DIGI.COM BERHAD

Company no. 425190-X
(Incorporated in Malaysia)

Date: **13 July 2015**

Subject: **INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2015**

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DIGI.COM BERHAD
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INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
AND FINANCIAL PERIOD ENDED 30 JUNE 2015

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR ENDED	PRECEDING YEAR ENDED
	30 JUNE 2015 RM'000	30 JUNE 2014 RM'000	30 JUNE 2015 RM'000	30 JUNE 2014 RM'000
Revenue	**1,723,295**	**1,746,192**	**3,514,457**	**3,463,740**
Other income	3,896	3,629	7,515	10,716
Foreign exchange and derivatives gains/(losses)	3,948	2,027	(2,141)	5,105
Depreciation and amortisation	(149,915)	(115,252)	(289,331)	(233,379)
Other expenses	(943,591)	(956,707)	(1,957,585)	(1,905,997)
Finance costs	(13,153)	(8,601)	(25,226)	(17,952)
Interest income	1,867	2,658	4,665	6,250
Profit before tax	626,347	673,946	1,252,354	1,328,483
Taxation	(161,990)	(175,033)	(308,779)	(344,411)
Profit for the period, representing total recognised income and expenses for the period	**464,357**	**498,913**	**943,575**	**984,072**
Other comprehensive income	-	-	-	-
Total comprehensive income for the period, net of tax	**464,357**	**498,913**	**943,575**	**984,072**
Attributable to:				
Owners of the parent	**464,357**	**498,913**	**943,575**	**984,072**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - CONT' D

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR ENDED	PRECEDING YEAR ENDED
	30 JUNE 2015	30 JUNE 2014	30 JUNE 2015	30 JUNE 2014
Earnings per share attributable to owners of the parent (sen per share):				
- Basic	5.97	6.42	12.14	12.66
- Diluted[1]	NA	NA	NA	NA

Note:[1]NA denotes "Not Applicable"

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Notes to the Interim Financial Report on pages 6 to 10)

DIGI.COM BERHAD
Company no. 425190-X
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
AND FINANCIAL PERIOD ENDED 30 JUNE 2015

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AT 30 JUNE 2015 RM'000	AT 30 JUNE 2014 RM'000
Non-current assets		
Property, plant and equipment	2,469,389	2,141,677
Intangible assets	518,556	492,087
	2,987,945	2,633,764
Current assets		
Inventories	115,647	34,628
Trade and other receivables	937,352	687,512
Derivative financial instruments	2,026	-
Tax recoverable	94,904	-
Cash and cash equivalents	303,202	402,802
	1,453,131	1,124,942
TOTAL ASSETS	4,441,076	3,758,706
Non-current liabilities		
Loans and borrowings	141,908	340,600
Deferred tax liabilities	225,848	165,777
Provision for liabilities	28,152	22,234
	395,908	528,611
Current liabilities		
Trade and other payables	1,740,316	1,618,877
Derivative financial instruments	-	289
Provision for liabilities	17,925	25,558
Deferred revenue	469,215	350,992
Loans and borrowings	1,103,995	506,940
Taxation	118,080	108,668
	3,449,531	2,611,324
Total liabilities	3,845,439	3,139,935
Equity		
Share capital	77,750	77,750
Reserves	517,887	541,021
Total equity - attributable to owners of the parent	595,637	618,771
TOTAL EQUITY AND LIABILITIES	4,441,076	3,758,706
Net assets per share (RM)	0.08	0.08

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Interim Financial Report on pages 6 to 10)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital RM'000	Share premium RM'000	Retained earnings/ (deficit) RM'000	Total RM'000
At 1 January 2015	77,750	691,905	(83,518) [1]	686,137
Total comprehensive income	-	-	943,575	943,575
Transaction with owners:				
Dividend for the financial year ended 31 December 2014				
- fourth interim dividend	-	-	(559,800)	(559,800)
Dividend for the financial year ended 31 December 2015				
- first interim dividend	-	-	(474,275)	(474,275)
At 30 June 2015	77,750	691,905	(174,018)	595,637
At 1 January 2014	77,750	691,905	(108,656) [1]	660,999
Total comprehensive Income	-	-	984,072	984,072
Transaction with owners:				
Dividend for the financial year ended 31 December 2013				
- fourth interim dividend	-	-	(544,250)	(544,250)
Dividend for the financial year ended 31 December 2014				
- first interim dividend	-	-	(482,050)	(482,050)
At 30 June 2014	77,750	691,905	(150,884)	618,771

Note:[1] The deficit was a result of the Group's capital management initiatives carried out during the financial year ended 31 December 2012. The Company ("Digi.Com Berhad") received dividends from one of its subsidiaries in the form of bonus issue of redeemable preference shares and capital repayment amounting to RM509.0 million and RM495.0 million respectively. The Company had declared part of these as special dividends to its shareholders. The deficit arose from the elimination of these intra-group dividends at Group level.

