

Corporate Info

Digi.Com Berhad is listed on Bursa Malaysia Berhad and is part of the global telecommunications provider, Telenor Group. Its mobile service operations are undertaken by its wholly-owned subsidiary, Digi Telecommunications Sdn Bhd.

Digi commenced operations in May 1995 when it launched its fully digital GSM1800 services, the first digital mobile communications service in Malaysia.

Digi continued to deliver resilient performance with RM6.2 billion service revenue in 2016. During the year, the consistent focus to become Customers' Favourite Partner in Digital Life across all its value chain has contributed to a stronger market position and enabled its mobile services to more than 12.3 million subscribers at end 2016.

At end 2016, Digi's 4G LTE and 4G+ network coverage reached 85% and 41% population, supported by 7,600 km of fibre network. The stronger data network coupled with modernized IT billing platform continued to support the always-on, consistent high-speed data experience for the customers and enabled Digi to capture data growth opportunities sustainably.

Digi's presence as a leader in prepaid services has spearheaded in a number of industry benchmarks for simplicity and innovation. In addition, Digi has also revitalised its postpaid services under Digi Postpaid and Digi Business to deliver quality voice and mobile internet services to individuals and corporate customers.

Through its corporate initiative, Deep Green, Digi is committed to a sustainable business that is financially and ecologically responsible to all stakeholders.

<p>Corporate Address</p> <p>Lot 10, Jalan Delima 1/1, Subang Hi-Tech Industrial Park, 40000 Subang Jaya, Selangor, Malaysia</p> <p>Tel: +603-5721 1800 (General Line) www.Digi.com.my</p>	<p>Registered Office</p> <p>Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan</p> <p>Tel: +603-7720 1188 Fax: +603-7720 1111</p>
<p>Share Registrar</p> <p>Tricor Investor & Issuing House Services Sdn Bhd Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia</p> <p>Tel: +603 -2783 9299 Fax: +603 -2783 9222</p>	<p>Auditors</p> <p>Messrs Ernst & Young Chartered Accountants, Level 23A Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara 50490 Kuala Lumpur</p>
<p>Bankers</p> <ul style="list-style-type: none"> • Standard Chartered Bank Malaysia Berhad • AmBank (M) Berhad • CIMB Bank Berhad • Malayan Banking Berhad • OCBC Bank (Malaysia) Berhad • Hong Leong Bank Berhad • UOB Bank Berhad • Sumitomo Mitsui Banking Corporation Malaysia Berhad 	

Background

Digi is one of the leading mobile operator in Malaysia with 12.3 million subscribers, ranking #1 in terms of subscriber market share and #2 in terms of mobile service revenue market share.

Digi commenced operations in Malaysia in May 1995 when it launched its fully digital GSM 1800 MHz services, the first digital mobile communications service offering in Malaysia. Digi offers mobile voice, roaming and value-added services on both prepaid and contract bases. Digi is currently one of the leading operators in the prepaid segment, which is the largest consumer segment in the Malaysian mobile market. On 7 May 2008, Digi obtained a 3G spectrum licence with all of its rights and benefits via a transfer from TIME dotCom (TdC) for a consideration of 27.5 million new shares. In March 2009 Digi launched 3G broadband services for PCs, while 3G voice and data services for mobile phones were introduced in October 2009.

In 2001, when Telenor increased its shareholding in Digi from 32.9% to 61.0% through a voluntary partial take-over offer, the transaction was approved by the Foreign Investment Committee and the Ministry of Energy, Communication and Multimedia on the following conditions:

- Telenor's equity interest in Digi must be reduced to 49% within five years; and
- Digi must have at least 30% Bumiputra (indigenous Malays) equity shareholding before 31 December 2006.

