A STRONGER REVENUE TO COMMENCE THE YEAR

DiGi recorded y-o-y revenue growth of 5% driven by increased handset sales and continued strong growth in mobile internet revenues. The EBITDA margin for the quarter ended at 44%, mainly as a result of the higher handset sales. The financial performance of the current quarter was in line with plans.

EXECUTIVE SUMMARY

DiGi started the year with a clear ambition, to continue growing the business in a more robust and competitive market while executing an ambitious transformation program.

The network modernisation program and 3G roll-out have both progressed according to schedule, providing a good foundation for future revenue growth. At end of Q113, 68% of the network sites have been swapped and optimised whilst population coverage for 3G expanded to 68% and 2G to 95%.

In line with previous quarters, the market remained competitive, especially on international traffic. Lower voice interconnect termination rates were implemented with effect from 1 January 2013.

DiGi recorded revenue of RM1,647 million in Q113, which was 5.0% higher compared to the same period in 2012, driven by increased data usage, from a larger mobile internet subscriber base of 5.8 million and higher sales of smart devices.

In summary, the performance in Q113 was a positive start to 2013 and DiGi is on track to meet its financial guidance for 2013.

RM million	Q113	Q412	Q-o-Q	Y-o-Y
Revenue	1,647	1,629	1.1%	5.0%
EBITDA	720	725	-0.7%	-2.3%
EBITDA margin	44%	45%	-0.8pp	-3.2pp
PAT	329	246	34.0%	2.6%
Capex	191	255	-25.1%	61.9%
Operating Cash-flow	529	470	12.6%	-14.5%
Cash-flow margin	32%	29%	3.3pp	-7.3pp
EPS (sen)	4.2	3.2	34.0%	2.6%
DPS (sen)	3.8	2.5	52.0%	-35.6%

OPERATIONAL HIGHLIGHTS

	Q113	Q412	Q-o-Q	Y-o-Y
Total subscribers ('000)	10,372	10,494	-1.2%	4.4%
• Prepaid	8,694	8,823	-1.5%	4.7%
• Postpaid	1,678	1,671	0.4%	2.8%
Mobile Internet subscribers ('000)	5,838	5,734	1.8%	9.1%
ARPU	47	47	0.0%	-4.1%
• Prepaid	40	41	-2.4%	-2.4%
• Postpaid	82	83	-1.2%	-3.5%
MOU	267	267	0.0%	-0.8%
• Prepaid	248	245	1.2%	3.3%
• Postpaid	374	392	-4.5%	-13.2%
Blended MI AMbPU	449	316	42.1%	159.5%

Subscribers, ARPU, Usage and Pricing

Mobile internet subscription recorded a solid increase of 1.8% q-o-q and 9.1% y-o-y attributable to:

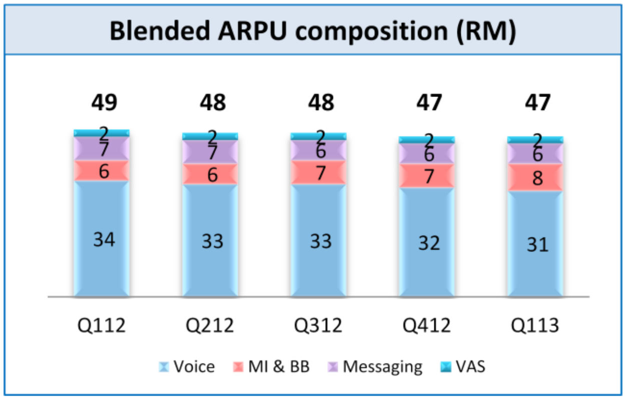
- Increased demand for prepaid internet subscriptions and the new Prepaid Best SIM pack with bundled internet quotas; and
- Strong growth momentum from postpaid device bundling and the new postpaid Smart Plans.

Total subscriber base, however, closed 122K lower at 10,372K due to 1.5% q-o-q lower prepaid subscriber base as a result of:

- Initiatives taken to drive quality subscribers through higher SIM pack pricing and streamlining of sales acquisition; and
- Higher prepaid rotational churn

On the other hand, the postpaid subscriber base expanded 0.4% q-o-q attributable to good take-up of device bundles both from new subscribers and re-contracting existing subscribers.

ARPU continued to be resilient q-o-q despite a slight decline for both postpaid and prepaid as Q1 was a seasonally low quarter with fewer days in addition to pro-longed business closures following the New Year and Chinese New Year festivities. Further to the above, lower interconnect rates, which took effect from 1 January resulted in lower voice-related interconnect revenues compared to the previous quarter.



As DiGi continues to expand its presence into lower ARPU market and segments where our market share is low, this will have a dilutive impact on the ARPU.

Growth in mobile internet ARPU continued to be aided by improved data network quality and expansion of data coverage as well as refreshed data offerings to stimulate increased data usage. Bundling of smart apps as well as introduction of bite-sized trial data quotas for prepaid have successfully been introduced to spur data usage.

