Q4 2011

Management Discussion & Analysis

Q411 key highlights: Another solid growth quarter

Key Numbers

('mil)	Q411	Q311	Q-o-Q
Revenue	RM1,545	RM1,520	*+1.6%*
EBITDA	RM728	RM708	*+2.8%*
Margin	47.1%	46.6%	*+0.5pp*
Net Profit	RM394	RM292	*+34.9%*
Operating cash-flow	RM420	RM563	*-25.4%*

Subscribers, ARPU & MOU

	Q411	Q311	Q-o-Q
Total customers	9,920k	9,617k	*+3.2%*
- Prepaid	8,318k	8,054k	*+3.3%*
- Postpaid	1,602k	1,563k	*+2.5%*
*Broadband Customers	313k	299k	*+4.7%*
*Internet customers	5,202k	5,035k	*+3.3%*
Prepaid ARPU	RM42	RM43	*-2.3%*
Prepaid MOU (mins)	241	239	*+0.8%*
Postpaid ARPU	RM86	RM85	*+1.2%*
Postpaid MOU (mins)	458	464	*-1.3%*

* *both broadband & internet customers are accounted for in the prepaid & postpaid customers tabulation respectively*

\# *all dividends adjusted for 10-for-1 share split*

@ *current definition excludes non-revenue data generating customers*

DiGi reported another set of strong results in Q411; a quarter marked by sustained top-line growth that came with record high EBITDA margin and high net earnings. All revenue segments recorded good growth. Against general expectations of saturation, voice revenue grew for the third successive quarter. Mobile broadband/mobile internet revenue grew 6.2% q-o-q and now accounts for more than 30% of our service revenue. SMS and value-added services (VAS) also generated higher revenue this quarter.

Revenue drivers include smart bundles with in-demand smart-phones/devices, higher penetration of smart phones in our subscriber base in addition to a larger subscriber base and festivities. At the end of Q411, 20% (Q3: 18%) of our customers were smart-phone users, on a total customer base of close to 10 million.

Continual focus on operational efficiency resulted in further improvement in EBITDA and EBITDA margin to RM728 million (Q3: RM708 million) and 47.1% (Q3: 46.6%) respectively.

Operational cash-flow (OpCF) in Q411 was slightly lower at RM420 million (Q3: RM563 million) on higher q-o-q capex spend of RM308 million (Q3: RM146 million).

Net profit was high in Q411, rising by 34.9% to RM394 million (Q3: RM292 million) and this was mainly due to tax incentives related to mobile broadband network facilities.

DiGi declared a fourth dividend# of net 6.5 sen/share, taking the full year dividend to 17.5 sen/net per share.

Operational summary

Customers & ARPU

DiGi added 303k new customers in Q411 (Q3: 327k). With these net additions, DiGi now has close to 10 million customers. Whilst net addition of new customers were lower than the previous quarter a result of higher rotational churn, DiGi continued to gain quality customers in targeted segments on improved value propositions, increased customer touch-points and expanded device portfolio.

In terms of mobile internet customers, DiGi reported a higher number of small screen users this quarter, totaling 5.2 million after adopting a stricter definition@ in Q311.

In the prepaid segment, DiGi added 264k new customers (Q3: 287k) of which 16k (Q3: 31k) were new prepaid mobile broadband customers. The 'DiGi Easy Prepaid' proposition continued to do well in attracting targeted customers. ARPU for the quarter was lower at RM42 (Q3: RM43) on competitive price pressure.

In the postpaid segment, DiGi added 39k new customers (Q3: 40k). The steady growth in postpaid customer intake was driven by attractive smart-phone/tablet bundles. However, the number of mobile broadband customers was marginally lower due to higher churn. DiGi also introduced new plans aimed at driving postpaid internet usage. Postpaid voice revenue rebounded this quarter, driven by higher domestic and roaming traffic. Postpaid ARPU improved to RM86 (Q3: RM85).

