Q212 key highlights: Steady performance in a challenging quarter

Key Numbers

('mil)	Q212	Q112	*Q-o-Q*
Revenue	RM1,580	RM1,569	*+0.7%*
EBITDA	RM752	RM737	*+2.0%*
Margin	47.6%	47.0%	*+0.6pp*
Net Profit	RM324	RM321	*+0.9%*
Operating cash-flow	RM575	RM619	*-7.1%*

Subscribers, ARPU & MOU

	Q212	Q112	*Q-o-Q*
Total customers	10,229k	9,936k	*+2.9%*
- Prepaid	8,580k	8,303k	*+3.3%*
- Postpaid	1,649k	1,633k	*+1.0%*
*Broadband Customers	320k	315k	*+1.6%*
*Internet customers	5,413k	5,349k	*+1.2%*
Prepaid ARPU	RM41	RM41	*0.0%*
Prepaid MOU (mins)	243	240	*+1.3%*
Postpaid ARPU	RM85	RM85	*0.0%*
Postpaid MOU (mins)	419	431	*-2.8%*

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

@ current definition excludes non-revenue data generating customers

Amidst a challenging and competitive quarter, we are pleased to report that our overall performance remained steady in Q212. Revenue for the quarter grew by 0.7% q-o-q to RM1.580 billion compared to RM1.569 billion in the previous quarter and we were able to sustain EBITDA margin at 47.6% (Q112: 47.0%).

We also grew service revenue by 0.8% in Q212 (Q112: -0.6%) and this was solely driven by improvement in voice revenue in the quarter. Overall, data revenue was relatively flat in Q212 as it was adversely impacted by new regulatory restrictions on outgoing bulk SMS. As a result of this, data revenue contribution to service revenue was stable at 30.3% in Q212 (Q112: 30.7%).

At the end of Q212, 23.5% (Q112: 22.2%) of our customers were smart-phone users, on a total customer base of 10.2 million.

Overall, we continued to achieve good results from our operational efficiency focus in Q212; resulting in higher EBITDA of RM752 million (Q112: RM737 million) and EBITDA margin at 47.6% (Q112: 47.0%).

Operational cash-flow (OpCF) in Q212 was lower at RM575 million (Q112: RM619 million) on higher q-o-q capex spend of RM177 million (Q112: RM118 million).

As the Group is still entitled to the tax incentives related to mobile broadband network facilities, the Group's effective corporate tax rate remained below the statutory rate in Q212. As a result, the Group's net profit for the quarter was slightly higher at RM324 million (Q112: RM321 million).

DiGi declared a second interim dividend of net 5.9 sen/share, payable to shareholders on 7 September 2012.

Operational summary

Customers & ARPU

DiGi added 293k new customers in Q212 (Q112: 16k). The higher net addition of new customers this quarter was driven by attractive bundled offerings as well as targeted acquisition efforts.

In terms of mobile internet customers, DiGi continued to report a higher number of small screen users, which totalled 5.4 million at the end of Q212, against 5.3 million at the end of Q112.

In the prepaid segment, in spite of increasing competition particularly in the IDD sub-segment, DiGi's prepaid customer base grew by 277k this quarter (Q112: -15k), attributed to good acquisition traction of our new prepaid plans. Usage and reload campaigns were also effective in stablizing ARPU at RM41 for the quarter (Q112: RM41).

In the postpaid segment, DiGi added 16k new customers (Q112: 31k), all from core postpaid. Customer acquisition in this segment continued to be supported by attractive smart-phone/tablet bundles. Postpaid ARPU remained stable at RM85 (Q112: RM85) and this can be attributed to the success of re-contracting higher-end customers. In terms of broadband customers, we continue to record small negative net additions of new customers in Q212, a result of higher churn and our deliberate decision to reduce sales of new subscriptions.

Overall, DiGi expects higher subscriber acquisition & revenue momentum in the postpaid segment in the second half of 2012 from wider network coverage and quality/capacity improvements.

