## Leading performance with solid results

*DiGi delivered robust y-o-y top line financial growth momentum. Revenue grew 5.6% backed by stronger service revenue and registered an EBITDA of RM795 million. Consequentially, Operational Cash-Flow (Ops Cash-Flow) rose 7.3% while Profit After Tax (PAT) increased 31.3%.*

### EXECUTIVE SUMMARY

DiGi delivered a strong foundation to seal a solid first half 2014 performance. The quarter marked a well-fought top line y-o-y growth amidst relatively weak industry growth.

Revenue increased 5.6% y-o-y to RM1,746 million, supported by 2.8% y-o-y growth on service revenue and stronger demand for smartphone bundles.

EBITDA gained 6.4% y-o-y, at 46% margin. As anticipated, PAT continued to benefit from efficient depreciation charges and rose 31.3% to RM499 million compared to same quarter last year.

A total of RM193 million capex was invested for the quarter, predominantly on network coverage and capacity expansion, whilst Ops Cash-Flow margin remained healthy at 34%.

| RM million | 2Q14 | 1Q14 | Q-o-Q | Y-o-Y |
|---|---|---|---|---|
| Revenue | 1,746 | 1,718 | 1.6% | 5.6% |
| EBITDA | 795 | 778 | 2.2% | 6.4% |
| EBITDA margin | 46% | 45% | 0.2 pp | 0.4 pp |
| PAT | 499 | 485 | 2.9% | 31.3% |
| Capex | 193 | 202 | -4.5% | 3.8% |
| Ops CF | 602 | 576 | 4.5% | 7.3% |
| Cash-Flow margin | 34% | 34% | 1.0 pp | 0.6 pp |
| EPS (sen) | 6.4 | 6.2 | 3.2% | 30.6% |
| DPS (sen) | 6.4 | 6.2 | 3.2% | 33.3% |

### OPERATIONAL HIGHLIGHTS

#### Relentless drive to deliver best customer experience

**Best For Internet**

- ✓ Effective network management to deliver consistent data speed
- ✓ 3G/HSPA+ coverage to 82.7% population backed by 4,400km fibre network (End 2014: 86% 3G coverage and 1,500 LTE sites)
- ✓ Satisfy the speed requirements for commonly used mobile digital services


- ✓ Free calls to customer service call center
- ✓ Dedicated myAndroid hubs

Since the completion of network modernisation in 3Q13, DiGi's network capabilities have been significantly enhanced to deliver greater customer experience. The high speed internet coverage has reached 82.7% population backed by 4,400km of fibre network.

As part of Best For Internet aspirations, DiGi has established effective data network management for customers to enjoy stable and consistent data speed especially on the commonly used mobile applications.

With the convenience of free calls to customer service call centre and dedicated myAndroid hubs, customers can enjoy a more care-free engagement with DiGi's digital service support expertise.

**Network quality and customer experience scorecard** [1]

| | |
|---|---|
| **<0.5%** | Drop call rate in key market centres with 89% [2] reduction in customer complaints |
| **99.6%** | Call set-up success rate |
| **99.7%** | Data set-up success rate |

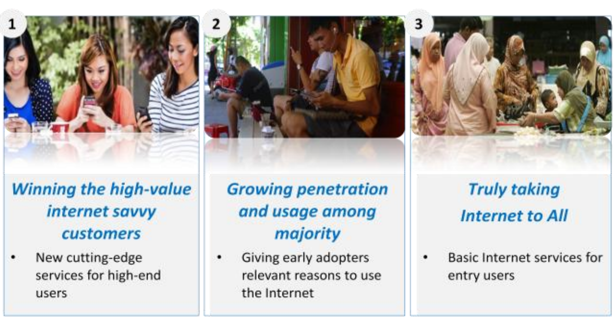
DiGi's customers are also experiencing more favourable network sessions as indicated in the recent network quality and customer experience scorecard, positively reflecting a competitive and reliable internet service in the market.

## Tap market opportunities from modernised data network

DiGi continued to tap market opportunities from the modernised network with relevant, affordable internet centric packages such as:

- YouTube access passes at RM1 per day for 100MB
- Relevant smartphone bundles to cater for different segment groups including entry level commitments for iPhone, affordable mid-range smartphone bundles and value deals for high commitment plans

In addition, there were more robust marketing activities leveraging on FIFA World Cup fever promotions and targeted micro-campaigns based on in-depth customer analytics. This is in tandem with DiGi's strategy to drive internet growth through a segmented but inclusive approach.




## Smartphone and internet penetration rose steadily

Affordable smartphone bundles remained a strong catalyst to drive internet growth and acquisition.

