

Q1 2012

25 APRIL 2012



Management Discussion & Analysis

Q112 key highlights: Another growth quarter

Key Numbers

('mil)	Q112	Q411	Q-o-Q
Revenue	RM1,569	RM1,545	+1.6%
EBITDA	RM737	RM728	+1.2%
Margin	47.0%	47.1%	-0.1pp
Net Profit	RM321	RM394	-18.5%
Operating cash-flow	RM619	RM420	+47.4%

Subscribers, ARPU & MOU

	Q112	Q411	Q-o-Q
Total customers	9,936k	9,920k	+0.2%
- Prepaid	8,303k	8,318k	-0.2%
- Postpaid	1,633k	1,602k	+1.9%
*Broadband Customers	315k	313k	+0.6%
*Internet customers	5,349k	5,202k	+2.8%
Prepaid ARPU	RM41	RM42	-2.4%
Prepaid MOU (mins)	240	241	-0.4%
Postpaid ARPU	RM85	RM86	-1.2%
Postpaid MOU (mins)	431	458	-5.9%

* both broadband & internet customers are accounted for in the prepaid & postpaid customers tabulation respectively

@ current definition excludes non-revenue data generating customers

DiGi reported another good set of results in Q112 where revenue for the quarter grew by 1.6% q-o-q to RM1.569 billion compared to RM1.545 billion in the previous quarter. EBITDA margin was stable at 47.0% (Q411: 47.1%).

Data revenue continued to grow with higher contributions from mobile internet revenue. Data revenue now accounts for close to 31% of our service revenue base. Voice revenue was marginally lower amidst higher competitive pressure particularly in the prepaid segment.

At the end of Q112, 22.2% (Q411: 21.8%) of our customers were smart-phone users, on a total customer base of close to 10 million.

Continued good results from our operational efficiency focus resulted in further improvement in EBITDA to RM737 million (Q411: RM728 million) and stable EBITDA margin at 47.0% (Q411: 47.1%).

Operational cash-flow (OpCF) in Q112 was high at RM619 million (Q411: RM420 million) mainly on lower q-o-q capex spend of RM118 million (Q411: RM308 million).

On the other hand, Q112's net profit was lower at RM321 million against the exceptionally high net profit of RM394 million in Q411. This was mainly due to inclusion of 2009 to 2011's tax incentives related to mobile broadband network facilities which resulted in significantly lower effective tax rate in Q411.

DiGi declared first dividend of net 5.9 sen/share, payable to shareholders on 8 June 2012.

Concurrently, DiGi is announcing a new capital management initiative. Further details are in the later part of this report.

Operational summary

Customers & ARPU

DiGi added 16k new customers in Q112 (Q411: 303k). The net addition of new customers were lower than the previous quarter due to high churn resulting from seasonally high net additions in the previous quarters.

In terms of mobile internet customers, DiGi continued to report a higher number of small screen users, which totaled 5.3 million at the end of Q112, against 5.2 million at the end of Q411.

In the prepaid segment, DiGi's prepaid customer base was at par with the previous quarter. This was mainly driven by seasonally lower sales and high churn this quarter. ARPU for the quarter was marginally lower at RM41 (Q411: RM42) and this was mainly due to price competition in the IDD sub-segment.

In the postpaid segment, DiGi added 31k new customers (Q411: 39k). The steady growth in postpaid customers continued to be supported by attractive smart-phone/tablet bundles. Postpaid ARPU was slightly lower at RM85 (Q411: RM86) due to festive business closures.

Revenue performance review

Total revenue amounted to RM1.569 billion in Q112, up by 1.6% q-o-q (+9.6% y-o-y); driven predominantly by higher data revenue and higher handset sales.

Service revenue contracted by 0.6% to RM1.459 billion (Q411: RM1.468 billion) on the back of seasonally lower q-o-q voice revenue. Voice revenue totaled RM1.011 billion in Q112 (Q411: RM1.022 billion) whilst data revenue grew to RM448 million (Q411: RM445 million).