Revenue performance review

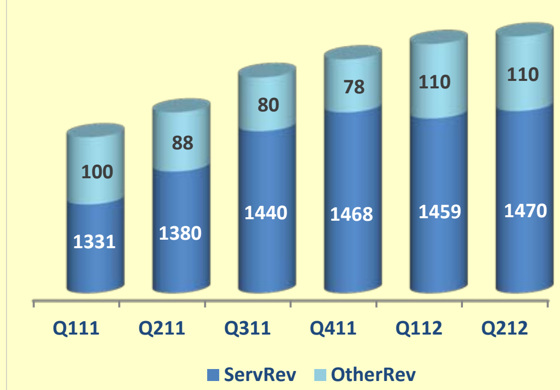
Total revenue amounted to RM1.580 billion in Q212, up by 0.7% q-o-q (+8.6% y-o-y); driven predominantly by higher service revenue.

Service revenue grew by 0.8% to RM1.470 billion (Q112: RM1.459 billion) on the back of higher q-o-q voice revenues. Voice revenues totalled RM1.025 billion in Q212 (Q112: RM1.011 billion) whilst data revenues were slightly lower at RM445 million (Q112: RM448 million).

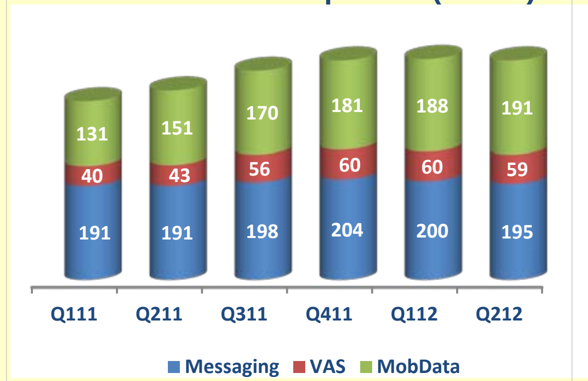
The improvement in voice revenues was a result of various initiatives taken to sustain this revenue stream. Q212 data revenues were adversely impacted by regulatory changes on bulk SMS. Also, mobile broadband revenues were lower in the current quarter, attributed to higher churn which resulted in a smaller customer base as well as our deliberate decision to reduce sales of new broadband subscriptions mentioned earlier.

At end Q212, data revenue accounted for 30.3% (Q112: 30.7%) of DiGi's service revenue and 23.5% (Q112: 22.2%) of overall customers were smart-phone users which augurs well for future data revenue growth.

Revenue Composition (RM mil)



Data Revenue Composition (RM mil)



Cost and margin review

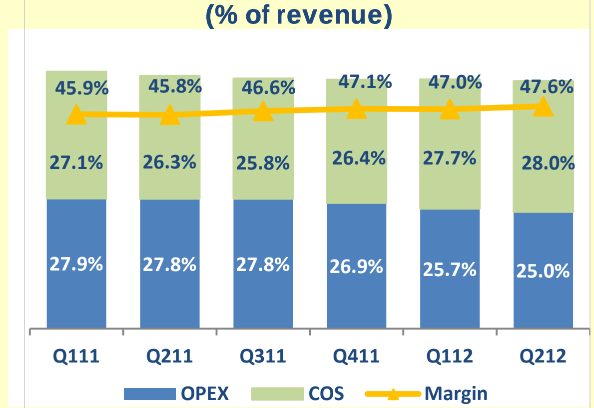
Group EBITDA was up 2.0% q-o-q ending at RM752 million (Q112: RM737 million) and EBITDA margin was stable at 47.6% (Q112: 47.0%). Key drivers were higher revenues and the stable cost base.

Overall, in Q212, the Group's q-o-q cost base was flat at RM837 million (Q112: RM838 million) whilst revenues increased by 0.7% in the same period.