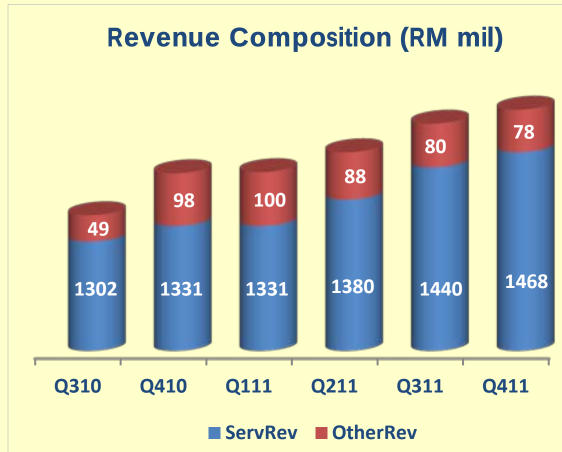
Revenue performance review

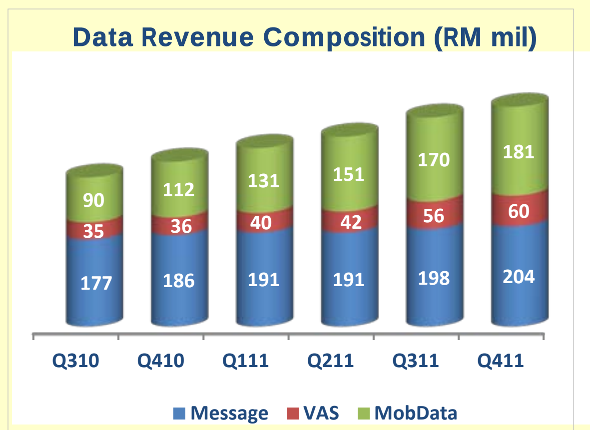
Total revenue amounted to RM1.545 billion in Q411, up by 1.6% q-o-q (+8.1% y-o-y); driven predominantly by the 1.9% q-o-q growth in service revenue whilst handset sales were slightly lower.

Service revenue improvement came on the back of sequential growth in voice and data revenues. Data and voice revenue grew by 5.0% (Q3: 10.4%) and 0.6% (Q3: 2.0%) respectively.

Voice revenue was underpinned by higher domestic and roaming traffic; also partially aided by higher festive-driven usage in Q411. Whilst smart bundling and pricing continued to drive data growth in Q411, the pace of growth was slower than Q311. The slowdown in mobile broadband was largely due to a conscious decision to control growth and reduce excess usage on the network. There was also temporary capacity limitations caused by ongoing network modernization and network collaboration roll-outs, hence the decision to invest more in the existing network platform which resulted in higher capital expenditure in the quarter.

At end of Q411, data revenue accounted for 30.3% (Q3: 29.4%) of DiGi's service revenue and 20% (Q3: 18%) of overall customers are smart-phone users.





Cost and margin review

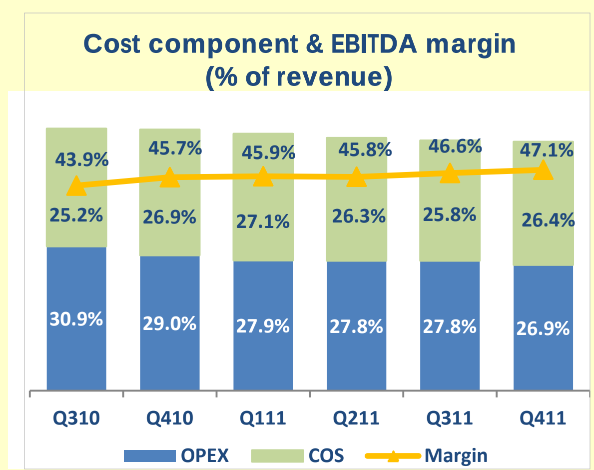
Group EBITDA was up by 2.8% q-o-q ending at RM728 million (Q3: RM708 million) and EBITDA margin rose to 47.1% (Q3: 46.6%). Key drivers were higher revenues and continued good cost management.

Overall, in Q411, the Group's cost base increased by less than 1% and revenues increased by 1.6%.

The increase in cost base was solely driven by higher Cost of Services (COS) in Q411. COS jumped 5.9% q-o-q from higher traffic costs.