During the quarter, DiGi has strategically captured strong demands for prepaid smartphone bundles prudently. This has contributed to higher internet and smartphone penetration which climbed approximately +3pp q-o-q to 39.2% and 41.9% respectively.

The incremental smartphone bundles sold essentially fortifies service revenue contributions for the remaining quarters and promotes stronger customer loyalty.

## Subscribers, ARPU, Usage and Pricing

| | 2Q14 | 1Q14 | Q-o-Q | Y-o-Y |
|---|---|---|---|---|
| Total subscribers ('000) | 10,903 | 10,885 | 0.2% | 3.4% |
| • Prepaid | 9,207 | 9,199 | 0.1% | 3.9% |
| • Postpaid | 1,696 | 1,687 | 0.6% | 0.6% |
| Internet subscribers ('000) | 4,269 | 3,993 | 6.9% | 25.2% |
| ARPU | 48 | 47 | 2.1% | 0.0% |
| • Prepaid | 41 | 41 | 0.0% | -2.4% |
| • Postpaid | 83 | 81 | 2.5% | 0.0% |
| Minutes Of Use (MOU) | 251 | 249 | 0.8% | -6.0% |
| • Prepaid | 233 | 232 | 0.4% | -5.7% |
| • Postpaid | 353 | 347 | 1.7% | -5.6% |

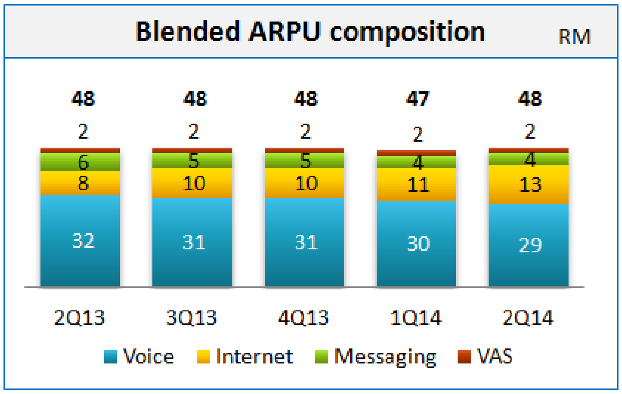
Total subscribers advanced 3.4% y-o-y and 0.2% q-o-q, reversing earlier 1Q14's negative net adds trend. The stronger base was supported by both prepaid and postpaid.

Increase in prepaid subscribers was induced by targeted internet campaigns and affordable smartphone bundles.

On the other hand, stronger postpaid subscriber base was led by mass subscriptions from the revitalised postpaid SmartPlans.

Active subscribers with internet usage of 50kB and above recorded a surge of 25.2% y-o-y and 6.9% q-o-q to 4.3 million.

[1] Based on latest available network statistics within DiGi coverage areas as at 30 June 2014 [2] Based on SKMM's 1Q14 ESAT report




The quarter's blended ARPU remained steady at RM48 y-o-y over 10.9 million subscriber base.

Voice ARPU continued to trend weaker as a result of data shift behaviour.

Internet focused initiatives reflected positively on the ARPU mix with 27% ARPU from internet or 40% ARPU from non-voice (data). This has sufficiently cushioned the ARPU dilution from traditional voice and messaging.

Recent rapid data ecosystem advancement combined with strong distribution network spurred data traffic growth by 67% y-o-y and 22% q-o-q.

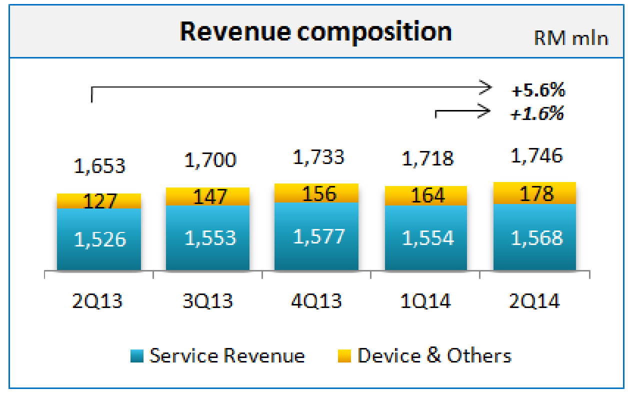
- Prepaid internet traffic accelerated 101% y-o-y and 30% q-o-q
- Postpaid internet traffic surged 37% y-o-y and 12% q-o-q

