



DIGI.COM BERHAD

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

Date: 24 February 2023

**Subject: INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER
AND FINANCIAL YEAR ENDED 31 DECEMBER 2022**

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED	QUARTER ENDED	YEAR ENDED	YEAR ENDED
	31 DEC 2022 RM'000	31 DEC 2021 RM'000	31 DEC 2022 RM'000	31 DEC 2021 RM'000
Revenue	2,180,842	1,582,595	6,773,311	6,335,674
Other income	10,030	10,227	29,153	25,775
Net (loss)/gain on foreign exchange and fair value movement of foreign currency forward contracts	(1,532)	269	(3,677)	2,112
Depreciation, amortisation and impairment	(596,172)	(307,982)	(1,509,392)	(1,263,465)
Other expenses ¹	(1,408,259)	(853,215)	(3,786,004)	(3,353,817)
Net gain/(loss) on fixed assets written-off and disposed	1,007	(12,601)	(35,328)	(16,734)
(Loss)/gain on termination of right-of-use assets	(1,786)	(63)	(1,225)	384
Finance costs	(96,350)	(61,484)	(282,563)	(245,585)
Interest income	14,388	7,367	34,082	30,541
Profit before tax	102,168	365,113	1,218,357	1,514,885
Taxation and Zakat	(59,173)	(60,562)	(454,688)	(352,780)
Profit for the period/year, representing total comprehensive income for the period/year, net of tax	42,995	304,551	763,669	1,162,105
Attributable to:				
- Owners of the parent	42,823	304,551	763,497	1,162,105
- Non-controlling interests	172	-	172	-
	42,995	304,551	763,669	1,162,105

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - CONT'D

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED	QUARTER ENDED	YEAR ENDED	YEAR ENDED
	31 DEC 2022	31 DEC 2021	31 DEC 2022	31 DEC 2021
Earnings per share				
attributable to owners				
of the parent				
(sen per share):				
- Basic	0.47	3.92	9.40	14.95
- Diluted ²	NA	NA	NA	NA

Note:¹ Included in other expenses are stamp duty, professional and legal expenses in relation to the acquisition of Celcom Axiata Berhad of RM128.8mil and RM141.4mil for Q4 2022 and 2022 respectively (Q4 2021: RM3.4mil; 2021: RM7.4mil).

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 18)

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED AT 31 DEC 2022 RM'000	AUDITED AT 31 DEC 2021 RM'000
Non-current assets		
Property, plant and equipment	6,408,806	2,863,675
Intangible assets	18,694,726	284,057
Right-of-use assets	7,256,628	2,828,720
Other investments	140,020	78
Trade and other receivables	641,239	320,862
Contract costs	112,102	71,687
Contract assets	73,470	21,757
Derivative financial instruments	43,342	26,365
Deferred tax assets	116,082	-
	<u>33,486,415</u>	<u>6,417,201</u>
Current assets		
Inventories	164,358	116,568
Trade and other receivables	2,425,524	1,050,392
Contract assets	148,325	51,127
Financial assets at fair value through profit or loss	23	-
Tax recoverable	97,241	-
Cash and short-term deposits	1,220,798	204,527
	<u>4,056,269</u>	<u>1,422,614</u>
TOTAL ASSETS	<u>37,542,684</u>	<u>7,839,815</u>
Non-current liabilities		
Loans and borrowings	10,747,919	3,835,854
Derivative financial instruments	2,024	-
Deferred tax liabilities	1,730,623	303,027
Contract liabilities	15,298	-
Other liabilities	371,512	136,053
	<u>12,867,376</u>	<u>4,274,934</u>

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONT'D

	UNAUDITED AT 31 DEC 2022 RM'000	AUDITED AT 31 DEC 2021 RM'000
Current liabilities		
Trade and other payables	3,525,408	1,444,024
Contract liabilities	571,314	346,088
Derivative financial instruments	640	183
Loans and borrowings	4,139,288	1,123,421
Tax payable	124,221	18,354
	<u>8,360,871</u>	<u>2,932,070</u>
Total liabilities	<u>21,228,247</u>	<u>7,207,004</u>
Equity		
Share capital	16,595,687	769,655
Forex translation reserve	103	-
Accumulated losses	(384,097)	(136,844)
	<u>16,211,693</u>	<u>632,811</u>
Total equity - attributable to owners of the parent	<u>16,211,693</u>	<u>632,811</u>
Non-controlling interests ("NCI")	102,744	-
Total equity	<u>16,314,437</u>	<u>632,811</u>
TOTAL EQUITY AND LIABILITIES	<u>37,542,684</u>	<u>7,839,815</u>
Net assets per share (RM)	<u>1.39</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 18)

