

Reshaping sustainable revenue with solid internet revenue growth of 8.3% quarter-on-quarter and 21.3% year-on-year

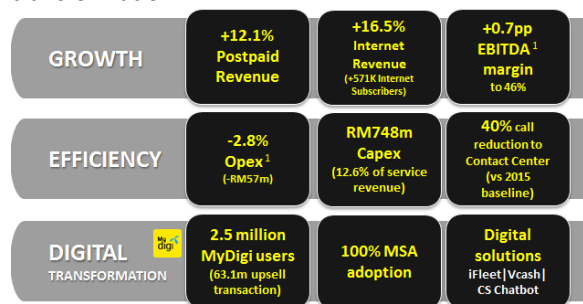
Strong internet usage from both growing internet and 4G subscribers on Digi's 4G Plus network contributed to record high internet revenue of RM747 million, representing 49.4% of total service revenue. Postpaid revenue climbed up 4.1% quarter-on-quarter and 13.5% year-on-year alongside 1.5% higher quarter-on-quarter prepaid revenue to close 2017 service revenue on a stronger note.

EXECUTIVE SUMMARY

RM million	4Q17	3Q17	Q-Q	Y-Y
Service revenue	1,513	1,476	2.5%	-2.7%
Total revenue	1,645	1,570	4.8%	-1.5%
EBITDA	731 ¹	727	0.6%	-1.3%
EBITDA margin	44% ¹	46%	-1.9pp	0.1pp
Profit before tax	480	511	-6.1%	-11.8%
Profit after tax	360	385	-6.5%	-4.0%
Capex	170	152	11.8%	-29.2%
Ops cash flow	561 ¹	575	-2.4%	+12.0%
Ops cash flow margin	34% ¹	37%	-2.5pp	+4.1pp
EPS (sen)	4.6	5.0	-8.0%	-4.2%
DPS (sen)	4.6	4.9	-6.1%	-4.2%

¹ Exclude settlement costs and exit of RM6 million

2017 marked another notable year for Digi, with solid achievements on growth, efficiency and digital transformation.



Our inaugural deployment of LTE 900Mhz network fuelled robust LTE-A network coverage expansion from 41%, a year ago to 55% of population and enhanced the capacity and indoor quality of our 4G-LTE network that serves over 87% of population nationwide.

Internet subscribers increased 571K to 8.7 million or 73.7% of our subscriber base, while 4G subscribers increased 1.9 million to 6.2 million, from a year ago.

Service revenue in the final quarter of 2017 registered 2.5% sequential growth while year-on-year decline improved to 2.7%. Both prepaid and postpaid revenue were lifted quarter-on-quarter by stronger internet subscriptions and monetisation. In addition, Digi also capitalised on new in-demand devices to capture higher device bundled sales for new postpaid subscriptions and contract renewals.

EBITDA for the quarter stood resilient at RM731¹ million or 44%¹ margin after accounting for seasonally higher device bundled sales and continued year-on-year Opex improvement of 2.9%¹.

Higher finance cost from adverse fair value changes on interest rate swaps of RM12 million and settlement costs of RM6 million trimmed PBT and PAT from the preceding quarter.

Meanwhile, Digi continued to invest Capex efficiently in 4Q 2017 as planned, with greater focus on network optimisation and 4G upgrades to support consistent internet experience on Digi's 4G Plus network. Ops cashflow for the quarter remained healthy at RM561¹ million, 12.0% higher year-on-year or 34%¹ margin.

Summing up 2017, Digi registered solid internet revenue growth to cushion decline in legacy revenue streams, made solid progress on Opex efficiency and delivered financial performance within the 2017 guidance and at higher EBITDA margin of 46% from 45%, a year ago.

	2017 Guidance	FY2017
Service revenue growth	Low - mid single digit decline	-5.0%
EBITDA margin	Around 2016 level (45%)	46%
Capex to service revenue ratio	11% - 13%	12.6%



OPERATIONAL AND FINANCIAL UPDATES

Network optimisation and nationwide 4G upgrades to deliver consistent internet experience

In 2017, Digi embarked on rapid deployment of LTE 900MHz and 2600MHz overlay sites. As a result, Digi’s customers are now able to enjoy better 4G network experience in terms of better indoor quality, wider outdoor coverage, and enhanced capacity to support their growing internet and digital services demand.

