

REGAINING MOMENTUM ON SERVICE REVENUE GROWTH

DiGi delivered 4.6% higher revenue y-o-y driven by continued growth momentum on mobile internet ("MI") revenue supported by stronger mobile internet adoption and increased number of smartphone users in the network. Service revenue grew by 3.8% y-o-y and 3.4% q-o-q whilst EBITDA margin for the quarter increased to 45%.

EXECUTIVE SUMMARY

Overall, Quarter 2, 2013 performance was aligned with plans in regaining momentum on service revenue and margins while anticipating stronger contribution in 2H2013 with completion of network modernisation and expanded 3G coverage.

The quarter recorded a strong q-o-q growth momentum with service revenue increased by 3.4%, EBITDA by 3.8% and PAT by 15.5%. This was driven by positive growth on MI revenue with MI subscription extended to 6.8 million out of 10.5 million total subscribers, while voice revenue remained resilient.

Total revenue increased by 4.6% y-o-y to RM1,653 million leading to estimated revenue market share of 27.7%* and EBITDA rose to RM747 million, following three consecutive quarters of fairly flat EBITDA.

At the same time, the network modernisation program and 3G roll-out have both delivered ahead of schedule, with 85% of the network sites swapped and optimised and population coverage for 3G expanded to 72%.

Quarter 2, 2013 results marked a positive milestone and solid foundation in heading towards better performance and earnings growth as DiGi completes its network modernisation in Quarter 3 and reaching more than 75% 3G population coverage by year end.

RM million	Q213	Q113	Q-o-Q	Y-o-Y
Revenue	1,653	1,647	0.4%	4.6%
EBITDA	747	720	3.8%	-0.7%
EBITDA margin	45%	44%	1.5pp	-2.4pp
PAT	380	329	15.5%	17.3%
Capex	186	191	-2.6%	5.1%
Operating Cash-flow	561	529	6.0%	-2.6%
Cash-flow margin	34%	32%	1.8pp	-2.5pp
EPS (sen)	4.9	4.2	16.7%	16.7%
DPS (sen)	4.8	3.8	26.3%	-18.6%

* Estimated Revenue Market Share ("RMS") calculated based on Q1 and Q2 results performance

OPERATIONAL HIGHLIGHTS

	Q213	Q113	Q-o-Q	Y-o-Y
Total subscribers ('000)	10,548	10,372	1.7%	3.1%
• Prepaid	8,862	8,694	1.9%	3.3%
• Postpaid	1,686	1,678	0.4%	2.2%
Mobile Internet subscribers ('000)	6,788	5,838	16.3%	25.4%
ARPU	48	47	2.1%	0.0%
• Prepaid	42	40	5.0%	2.4%
• Postpaid	83	82	1.2%	-2.4%
MOU	267	267	0.0%	-1.1%
• Prepaid	247	248	-0.4%	1.6%
• Postpaid	374	374	0.0%	-10.7%

Subscribers, ARPU, Usage and Pricing

During the quarter, DiGi has embarked on various market activities with the aim of driving usage and retention, even as it continued its acquisition momentum on the new prepaid and postpaid plans made available in Quarter 1.

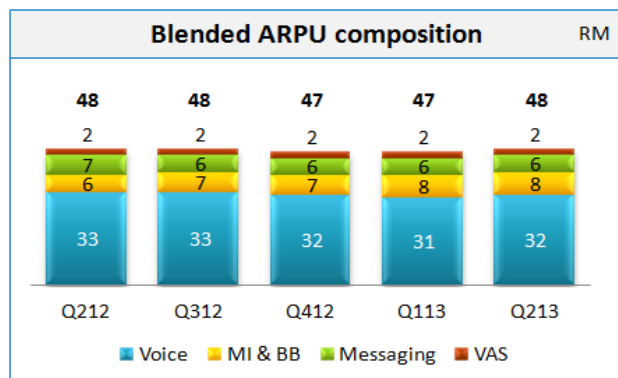
The good traction from these activities added 176K subscribers to the total subscriber base.

