid (net of refund)	(193,744)	(74,491)
Net cash generated from operating activities	1,709,342	2,200,231
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(425,587)	(512,349)
Interest received	4,215	5,950
Proceeds from disposal of property, plant and equipment	1,293	650
Net cash used in investing activities	(420,079)	(505,749)
Cash flows from financing activities		
Drawdowns of loans and borrowings	500,000	-
Repayments of loans and borrowings	(1,062,261)	(583,195)
Dividends paid	(746,400)	(824,150)
Net cash used in financing activities	(1,308,661)	(1,407,345)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS - CONT'D

	PERIOD ENDED 30 SEP 2022 RM'000	PERIOD ENDED 30 SEP 2021 RM'000
Net (decrease)/increase in cash and cash equivalents	(19,398)	287,137
Effect of exchange rate changes on cash and cash equivalents	176	300
Cash and cash equivalents at beginning of financial period	204,527	302,853
Cash and cash equivalents at end of financial period	<u>185,305</u>	<u>590,290</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 September 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 FRRC;
- (vi) the repayment of FRRC-i;
- (vii) the repayment of Islamic Medium Term Notes ("IMTN"); and
- (viii) the drawdown of 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 September 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 September 2022, other than:

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

For the financial period ended 30 September 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;
- (i) repayment of FRRC amounting to RM50.0 million in June 2022;
- (j) repayment of FRTF-i amounting to RM75.0 million in September 2022;
- (k) repayment of FRTL amounting to RM62.5 million in September 2022;
- (l) repayment of FRRC amounting to RM75.0 million in September 2022; and
- (m) drawdown of FRTF-i amounting to RM150.0 million in September 2022.

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NOTES TO THE INTERIM FINANCIAL REPORT - CONT'D

A6. Dividend Paid

For the financial period ended 30 September 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;
- (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; and
- (iii) The second interim tax exempt (single-tier) dividend of 2.8 sen per ordinary share amounting to RM217.7 million in respect of the financial year ending 31 December 2022 was paid on 30 September 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.

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, other than as disclosed in Note B7.

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 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 September 2022 are as follows:

	RM'000
Approved and contracted for	<u>207,331</u>
Approved but not contracted for	<u>227,855</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:

	Transactions for the period ended 30 SEP 2022 RM'000	Balance due (to)/from at 30 SEP 2022 RM'000
With the ultimate holding company and fellow subsidiaries		
- Telenor ASA		(13,320)
Business service cost	28,876	
Consultancy services rendered	649	
Licenses and trademarks	6,941	
- Telenor Procurement Company Pte. Ltd.		(5,603)
Managed services rendered	21,583	
- Telenor GO Pte. Ltd.		(214)
Personnel services rendered	2,224	
- Telenor Global Services AS		(5,246)
Sales of interconnection services on international traffic	8,892	
Purchases of interconnection services on international traffic	6,535	
Purchases of global connectivity	2,583	
Clearing house services rendered for international roaming arrangements	373	
Services rendered on digital marketing and distribution platform	3,378	
- dtac TriNet Co. Ltd.		132
Bandwidth leasing income	2,266	
Sales of interconnection services on international traffic	430	
Purchases of interconnection services on international traffic	118	
Sales of international roaming services	135	
Purchases of international roaming services	536	

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NOTES TO THE INTERIM FINANCIAL REPORT - CONT'D

A12. Related Party Transactions – cont'd

	Transactions for the period ended 30 SEP 2022 RM'000	Balance due (to)/from at 30 SEP 2022 RM'000
With the ultimate holding company and fellow subsidiaries (cont'd)		
- Telenor Global Shared Services AS Services rendered on Enterprise Resource Planning and Enterprise applications	3,510	(6,032)
- Telenor Digital Services AS Services rendered on digital marketing and distribution platform	3,718	-
- Telenor Global Services Singapore Pte. Ltd. Bandwidth leasing income Bandwidth leasing expenses Purchases of IP transit	6,236 2,310 227	247
- Telenor Norge AS Business security strategy execution rendered Sales of international roaming services Purchases of international roaming services	4,989 9 11	(861)
- Telenor Connexion AB Managed services rendered Purchases of international roaming services	665 169	(4)
- Telenor Myanmar Ltd. Consultancy services rendered Sales of international roaming services Purchases of international roaming services	10 12 1	-

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NOTES TO THE INTERIM FINANCIAL REPORT - CONT'D

A12. Related Party Transactions – cont'd

	Transactions for the period ended 30 SEP 2022 RM'000	Balance due (to)/from at 30 SEP 2022 RM'000
With the ultimate holding company and fellow subsidiaries (cont'd)		
- Telenor Pakistan AB (Private) Ltd.		46
Managed services rendered	79	
Purchases of international roaming services	10	
- Grameenphone Ltd.		63
Consultancy services rendered	(78)	
Sales of international roaming services	8	
Purchases of international roaming services	44	
- Total Access Communication Public Company Limited		-
Consultancy services rendered	67	
- Telenor A/S		9
Sales of international roaming services	14	
Purchases of international roaming services	3	
- Telenor Sverige AB		12
Sales of international roaming services	17	
Purchases of international roaming services	4	
- Telenor Maritime AS		-
Managed services rendered	44	
	<u>44</u>	<u> </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

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 ("3Q 2022") compared with immediate preceding quarter ("2Q 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).