During the quarter, we continued to drive end-to-end 4G network optimisation with massive 4G upgrades on 4,100 sites nationwide. These initiatives enabled our 4G subscribers with LTE capable devices to have seamless 4G connections, anywhere, anytime more than 91% of the time.

We remained committed to our consistent internet promise to our customers to ensure Digi’s 4G Plus network supports consistent 4G speed of around 10Mbps, 80% of the time.

With the robust 4G Plus network and Digi’s solid 4G internet propositions, data traffic volume soared 149.8% year-on-year, with over 63% of the total traffic volumes on 4G network as compared to only 43%, a year ago.

Internet subscribers rose to 8.7 million with average monthly data usage per user more than doubled year-on-year to 6.8 GB.

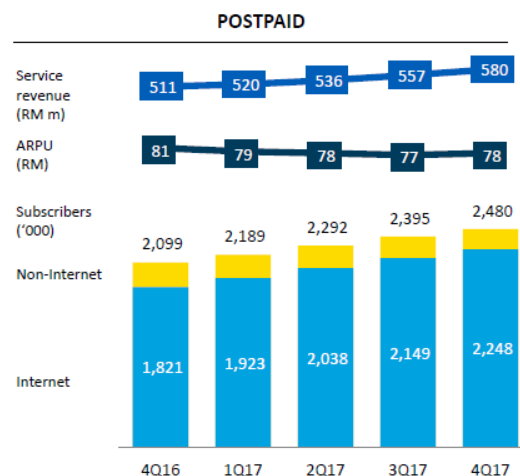
The favourable development on increasing internet usage on Digi’s 4G Plus network coupled with stronger data monetisation contributed strongly to overall internet revenue growth and service revenue uplifts.

Solid postpaid growth Q-Q and Y-Y led by stronger postpaid subscribers

During the quarter, Digi continued to register positive take-ups from Digi Postpaid Family RM150 and RM250 plans.

Digi also launched DP58 with enriched voice bundle proposition and leveraged on demand for new

devices for postpaid device bundles re-contracting and acquisitions.



Postpaid revenue grew 4.1% quarter-on-quarter and 13.5% year-on-year to reach RM580 million while postpaid internet revenue rose 7.1% quarter-on-quarter and 29.7% year-on-year to RM349 million.

At end 2017, postpaid internet subscribers reached 2.2 million or 90.6% of postpaid subscribers.

Meanwhile, positive take-ups from Digi Postpaid Family and Infinite plans led to a modest ARPU uplift to RM78, while moderated by strong demand from entry-level plans.

Summing up for the year, Digi delivered solid postpaid revenue growth of 12.1% in FY 2017 to RM2.19 billion with overall postpaid internet revenue increased 31.0% to 57.6% of postpaid revenue.

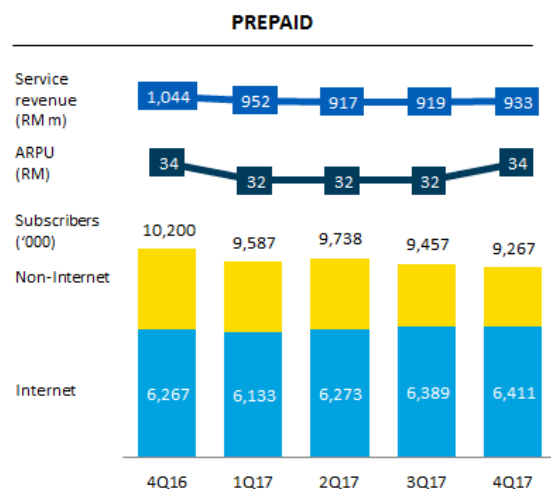
1.5% Q-Q prepaid revenue growth lifted by prepaid internet revenue growth

As part of the strategic focus to drive internet adoption and usage among the prepaid subscribers, we streamlined Digi’s prepaid internet portfolios with stronger monetisation and recurring internet revenue.