MI subscription continued to gain momentum as a result of introductory data offer to the new prepaid packages, strong take up from the device bundled with internet packages as well as increased take-up from new 3G markets.

Although growing the subscriber base, ARPU remained stable y-o-y and improved slightly q-o-q to RM48, aided by growth in MI ARPU on the back of stable voice ARPU. This was attributed to DiGi's stronghold on traditional voice market and smartplan bundling.

Voice MOU continued to stabilise at 260-270 threshold, resilient against increasing digital services in the market with steady APPM post- mobile termination rate ("MTR") revisions in January 2013.





Higher MI adoption with smartphone penetration reaching 30.4%

During the quarter, more mid to lower price smartphones and devices were made available in the market as compared to previous quarters. These affordable ranges are capable to deliver good internet experience and served as a catalyst in reaching out to greater mass.

The effects were seen in the increase on smartphone penetration by 1.9 pp to 30.4% and increase in MI penetration by 8.1 pp to 64.4%.

Improved network quality

Even though ahead of schedule in delivering the network modernisation and 3G expansion, DiGi has shown better network performance quality as measured by minutes per drop call and 3G data success rate.

The joint fibre built has been progressing steadily with completion of combined 1,012 km as at Quarter 2, 2013.

DiGi has also rolled-out its new LTE network on selected locations in Klang Valley, progressively expanding HSPA+ to all 3G sites and gradually building its LTE coverage to other parts of Malaysia.

Internet For All now on 4G-LTE

DiGi has launched its 4G LTE service on 5th July 2013, strategically, enabling the service in stages. The service is now available on selected DiGi 4G LTE zones in Klang Valley, gradually expanding its coverage nationwide, approaching 1,500 sites at end 2014 and reaching 50% population coverage by 2017.

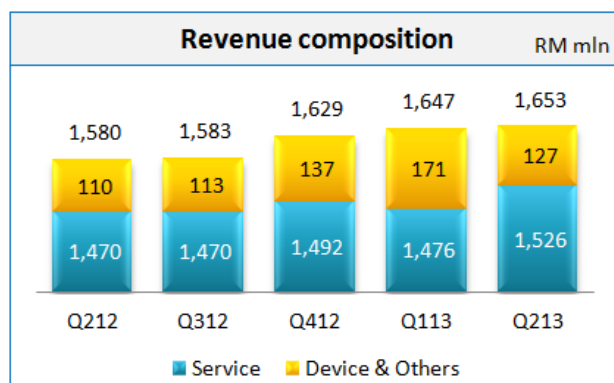
The estimated investment on LTE network will be approximately RM650 million in the first 3 years. Over time, the network would be able to support wider range of LTE capable phones and end-user devices.

As part of Telenor Global network, DiGi would have the advantage to leverage on the Group’s global experience on the deployment of 4G LTE, which has proven track record in deploying 4G LTE in six markets globally.

With the completion of modernised network in Quarter 3, 2013 and the progressive expansion of fiber built transmission, this will enable more efficient support of its LTE services.

In addition to the fundamentals of delivering LTE network, DiGi is also leveraging on Telenor Global to establish partnerships in providing relevant digital services to the market.

FINANCIAL HIGHLIGHTS



Revenue continued to record a healthy mid single digit growth y-o-y driven by stable ARPU on a larger subscriber base.

The growth momentum on service revenue was regained through solid drive on usage campaigns and customer centric programs.

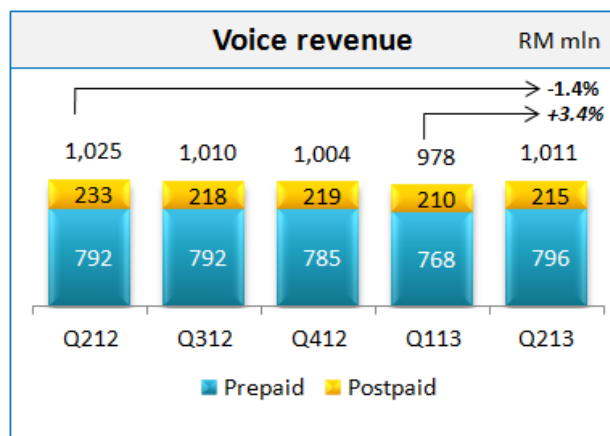


Solid contribution from prepaid with voice stabilising

Prepaid revenue grew 5.7% y-o-y and 4.1% q-o-q with data revenue recorded strong growth of 22.7% y-o-y while voice revenue increased slightly by 0.5%.