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital RM'000	Currency translation RM'000	Accumulated losses RM'000	Total RM'000	NCI RM'000	Total RM'000
At 31 December 2021/ 1 January 2022	769,655	-	(136,844) ¹	632,811	-	632,811
Profit for the year	-	-	763,497	763,497	172	763,669
Other comprehensive (expense)/income:						
- Currency translation differences of subsidiaries		(3)		(3)		(3)
Total comprehensive income	-	(3)	-	(3)	-	(3)
Transaction with owners:						
- New/additional investments in subsidiaries	15,826,032	106		15,826,138	102,572	15,928,710
- Dividend for the financial year ended 31 December 2021 - fourth interim dividend	-	-	(303,225)	(303,225)	-	(303,225)
- Dividend for the financial year ended 31 December 2022 - first interim dividend	-	-	(225,475)	(225,475)	-	(225,475)
- second interim dividend	-	-	(217,700)	(217,700)	-	(217,700)
- third interim dividend	-	-	(264,350)	(264,350)	-	(264,350)
At 31 December 2022	16,595,687	103	(384,097)	16,211,693	102,744	16,314,437

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - CONT'D

	Share capital RM'000	Currency translation RM'000	Accumulated losses RM'000	Total RM'000	NCI RM'000	Total RM'000
At 31 December 2020/ 1 January 2021	769,655	-	(163,799)	605,856	-	605,856
Total comprehensive income	-	-	1,162,105	1,162,105	-	1,162,105
Transaction with owners:						
- Dividend for the financial year ended 31 December 2020 - fourth interim dividend	-	-	(279,900)	(279,900)	-	(279,900)
- Dividend for the financial year ended 31 December 2021						
- first interim dividend	-	-	(264,350)	(264,350)	-	(264,350)
- second interim dividend	-	-	(279,900)	(279,900)	-	(279,900)
- third interim dividend	-	-	(311,000)	(311,000)	-	(311,000)
At 31 December 2021	769,655	-	(136,844)	632,811	-	632,811

Note:¹ Included an amount of RM1,004 million as a result from 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 18)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR ENDED 31 DEC 2022 RM'000	YEAR ENDED 31 DEC 2021 RM'000
Cash flows from operating activities		
Profit before tax	1,218,357	1,514,885
Adjustments for:		
Non-cash items	1,717,038	1,416,397
Finance costs	282,563	245,585
Interest income	(34,082)	(30,541)
Operating cash flow before working capital changes	<u>3,183,876</u>	<u>3,146,326</u>
Changes in working capital:		
Net change in inventories	33,035	21,780
Net change trade and other receivables	(152,409)	(326,633)
Net change in contract assets	(97,761)	22,439
Net change in contract costs	(92,125)	(97,239)
Net change in trade and other payables	70,205	11,383
Net change in contract liabilities	(19,104)	39,805
Cash generated from operations	<u>2,925,717</u>	<u>2,817,861</u>
Interest paid	(242,676)	(202,387)
Government grant received	230,463	239,133
Payments for provisions	(48)	(27)
Taxes paid (net of refund)	(338,902)	(248,650)
Net cash generated from operating activities	<u>2,574,554</u>	<u>2,605,930</u>
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(888,147)	(803,354)
Interest received	10,227	8,572
Acquisition of a subsidiary, net of cash acquired	(1,546,746)	-
Proceeds from disposal of property, plant and equipment	3,080	1,457
Net cash used in investing activities	<u>(2,421,586)</u>	<u>(793,325)</u>
Cash flows from financing activities		
Drawdowns of loans and borrowings	3,548,880	-
Repayments of loans and borrowings	(1,674,477)	(776,415)
Dividends paid	(1,010,750)	(1,135,150)
Net cash generated from/(used in) in financing activities	<u>863,653</u>	<u>(1,911,565)</u>

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS - CONT'D

	YEAR ENDED 31 DEC 2022 RM'000	YEAR ENDED 31 DEC 2021 RM'000
Net increase/(decrease) in cash and cash equivalents	1,016,621	(98,960)
Effect of exchange rate changes on cash and cash equivalents	(350)	634
Net increase in restricted cash and cash equivalents	(2,506)	-
Cash and cash equivalents at beginning of financial year	204,527	302,853
Cash and cash equivalents at end of financial year	<u>1,218,292</u>	<u>204,527</u>
Deposits, cash and bank balances	1,220,798	204,527
Less:		
Restricted cash ¹	(2,506)	-
Total cash and cash equivalents at end of financial year	<u>1,218,292</u>	<u>204,527</u>

Note:¹ The restricted cash relates to fixed deposit pledged as collateral for borrowings facilities of a subsidiary.