During the quarter, Digi introduced Super Terrer RM38 and RM58, a recurring monthly prepaid internet subscription plan that comes with bundled voice while we continued to offer the flexibility of



one time internet passes for daily, weekly and monthly consumption.



Strong demand for these internet plans and one time internet passes boosted by seasonally higher internet usage in 4Q 2017 led to higher prepaid internet subscribers to 6.4 million or 69.2% of prepaid subscribers.

Internet revenue surged 9.3% quarter-on-quarter and 14.7% year-on-year to RM398 million or 42.7% of prepaid revenue.

Prepaid revenue strengthened 1.5% quarter-on-quarter on the back of stronger prepaid internet subscribers and seasonally stronger ARPU of RM34.

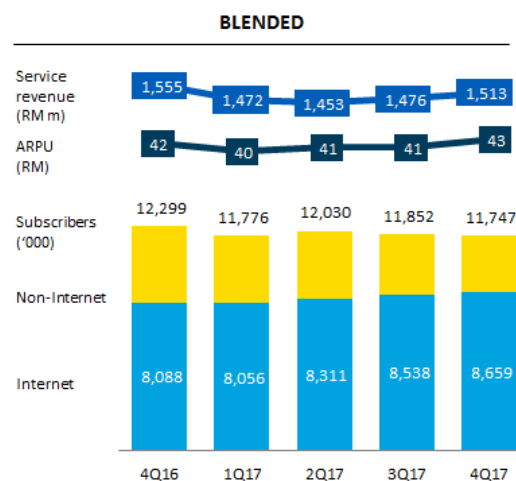
FY 2017 prepaid revenue trimmed 12.9% to RM3.72 billion mainly due to significant decline in prepaid legacy revenues but compensated with 6.1% stronger prepaid internet revenue and improved prepaid profitability.

2.5% higher Q-Q service revenue backed by continued postpaid growth and stronger prepaid revenue

Service revenue rose 2.5% quarter-on-quarter while year-on-year decline narrowed to 2.7%, mainly supported by solid postpaid growth and sequentially stronger prepaid revenue.

Internet revenue climbed 8.3% quarter-on-quarter and 21.3% year-on-year to RM747 million or 49.4% of service revenue. Internet subscribers increased to

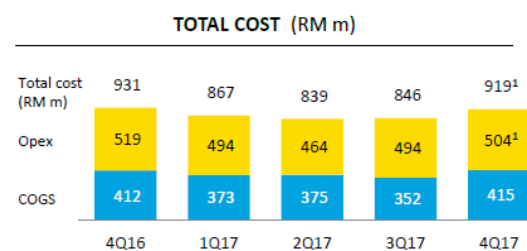
8.7 million or 73.7% of Digi's subscriber base of 11.7 million. The number of smartphone users rose to 8.4 million or 72.7%, of which 6.2 million subscribers are 4G subscribers.



Despite gaining stronger active internet subscribers during the quarter, overall subscriber base trimmed 105K to 11.7 million as a result of continued prepaid sim consolidation within the industry.

FY 2017 service revenue summed up to RM5.91 billion, a decline of 5.0% mainly due to lower revenues from prepaid legacy services while strategically secured 16.5% higher internet revenue to RM2.70 billion or 45.6% of service revenue alongside with improved margin.

Continued efficient cost management with 2.9%¹ Y-Y Opex reduction



¹ Exclude settlement costs and exit of RM6 million

Cost of goods sold (COGS) increased 17.9% quarter-on-quarter and maintained at same level as 4Q 2016 mainly due to seasonally higher demand for device bundled sales for new postpaid subscriptions and contract renewals.