Postpaid revenue improved 1.6% q-o-q but 0.7% lower y-o-y. Nonetheless, it showed positive signs of recovery from the effects on network issues reported in Quarter 3 last year. The steady acquisition of higher ARPU plans in addition to sustaining the mass appeal on affordability also contributed to the developments in the postpaid revenue.

In addition, DiGi also focused on subscriber retention and data growth through smart devices and digital services bundling in driving its revenue performance.

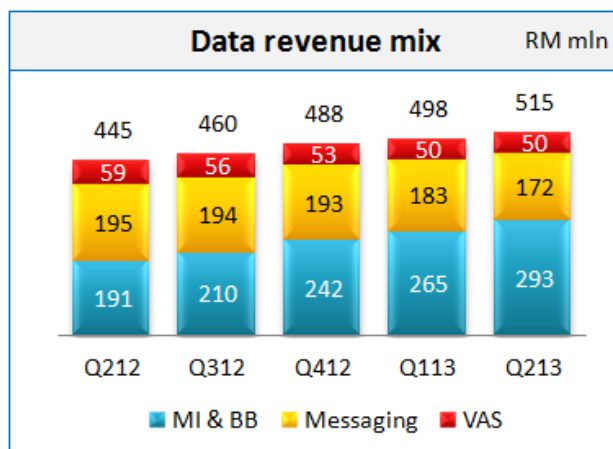


The voice revenue has stabilised post- MTR revisions.

Quarter 2, 2013 recorded stronger voice revenue as a result of:

- Higher voice usage from expanded subscriber base
- Stabilising voice ARPU with new voice-centric plan and the bundling of voice MOUs into existing data only plans

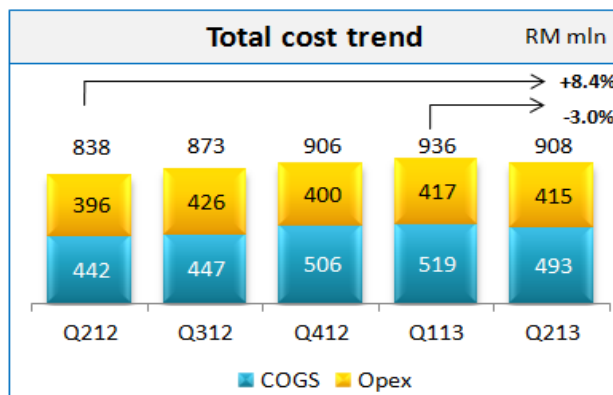
Delivered 15.8% y-o-y data revenue growth



The combined MI and broadband (“BB”) business has consistently performed solid double digit revenue growth of 53.4% y-o-y and 10.6% q-o-q, leveraging on the improved network quality and wider 3G population coverage.

However, messaging revenue declined 11.8% y-o-y and 6.0% q-o-q, due to gradual shift of messaging services to OTT applications. The revenue dilution was cushioned by additional revenue from increased MI demand.

Improved cost with lower handset related expenses

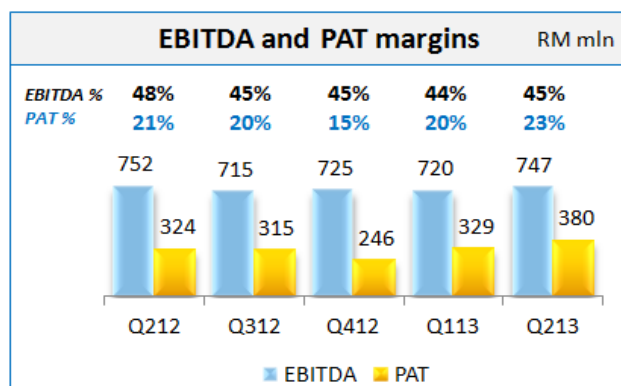


Cost of goods sold (“COGS”) improved 5.0% q-o-q from lower handset related expenses, and managed at 29.8% against revenue. Compared against same quarter last year, there were relatively higher IDD traffic cost and device cost to support the increased IDD traffic and device bundle sales.