Continued positive customer response to our **Internet for All** proposition continued to drive data growth in Q112. The slow-down in mobile broadband was largely due to a conscious decision to re-position our broadband offerings to manage growth and reduce excessive usage on our network.

At end of Q112, data revenue accounted for 30.7% (Q411: 30.3%) of DiGi's service revenue and 22.2% (Q411: 21.8%) of overall customers were smart-phone users which augurs well for future data revenue growth.

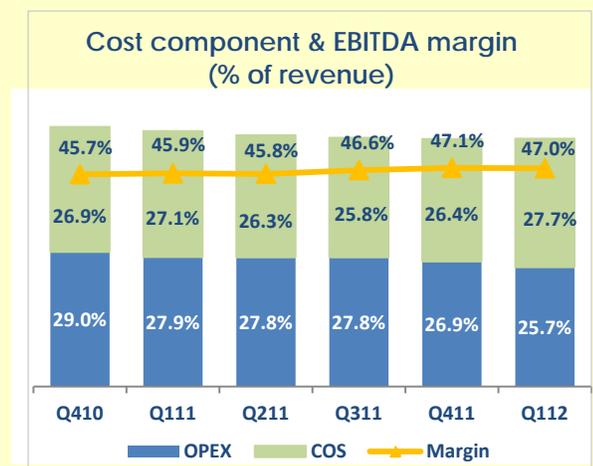
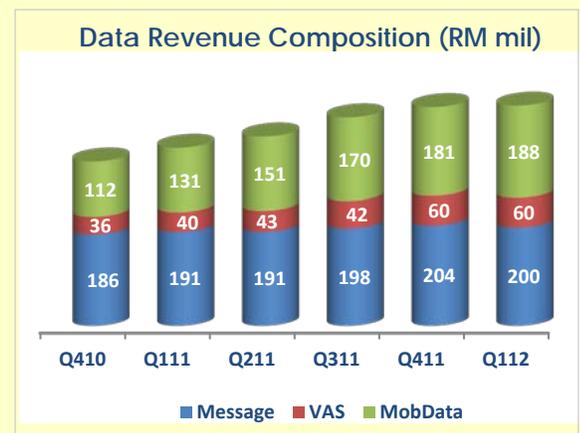
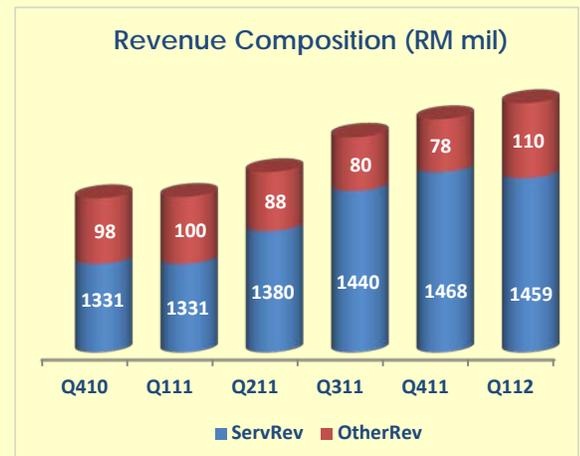
Cost and margin review

Group EBITDA was up by 1.2% q-o-q ending at RM737 million (Q411: RM728 million) and EBITDA margin was stable at 47.0% (Q411: 47.1%). Key drivers were higher revenues and continued good cost management.

Overall, in Q112, the Group's cost base increased by 1.7% q-o-q whilst revenues increased by 1.6% q-o-q.

The increase in cost base was solely driven by higher Cost of Services (COS) which jumped by 6.6% q-o-q in tandem with higher take-up of bundled handsets.

Total operating expenses (OPEX) declined by 3.0% q-o-q as increased operations & maintenance expenses and higher USO-related accruals, were off-set by declines in other operating expenses including lower q-o-q sales and marketing expenses.