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Interim Financial Report on pages 9 to 18)

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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.

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

Other than as disclosed in Notes A5 and A9, there was no other unusual item affecting assets, liabilities, equity, net income or cash flows due to their nature, size or incidence for the financial year ended 31 December 2022.

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NOTES TO THE INTERIM FINANCIAL REPORT - CONT'D

A4. Material Changes in Estimates

There were no material changes in estimates of amounts reported in the prior financial years that have a material effect for the financial year ended 31 December 2022.

A5. Debts and Equity Securities

There were no issuance, repurchase and repayment of debt and equity securities for the current quarter and financial year ended 31 December 2022, other than as disclosed below and in Note A9:

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

For the financial year ended 31 December 2022, the Group made:

- repayment of floating-rate term financing-i ("FRTF-i") amounting to RM75.0 million in March 2022
- repayment of floating-rate term loan ("FRTL") amounting to RM62.5 million in March 2022
- drawdown of floating-rate revolving credit ("FRRC") amounting to RM125.0 million in March 2022
- drawdown of floating-rate revolving credit-i ("FRRC-i") amounting to RM25.0 million in March 2022
- repayment of FRRC-i amounting to RM25.0 million in April 2022
- repayment of Sukuk amounting to RM300.0 million in April 2022
- drawdown of FRTF-i amounting to RM200.0 million in April 2022
- repayment of FRTL amounting to RM50.0 million in June 2022
- repayment of FRRC amounting to RM50.0 million in June 2022
- repayment of FRTF-i amounting to RM75.0 million in September 2022
- repayment of FRTL amounting to RM62.5 million in September 2022
- repayment of FRRC amounting to RM75.0 million in September 2022
- drawdown of FRTF-i amounting to RM150.0 million in September 2022
- drawdown of FRRC amounting to RM100.0 million in November 2022
- drawdown of FRRC-i amounting to RM250.0 million in November 2022
- drawdown of FRTL amounting to RM700.0 million in November 2022
- drawdown of FRTF-i amounting to RM450.0 million in November 2022
- drawdown of FRTF-i amounting to RM950.0 million in November 2022
- drawdown of Sukuk amounting to RM600.0 million in December 2022
- repayment of FRRC amounting to RM100.0 million in December 2022
- repayment of FRRC-i amounting to RM250.0 million in December 2022
- repayment of FRTL amounting to RM50.0 million in December 2022

A6. Dividend Paid

For the financial year ended 31 December 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;

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NOTES TO THE INTERIM FINANCIAL REPORT - CONT'D**A6. Dividend Paid (Cont'd)**

- (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 ended 31 December 2022 was paid on 24 June 2022;
- (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 ended 31 December 2022 was paid on 30 September 2022; and
- (iv) The third interim tax exempt (single-tier) dividend of 3.4 sen per ordinary share amounting to RM264.4 million in respect of the financial year ended 31 December 2022 was paid on 16 December 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 Notes A9 and B7.

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

On 30 November 2022, Digi.Com Berhad ("Digi") completed its acquisition of 1,237,534,681 ordinary shares in Celcom Axiata Berhad ("Celcom"), representing 100% of the issued and paid-up share capital of Celcom, for a total consideration of RM18.3 billion comprising share consideration of RM15.8 billion and cash consideration of RM2.5 billion which is subject to finalisation under the terms of the Share Purchase Agreement. Consequently, Celcom became a subsidiary of the Group.

A goodwill of RM15.4 billion arising from the acquisition has been recognised in the financial statements of the Group and will be subject to annual impairment assessment. Any changes to the purchase consideration and the fair values of the net assets acquired will require adjustments to the goodwill in the financial year ending 31 December 2023, as permitted under MFRS 3.

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NOTES TO THE INTERIM FINANCIAL REPORT - CONT'D

A9. Changes in the Composition of the Group (cont'd)

The summary of the effects of the acquisition of Celcom included in the statement of financial position of the Group is illustrated below:

(a) Issued share capital

	No. of Digi Shares ('000)	RM'000
As at 1 January 2022	7,775,000	769,655
Consideration shares issued during the financial year	3,956,508	15,826,032
As at 31 December 2022	<u>11,731,508</u>	<u>16,595,687</u>

(b) The provisional fair values of the identifiable assets and liabilities relating to acquisition:

	Total fair value recognised on acquisition of Celcom RM'000
Assets	
Property, plant and equipment	3,629,146
Intangible assets	2,980,374
Right-of-use assets	4,771,687
Investment in associated company	139,943
Deferred tax assets	110,688
Trade and other receivables	1,794,605
Contract costs	32,522
Contract assets	123,158
Derivative financial instruments	43,342
Inventories	84,820
Financial assets at fair value through profit or loss	22
Income tax recoverable	115,266
Cash and short-term deposits	922,154
Total assets	<u>14,747,727</u>
Liabilities	
Loans and borrowings	(7,837,028)
Deferred tax liabilities	(1,403,104)
Other liabilities	(172,371)
Trade and other payables	(2,024,152)
Contract liabilities	(262,149)
Income tax payable	(23,803)
Total liabilities	<u>(11,722,607)</u>
Fair value of net identifiable assets acquired	3,025,120
Non-controlling interest	(102,572)
Goodwill on acquisition	15,372,384
Purchase consideration	<u>18,294,932</u>

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A9. Changes in the Composition of the Group (cont'd)

	RM'000
Cash outflow on acquisition was as follows:	
Cash consideration	2,468,900
Cash and cash equivalents of subsidiary acquired	<u>(922,154)</u>
Net cash outflow of the Group	<u><u>1,546,746</u></u>

The allocation of purchase price was based upon a preliminary valuation, and the estimates and assumptions used are subject to change within the one-year measurement period as permitted under MFRS 3.

With the completion of the acquisition, an exercise to harmonise the accounting policies and estimates within the Group has been carried out resulting in additional depreciation charge of RM158 million to the current quarter and financial year ended 31 December 2022.

Other than above, there were no other changes in the composition of the Group for the financial year ended 31 December 2022.

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 31 December 2022 are as follows:

	RM'000
Approved and contracted for	<u><u>523,140</u></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 year:

	Transactions for the financial year ended 31 DEC 2022 RM'000
<u>Sale of goods and services:</u>	
Related companies:	
Bandwidth leasing	3,000
Cloud based software infrastructure services	663
Commission fees on content related services	2,244
Consultancy services rendered	712
Domestic interconnect and roaming revenue	2,483
International interconnect and roaming services	14,964
International SMS revenue	847
Leased line/ Bandwidth leasing	1,711
Managed Services	218
Mobile virtual network operator related revenue	485
Provision of telecommunication services	2,894
Sales of devices	272
Site infrastructure lease income	1,480
Joint venture company:	
Mobile virtual network operator related revenue	17,599

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A12. Related Party Transactions (Cont'd)

	Transactions for the financial year ended 31 DEC 2022 RM'000
<u>Purchase of goods and services:</u>	
Related companies:	
Cloud based software infrastructure services	(607)
International interconnect and roaming services	(10,957)
Leased line/ Bandwidth leasing	(21,527)
Business Security cost	(6,601)
Business service costs	(35,147)
Managed Services including marketing and collection related services	(28,165)
Commission fees on content related services	(209)
Domestic interconnect and roaming expense	(4,341)
Services received on digital marketing and distribution platform	(8,517)
Global connectivity services	(241)
IP transit	(24)
IT related services	(1,883)
License and trademarks	(9,428)
Clearing house services received for international roaming arrangement	(441)
Personnel services payable and professional service	(2,561)
Services rendered on Enterprise Resource Planning ("ERP") and enterprise applications	(4,449)
Site Operating Charges /Infrastructure leasing and related services	(61,340)

On 27 January 2023, Digi announced that the Group, had in their ordinary course of business entered into RRPT as disclosed in detail in Digi's announcement dated 27 January 2023 on the Bursa Securities website, and the total consideration of which, by way of aggregation, is expected to exceed the percentage ratio of 1% for the period from 1 December 2022 to 24 February 2023.

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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

Material changes in the Group's Profit Before Tax for current quarter ("4Q 2022") compared with immediate preceding quarter ("3Q 2022") is provided in the "Management Discussion & Analysis" enclosed.

B3. Prospects For The Next Financial Year Ending 31 December 2023

The Group's prospects up to 31 December 2023 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 represent our defined performance obligations).

	Note	YEAR ENDED 31 DEC 2022 RM'000	YEAR ENDED 31 DEC 2021 RM'000
Major products/service lines			
Telecommunication revenue	(a)	5,770,327	5,342,621
Sales of devices	(b)	906,110	899,018
Lease income	(c)	96,874	94,035
		6,773,311	6,335,674

Timing of revenue recognition for respective major products/service lines represented by:

- (a) Services transferred over time
- (b) Devices transferred at a point in time
- (c) Lease income accounted for on a straight-line basis over the lease term

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B6. Taxation

The Group's taxation charge for the current quarter and financial year ended 31 December 2022 respectively were made up as follows:

	Individual quarter	Cumulative quarter
	Quarter ended 31 DEC 2022 RM'000	Year ended 31 DEC 2022 RM'000
Income tax:		
- Current tax expense	(12,977)	(474,310)
- Over-provision in prior years	-	36,292
Deferred tax:		
- Net origination and reversal of timing differences	(44,847)	7,481
- Under-provision of deferred tax liabilities in prior years	-	(22,802)
Zakat	(1,349)	(1,349)
Total	(59,173)	(454,688)

The Group's effective tax rate ("ETR") for the current quarter and financial year ended 31 December 2022 of 57.9% and 37.3% 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 and certain expenses which are not deductible for tax purposes.