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Interim Financial Report on pages 6 to 10)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	PERIOD ENDED 30 JUNE 2015 RM'000	PERIOD ENDED 30 JUNE 2014 RM'000
Cash flows from operating activities		
Profit before tax	1,252,354	1,328,483
Adjustments for:		
Non-cash items	339,596	298,138
Finance costs	25,226	17,952
Interest income	(4,665)	(6,250)
Operating profit before working capital changes	1,612,511	1,638,323
Changes in working capital:		
Net change in current assets	(270,707)	5,785
Net change in current liabilities	(26,950)	(138,636)
Cash generated from operations	1,314,854	1,505,472
Interest paid	(23,387)	(19,173)
Government grant received	-	17,024
Payments for provisions	(42,565)	(54,062)
Taxes paid	(251,227)	(148,340)
Net cash generated from operating activities	997,675	1,300,921
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(392,348)	(394,888)
Interest received	4,943	6,203
Proceeds from disposal of property, plant and equipment	193	5,952
Net cash used in investing activities	(387,212)	(382,733)
Cash flows from financing activities		
Draw-down of revolving credit facilities	650,000	600,000
Repayment of loan and borrowings	(453,516)	(500,165)
Dividend paid	(1,034,075)	(1,026,300)
Net cash used in financing activities	(837,591)	(926,465)
Net decrease in cash and cash equivalents	(227,128)	(8,277)
Effect of exchange rate changes on cash and cash equivalents	4,052	-
Cash and cash equivalents at beginning of period	526,278	411,079
Cash and cash equivalents at end of period	303,202	402,802

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Interim Financial Report on pages 6 to 10)

NOTES TO THE INTERIM FINANCIAL REPORT

A1. Basis of Preparation

The interim financial report is unaudited and has been prepared in compliance with MFRS 134: Interim Financial Reporting.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2014.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2014 except for the newly-issued Malaysian Financial Reporting Standards ("MFRS"), Amendments to standards and IC Interpretations ("IC Int.") to be applied by all Entities Other Than Private Entities for the financial periods beginning on or after 1 July 2014:

Amendments to MFRS 119	Defined Benefit Plans: Employee Contributions
Annual Improvements to MFRSs	2010-2012 Cycle
Annual Improvements to MFRSs	2011-2013 Cycle

The adoption of the above did not have any significant effects on the interim financial report upon their initial application.

A2. Seasonality or Cyclicality of Interim Operations

The operations of the Group were not significantly affected by any seasonal and cyclical factors.

A3. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no items affecting assets, liabilities, equity, net income or cash flows that were unusual because of their nature, size or incidence for the current quarter and financial period ended 30 June 2015, other than the drawdowns of Revolving Credit ("RC") facility and Uncommitted Revolving Credit ("URC") facility, the subsequent repayments of the RC facility, and the repayment of the floating-rate term loan ("FRTL") as disclosed in A5.

A4. Material Changes in Estimates

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current quarter and financial period ended 30 June 2015.

NOTES TO THE INTERIM FINANCIAL REPORT - CONT'D

A5. Debts and Equity Securities

There were no issuance, repurchase and repayment of debt and equity securities for the current quarter and financial period ended 30 June 2015, other than:

(i) the repayments of RM100.0 million each were made on 5 January 2015 and 4 February 2015 for the RC facility drawn on 5 November 2014;

(ii) the drawdowns of RC facility amounting to RM300.0 million and RM250.0 million were made on 10 March 2015 and 2 June 2015 respectively;

(iii) the repayment of RM150.0 million was made on 5 May 2015 as part of the RM400.0 million RC facility drawn on 2 December 2014;

(iv) the drawdown of URC facility amounting to RM100.0 million was made on 3 June 2015; and

(v) the repayment of RM98.0 million was made on 30 March 2015 in respect of the FRTL.

A6. Dividend Paid

For the financial period ended 30 June 2015:

(i) The fourth interim tax exempt (single-tier) dividend of 7.2 sen per ordinary share amounting to RM559.8 million in respect of the financial year ended 31 December 2014 was paid on 13 March 2015; and

(ii) The first interim tax exempt (single-tier) dividend of 6.1 sen per ordinary share amounting to RM474.3 million in respect of the financial year ended 31 December 2015 was paid on 5 June 2015.

A7. Segment Information

Segmental information is not presented as the Group is primarily engaged in the provision of mobile communication services and its related products in Malaysia.

A8. Material Events Subsequent to the End of the Interim Period

There are no material events subsequent to the current quarter and financial period ended 30 June 2015 up to the date of this report.

A9. Changes in the Composition of the Group

There were no material changes in the composition of the Group for the current quarter and financial period ended 30 June 2015 including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations.