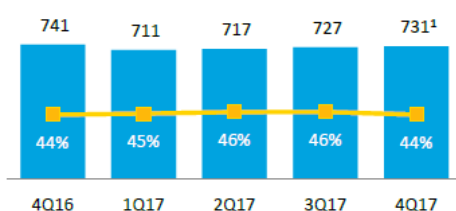
Gross profit improved 1.0% quarter-on-quarter to RM1.23 billion on the back of stronger sequential service revenue from higher internet revenue contribution and well-managed COGS.

Opex¹ to service revenue for the quarter remained resilient at 33.3% with 2.9% year-on-year reduction in Opex during the quarter.

FY 2017 Opex¹ improved 2.8% or RM57 million, reflecting solid cost management and operational efficiency in delivering robust 4G Plus network expansion and supporting significant data traffic growth.

Steady Q-Q EBITDA with healthy margin on the back of higher demand for device bundles

EBITDA AND MARGIN (RM m and %)

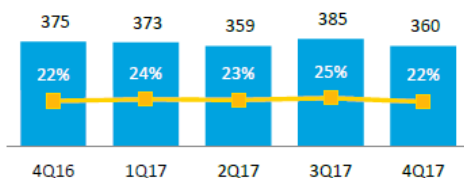


¹ Exclude settlement costs and exit of RM6 million

EBITDA strengthened to RM731¹ million this quarter as a flow through from higher service revenue and efficient cost management, while EBITDA margin leveled to 44%¹ due to higher demand for device bundles in 4Q 2017.

FY 2017 EBITDA margin strengthened to 46%¹ while absolute EBITDA remained resilient at RM2.89¹ billion.

PAT AND MARGIN (RM m and %)

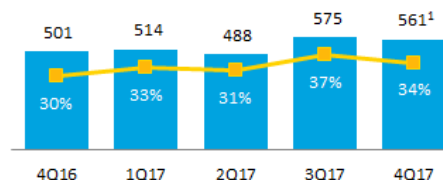


PBT and PAT for the quarter slipped 6.1% and 6.5% quarter-on-quarter due to increase in finance costs from adverse fair value changes of interest rate

swaps of RM12 million (3Q17: FV gain of RM14 million) and settlement costs and exit of RM6 million.

PAT for the year leveled to RM1.48 billion after accounting for RM135 million higher depreciation cost from robust network and digital capabilities investments in addition to spectrum assets.

OPS CASH FLOW AND MARGIN (RM m and %)



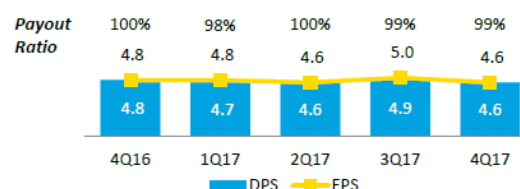
Ops cash flow moderated to RM561¹ million this quarter from RM575 million in the preceding quarter, alongside lower margin of 34% as a result of higher capex spend this quarter.

Digi invested RM170 million Capex in the final quarter of the year, as planned, with full year cumulative Capex at RM748 million or 12.6% of service revenue.

4G LTE and LTE-A network coverage reached 87% and 55% of population backed by over 8,000KM of Fiber network nationwide.

Healthy shareholders return and strong balance sheet

EPS AND DPS (sen)



Earnings per share (EPS) trimmed to 4.6 sen with cumulative EPS for the financial year at 19.0 sen (FY2016: 21.0 sen).

The Board of Directors declared a 4th interim dividend of 4.6 sen per share equivalent to RM358 million or almost 100% dividend payout, payable to shareholders on 23 March 2018.