The 1.6% q-o-q increase in Cost of Services (COS) during the quarter was completely off-set by a 2.0% q-o-q decline in operating expenses (OPEX).

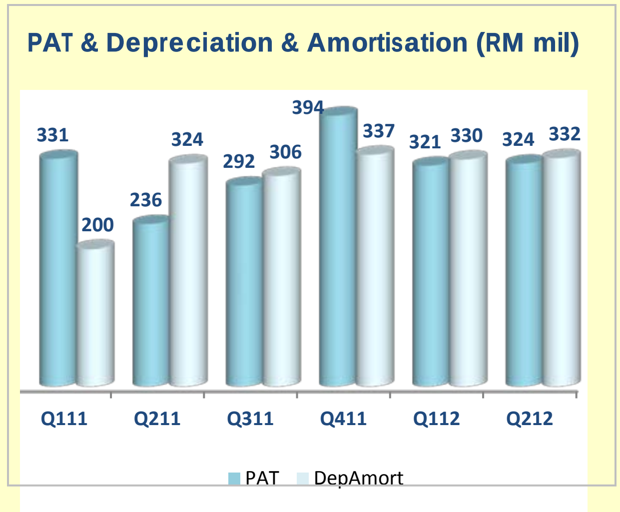
The increase in COS was solely driven by higher international traffic related expenses whilst the decline in OPEX was mainly due to a reversal of prior years' accruals for site rentals (one-off adjustment this quarter).

Cost component & EBITDA margin (% of revenue)



Profit After Tax

DiGi reported slightly higher net profit of RM324 million this quarter (Q112: RM321 million). As the Group is still entitled to the tax incentives related to mobile broadband network facilities, the Group's effective corporate tax rate remained below the statutory rate in Q212.



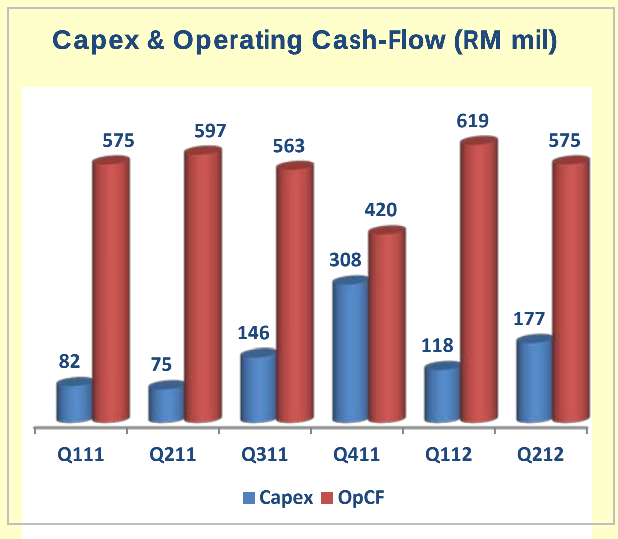
Capital expenditure (capex) and network updates

DiGi's capex spend totalled RM177 million in Q212 (Q112: RM118 million). The bulk of capex was spent on coverage expansion, capacity upgrades as well as works related to our network modernisation.

DiGi-Celcom network collaboration: We have started work on subsequent phases and are gaining good momentum on roll-out pace. Focus is on sites with the highest savings potential. We are targeting to complete the site consolidation by end-2013. We have also commenced Phase 1 of the joint-fiber roll-out.

Network modernisation: We have commenced work nation-wide. At end Q212, we had successfully upgraded 1,647 sites. As we now are approaching our targeted swap run-rate, we are on track to complete the modernization of our entire network by end 2012. We aim to complete the network upgrade and optimization in the Klang Valley by end August 2012.

In terms of population coverage, the Group's current 2G and 3G coverage stand at 95% and 57% respectively.



Regulatory updates

The official allocation for the 2600 MHz spectrum is still pending from the regulator, SKMM. In the meantime, DiGi has been given the go-ahead to commence LTE trials on 1800 MHz spectrum band and this is scheduled to commence in Q312.