A10. Changes in Contingent Liabilities

There were no material changes in contingent liabilities or contingent assets arising since the last audited financial statements for the financial year ended 31 December 2014.

NOTES TO THE INTERIM FINANCIAL REPORT - CONT'D

A11. Capital Commitments

Capital commitments of the Group in respect of property, plant and equipment and intangible assets not provided for as of 30 June 2015 are as follows:

	RM'000
Approved and contracted for	248,000
Approved but not contracted for	703,000

A12. Related Party Transactions

The related party transactions of the Group have been entered into in the normal course of business. Listed below are the significant transactions and balances with related parties of the Group during the current financial period:

	Transactions for the period ended 30 JUNE 2015 RM'000	Balance due from/(to) at 30 JUNE 2015 RM'000
With the ultimate holding company and fellow subsidiaries		
- Telenor ASA		(38,106)
Consultancy services rendered	10,861	
- Telenor Consult AS		(863)
Personnel services rendered	3,504	
- Telenor Global Services AS		(4,139)
Sales of interconnection services on international traffic	179	
Purchases of interconnection services on international traffic	14,715	
Purchases of global connectivity	578	
- Total Access Communication Public Company Limited		(294)
Sales of international roaming services	64	
Purchases of international roaming services	2,299	

NOTES TO THE INTERIM FINANCIAL REPORT - CONT'D

A12. Related Party Transactions – cont'd

	Transactions for the period ended 30 JUNE 2015 RM'000	Balance due from/(to) at 30 JUNE 2015 RM'000
With the ultimate holding company and fellow subsidiaries – cont'd		
- DTAC Network Co. Ltd		(2,457)
Sales of interconnection services on international traffic	132	
Purchases of interconnection services on international traffic	3,080	
Sales of international roaming services	252	
Purchases of international roaming services	594	
- Telenor Norge AS		(15)
Sales of international roaming services	93	
Purchases of international roaming services	11	
- Telenor Shared Services - Pakistan (Private) Limited		(1,632)
Purchases of customer centre off-shoring services	1,350	
- Telenor IT Asia Sdn Bhd		4,049
Services rendered for Asian Infrastructure Shared Services Centre	(292)	
- Telenor Global Shared Services AS		(2,370)
Services rendered on Enterprise Resource Planning ("ERP") and Enterprise applications	1,610	
Services rendered on Asian Infrastructure Shared Services Centre	407	

NOTES TO THE INTERIM FINANCIAL REPORT - CONT'D

A12. Related Party Transactions – cont'd

	Transactions for the period ended 30 JUNE 2015 RM'000	Balance due from/(to) at 30 JUNE 2015 RM'000
With the ultimate holding company and fellow subsidiaries – cont'd		
- Telenor Eiendom Holding AS		(444)
Consultancy fees	-	
- Telenor Digital AS		(887)
Consultancy fees	379	
- Telenor Myanmar Ltd		(22)
Sales of international roaming services	14	
Purchases of international roaming services	28	
- Telenor GO Pte Ltd		(3,360)
Personnel services rendered	3,287	

ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR (APPENDIX 9B)

B1. Review of the Performance of the Company and its Principal Subsidiaries

We have provided a full analysis of the Group's performance in the "Management Discussion & Analysis" enclosed.

B2. Explanatory Comments on Any Material Change in the Profit Before Tax for the Quarter Reported on as Compared with the Immediate Preceding Quarter

The Group continued to register solid service revenue at RM1,589 million (Q1 2015: RM1,588 million), consistent with the preceding quarter on the back of lower device and other revenue at RM134 million (Q1 2015: RM203 million) during the quarter.

EBITDA improved 1.7% sequentially to RM788 million (Q1 2015: RM775 million) while Profit Before Tax remained steady at RM626 million (Q1 2015: RM626 million) although challenged by compounding effects from GST implementation, margins pressure from intensified price competition and a weaker MYR development.

B3. Prospects For Remaining Quarters Up to The End of Financial Year 31 December 2015

We have provided a full analysis of the Group's prospects up to 31 December 2015 in the "Management Discussion & Analysis" enclosed.

B4. Explanatory Notes for Variance of Actual Profit from Forecast Profit/Profit Guarantee

Not applicable.

B5. Taxation

The Group's taxation charge for the current quarter and period ended 30 June 2015 respectively were made up as follows:

	Current year quarter ended 30 JUNE 2015 RM'000	**Current year period ended 30 JUNE 2015 RM'000**
Current tax	(147,807)	(346,357)
Deferred tax	(14,183)	37,578
Total	(161,990)	(308,779)

The Group's effective tax rate is 25.9% in Q2 2015, which is higher than the statutory tax rate of 25.0%, mainly due to certain expenses not deductible for tax purposes. For the financial period ended 30 June 2015, the Group's Year-to-Date effective tax rate of 24.7% is lower than the statutory tax rate as a result of factoring into the computation of deferred taxation the reduction in statutory tax rate to 24% which come into effect in Year of Assessment ("YA") 2016.

ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR (APPENDIX 9B) –CONT'D

B6. Status of Corporate Proposals

There are no corporate proposal announced but not completed in the interval from the date of the last report and the date of this announcement.

B7. Group Borrowings

	30 JUNE 2015 RM'000
Non-current	
FRTL	112,000
Finance lease obligation	29,908
	141,908
Current	
RC	900,000
FRTL	196,000
Finance lease obligation	7,995
	1,103,995

The above loans and borrowings are denominated in Ringgit Malaysia and unsecured.

On 2 June 2015, the Group has secured an URC facility of RM100.0 million, and have subsequently drawn down RM100.0 million on 3 June 2015 as disclosed in Note A5.

The current portion of the FRTL is repayable in semi-annual installments of RM98.0 million each. The non-current portion and the final repayment of FRTL amounting to RM112.0 million will be due in September 2016.

B8. Financial Instruments

As at 30 June 2015, the Group's outstanding foreign currency forward contracts for the purpose of hedging certain foreign currency-denominated payables, are as detailed below:

Type of derivative	Contract value in foreign currency (USD'000)	Notional value (RM'000)	Fair value (RM'000)	Gain arising from fair value changes (RM'000)
Foreign currency forward contracts - Less than one year	27,000	100,196	102,222	2,026

ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR (APPENDIX 9B) - CONT'D

B8. Financial Instruments - Cont'd

Accounting Policy

The above foreign currency forward contracts were entered into by the Group to minimise its exposure to foreign currency risks as a result of transactions denominated in currencies other than its functional currency, arising from the normal business activities; in accordance with the Group's foreign currency hedging policy. In line with the Group's foreign currency hedging policy, hedging is only considered for firm commitments and highly probable transactions of which hedging shall not exceed 100% of the net exposure value. Firm commitments are netted-off against receivables denominated in the same currency, and only the net exposures are hedged so as to maximise the Group's natural hedge position.

Speculative activities are strictly prohibited. We adopt a layered approach to hedging, where a higher percentage of hedging will be executed for closer-dated exposures and with time, increase the hedge as the probability of the underlying exposure increases. The derivatives and their underlying exposures will be monitored on an on-going basis.

The cash requirement for settling of foreign currency forward contracts is solely from the Group's working capital, in view of its relative immateriality.

Derivative financial instruments comprise forward contracts in the foreign exchange market. Derivatives are stated at fair value which is equivalent to the marking of the derivatives to market, using prevailing market rates. Derivatives with positive market values (unrealised gains) are included under current assets and derivatives with negative market values (unrealised losses) are included under current liabilities in the statement of financial position. Any gains or losses arising from derivatives held for trading purposes, or changes in fair value on derivatives during the financial period that do not qualify for hedge accounting and the ineffective portion of an effective hedge, are recognised in profit and loss.

Credit Risk Management Policy

Foreign currency forward contracts are executed only with credit-worthy financial institutions in Malaysia which are governed by appropriate policies and procedures.

B9. Material Litigation

There are no pending material litigations as at the date of this report.

ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR (APPENDIX 9B) - CONT'D

B10. Dividends

The Board of Directors has declared a second interim tax exempt (single-tier) dividend of 5.9 sen per ordinary share (Q2 2014: 6.4 sen per ordinary share) in respect of the financial year ending 31 December 2015, which will be paid on 4 September 2015. The entitlement date is on 7 August 2015.

A Depositor shall qualify for the entitlement only in respect of:

(i) shares transferred to the Depositor's Securities Account before 4.00 p.m. on 7 August 2015 in respect of transfers; and
(ii) shares bought on Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of Bursa Securities.

Year-to-date dividend for the financial year ended 31 December 2015 is 12.0 sen per ordinary share (YTD 2014: 12.6 sen).

B11. Earnings Per Share

Basic Earnings Per Share

The basic earnings per share for the current quarter and financial period ended 30 June 2015 have been calculated as per the summary below:

	Current year quarter ended 30 JUNE 2015 RM'000	**Previous year quarter ended 30 JUNE 2014 RM'000**	**Current year period ended 30 JUNE 2015 RM'000**	**Previous year period ended 30 JUNE 2014 RM'000**
Earnings Profit for the period Amount attributable to owners of the parent	464,357	498,913	943,575	984,072
Weighted average number of ordinary shares ('000)	7,775,000	7,775,000	7,775,000	7,775,000
Basic earnings per share (sen)	5.97	6.42	12.14	12.66

Diluted Earnings Per Share - Not applicable

ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR (APPENDIX 9B) - CONT'D

B12. Auditors' Report on Preceding Annual Financial Statements

The latest audited financial statements for the financial year ended 31 December 2014 were not subject to any qualification.