The deadline to comply was later extended to 30 June 2008. As a result of the 3G spectrum transfer in May 2008 and an earlier placement exercise, TdC's shareholding in Digi at that point in time increased to 10%, which later has been reduced to 3.5%. At the same time, Telenor's ownership interest in Digi was reduced to 49%. As a result, Digi is now in compliance with the 49% foreign equity condition and has been exempted from the need to comply with the 30% Bumiputra equity condition imposed by the Foreign Investment Committee. In the Economic Transformation Programme update on 16 November 2012, the Prime Minister of Malaysia announced that up to 70% foreign equity would be allowed for individual class Network Facilities Provider (NFP) and Network Service Provider (NSP) licences.

As at 31 December 2016, Digi provides its mobile services to 12.3 million subscribers out of an estimated population of 31.6 million with mobile penetration (SIM cards) of 141.6%.

Network and licences

Digi currently holds a NFP licence and a NSP licence, both of which are valid until January 2025, and an Application Service Provider (ASP) licence, which is renewed every year. These licences are effectively technology and service neutral. A licensee may apply for the renewal of its individual licence prior to expiry.

Digi operates a 2G network, utilising spectrum in the 1800 MHz band and also limited spectrum in the GSM 900 MHz band. Digi has been assigned spectrum in the 2100 MHz spectrum band, expiring April 2018, which is the basis for its 3G network. The Malaysian Minister of Information, Communications and Culture, on recommendation by the Malaysian Communications and Multimedia Commission (SKMM), has the power to approve the renewal of individual licences. In December 2012, 2×10 MHz of the 2600 MHz spectrum was allocated to Digi for the provision of LTE-related services. The 2600 MHz spectrum allocation is valid from 1 January 2013 to 31 December 2017. In order to deliver LTE services in the most

cost effective manner, Digi aims to free-up and re-farm its existing 1800 MHz spectrum for wider LTE coverage whilst relying on 2600 Mhz spectrum for LTE capacity in densely populated areas.

Digi's LTE services has been launched in July 2013 with initial coverage in key market areas in Klang Valley, Johor Baru, Kota Kinabalu and progressively expand to more locations nationwide.

Spectrum Holding	Bandwith (Mhz)	Expiry
900 MHz	2×5	2032 (based on the new allocation in Feb 2016)
1,800 MHz	2×20	2032 (based on the new allocation in Feb 2016)
2,100 MHz	2×15 + 1×5	2018
2,600 MHz	2×10	2017

Competition

There are two other GSM network operators in Malaysia: Celcom (a subsidiary of Axiata) and Maxis. Both Celcom and Maxis have licences to operate GSM 900 MHz and GSM 1800 MHz networks. There are four 3G service providers, with U Mobile being the fourth licensee in addition to Digi, Celcom and Maxis. Under the terms of the spectrum assignments, 3G licence holders are required to offer access to their 3G networks to MVNOs. At present, Celcom is providing 3G/2G access to several MVNOs through roaming agreements and Maxis has a 2G and 3G roaming agreement with U Mobile. Both Maxis and Telekom Malaysia launched their 3G services in the first half of 2005. U Mobile launched its 3G service in the second half of 2008. In December 2012, the Malaysian Communications and Multimedia Commission announced the allocation of the 2600 MHz spectrum band for the telecommunication industry. A total of eight companies were given access to the band for the provision of LTE related services. These companies include Celcom, Digi, Maxis, Packet One Networks, Puncak Semangat, REDtone Marketing, U Mobile and YTL Communications.

In February 2013, Maxis secured access to 3×20 MHz of contiguous 2600 Mhz spectrum on the back of LTE spectrum sharing collaborations with U Mobile and REDtone.

As of April 2013, both Maxis and Celcom have commercially launched its LTE services in selected locations.

Regulatory matters

Digi currently annually contributes 6% of “weighted net revenue” to the Universal Service Provision Fund (the USP Fund). All licensed operators are able to bid for SKMM issued tenders utilising this USP Fund to build and operate specific types of services in underserved areas and communities. Digi has won various bids to provide mobile and broadband services on this basis, including building 14 community broadband centres.

SKMM has implement lower termination rates as at 1 January 2013 with gradual reduction in these rates in 2014 and 2015 respectively.