		PERIOD ENDED	PERIOD ENDED
	Note	30 SEP 2022	30 SEP 2021
		RM'000	RM'000
Major products/service lines			
Telecommunication revenue	(a)	3,952,503	4,021,472
Sales of devices	(b)	570,070	660,891
Lease income	(c)	69,896	70,716
		4,592,469	4,753,079

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)
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B6. Taxation

The Group's taxation charge for the current quarter and financial period ended 30 September 2022 respectively were made up as follows:

	Individual quarter	Cumulative quarter
	Quarter ended 30 SEP 2022 RM'000	Period ended 30 SEP 2022 RM'000
Income tax:		
- Current tax expense	(149,878)	(461,332)
- Over-provision in prior years	36,289	36,292
Deferred tax:		
- Net origination and reversal of timing differences	21,110	52,327
- Under-provision of deferred tax liabilities in prior years	(22,803)	(22,802)
Total	(115,282)	(395,515)

The Group's effective tax rate ("ETR") for the current quarter and financial period ended 30 September 2022 of 30.4% and 35.4% respectively are above the statutory tax rate of 24.0% due to current tax and deferred tax impacts arising from prosperity tax, which is the one-off tax measure as gazetted by the Government on 31 December 2021 via Finance Act 2021, 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, certain expenses which are not deductible for tax purposes and tax credit from the conclusion of prior year's tax assessment.

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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 ("Telenor Asia"), 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 ("SC") to seek its approval for the proposed merger ("SC Application").

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)

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

B7. Status of Corporate Proposals – cont'd

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

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.

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.

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B7. Status of Corporate Proposals – cont'd

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

In relation to the SC Application on 28 January 2022, pursuant to Paragraph 9.17A under Part III (Submission and Implementation) of the Equity Guidelines issued by the SC, where 6 months have lapsed from the date of application, Digi will be required to submit a new application to the SC in relation to the proposed merger if it intends to proceed with the proposal ("Requirement 9.17").

In view that the MCMC's authorisation decision and notice of no-objection to the proposed merger was issued on 28 June 2022 ("MCMC Decision"), an application was made thereafter to the SC to seek a relief from complying with the Requirement 9.17A, to facilitate necessary updates to the SC Application taking into consideration the outcome of the MCMC Decision.

Further to the above, on 28 July 2022, SC had approved the relief to allow the SC Application to proceed for an additional three (3) months up to 27 October 2022.

On 15 September 2022, SC had vide its letter dated 15 September 2022, approved the proposed merger under Section 214(1) of the Capital Markets and Services Act, 2007, subject to the following terms and conditions:

Terms

- (i) The proposed merger shall entail the transfer by Axiata of 1,237,534,681 ordinary shares in Celcom, representing 100.0% of issued share capital of Celcom, to Digi for a total consideration of RM17,756,156,250, which will be satisfied via the following:
 - (a) Digi issuing 73,378,844 fully paid-up new ordinary shares in Digi ("Digi Shares") or such other number of fully paid-up new Digi Shares representing 0.63% of enlarged share capital of Digi on completion of the proposed merger, at an issue price of RM4.06 per Digi Share to Telenor Asia as nominee of Axiata subject to, amongst others, the payment by Telenor Asia to Axiata of a cash consideration of RM297,918,107;
 - (b) Digi issuing 3,883,129,144 fully paid-up new Digi Shares or such other number of fully paid-up new Digi Shares representing 33.1% of the enlarged share capital of Digi on completion of the proposed merger, at an issue price of RM4.06 per Digi Share, to Axiata;

collectively referred to as "Consideration Shares"; and

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B7. Status of Corporate Proposals – cont'd

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

Terms - cont'd

- (c) Digi making the cash payment of an amount equal to RM1,692,733,818 to Axiata (which may be subject to adjustment for changes in net debt and net working capital amounts of Celcom and its subsidiaries ("Celcom Group") as compared to Digi and its subsidiaries ("Digi Group") between 31 December 2020 and the last day of the calendar month in which all of the relevant conditions are satisfied or waived; and changes in net debt and net working capital amounts of Celcom Group as compared to Digi Group between 31 December 2020 and the completion date of the proposed merger).