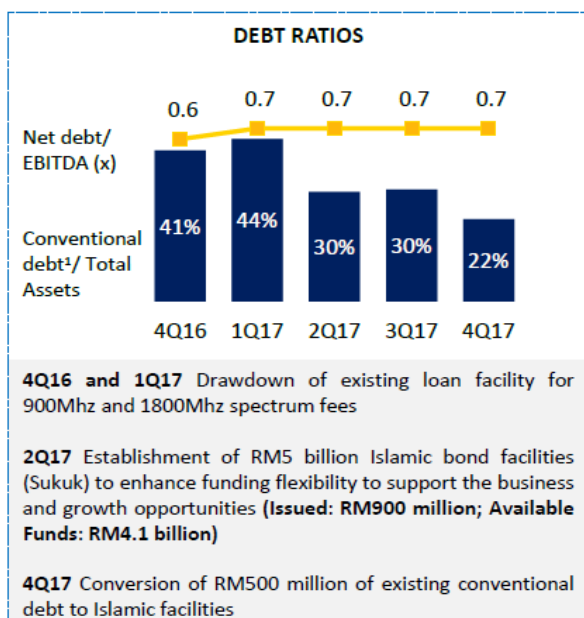
BALANCE SHEET (RM m)

	4Q16	1Q17	2Q17	3Q17	4Q17
Total Assets	5,498	5,729	5,996	5,869	5,834
Total Equity	519	519	513	540	519
Interest-bearing debts	2,282	2,558	1,810	1,802	1,313
Islamic debts	0	0	899	899	1,391
Cash & cash equivalents	377	479	628	661	575

Total assets were marginally lower at RM5.83 billion quarter-on-quarter, although RM336 million higher from a year ago, contributed by continued capex investments.

Digi's net debt to EBITDA ratio remained healthy at 0.7 times while conventional debt over total asset trimmed to 22% after converting RM500 million of the outstanding debt to Islamic loans during the quarter.

Balance sheet remained robust with solid financial capability and flexibility to fund investments and operational commitments.



Digitizing our core businesses and enabling digital solutions to drive growth opportunities

We continued to track well in our efforts to digitise core business with rapid surge of monthly active

users on our digital self-serve channel – MyDigi to over 2.5 million, with solid upsell transactions of 20.7 million in 4Q 2017 and 63.1 million for the year. In addition, we have also successfully secured 100% of our dealers on Digi’s Mobile Sales app.

During the year, we have also enabled digital customer interaction capabilities with MyDigi LiveChat and Digi Chatbot to serve our customers better and more efficiently.

Meanwhile, Digi continued to progress well on unlocking new business opportunities in connected vehicles and fintech digital solutions via our Digi-X division.

Connected Vehicles

- All-in-one fleet tracking solution for commercial vehicles which includes comprehensive data insights and actionable options to increase fleet’s efficiency
- Won over 60 corporates in a short span (since June)
 - Haulier operator / Grocery retailer / Vehicle leasing services
- Evaluating entering private vehicles space in 2018

Fintech

- Commercially launched vcash mobile payment app
- Growing active users and merchant base



Delivering sustainable growth opportunities with efficient operations and digital transformation

Digi aims to deliver 2018 with a sharper focus anchored on connecting our customers to what matters most. Our established robust 4G Plus network and solid milestones in digital transformation set a solid foundation for Digi to pursue sustainable growth opportunities in 2018.

In 2018, Digi will focus on further streamlining operations and digital transformation, with the ambitions of:

- Driving sustainable growth from core telco revenue streams and resilient performance,
- Delivering on cost agenda on a platform of sustainable and efficient cost structure,
- Continuing with our journey of digitisation of core business, and
- Building and growing new digital revenue streams.

In recognition of the importance of our core telco revenue streams, our key focus areas will be on:

- Accelerating Consumer postpaid and Enterprise revenue growth,
- Growing our Malaysian subscriber base,
- Increase internet adoption and internet usage among our migrant subscribers, and
- Monetise data and grow internet revenue.

Although market conditions remained challenging, Digi aims to improve 2018 service revenue growth development and to sustain EBITDA at around 2017 level leveraging on sustainable growth, disciplined cost management and innovating on operational efficiencies.

Digi remains committed to investing for growth opportunities and aspire to deliver efficient Capex between 10% - 12% of service revenue.

	2018 Guidance¹
Service revenue growth	Flat - low single digit decline
EBITDA	Around 2017 level
Capex to service revenue ratio	10% - 12%

¹ FY 2018 Guidance based on old accounting principles

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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 4th Quarter, 2017 result.

Disclaimer

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