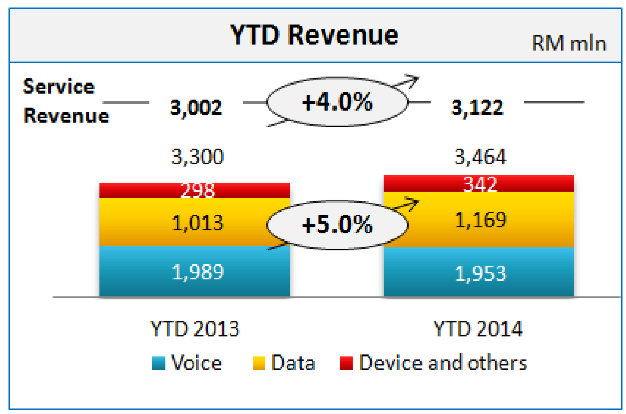
Such development has been instrumental in leading to solid internet revenue growth for DiGi.

DiGi will continue to capture internet usage growth opportunities from entry level bite-size packages and transition of occasional usage to more regular internet usage.

## FINANCIAL HIGHLIGHTS

### Well-positioned 1H 2014 growth to drive positive momentum




DiGi recorded 5.6% higher revenue compared to same quarter last year. This was driven by a combination of healthy growth from service revenue which rose 2.8% y-o-y and stronger demand for smartphone bundles.

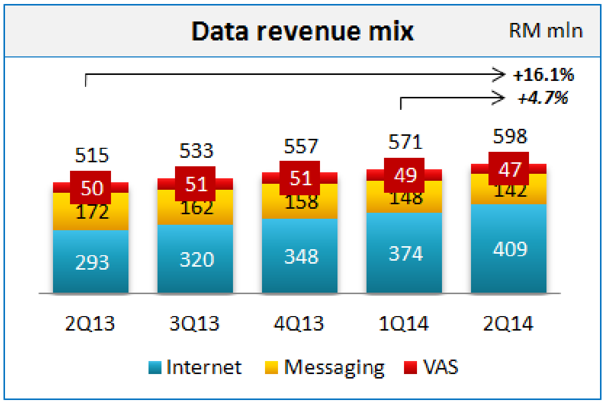
For the first half 2014, year-to-date (YTD) revenue and service revenue grew 5.0% and 4.0%, respectively.

Prepaid service revenue increased 3.8% y-o-y and 0.7% q-o-q, weighed down by weaker voice revenue which declined 3.0% y-o-y and 1.5% q-o-q.

Postpaid service revenue remained rather flat y-o-y and gained 1.4% compared to the preceding quarter with voice revenue declined 7.9% y-o-y and 0.5% q-o-q.

Traditional voice revenue will continue to trend lower due to a combination of progressive price and usage erosion.

## Strong data demand continued to spur revenue growth




The quarter continued to register encouraging data revenue growth driven by innovative offers, differentiated customer experience and stronger data network.

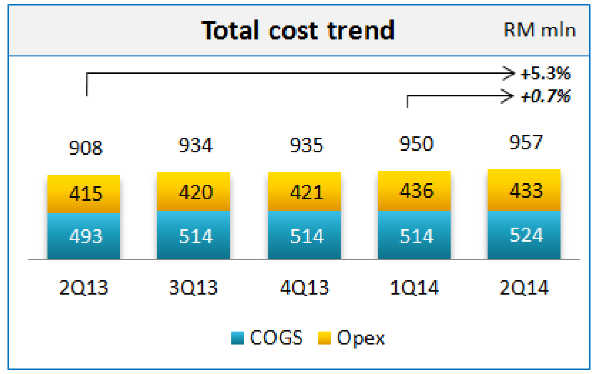
Total data revenue accelerated by 16.1% y-o-y and 4.7% q-o-q, more than compensated weaker traditional voice revenue and strengthened the overall service revenue.

Internet revenue surged 39.6% y-o-y and 9.4% q-o-q, backed by increased internet usage on stronger data network. Both postpaid and prepaid internet penetration advanced steadily by 2pp q-o-q to 66% and 34% respectively.

Traditional messaging revenue slipped 17.4% y-o-y and 4.1% q-o-q, mitigated by gains from internet revenue.

## Well-managed efficient cost structure

When compared to same quarter last year as well as the preceding quarter, Cost of Goods Sold (COGS) recorded additional cost driven by revenue generating activities and smartphone bundles related cost.