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:

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

On 7 October 2022, Digi Telecommunications Sdn. Bhd. ("DigiTel") and Celcom Mobile Sdn Bhd ("Celcom Mobile"), wholly-owned subsidiaries of Digi, had respectively entered into a conditional share subscription agreement with DNB for the Proposed Subscription ("SSA"). The status of this corporate proposal is currently pending fulfilment of the conditions precedent set out in the terms of the SSA.

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B8. Group Borrowings

RM denominated	As at 31 DEC 2022		As at 31 DEC 2021	
	RM'000 Current	RM'000 Non-current	RM'000 Current	RM'000 Non-current
<u>Secured</u>				
FRTL	157	1,861	-	-
Fixed-rate term financing	203	444	-	-
Banker's Acceptance	2,514	-	-	-
	<u>2,874</u>	<u>2,305</u>	<u>-</u>	<u>-</u>
<u>Unsecured</u>				
Current				
FRTL	199,107	612,500	225,000	107,522
FRTF-i	75,000	1,887,077	150,000	219,128
Fixed-rate term financing- i	2,400,000	-	-	-
Sukuk	-	3,247,876	300,000	1,498,765
FRRC-i	450,000	-	-	-
Lease liabilities	1,012,307	4,998,161	448,421	2,010,439
	<u>4,136,414</u>	<u>10,745,615</u>	<u>1,123,421</u>	<u>3,835,854</u>
Total loans and borrowings	<u>4,139,288</u>	<u>10,747,919</u>	<u>1,123,421</u>	<u>3,835,854</u>

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

	As at 31 DEC 2022 RM'000	As at 31 DEC 2021 RM'000
Borrowings and debt securities:		
Floating rate	3,228,216	701,650
Fixed rate	11,658,991	4,257,625
	<u>14,887,207</u>	<u>4,959,275</u>

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B9. Financial Instruments

As at 31 December 2022 the Group's outstanding net derivative financial instruments are detailed below:

Type of derivatives	Notional value RM'000	Fair value - (liability)/asset RM'000
Foreign currency forward contracts		
- Less than one year	33,289	(640)
Interest rate swaps contracts		
- One year to three years	525,000	(920)
- More than three years	250,000	(1,104)
Convertible warrants in an associate:		
- One year to three years	19,251	43,342

Accounting Policy

The Group uses derivatives comprising foreign currency forward contracts and interest rate swaps to manage risk exposures related to changes in foreign currency and interest rates.

(a) Foreign currency risk

The Group enters into foreign currency forward contracts to minimise its exposure to foreign currency risks as a result of transactions denominated in currencies other than its functional currency, arising from the normal business activities in accordance with the Group's hedging policy. In line with the Group's hedging policy, hedging is only considered for firm commitments and highly probable transactions of which hedging shall not exceed 100% of the net exposure value. Firm commitments are netted-off against receivables denominated in the same currency, and only the net exposures are hedged so as to maximise the Group's natural hedge position.

(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 Sukuk 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 Sukuk.

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B9. Financial Instruments – cont'd

Accounting Policy – cont'd

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.

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.

There were no changes in the cash requirement of, nor the policies governing 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 year that do not qualify for hedge accounting are recognised in profit and loss as disclosed in Note B14.

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B10. Material Litigation

There are no pending material litigations as at the date of this report, other than:

(i) Main Suit 1: Kuala Lumpur High Court Suit No. D1-22-1960-2008

Celcom (formerly known as Celcom (Malaysia) Berhad) and Celcom Resources Berhad ("Celcom Resources") (formerly known as Technology Resources Industries Berhad) vs Tan Sri Dato' Tajudin bin Ramli & 7 Others- Claim for damages for conspiracy – not quantifiable

On 24 October 2008, Celcom and Celcom Resources (also known as "the Plaintiffs") commenced proceedings in the High Court of Malaya in Kuala Lumpur against its former directors, namely (i) Tan Sri Dato' Tajudin Ramli ("TSDTR"), (ii) Dato' Bistamam bin Ramli ("BR"), (iii) Dato' Lim Kheng Yew ("DLKY"), (iv) Axel Hass ("AH"), and (v) Oliver Tim Axmann ("OTA") (the Main Suit 1 Defendants named in items (iv) and (v) are collectively referred to as the "the German Directors"), as well as (vi) DeTeAsia Holding GmbH ("DeTeAsia") and (vii) Beringin Murni Sdn. Bhd. (collectively with the German Directors referred to as "the Defendants").