B13. Disclosure of Realised and Unrealised Profits/(Losses)

	Current year quarter as at 30 JUNE 2015 RM'000	Previous year quarter as at 30 JUNE 2014 RM'000
Total (deficit)/ retained profits of Digi.Com Berhad and its subsidiaries:		
- Realised	(207,026)	(158,614)
- Unrealised	33,008	7,730
Total	(174,018)	(150,884)

B14. Additional Disclosures

	Current year quarter ended 30 JUNE 2015 RM'000	Previous year quarter ended 30 JUNE 2014 RM'000	Current year period ended 30 JUNE 2015 RM'000	Previous year period ended 30 JUNE 2014 RM'000
Impairment losses on trade receivables	(8,218)	(5,864)	(16,479)	(13,721)
Reversal/(allowance) for inventory obsolescence	28	(102)	89	251
Foreign exchange gain/(loss)	3,852	1,637	(3,901)	6,205
Gain/(loss) on derivatives	96	390	1,760	(1,100)

Other than the items highlighted above which have been included in the condensed consolidated statement of comprehensive income, there were no profits/(losses) on any other items and sale of quoted securities, investments and properties included in the results for the current quarter and financial period ended 30 June 2015.

c.c. Securities Commission

Solid progress on 4G-LTE expansion with best network experience in key market centres

Digi registered continuous year-on-year service revenue growth, and thrived on its stronger high-speed data network as well as solid execution engine to overcome industry challenges. 4G-LTE network coverage reached approximately 35% of the population nationwide and more than 65% of the population across its 5 key market centres.

EXECUTIVE SUMMARY

RM million	2Q15	1Q15	Q-o-Q	Y-o-Y
Service Revenue	1,589	1,588	0.1%	1.3%
Total Revenue	1,723	1,791	-3.8%	-1.3%
EBITDA	788	775	1.7%	-0.9%
EBITDA margin	46%	43%	2.4pp	0.2pp
PAT	464	479	-3.1%	-7.0%
Capex	200	193	3.6%	3.6%
Ops CF	588	582	1.0%	-2.3%
Cash-Flow margin	34%	32%	1.6pp	-0.4pp
EPS (sen)	6.0	6.2	-3.2%	-6.3%
DPS (sen)	5.9	6.1	-3.3%	-7.8%

2nd quarter of 2015 marked a series of important milestones for Digi as demand for mobile internet continued to escalate with more and more content, social media and digital services moving towards the mobile internet space.

Digi continued to strengthen and rapidly expand its high-speed data network to more customers with an extensive 4G-LTE network coverage for customers in key market centres.

Although the industry went through various challenges including compounding effects from Goods and Services Tax (GST) implementation and competition intensity, Digi's service revenue remained intact and its active internet subscribers increased to 6.8 million or 57.9% of total subscribers.

Service revenue solid at RM1,589 million, an increase of 1.3% from same quarter a year ago whilst device revenue moderated as a result of higher mix of affordable smartphone bundles sold.

Impact from competition intensity and weaker MYR currency development resulted in 0.9% EBITDA decline year-on-year to RM788 million although EBITDA margin remained strong at 46%.

Meanwhile, Ops Cash-Flow (Ops CF) margin remained robust at 34% on the back of planned capex of RM200 million.

OPERATIONAL AND FINANCIAL UPDATES

Solid track record in driving innovation and affordable mobile connectivity

During the quarter, Digi continued to deepen its customer relationship and strengthen its product value propositions to stimulate higher internet adoption and monetisation from increased internet usage.

Together with a much stronger network and IT infrastructure capability, Digi actively focused on strategic on-ground engagements to promote and reach out affordable and quality mobile internet access to more customers.

Relevant and innovative digital services access such as Music Freedom, Capture, Hypptv were also introduced as part of Digi Let's Inspire brand promise to be a part of the customers' digital lifestyle and journey.

Digi's strong commitment to drive momentum every single day in enabling best customer experience in a profound way continued to fuel reasons for customers to be on Digi's network.

Robust 4G-LTE network with extensive coverage in key market centres

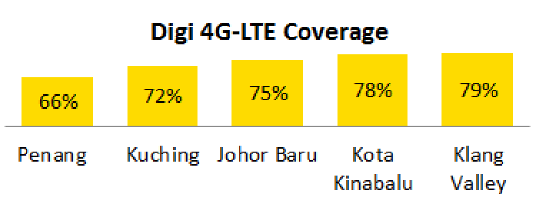
Consistent with the rapid expansion of 4G-LTE network, Digi initiated numerous roadshows to bring affordable 4G-LTE device bundles for customers to enjoy faster HD video and music streaming, smoother video chatting, and instant downloading of apps and sharing on social media.

Digi remained committed and focused to ensure more customers will be able to enjoy the benefits of consistent and affordable high-speed internet connectivity.

During the quarter, Digi progressively enabled 1800Mhz and 2600Mhz spectrum for LTE to boost capacity and significantly improve both indoor and outdoor internet experience.