Chairman's Statement

Dear Shareholders,

Across the globe, telecommunications companies are reinventing themselves to adapt to the fast growing digital world. And as responsible, forward-looking leaders in these disruptive times, we too, consistently ask ourselves the all-important question: whether we are the company we need to be to succeed in the future.

We have confidently responded with a well-defined strategy we believe will create new sources of growth as we continue to deliver the fundamentals on which our business is built on. Similar to the many key inflection points in our history, our clear future forward actions have positioned Digi well to compete, grow and outpace this new data-centric digital world, and keep us ahead of our industry.

Steady performance delivering valuable shareholder returns

Our 2016 results bear this out in an increasingly competitive and tough market environment, where traditional revenue streams are threatened, beset further by global economic challenges. Taking stock of the good, durable progress we have made within this climate, the Board of Directors are pleased to share that Digi has recorded steady financial and operational performance for the year with an advanced data network that now serves 8.1 million internet customers. This, from a broader 12.3 million customers enjoying our wide portfolio of market-leading, mobile connectivity and data services. We are surely making positive strides in our ambition to become Malaysians' preferred digital partner in their everyday lives.

Our balance sheet remains robust with solid financial capability and flexibility to fund our investments and operational commitments. And as a result of our strong financial framework, I am pleased to share that Digi's shareholders were rewarded a net dividend of 20.9 sen per share equivalent to RM1.63 billion for the year. The 100% dividend payout ratio exceeds the company's dividend policy of distributing a minimum 80% of our net profits. These results show that we remain consistent in delivering our long-term shareholder value commitment, a policy that will continue to have the highest attention of the Board.

Our ability to perform and hold to our remuneration policies have not gone unnoticed, having received recognition from the broader corporate community. In particular, from The Edge Billion Ringgit Club Awards 2016 for having the highest return on equity over three years among companies with an overall market capitalization of RM10 billion and also being recognised in our Trading and Services sector. Our steadfast commitment to good corporate governance has also received acknowledgements in Asia's Best Managed Companies 2016 awards by FinanceAsia, and the MALAYSIA-ASEAN Corporate Governance Transparency Index, Findings and Recognition 2016 by the Minority Shareholder Watchdog Group. This is an excellent testament to the practices, policies and strategy we have in place to succeed in this new and rapidly changing time.

Taking a bolder position in our digital reality

We live in a world of unprecedented constant technological disruption, where the scope and reach of digitisation is altering every aspect of our lives. Asia as a region is expected to add around 1.6 billion smartphone connections by 2020, over half of total connections globally; a trend that indicates the sheer amount of data traffic and information that will be shared over our networks. And this is only the beginning. We will see mainstreaming of more objects connecting to the internet, spelling out exponential growth for the Internet of Things, new technologies such as augmented reality, virtual reality, and robotics emerge, to name a few, as well as the advent of 5G in the next decade, that will dramatically transform our customers' digital experiences, and change existing business models.

For all these reasons, we are excited about our future as connectivity will be the enabler and the centre of all this disruption. And we have a clear strategy built around Telenor's ambition to be our customers' favourite digital life partner, to take a bold, leadership position in the industry to facilitate and capture the opportunities offered by this digital revolution. Being a part of the Telenor Group, one of the world's major mobile operators shaping digital globally, is a significant advantage for Digi. Leveraging the shared experience, scale, and transfer of innovation within the 13 markets in the Telenor network means our customers assuredly stand to benefit from the innovations we quickly bring to Malaysia, in addition to those we innovate ourselves.

Maintaining a responsible, transparent and trustworthy Business

While we have set ambitious goals to succeed, we recognise that our success lies not only in our ability to provide services that are valuable to our customers but also with the high ethical standards we uphold for the way we conduct our business. This relationship of trust is even more essential in our digital world. And we have sharpened our strategy to further emphasise the need to maintain a culture that safeguards the responsible and sustainable business practices we are known for, built on a solid foundation of strong moral values and a deep sense of integrity.