On the other hand, total operating expenses (OPEX) declined by 1.7% q-o-q as increased operations & maintenance and staff costs were off-set by lower USO-related accruals, resulting from higher allowable cost deduction against qualifying revenue subjected to USO contribution.

Sales and marketing expenses were stable q-o-q.

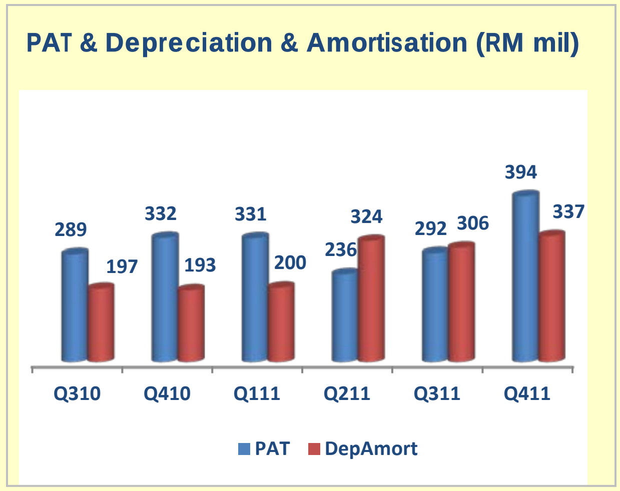


Operating profits

DiGi reported a substantial jump in net profit, rising from RM292 million to RM394 million (+34.9%) q-o-q. The high net profit was a result of lower prior (dating back to 2009) and current year effective tax rates on approved tax incentives related to mobile broadband network facilities.

This incentive is applicable to all mobile telco operators for a five-year period from the first invoice for 3G-related hardware purchases.

As a result of this incentive, DiGi's corporate tax rate is expected to fall below the statutory corporate tax rate over the applicable period.



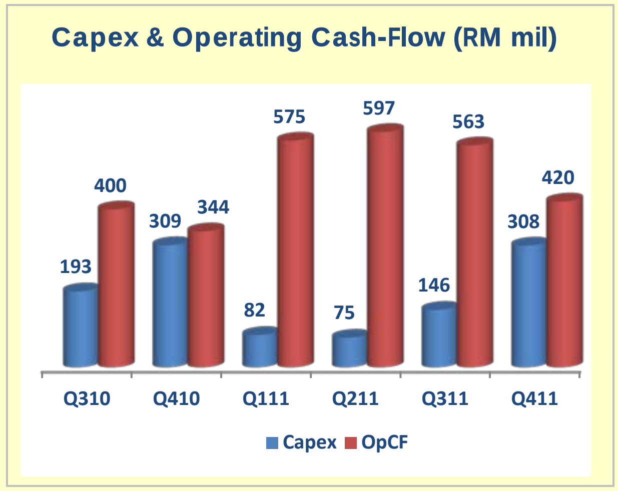
Capital expenditure and network updates

In terms of capex, DiGi spent RM308 million in Q411 (Q3: RM146 million), resulting in YTD capex spend of RM610 million (2010: RM720 million). The bulk of capex was spent on accelerating site roll-outs and increased capacity to ensure that the Group can capture growth opportunities, particularly data growth going into 2012.

DiGi-Celcom network collaboration: Wrapping up initial phase of site consolidation and moving on to the next phase of further site consolidation. The Group will also be ramping up Phase 1 joint-fiber roll-out for aggregation and trunk. The Group is maintaining its guided savings targets and exploring additional initiatives to increase savings.

Network modernisation: Commenced physical RAN swap in Q411. On target to complete network swap by end-2012 and DiGi aims to have a fully enabled LTE network that will facilitate quick LTE services roll-out when spectrum is available.

In terms of population coverage, the Group's current 2G and 3G coverage stood at 95% and 54% respectively.



Regulatory updates

On 2600MHz, DiGi has received a letter of intent from the Malaysian Communications and Multimedia Commission (SKMM) regarding the intended allocation of 2x10MHz of spectrum for LTE. The allocation is subject conditions, including the acceptance and the approval of the final detailed business plan (DBP) by SKMM. DiGi have submitted its DBP within the required deadline. A final decision is still pending from the SKMM.

For the other spectrum bands including the 900MHz and 1800MHz, DiGi have yet to receive any further news with regard to the re-allocation process.