The robust 4G-LTE network offers more than 5Mbps download speed, 80% of the time in the recent static data hotspot benchmarking exercise.

At end 2Q 2015, Digi's 4G-LTE network coverage reached more than 65% population across all the 5 key market centres, with Klang Valley and Kota Kinabalu at 79% and 78%, respectively.



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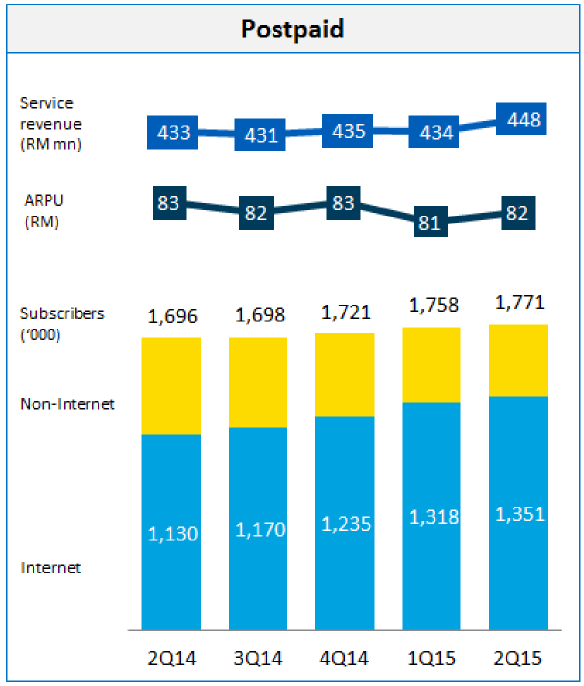
Other than the key market centres, Digi's 4G-LTE services are also available in Langkawi, Ipoh, Kampar, Malacca, Port Dickson, Kuantan, Labuan, Tawau, Miri and Bintulu.

Well-positioned to secure a fair share in postpaid mass market



Postpaid service revenue grew 3.5% year-on-year and 3.2% quarter-on-quarter as a flow through from encouraging smartphone bundles commitments secured in the preceding quarter.

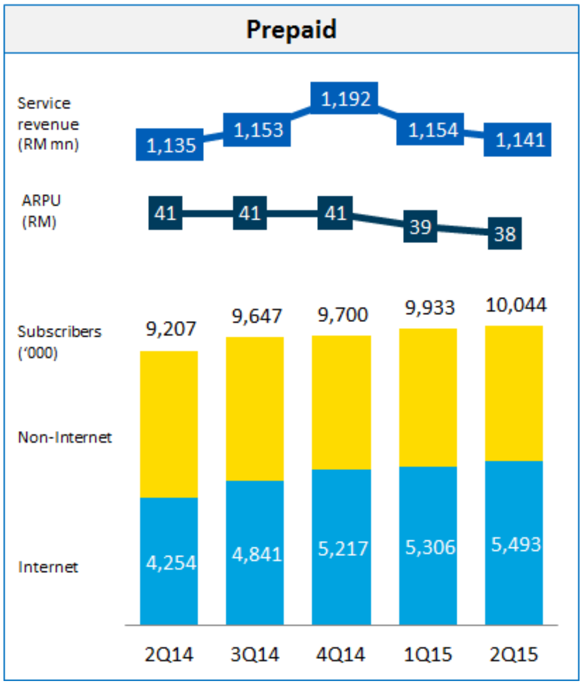
These additional commitments contributed positively to overall postpaid service revenue with internet revenue alone climbed 13.2%, from a year ago.

During the quarter, Digi gained another 13,000 postpaid subscribers contributing to a stronger base of 1.77 million subscribers.

Postpaid internet subscribers rose steadily to 1,351,000 or 76.3% of total postpaid subscribers from 66.6%, a year ago.

Meanwhile, postpaid ARPU strengthened to RM82 over a larger subscriber base and well-supported by solid demand for mobile internet.

Relentless optimism to drive *Internet For All* aspirations



Although challenged by post GST effects and competition intensity, Digi continued to strengthen its stronghold with additional 111,000 subscribers and sealed the quarter with a total of 10.0 million prepaid subscribers.

Both prepaid service revenue growth and ARPU were adversely impacted from competition intensity especially in IDD services and aggressive prepaid sim pack offers in the market.