The Plaintiffs are seeking damages for conspiracy. The Plaintiffs claim that the Defendants wrongfully and unlawfully conspired amongst each other to cause financial injury to the Plaintiffs by causing and/or committing the Plaintiffs to enter into the Supplemental Agreement to the Subscription Agreement and the Management Agreement dated 7 February 2002 ("2002 Supplemental Agreement") and the Amended and Restated Supplemental Agreement dated 4 April 2002 with DeTeAsia ("the ARSA") which entitled DeTeAsia to renounce its right shares in Celcom Resources. Consequently, DeTeAsia exercised its renunciation of certain rights issue shares in favour of TSDTR and BR at a significantly higher price than the prevailing value of the shares at that time.

On 23 June 2016, TSDTR and BR, filed a statement of defence ("Defence for Main Suit 1") and counterclaim against the Plaintiffs seeking among others:

- (a) payment of the sum of RM6,246.492,000.00 or alternatively the sum of RM7,214.909,224.01 together with interest, being the same amount claimed by TSDTR in a separate counterclaim filed in the Kuala Lumpur High Court Suit No. D2-22-673-2006 (known as the Danaharta Suit) which was subsequently withdrawn pursuant to a purported global settlement agreement which did not include the Main Suit 1 ("TSDTR and BR's Counterclaim against Main Suit 1")

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B10. Material Litigation (Cont'd)

(i) Main Suit 1: Kuala Lumpur High Court Suit No. D1-22-1960-2008 (Cont'd)

Celcom (formerly known as Celcom (Malaysia) Berhad) and Celcom Resources Berhad ("Celcom Resources") (formerly known as Technology Resources Industries Berhad) vs Tan Sri Dato' Tajudin bin Ramli & 7 Others- Claim for damages for conspiracy – not quantifiable (Cont'd)

- (b) pay all sums received by Telekom Malaysia Berhad and Telekom Enterprise Sdn Bhd ("Telekom Group") from dividends and other payments from the Plaintiffs to be assessed;
- (c) withdraw all pending suits without liberty to refile and no order as to costs;
- (d) restraint from executing judgment procured from the pending suits;
- (e) indemnify TSDTR and BR against all liability, payments, loss and damages incurred or suffered as a consequence or in relation to the pending suits;
- (f) punitive, aggravated and exemplary damages to be assessed for malicious prosecution;
- (g) interest and costs.

The solicitors representing the Plaintiffs is of the opinion that Celcom's prospects of successfully defending the counterclaim made by TSDTR and BR are good.

On 30 June 2016, the German Directors and DeTeAsia filed their respective defences.

TM filed an application to intervene in the Main Suit 1 in light of the allegations made against TM in TSDTR and BR's counterclaim against Main Suit 1.

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B10. Material Litigation (Cont'd)

(i) Main Suit 1: Kuala Lumpur High Court Suit No. D1-22-1960-2008 (Cont'd)

Celcom (formerly known as Celcom (Malaysia) Berhad) and Celcom Resources Berhad ("Celcom Resources") (formerly known as Technology Resources Industries Berhad) vs Tan Sri Dato' Tajudin bin Ramli & 7 Others- Claim for damages for conspiracy – not quantifiable (Cont'd)

Following the decision of the Court of Appeal on 4 May 2017 in allowing Telekom Malaysia Berhad's appeal to be added as a defendant to TSDTR and BR's Counterclaim, TSDTR and BR filed an application to amend their defence and counterclaims on 19 May 2017 which was dismissed by the High Court on 29 June 2017. On 24 July 2017, TSDTR and BR filed an appeal to the Court of Appeal and that the appeal was fixed for hearing on 8 December 2017.

On 24 July 2017, TSDTR and BR filed an appeal to the Court of Appeal and that the same was dismissed by the Court of Appeal on 8 December 2017 with costs of RM1,000.00 to the Plaintiffs and RM5,000.00 to Telekom.

TSDTR and BR filed the Notice of Motion for leave to appeal to the Federal Court against the dismissal of the Court of Appeal's decision dated 2 January 2018 and the same has been dismissed by the Federal Court.

The trial in the High Court had proceeded commencing from 22 January 2018 up until 8 October 2021.

On 15 November 2021, the Plaintiffs and DeTeAsia have reached an amicable settlement without any admission as to liability in respect of this Main Suit 1. The Plaintiffs have discontinued this Main Suit 1 with no order as to costs and without liberty to file afresh against AH, OTA and DeTeAsia.