As for the other spectrum bands including the 900 MHz and 1800 MHz, there are no new updates with regard to the re-allocation process.

There has been a slight delay in SKMM's proposed review of access pricing in Malaysia. DiGi will apprise the market as and when we have further insights into the new timeline and end result.

Balance Sheet & Capital Management updates

DiGi's operating cash-flow amounted to RM575 million in Q212 against RM619 million in Q112 on the back of higher capex spend in the quarter.

In terms of dividend, in view of the continued good operational performance of the Group, the Board of Directors (Board) has declared a second interim dividend of 5.9 sen/share (net) payable to shareholders on 7 September 2012.

YTD, taking into account the second interim dividend, shareholders would have received dividend per share of 11.8 sen versus 7.3 sen in the same period last year.

With regard to the capital management initiative announced in Q112, the Board is pleased to announce that the High Court of Malaya has approved the proposed capital distribution from DiGi Telecommunications to DiGi.Com Berhad.

The relevant order will be lodged with the Companies Commission of Malaysia (CCM) for the proposed capital distribution to take effect in due course.

This update is to be read in conjunction with our announcement to the Bursa Securities on the same matter.

Moving Forward

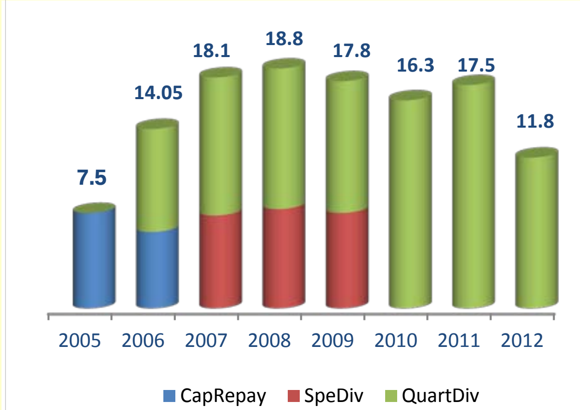
Whilst the Group is pleased with the good results achieved in the first six months of 2012, the Group is also mindful of the rapid change in customer behaviour in adopting mobile connectivity in their everyday lives.

In this regard, the Group is always striving to take the lead and provide our customers with attractive bundled offerings to stimulate growth in data revenues. This will in turn provide the Group with revenues needed for future infrastructure investment, particularly data driven investments.

The above mentioned transition will also require the Group to continuously ensure that it has the most effective structural cost base to compete in the market. Operational efficiency will continue to be a strong feature in the way we operate our business.

Therefore, DiGi's priorities in the short to medium term are to expand its mobile internet revenue base, continue to leverage on the success of its cost saving initiatives to maintain margins as well as optimise network collaboration and partnerships to strengthen competitiveness. It is also our ambition to keep delivering strong returns to our shareholders. The Group's preliminary 2012 guidance is given in the adjacent table.

Dividends (net sen/share)



- *2012 = 1st + 2nd interim dividends*

Financial Ratios

RMmil	Q212	Q112	Q411	Q311
Interest bearing debts	1,021.6	1,021.3	670.9	670.9
Cash & equivalents	1,516.6	1,571.8	1,098.2	987.1
Gearing ratio	0.9x	0.8x	0.5x	0.5x

RMmil	Q212	2011	2010	2009
Total S/holders' Return	20.0%	56.5%	12.0%	0.7%
Payout ratio	141.5%	128.2%	98.5%	108.5%
ROE	118.7%	88.9%	87.5%	65.8%
ROA	26.3%	25.8%	22.9%	21.1%

- *Q112 total shareholders' return, ROE & ROA annualised*

2012 Guidance

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

These targets are internal management targets which will be reviewed periodically by the Board. Hence, these internal targets have not been reviewed by our external auditors.

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