SKMM has initiated a review of access pricing in Malaysia. A public enquiry is expected to take place in Q212 with results likely to be known toward end Q312. This may result in new regulated access prices for services on the Access List following the review. DiGi will apprise the market as and when the outcome is known.

Balance Sheet updates

DiGi's operating cash-flow amounted at RM2.16 billion in 2011 against RM1.68 billion in 2010. The Y-o-Y increase was due to higher revenues, effective cost control measures coupled with relatively lower capex in the year.

In September 2011, DiGi announced two capital management initiatives involving a share split and issue of redeemable preference shares (RPS).

The Group is pleased to note that it has completed the 10-for-1 share split which commenced trading on 24 November 2011. In addition, the RPS was issued in November 2011 and redemption is due in March 2012.

Backed by a solid performance as well as a sound financial position in 2011, the Board has declared a fourth interim dividend of 6.5 sen/share (net) to all shareholders. Payment to shareholders will be on 9 March 2012.

Moving Forward

All in all, DiGi delivered a solid performance in 2011, with strong double digit y-o-y growth in both revenues and earnings on the back of improved margins and robust operating cash-flow.

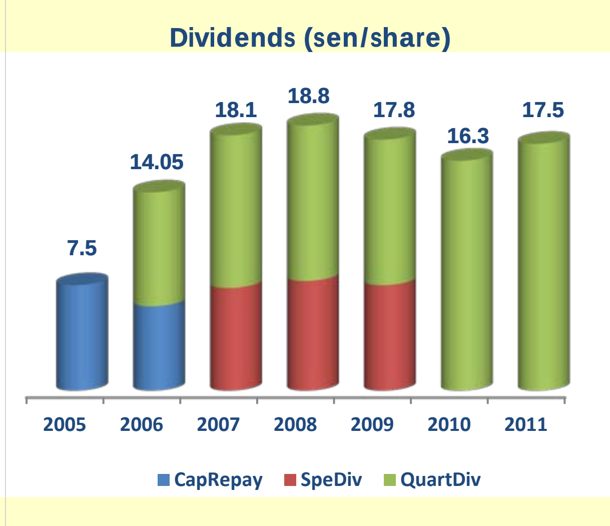
In 2012, DiGi believes the telecommunications sector will continue to do well on the back of continuous demand growth. Whilst voice services might experience some slow-down, demand for quality data services will remain high from growing dependency on mobile internet access for work and play and higher adoption of smart devices.

Although the Group is mindful of potential economic weakness, DiGi intends to keep growing faster than the industry, and in this respect the Group believes it has the right strategies, network and resources in place to support this ambition.

DiGi aims to launch LTE services as early as practically possible to support our ambition to remain the customers' smarter choice for mobile internet. DiGi is also working with various partners to bring relevant content and applications to its customers.

Being part of the Telenor global group of companies, DiGi has significant leverage to be realised in terms of commercialising new technologies, services and network upgrades.

DiGi's priorities in the short to medium term are to expand its mobile internet revenue base, continue to leverage on the the success of its cost savings initiatives to maintain margins going forward as well as optimising network collaboration/modernisation to strengthen competitiveness. DiGi aims to keep delivering strong returns to its shareholders. The Group's preliminary 2012 guidance is given in the adjacent table.



Financial Ratios

RMmil	Q411	Q311	Q211	Q111
Interest bearing debts	670.9	670.9	1,023.5	1,023.2
Cash & equivalents	1,098.2	987.1	1,015.7	1,000.2
Gearing ratio	0.5x	0.5x	0.8x	0.8x

RMmil	2011	2010	2009	2008
Total S/holders' Return	56.5%	12.0%	0.7%	-12.1%
Payout ratio	128.2%	98.5%	108.5%	100.0%
ROE	88.9%	87.5%	65.8%	60.1%
ROA	25.8%	22.9%	21.1%	24.5%

2012 Guidance

- mid-to-high single digit revenue growth
- sustained EBITDA & operating cash-flow margins
- capex RM700 million – RM750 million
- stable OpCF

Please direct all enquiries to Ms Audrey Ho at sfho@digi.com.my