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B10. Material Litigation (Cont'd)

(ii) Main Suit 2: Kuala Lumpur High Court Suit No. D5-22-610-2006

Celcom & Another vs TSDTR & 8 Others – (i) Claim for indemnification of sums paid as a result of ICC decision – RM791.6 million (ii) Damages for breach of fiduciary duties – Not quantifiable (iii) Claim for unauthorised profits made by TSDTR – RM446 million

On 28 April 2006, Celcom and Celcom Resources (also known as “the Plaintiffs”) instituted a claim against nine (9) of its former directors (namely (i) TSDTR, (ii) BR, (iii) DLKY, (iv) Dieter Sieber (“DS”), (v) Frank-Reinhard Bartsch (“FRB”), (vi) Joachim Gronau, (vii) Joerg Andreas Boy (“JAB”), (viii) AH, and (ix) OTA, (Defendants named in items (iv) and (ix) collectively referred to as the “the German Directors”) (collectively referred to as the “the Defendants”).

The Plaintiffs are seeking an indemnification against the Defendants, for the sums paid by Celcom to DeTeAsia in satisfaction of the award granted in 2 August 2005 (“Award”) by the Tribunal of the International Court of Arbitration of the International Chamber of Commerce in Paris (“ICC”) alleging that the Defendants had breached their fiduciary duties by causing Celcom Resources to enter into a Subscription Agreement dated 25 June 1996 with Deutsche Telekom AG (“the Subscription Agreement”) and the Plaintiffs and the Amended and Restated Agreement (“ARSA”) dated 4 April 2002 between DeTeAsia, and the Plaintiffs. The defendants were inter alia, directors of the Plaintiffs at time of entry into the Subscription Agreement and the ARSA.

In addition, the Plaintiffs have also made a claim against TSDTR only, for the return of the alleged unauthorised profits made by him, all monies received by the directors arising out of such breaches, losses and damages in connection with the abovementioned agreements.

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B10. Material Litigation (Cont'd)

(ii) Main Suit 2: Kuala Lumpur High Court Suit No. D5-22-610-2006 (Cont'd)

Celcom & Another vs TSDTR & 8 Others – (i) Claim for indemnification of sums paid as a result of ICC decision – RM791.6 million (ii) Damages for breach of fiduciary duties – Not quantifiable (iii) Claim for unauthorised profits made by TSDTR – RM446 million (Cont'd)

In summary, the Plaintiffs are seeking the following:

- (a) A declaration that the Defendants have acted in breach of their fiduciary duties and are liable to indemnify Celcom in relation to the sums paid out to DeTeAsia pursuant to the Award where the ICC found Celcom to be liable for the following:
 - (i) The sum of USD177.2 million (RM715.4 million) being the principal sum plus USD16.3 million (RM65.6 million) representing interest at the rate of 8% for the period from 16 October 2002 to 27 June 2003;
 - (ii) The cost of arbitration amounting to USD0.8 million (RM3.3 million); and
 - (iii) The sum of USD1.8 million (RM7.3 million) representing the legal costs
- (b) Damages for various breaches of fiduciary duties committed by them in relation to the entry into the Subscription Agreement and the ARSA
- (c) The unauthorised profits claimed to have been made by TSDTR, amounting to RM446.0 million

On 23 June 2016, TSDTR and BR served their defence and counterclaim. In the defence and counterclaim, TSDTR and BR are seeking, among others, the following relief from the Plaintiffs:

- (a) pay the sum of RM6,246,492,000.00 or alternatively the sum of RM7,214,909,224.01 together with interest, being the amount claim by TSDTR in his counterclaim in Kuala Lumpur High Court Suit No: D2-22-673-2006 which was withdrawn pursuant to a global settlement;
- (b) pay all sums received by Telekom Malaysia Berhad and Telekom Enterprise Sdn Bhd ("Telekom Group") from dividends and other payments from the Plaintiffs to be assessed;

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B10. Material Litigation (Cont'd)

(ii) Main Suit 2: Kuala Lumpur High Court Suit No. D5-22-610-2006 (Cont'd)

Celcom & Another vs TSDTR & 8 Others – (i) Claim for indemnification of sums paid as a result of ICC decision – RM791.6 million (ii) Damages for breach of fiduciary duties – Not quantifiable (iii) Claim for unauthorised profits made by TSDTR – RM446 million (Cont'd)

- (c) withdraw all pending suits without liberty to refile and no order as to costs;
- (d) restraint from executing judgment procured from the pending suits;
- (e) indemnify TSDTR and DBR against all liability, payments, loss and damages incurred;
- (f) or suffered as a consequence or in relation to the pending suits;
- (g) punitive, aggravated and exemplary damages to be assessed for malicious prosecution;
- (h) interest and costs.