This underscores our determination to be a trusted company, delivering services to our customers that guarantee their safety and privacy, creating an inclusive, dynamic workplace for our people, building trust with our stakeholders across our entire value chain, digitally empower communities and respectfully manage our impact on the environment to create a better future for all Malaysians. The details of our responsible leadership efforts and commitment to set the standard for excellence in our industry are summarised in the Sustainability section of this Annual Report. A full disclosure of these initiatives is also laid out in Digi's 2016 Sustainability Report online at www.digi.com.my/sustainability.

Delivering future growth together

Considering all we have accomplished in 2016, it is safe to say that we are at an excellent point from which to continue our journey forward. The motivations that set us on this path remain the same, that we adapt our business to meet our customers' evolving needs. We intend to deliver on this, and the goals we have set for ourselves to contribute meaningfully to our growth in the coming years. I am confident that our success will be achieved through the concerted effort and collective energy from everyone who is a part of this inspiring organisation.

On behalf of the Board, I would like to thank our management team and Digizens for their commitment to and courage throughout our digital transformation, undoubtedly a very exciting period of our history.

Our appreciation also extends to the government of Malaysia, Ministry of Communications and Multimedia (KKMM), Malaysia Communications and Multimedia Commission (SKMM), various other agencies and our partner ecosystem who share in our steadfastness to realise Malaysia's digital future, and expand the widespread benefits of digitisation for every part of society, every industry and everyone.

Before concluding, I would like to thank you, our shareholders, personally and on behalf of the Board of Directors for all the support and trust you have placed in Digi to succeed. I look forward to sharing more of our strategy with you at our Annual General Meeting in May.

Morten Karlsen Sorby
Chairman

¹ GSMA Mobile Economy Asia Pacific 2015

² Digital, Social & Mobile in 2015

³ Inmobi Insights: The State of App Downloads & Monetisation

⁴ PWC: Malaysia Entertainment and Media Outlook 2015-2019

Board of Directors



**Lars-Ake Valdemar
Norling**

*(Non-Independent Non-Executive Director, Chairman of the Board of Directors, and Chairman of the Remuneration Committee)
48 years of age, Swedish*



**Tan Sri Saw Choo
Boon**

*(Independent Non-Executive Director, Chairman of the Audit & Risk Committee and Member of the Nomination Committee)
70 years of age, Malaysian*



Tore Johnsen

*(Non-Independent Non-Executive Director, Member of the Audit & Risk Committee and Member of the Remuneration Committee)
69 years of age, Norwegian*



**Yasmin Binti Aladad
Khan**

*(Independent Non-Executive Director, and Chairman of the Nomination Committee)
59 years of age, Malaysian*



Haakon Bruaset Kjoel

*(Non-Independent Non-Executive Director, Member of the Nomination Committee)
45 years of age, Norwegian*



**Morten Loeken
Edvardsen**

*(Non-Independent Non-Executive Director)
36 years of age, Norwegian*



**Vimala A/P V.R.
Menon**

*(Independent Non-Executive Director, Member of the Audit & Risk Committee)
62 years of age, Malaysian*

Senior Management Team



Albern Murty
Chief Executive Officer



Nakul Sehgal
Chief Financial Officer



Loh Keh Jiat
Chief Marketing Officer



Eugene Teh
Chief Corporate Affairs
Officer



Kesavan Sivabalan
Chief Network Officer



Haroon Bhatti
Chief Human Resource
Officer



Praveen Rajan
Chief Digital Officer

Shareholding

Domicile Stock Exchange	Main Market of Bursa Malaysia Securities Berhad
Share Capital	Share Capital - RM1,000,000,000.00 divided into 100,000,000,000 ordinary shares of RM0.01 each
	Outstanding Shares- RM77,750,000.00 divided into 7,775,000,000 ordinary shares of RM0.01 each
Stock Short Name	Digi (6947), Digi:MK, DSOM:KL:

Top 20 Shareholders as at 29 December 2017

Shareholdings	No. of Shares	%
1. CITIGROUP NOMINEES (ASING) SDN BHD TELENOR ASIA PTE LTD (DIGI)	3,809,750,300	49.00
2. CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	1,083,988,682	13.94
3. AMANAHRAYA TRUSTEES BERHAD AMANA SAHAM BUMIPUTERA	587,035,200	7.55
4. KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	366,072,950	4.71
5. LEMBAGA TABUNG HAJI	112,332,500	1.44
6. AMANAHRAYA TRUSTEES BERHAD AMANA SAHAM WAWASAN 2020	82,000,000	1.05
7. AMANAHRAYA TRUSTEES BERHAD AMANA SAHAM BUMIPUTERA 2	69,745,100	0.90
8. CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	64,890,410	0.83
9. HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	64,029,170	0.82
10. DATO AHMAD SEBI BIN BAKAR	57,802,930	0.74
11. AMANAHRAYA TRUSTEES BERHAD AMANA SAHAM MALAYSIA	56,550,300	0.73

12. AMANAHRAYA TRUSTEES BERHAD AS 1MALAYSIA	52,439,200	0.67
13. HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	49,088,500	0.63
14. MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)	43,653,700	0.56
15. CARTABAN NOMINEES (TEMPATAN) SDN BHD PAMB FOR PRULINK EQUITY FUND	41,084,000	0.53
16. MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC ITTIKAL FUND (N14011970240)	39,500,000	0.51
17. AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM DIDIK	33,531,700	0.43
18. CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (NOMURA)	28,538,090	0.37
19. MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	27,102,800	0.35
20. AMSEC NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR CIMB ISLAMIC DALI EQUITY GROWTH FUND (UT-CIMB-DALI)	25,991,600	0.33
TOTAL	6,693,127,132	86.10

Foreign Shareholding

Foreign shareholding (%) (excl. Telenor)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2010	6.9%	7.2%	7.7%	7.9%	8.0%	8.0%	8.4%	8.6%	8.9%	8.8%	8.7%	8.7%
2011	8.9%	9.1%	10.2%	10.9%	10.4%	10.4%	10.8%	10.9%	11.5%	12.0%	12.4%	12.4%
2012	12.6%	12.9%	13.2%	12.9%	12.7%	12.5%	12.6%	12.4%	12.7%	12.6%	12.2%	12.7%
2013	12.6%	12.6%	12.4%	12.8%	12.9%	13.0%	13.0%	13.0%	13.2%	13.2%	13.0%	12.5%
2014	12.1%	13.2%	13.7%	14.0%	14.6%	14.7%	15.0%	15.6%	15.5%	15.2%	15.5%	15.6%
2015	15.7%	15.9%	15.5%	15.8%	15.3%	14.9%	13.6%	12.4%	11.8%	11.6%	10.6%	10.1%
2016	9.9%	10.0%	10.2%	10.1%	10.2%	9.9%	10.3%	10.5%	10.6%	10.5%	9.9%	9.9%
2017	10.3%	10.1%	10.0%	9.8%	10.0%	9.6%	9.4%	9.3%	9.4%	9.3%	9.1%	9.1%

Corporate Governance

Digi.Com Berhad's ("Digi" or the "Company") Group objective is to create long-term shareholder value through providing innovative, easy-to-use and best-value telecommunications services in the Malaysian Market.

In pursuing this corporate objective, the Board of Directors ("Board") of Digi is committed to high standards of corporate governance which it believes is critical to business integrity and performance as there is a link between high-quality governance and creation of shareholders' value.

The Board is committed to strengthen the Company's governance practices to safeguard the best interests of its shareholders and other stakeholders. In its commitment to sustainable business practice, the Board has endorsed its strategy where sustainability and corporate responsibility forms part of Digi's business fundamentals. Digi's sustainability strategy comprises three key focus areas, namely on empowerment through connectivity, ethical and responsible business standards and addressing climate change.