- (ii) The listing and quotation for the additional 3,956,507,988 new Digi Shares on the Main Market of Bursa Malaysia Securities Berhad.

Conditions

CIMB Investment Bank Berhad and Digi to fully comply with the requirements of the SC's Equity Guidelines pertaining to the implementation of the proposed merger.

The SC had also, vide the same letter, approved the proposed merger under the Bumiputera equity requirement for public listed companies in relation to the resultant equity structure of Digi pursuant to the proposed merger.

On 30 September 2022, the application for the listing of and quotation for the Consideration Shares to be issued pursuant to the proposed merger was submitted to Bursa Securities.

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

Proposed Subscription of shares in Digital Nasional Berhad ("DNB")

On 7 October 2022, Digi Telecommunications Sdn. Bhd. ("DigiTel"), a wholly-owned subsidiary of Digi, had entered into a conditional share subscription agreement with DNB for the Proposed Subscription ("SSA").

Further details of the SSA are detailed in Digi's announcement on Bursa Securities website dated 7 October 2022.

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B8. Group Borrowings

	Note	As at 30 SEP 2022 RM'000	As at 30 SEP 2021 RM'000
Non-current			
FRTL	(a)	-	156,639
FRTF-i	(a)	491,770	218,709
IMTN	(b)	1,498,987	1,498,681
Lease liabilities		<u>2,076,088</u>	<u>2,155,364</u>
		<u>4,066,845</u>	<u>4,029,393</u>
Current			
FRTL	(c)	157,883	225,000
FRTF-i	(c)	75,000	150,000
IMTN	(b)	-	300,000
Lease liabilities		<u>465,783</u>	<u>433,598</u>
		<u>698,666</u>	<u>1,108,598</u>
Total loans and borrowings		<u>4,765,511</u>	<u>5,137,991</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 SEP 2022 RM'000	As at 30 SEP 2021 RM'000
Borrowings and debt securities:		
Floating rate	724,653	750,348
Fixed rate	<u>4,040,858</u>	<u>4,387,643</u>
	<u>4,765,511</u>	<u>5,137,991</u>

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B8. Group Borrowings – cont'd

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

No.	Outstanding amount as at 30 SEP 2022 RM'000	Month of next repayment
Non-current		
FRTF-i i	350,000	June 2024
ii	150,000	March 2026

- (b) The details of the Group's outstanding IMTN as at 30 September 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
Total	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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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 RM50.0 million each which are repayable in December 2022 and June 2023 respectively; and
(ii) last tranche of RM62.5 million which is repayable in March 2023.

The current portion of FRTF-i consists of last tranche of RM75.0 million which is repayable in March 2023.

B9. Financial Instruments

As at 30 September 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	30,154	483
Interest rate swaps contracts - One year to three years	300,000	4,965
- More than three years	475,000	(8,974)

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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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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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 third interim tax exempt (single-tier) dividend of 3.4 sen per ordinary share (3Q 2021: 4.0 sen per ordinary share) in respect of the financial year ending 31 December 2022, which will be paid on 16 December 2022. The entitlement date is on 22 November 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 22 November 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 September 2022 is 9.1 sen per ordinary share (YTD 2021: 11.0 sen).

B12. Earnings Per Share

Basic Earnings Per Share

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

	Individual Quarter		Cumulative Quarter	
	Quarter ended 30 SEP 2022 RM'000	Quarter ended 30 SEP 2021 RM'000	Period ended 30 SEP 2022 RM'000	Period ended 30 SEP 2021 RM'000
Earnings				
Profit for the period, attributable to owners of the parent	264,482	312,815	720,674	857,554
Weighted average number of ordinary shares ('000)	7,775,000	7,775,000	7,775,000	7,775,000
Basic earnings per share (sen)	3.40	4.02	9.27	11.03

Diluted Earnings Per Share - Not applicable

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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 SEP 2022 RM'000	Quarter ended 30 SEP 2021 RM'000	Period ended 30 SEP 2022 RM'000	Period ended 30 SEP 2021 RM'000
Reversal of impairment losses/ (impairment losses) on trade receivables and contract assets	144	(16,906)	(22,824)	(40,712)
Reversal/(allowance) for inventory obsolescence	708	(157)	2,201	(56)
Loss on write- off of property, plant and equipment	(12,688)	(2,414)	(36,335)	(4,134)
Gain on termination of right-of-use assets	-	103	561	448
Foreign exchange (loss)/gain	(1,324)	(2,739)	(2,811)	1,449
Fair value gain/(loss) on foreign currency forward contracts	358	(130)	666	394
Fair value loss on interest rate swaps	(4,230)	(5,957)	(30,641)	(26,697)

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 September 2022.

c.c. Securities Commission