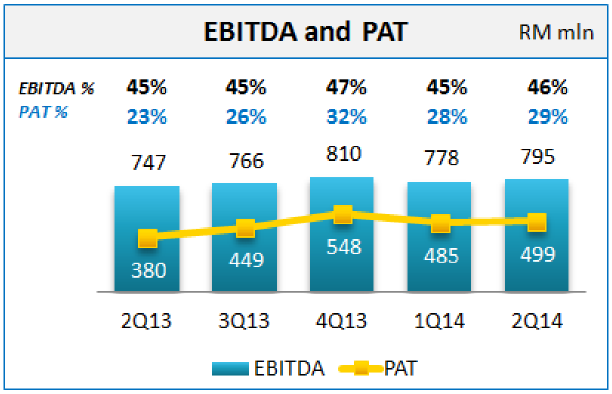

The quarter's opex included seasonally higher advertising and promotion cost (A&P) from FIFA World Cup promotions and revenue-driven USO contributions.

Opex ratios improved y-o-y and q-o-q aided by stronger revenue base and efficient cost management.

- Opex at 24.8% of revenue (1Q14: 25.4%; 2Q13: 25.1%)
- Net Opex at 24.5% of revenue (1Q14:24.8%; 2Q13: 25.0%)

Operational efficiency remained a key priority in the execution of day-to-day activities and decision making activities.

## Stronger margins to ink a solid 1H performance



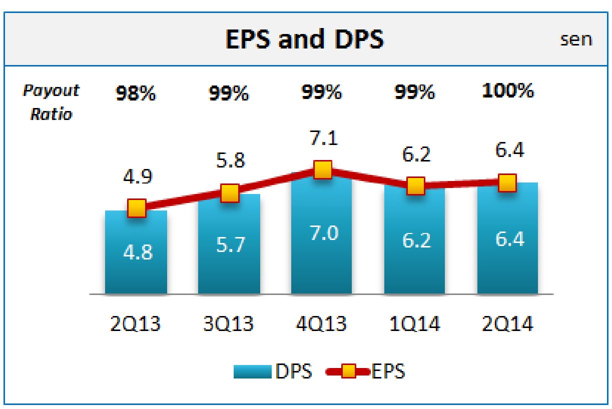

The stronger service revenue growth and continuous benefits from efficient cost structure have propelled EBITDA and PAT up by 6.4% and 31.3% y-o-y, respectively.

DiGi delivered slightly higher EBITDA margin at 46%.

Overall, DiGi has progressed steadily on its planned network and infrastructure expansion aspirations to capture growth opportunities. Capex for the quarter amounted to RM193 million or 11% of revenue.

Ops Cash-Flow development remained healthy at 34%.

## Healthy returns to shareholders backed by strong fundamentals




DiGi's earnings per share (EPS) gained 1.5sen to 6.4sen, an improvement of 30.6% compared to same quarter last year.

In view of the stronger EPS, the Board of Directors declared its 2nd interim dividend of 6.4 sen per share (net) for the financial quarter, an increase of 33.3% y-o-y. The dividend, equivalent to RM498 million or 99.7% payout, is payable to shareholders on 5 September 2014.

**Balance sheet** RM mln

| | 2Q13 | 3Q13 | 4Q13 | 1Q14 | 2Q14 |
|---|---|---|---|---|---|
| Total Assets | 3,923 | 3,788 | 3,752 | 3,667 | 3,759 |
| Total Equity | 480 | 556 | 661 | 602 | 619 |
| Interest-bearing debts | 927 | 951 | 749 | 853 | 848 |
| Cash & cash equivalents | 761 | 550 | 411 | 372 | 403 |

Total assets at quarter end stood at RM3,759 million, 2.5% higher than previous quarter's balance.

Interest-bearing debt at the end of second quarter 2014 was RM848 million, 0.6% lower compared to previous quarter's balance.

Balance sheet remained healthy with net debt / EBITDA ratio within 0.1x while pursuing on-going capital management efficiency opportunities.

## 2014 Ambition and Priorities

The solid first half 2014 performance has paved the way positively for DiGi to deliver its 2014 guidance. Both revenue growth and EBITDA margin to-date are on-track within the guidance.

| 2014 Guidance | Aims to deliver | 1H 2014 |
|---|---|---|
| Revenue growth | 4% - 6% | 5% |
| EBITDA margin | Sustain at 2013 level | 45% |

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

Going forward, DiGi will continue its Customer First focus with Best For Internet network coverage and products to drive internet growth.

DiGi will also invest up to RM900 million in capex to secure competitive network and IT infrastructure capabilities. This includes expansion of 3G/HSPA+ population coverage to 86% and 1,500 LTE sites by year end.

With a robust first half, DiGi will carry on its solid execution momentum to stay ahead amidst sluggish industry revenue growth outlook and continuously focus on operational efficiency.

DiGi's 2014 revenue growth and EBITDA margin guidance remained intact as shown above.

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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 2nd Quarter 2014 results.***