Digi continues to refine and improve its corporate governance systems. The Board evaluates, and where appropriate, implements relevant proposals with the aim of ensuring that it continues to demonstrate its commitment to good corporate governance, having regard to developments in market practice expectations and regulation.

These statements explain how the Company has applied the key principles and the extent of its compliance with the best practices set out in the Malaysian Code on Corporate Governance (Revised 2007) (the "Code").

[\(A\) Statement on Corporate Governance](#)

[\(B\) Statement on Risk Management and Internal Control](#)

[\(C\) Audit & Risk Committee Report](#)

[\(D\) Board Diversity Policy](#)

[\(E\) Non-Executive Directors' Remuneration Policy](#)

(F) Terms of Reference

- [Board](#)
- [Audit & Risk Committee](#)
- [Nomination Committee](#)
- [Remuneration Committee](#)

[\(G\) Rules of Procedures for Chief Executive Officer](#)

Key Financial Summary - Quarter

Financial Highlights		2016				2017	
		1Q	2Q	3Q	4Q	1Q	2Q
REVENUE	RM'mln	1,653	1,655	1,619	1,670	1,574	1,552
Service Revenue	RM'mln	1,560	1,557	1,554	1,555	1,472	1,453
Others	RM'mln	93	98	65	115	102	99
EBITDA	RM'mln	704	735	775	741	711	717
EBITDA Margin	%	43%	44%	48%	44%	45%	46%
PBT	RM'mln	534	576	585	544	510	483
Taxation	RM'mln	135	155	147	169	137	124
PAT	RM'mln	399	421	438	375	373	359
TOTAL EQUITY	RM'mln	537	562	580	519	519	513
TOTAL ASSETS	RM'mln	4,922	4,708	4,739	5,498	5,729	5,996
EARNINGS PER SHARE (Basic)	Sen	5.1	5.4	5.6	4.8	4.8	4.6
GROSS DIVIDEND PER SHARE	Sen	5.1	5.4	5.6	4.8	4.7	4.6
NET ASSETS PER SHARE	Sen	7	7	7	7	7	7
RETURN ON ASSETS	%	33%	34%	35%	30%	28%	26%
SHARE PRICE							
High	RM	5.39	4.96	5.11	5.05	5.19	5.19
Low	RM	4.76	4.31	4.64	4.83	4.83	4.93
Close	RM	4.94	4.78	4.98	4.83	5.13	5.00

Key Financial Summary – Annual

Financial Summary (RM million)	2012	2013	2014	2015	2016
Financial results					
Revenue	6,361	6,733	7,019	6,914	6,597
- Service revenue	5,891	6,131	6,333	6,348	6,226
EBITDA	2,929	3,043	3,163	2,983	2,955
EBIT	1,599	2,165	2,671	2,354	2,304
Interest cost	52	43	39	56	78
Profit before tax	1,591	2,140	2,645	2,309	2,238
Profit after tax	1,206	1,706	2,031	1,723	1,633
Capex	700	741	904	904	780
Operating cash-flow	2,229	2,302	2,259	2,079	2,175
Financial positions					
Total assets	4,014	3,752	4,303	4,662	5,498
Non-current liabilities	1,030	657	534	386	2,150
Total borrowings	1,080	749	1,048	1,294	2,282
Shareholders' equity	261	661	686	519	519
Financial ratios					
EBITDA margin	46%	45%	45%	43%	45%
Return on equity	462.1%	258.1%	296.1%	332.0%	314.6%
Return on total assets	30.0%	45.5%	47.2%	37.0%	29.7%
EPS (sen)	15.5	21.9	26.1	22.2	21.0
DPS (sen)	26.3	21.3	26.0	22.0	20.9
Dividend yield [1]	3.5%	4.3%	4.2%	4.1%	4.3%
Net assets per share (sen)	3.4	8.5	8.8	6.7	6.7
Net debt/EBITDA (x)	0.1	0.1	0.2	0.4	0.6
Interest cover (x)	30.8	50.3	68.5	42.0	29.5

[1] Yield calculated based on share price at year end