Despite the increased revenue, opex was sustained at RM415 million or 25.1% against revenue. This marked a relatively, better opex performance y-o-y as Quarter 2, 2012 included one-off site rental reversal of RM24 million.

Gradual improvement in margins



The EBITDA margin has improved 3.8% q-o-q to 45%, supported by stronger service revenue and flat opex.

IDD and domestic voice price competition, in addition to relatively higher handset related sales have resulted in 0.7% lower EBITDA against same quarter last year.

Profit after tax ("PAT") jumped to RM380 million on the back of improved EBITDA and lower accelerated depreciation charges (Q213: RM46 million; Q113: RM91 million; Q212 RM145 million).

The RM186 million capex spent as planned with milestones achieved on network modernisation, deployment of fiber, 3G upgrades and IS/IT related investments. Meanwhile, Ops Cash-Flow margin has strengthened to RM561 million or 34%.

Looking ahead in 2H2013, DiGi foresees that higher contributions from MI revenue with managed handset subsidies would likely to bring better EBITDA and PAT margins whilst sustaining pressure on IDD margin.

Committed to maximise shareholders' returns

Balance sheet		RM mln				
	Q212	Q312	Q412	Q113	Q213	
Total Assets	4,929	4,708	4,014	3,809	3,923	
Total Equity	1,092	949	261	396	480	
Interest-bearing debts	1,081	1,083	1,080	928	927	
Cash & cash equivalents	1,517	1,453	709	579	761	

DiGi is highly committed in delivering its earnings growth to maximise shareholders' return with additional 0.7 sen EPS to 4.9 sen during the quarter.

After returning all the excess reserves over the years and special dividend payout in Quarter 3, 2012, dividend payout ratio were no less than the 80% dividend payout policy committed.

Total assets at the end of Quarter 2, 2013 stood at RM3,923 million, slightly higher than RM3,809 million at the end of previous quarter mainly from the increase in cash and cash equivalents received from operations.

Interest-bearing debt at the end of Quarter 2, 2013 was RM927 million, almost at par with previous quarter's balance.

In view of the better performance in Quarter 2, 2013, the Board has declared its 2nd interim dividend of 4.8 sen per share (net) equivalent to RM373 million payable to shareholders on 6th September 2013.

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

Continuing q-o-q growth momentum in 2H13

With 1H2013 results delivered, focus is now shifted to the remaining two quarters for the year to continue the positive q-o-q growth momentum on service revenue and earnings.

The focus would be on accelerating the MI contributions supported by additional subscriptions from new 3G coverage locations and better network quality on completion of network modernisation. The higher contributions from MI combined with continued efforts to improve efficiency will improve EBITDA and Ops Cash-Flow margins for the remaining quarters.

The margins pressure on domestic and IDD voice is likely to continue but the effects mitigated through right pricing and operational efficiency measurements.

DiGi aims to deliver a stronger y-o-y performance in the next two quarters compared to same period last year which were impacted by network issues.

Thus, the 2013 full year guidance maintains 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

DiGi will also be completing its network modernisation by Quarter 3, 2013 and expanding its 3G population coverage to 75% or more by the end of this year. The investment on capex will be managed within RM750 million or 11% against revenue.

DiGi remains committed to consistently deliver strong returns to our shareholders.

CONTACT US

DIGI.COM

INVESTOR RELATIONS

Lot.10, Jalan Delima 1/1
Subang Hi-Tech Industrial Park
40000 Shah Alam
Selangor Darul Ehsan
Malaysia

Email:

Investor_Relations@digicom.my

www.digicom.my