Voice MoU remained stable at 267, despite the more data centric subscriber base, and the seasonal effects on the quarter.

Steady growth in smartphone subscribers correlate with growth in device sold

Q1 saw record high devices sales from strong demand for iPhone 5 and Samsung Note II in addition to increasing demand for more affordable android based smartphones.

The take up is further fuelled by the incentives offered under the Government's Youth Programme where qualifying youths are entitled to RM200 rebates for the purchase of smartphones.

This has further spurred the q-o-q growth in:

- Smartphone penetration which increased by 2.1pp to 28.5%; and
- Mobile internet subscribers penetration which increased by 1.7pp to 56.3%

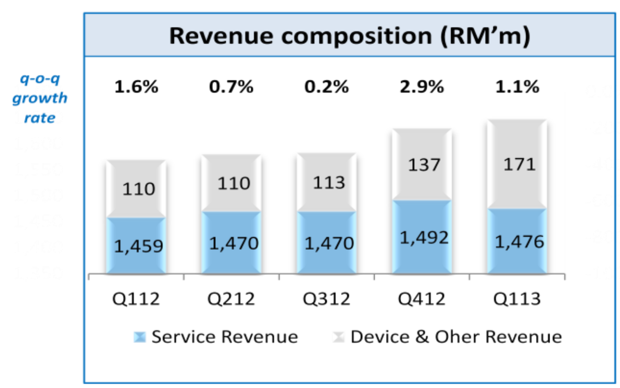
Solid foundation to bring *Internet For All* to life, embracing a customer-centric mindset, and completing our network modernisation

Network modernisation has progressed according to schedule with positive nationwide network quality improvement as measured by improved minutes per drop call, voice quality and successful call set-up rates. The aim is to complete the network modernization program by the end of Q313.

FINANCIAL HIGHLIGHTS

Revenue remained resilient despite the reduction in interconnect termination rate from 5 sen to 4.63 sen with effect from 1 January 2013.

Q-o-Q, revenue grew by 1.1% against the seasonally high Q412 despite two less days in the quarter driven by strong data revenues and increased sales of device bundles. Data revenues increased to 33.8% of service revenues on the back of improved network quality, improved 3G coverage combined with the increase in smartphone penetration to 28.5%.



Slightly lower service revenue on the back of a seasonally high Q412

Q113 service revenues were adversely impacted by lesser days compared to the previous quarter and the downward revision of the voice interconnect rate.

- Adjusting for the two above factors, service revenue growth would have been 0.7% q-o-q and 2.5% y-o-y
- Pro-longed business closures also have adverse impact on the q-o-q postpaid revenue

Recent market activities like refreshed smart plans, tablet and prepaid offerings will only have a visible impact from Q213 and onwards.

Going forward, data revenues will be driven by:

- Converting occasional users to subscriptions
- Growth in active MI subscribers
- Tablet push, quota top up subscription as well as higher share in BB market

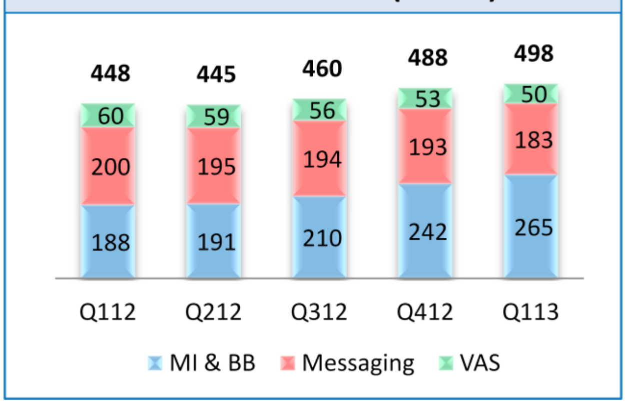
On the other hand, voice revenues will be driven by:

- Sustained voice revenues through migrant retention plans and improved traction in SME segment
- Improved prepaid churn and quality of subscribers
- Acquisition drive in secondary markets

9.5% q-o-q growth in MI & BB revenue

Mobile internet revenue grew 12.4% q-o-q and 54.9% y-o-y underpinned by increasing mobile internet customers to 5.8 million at the end of the Q113.

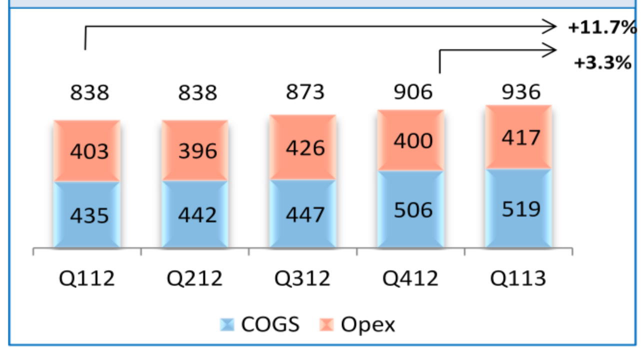
Prepaid mobile internet revenue recorded 10.4% q-o-q growth mainly driven by increasing internet subscriptions whilst postpaid mobile internet revenue recorded 14.4% q-o-q growth from increasing demand for data services as precipitated by the continuous take up of smart plan bundles.