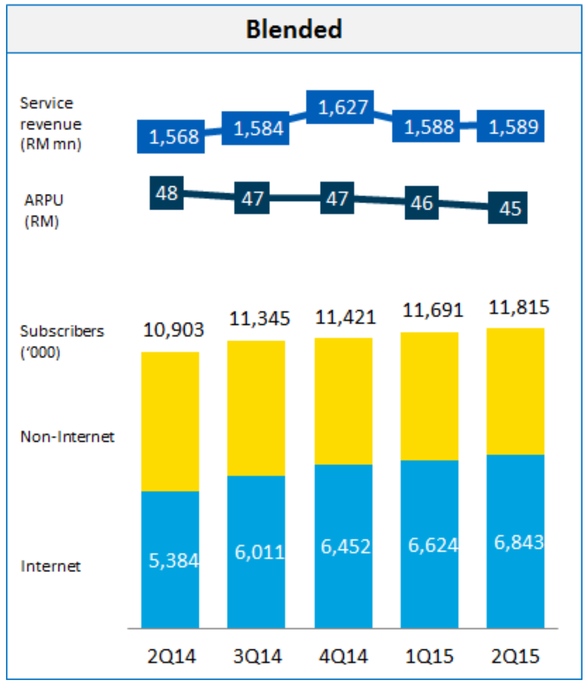
This was further compounded by effects from post GST implementation confusion and challenges which slowed down operational momentum significantly in 2Q 2015.

In addition, as part of the GST transition for the prepaid subscribers, Digi offered additional freebies on prepaid reload.

Consumer sentiments and operational momentum have since gradually improved after a period of transition and Digi believes that demand especially for always-on mobile internet will spur stronger growth opportunities.

Prepaid service revenue remained steady with marginal growth of 0.5% year-on-year although sequentially lowered by 1.1% as a result of the recent changes in the prepaid market.

Resilient 2Q service revenue against industry dynamics



Digi effectively challenged industry dynamics and secured service revenue growth of 1.3% year-on-year and halted negative sequential growth seen in 1Q 2015.

In light of a series of market challenges, Digi continued to command robust service revenue at RM1,589 million sustainably underpinned by its operational resilience and consistent excellent on-ground execution.

Digi added 124,000 more subscribers into its network, most of which are active internet users.

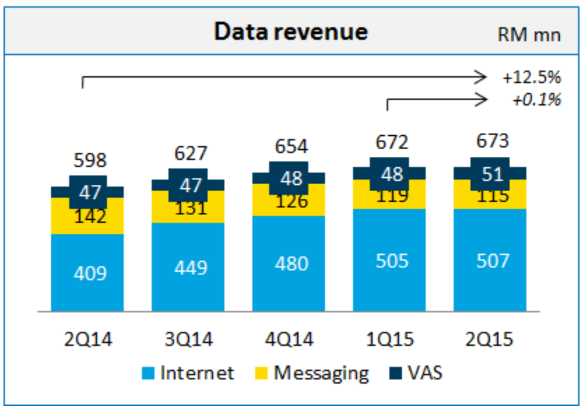
Internet subscribers rose to more than 6.8 million, representing 57.9% of the total subscriber base whilst smartphone penetration also reached a new level at 57.1%, a marked improvement from 41.9%, a year ago.

Internet revenue remained a strong catalyst for service revenue growth with an encouraging growth of 24.0% year-on-year.

Sequential internet revenue growth of 5.2% seen in 1Q 2015 was reduced to 0.4% in 2Q 2015 due to interim weaker spending post GST among the prepaid subscribers although demand for mobile internet remained strong.

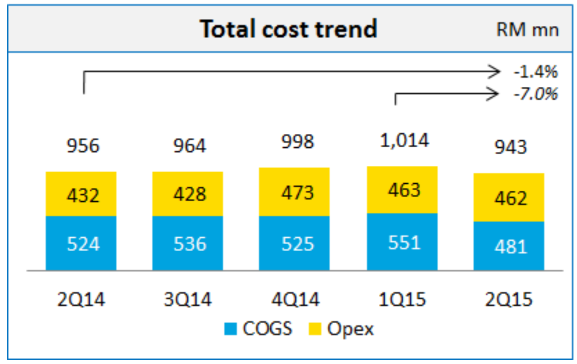
Price competition intensity in the industry coupled with the weaker consumer sentiments resulted in short-term flattish sequential service revenue growth for the quarter.

Blended ARPU stayed resilient although moderated slightly to RM45 over an increasing subscriber base.



Device and other revenue for the quarter declined 24.7% year-on-year and 34.0% sequentially to RM134 million as a result of higher mix of affordable smartphone bundles sold compared to previous quarters.

Well-managed cost structure to drive greater value for customers



Cost of Goods Sold (COGS) trimmed 8.2% year-on-year and 12.7% quarter-on-quarter mainly as a flow through from lower device cost consequential from higher mix of affordable smartphone bundles sold.

The depreciation of MYR currency resulted in relatively higher IDD traffic cost while price competition intensity weighed in at the expense of revenue and margin.