The solicitors representing the Plaintiffs is of the opinion that Celcom's prospects of successfully defending the Counterclaim made by TSDTR and BR are good.

On 30 June 2016, DS, FB, JAB, AH and OTA served their Defence.

Following the decision of the Court of Appeal on 4 May 2017 in allowing Telekom Malaysia Berhad's appeal to be added as a defendant to TSDTR and BR's Counterclaim, TSDTR and BR filed an application to amend their Defence and Counterclaims on 19 May 2017 which was dismissed by the High Court on 29 June 2017.

On 24 July 2017, TSDTR and BR filed an appeal to the Court of Appeal and that the same was dismissed by the Court of Appeal on 8 December 2017 with costs of RM1,000.00 to the Plaintiffs and RM5,000.00 to Telekom.

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B10. Material Litigation (Cont'd)

(ii) Main Suit 2: Kuala Lumpur High Court Suit No. D5-22-610-2006 (Cont'd)

Celcom & Another vs TSDTR & 8 Others – (i) Claim for indemnification of sums paid as a result of ICC decision – RM791.6 million (ii) Damages for breach of fiduciary duties – Not quantifiable (iii) Claim for unauthorised profits made by TSDTR – RM446 million (Cont'd)

TSDTR and BR filed a notice of motion for leave to appeal to the Federal Court against the dismissal of the Court of Appeal's decision dated 2 January 2018 and the same has been dismissed by the Federal Court.

The trial in the High Court had proceeded commencing from 22 January 2018 up until 8 October 2021.

On 19 November 2021, the Plaintiffs and DeTeAsia have reached an amicable settlement without any admission as to liability in respect of this suit. The Plaintiffs have discontinued this suit with no order as to costs and without liberty to file afresh against DS, FRB, JAB, AH and OTA.

A hearing for oral submissions was fixed on 13 December 2022 and both suits were fixed for decision on 18 January 2023. However, on 16 January 2023 parties were informed that the judge hearing the matter has been elevated to the Court of Appeal and that a new date will be furnished for delivery of decision for both suits.

On 10 February 2023, the High Court has decided the both suits in favour of Celcom and Celcom Resources and also dismissed TSDTR and Dato' Bistamam Ramli's counterclaims in both suits with costs. The appropriate remedies and quantum of costs will be decided at a later date.

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B11. Dividends

The Board of Directors has declared a fourth interim tax exempt (single-tier) dividend of 3.1 sen per ordinary share (4Q 2021: 3.9 sen per ordinary share) in respect of the financial year ended 31 December 2022, which will be paid on 29 March 2023. The entitlement date is on 14 March 2023.

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 14 March 2023 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.

Dividend for the financial year ended 31 December 2022 is 12.2 sen per ordinary share (2021: 14.9 sen)

B12. Earnings Per Share

Basic Earnings Per Share

The basic earnings per share for the current quarter and financial year ended 31 December 2022 have been calculated as per the summary below:

	Individual Quarter		Cumulative Quarter	
	Quarter ended 31 DEC 2022 RM'000	Quarter ended 31 DEC 2021 RM'000	Year ended 31 DEC 2022 RM'000	Year ended 31 DEC 2021 RM'000
Earnings				
Profit for the period/year, attributable to owners of the parent	42,823	304,551	763,497	1,162,105
Weighted average number of ordinary shares ('000)	9,151,177	7,775,000	8,121,872	7,775,000
Basic earnings per share (sen)	0.47	3.92	9.40	14.95

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 31 DEC 2022 RM'000	Quarter ended 31 DEC 2021 RM'000	Year ended 31 DEC 2022 RM'000	Year ended 31 DEC 2021 RM'000
Allowance for expected credit losses on trade receivables and contract assets	(56,699)	(13,794)	(79,523)	(54,506)
(Allowance)/reversal for inventory obsolescence	(6,096)	1,203	(3,995)	1,141
Net gain/(loss) on fixed assets written-off and disposed	1,007	(12,601)	(35,328)	(16,734)
(Loss)/gain on termination of right-of-use assets	(1,786)	(63)	(1,225)	384
Foreign exchange (loss)/gain	(409)	452	(3,220)	1,901
Fair value (loss)/gain on foreign currency forward contracts	(1,123)	(183)	(457)	211
Fair value gain/(loss) on interest rate swaps	4,776	(8,700)	(25,865)	(35,397)

Other than the items highlighted above which have been included in the condensed consolidated statement of comprehensive income, there were no profits/(losses) on any other items and sale of quoted securities, investments and properties included in the results for the current quarter and financial year ended 31 December 2022.

c.c. Securities Commission