Data revenue mix (RM'm)

The lower messaging and VAS revenue q-o-q were mainly due to fewer days in Q113 compared to the previous quarter whilst y-o-y decline was owing to regulatory restriction on bulk sms that were put in place since Q212.

Cost base driven up by higher handset related expenses



Total cost trend (RM'm)

The total cost base rose by 3.3% q-o-q mainly attributable to:

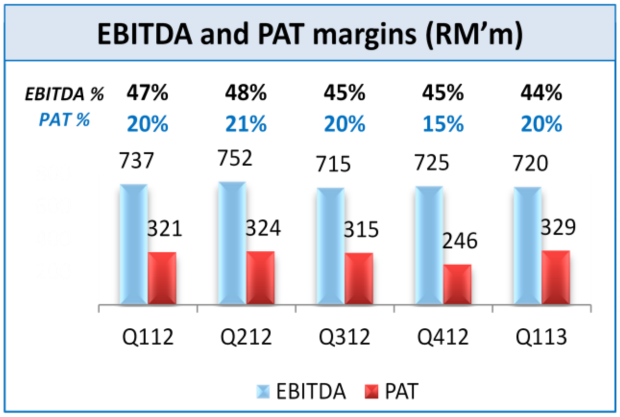
- 2.5% q-o-q increase in COGS from higher handset related expenses due to stronger handset demand as mentioned earlier, cushioned by lower traffic cost from revision of voice interconnect termination rates; and
- 4.3% q-o-q increase in OPEX from normalised O&M and staff cost where Q412 included refund from overpayment of site rental and reversal of accruals

Opex to Sales y-o-y is trending down as planned aided by good momentum on cost efficiency initiatives as well as higher revenue base.

Sustaining EBITDA-margin at 44%

Lower y-o-y and q-o-q EBITDA margin at 44% was a result of the expected margin pressure from higher handsets sold and a device mix in favour of the subsidy model as opposed to rebates and continued IDD competition in the market, all of which were partly off-set by lower Opex/Revenue.

Profit After Tax (PAT) grew by 34.0% q-o-q to RM329 million on the back of lower accelerated depreciation at RM91 million (Q412: RM166 million) and lower tax expense at RM95 million (Q412: RM114m) in the current quarter.



The capex spend of RM191 million (Q412: RM255 million) was mainly related to network modernisation and deployment of fiber, 3G upgrades and IS/IT-related investment.

In the current quarter, DiGi added 810 network sites and 60 km of fibre into its network. The new and on-going ISIT projects to modernise existing platforms will allow DiGi to significantly reduce its time-to-market in rolling out new products to the market and better service to its subscribers.

With lower capex spent, the Operating Cash-Flow (OpCF) was higher at RM529 million (Q412: RM470 million) and the OpCF margin also improved to 32%.

Maintain strong shareholder return

Balance sheet (RM'm)

	Q112	Q212	Q312	Q412	Q113
Total Assets	5,066	4,929	4,708	4,014	3,809
Total Equity	1,227	1,092	949	261	396
Interest-bearing debts	1,080	1,081	1,083	1,080	928
Cash & cash equivalents	1,518	1,517	1,453	709	579

Total assets at Q113 stood at RM3,809 million, slightly lower from that of RM4,014 million at the end of previous quarter mainly from the decrease in cash and cash equivalents attributable to payment of dividend and decrease in non-current assets from the effects of accelerated depreciation charges.

Interest-bearing debt at the end of Q113 was RM928 million, decreasing from that of RM1,080 million at the end of 2012 as a result of scheduled loan repayment.

In view of the good performance in Q113, the Board has declared 1st interim dividend of 3.8 sen per share (net) equivalent to RM295 million payable to shareholders on 7 June 2013.

The assessment of capital management initiatives to return excess cash to shareholders and increase capital efficiency is in progress as planned.

On-track on guidance for 2013

DiGi's 2013 guidance remained intact at:

- 5% - 7% revenue growth
- sustaining EBITDA & cash-flow margin at 2012 levels

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

The revenue growth will largely be driven by initiatives to increase mobile internet revenues. A higher proportion of mobile internet revenues combined with continued efforts to improve efficiency will improve EBITDA and Cash-flow margins throughout the year.

DiGi is committed to build a stronger *Internet For All* proposition and capitalise on the data growth through the completion of the network modernisation by the Q313 which will provide a fully LTE-enabled network. The 3G footprint will be expanded and the population coverage will reach 75% by the end of this year coupled with launch of LTE related services by end of Q213 using the 2600Mhz spectrum.

DiGi remains committed to continue delivering strong returns to our shareholders.

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This report is to be read in conjunction with the announcement to Bursa Malaysia and all other disclosures related to our Quarter 1, 2013 results.