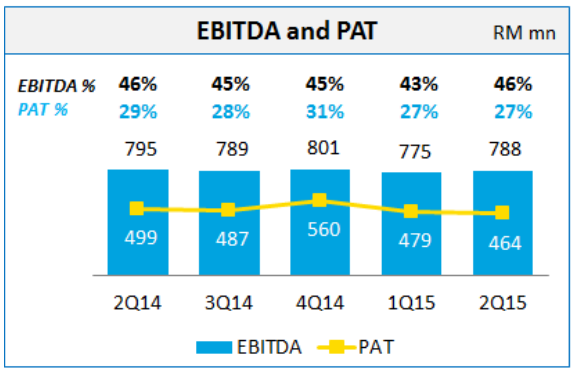
Nonetheless, opex to service revenue ratio remained fairly resilient at 29.1%, consistent level as the last two quarters amid competition intensity and rapid expansion of data network.

Digi will continue to pursue operational efficiencies opportunities to deliver reliable and affordable services to its customers.

EBITDA growth impacted by competition intensity and weaker MYR currency

EBITDA margin improved as a flow through from lower device sales. However, absolute EBITDA declined 0.9% year-on-year due to margins pressure from intensified price competition in the market and weaker MYR currency development.

Profit after tax (PAT) ended lower at RM464 million this quarter on the back of progressively higher depreciation and amortisation charges as well as higher tax expenses.



As planned, Digi strategically invested another RM200 million in capex to boost its data network coverage and quality with extensive 4G-LTE coverage available in all its key market centres.

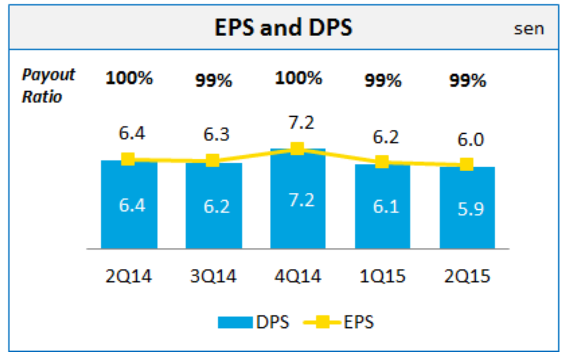
Digi made solid progress on its 4G-LTE expansion program with near completion of 1800Mhz frequency re-farming exercise for LTE nationwide and progressively enabled 1800Mhz LTE overlay on 2600Mhz LTE network.

Overall nationwide 3G and 4G-LTE network population coverage reached 86.6% and approximately 35%, respectively whilst supported by 5,600 km of fibre network.

During the quarter, Digi continued to strengthen its IT infrastructure capability with a new Policy Control and Charging (PCC) engine that will allow much more innovative ways of designing products and services to support sustainable internet growth and data monetisation.

Ops Cash-Flow improved to RM588 million or 34% margin, on the back of planned capex of RM200 million.

Healthy EPS and dividend payout



Earnings per share (EPS) remained healthy at 6.0 sen amid a challenging quarter.

The Board of Directors declared its 2nd interim dividend of 5.9 sen per share (net) equivalent to RM459 million or 99% payout, payable to shareholders on 4 September 2015.

A total of 12.0 sen dividend per share were declared in 1H 2015, equivalent to RM933 million or 4.6% yield on current share price at RM5.49.

Balance sheet RM mn

	2Q14	3Q14	4Q14	1Q15	2Q15
Total Assets	3,759	3,785	4,303	4,143	4,441
Total Equity	619	608	686	606	596
Interest-bearing debts	848	598	1,048	1,048	1,246
Cash & cash equivalents	403	259	526	357	303

Total assets at quarter end stood at RM4,441 million, 18.1% higher than same quarter last year.

Balance sheet remained strong and substantiated by stronger investments and infrastructure capabilities on the back of prudent net debt to EBITDA ratio at 0.3x.

Eventful 1H15 with strong focus to drive internet adoption and usage

All in all, Digi delivered a resilient performance in 1H 2015, with service revenue growth of 1.8% at 45% EBITDA margin on the back of competition intensity and GST implementation challenges.

	2015 Guidance	1H 2015
Service revenue growth	Low- mid single digit	1.8%
EBITDA margin	Sustain at 2014 level	45%
Capex		RM393 million

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.

Digi believes growth momentum will improve in the second half of 2015 alongside with stronger consumer sentiments after a period of adjustment post GST and continuous strong demand for quality mobile internet services.

While most of the current data pricing centers on driving stronger internet adoption, Digi believes it has the right steps and strategies in place to drive data monetisation opportunities from incremental usage sustainably.

The relentless focus on *Internet For All*, customer, value proposition, brand and momentum uniquely positions Digi to capture mobile internet growth opportunities in the market.

Digi aims to continue to deliver the fastest growing LTE network alongside with compelling value propositions and digital services contents to support its ambition to be the best mobile internet provider for the mass market.

The 2015 guidance remained intact as follows:

- Low to mid single digit service revenue growth
- Sustain EBITDA margin and Capex similar to 2014 level

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.

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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, 2015 results.