Operating profits

DiGi reported a lower net profit of RM321 million this quarter against the exceptionally high net profit of RM394 million in Q411. This was mainly due to prior years' tax incentives related to mobile broadband network facilities which resulted in significantly lower effective tax rate in Q411, as previously explained.

Capital expenditure (capex) and network updates

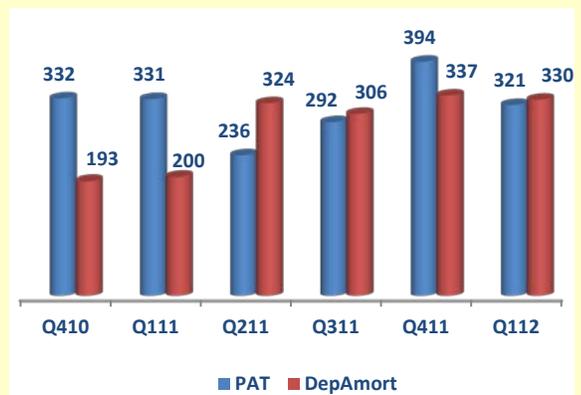
In terms of capex, DiGi spent RM118 million in Q112 (Q411: RM308 million). The bulk of capex was spent on coverage expansion, capacity upgrades as well as works related to our network modernisation to ensure that DiGi can capitalise on growth opportunities, particularly data growth going into 2012.

DiGi-Celcom network collaboration: We have completed the consolidation of the first phase of the project, totaling around 200 sites and we are targeting to complete the site consolidation by end-2013. We have also commenced Phase 1 of the joint-fiber aggregation and site roll-outs.

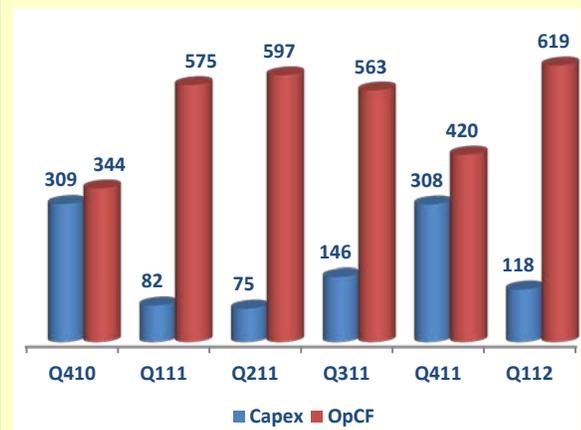
Network modernisation: We have successfully upgraded around 500 sites and so far, we are experiencing better network quality with higher capacity. DiGi aims to have a fully enabled LTE network that will facilitate quick LTE services roll-out when spectrum is available.

In terms of population coverage, the Group's current 2G and 3G coverage stand at 95% and 56% respectively.

PAT & Depreciation & Amortisation (RM mil)



Capex & Operating Cash-Flow (RM mil)



Regulatory updates

A final decision is still pending from SKMM on the final allocation for the 2600 MHz spectrum.

For the other spectrum bands including the 900 MHz and 1800 MHz, DiGi has yet to receive any further news with regard to the re-allocation process.

As mentioned previously, SKMM has initiated a review of access pricing in Malaysia. A public enquiry is expected to take place in Q212 with results likely to be known toward end-Q312. This may result in new regulated access prices for services on the Access List following the review. DiGi will apprise the market as and when the outcome is known.

Balance Sheet & Capital Management updates

DiGi's operating cash-flow amounted at RM619 million in Q112 against RM420 million in Q411. The q-o-q increase was due to higher revenues, effective cost control measures coupled with lower capex in the quarter.

Backed by a solid performance as well as a sound financial position, the Board has declared a first interim dividend of 5.9 sen/share (net) payable to shareholders on 8 June 2012.

In-line with the Group's commitment in returning excess cash to shareholders and improve its capital structure, the Group is proposing a new capital management initiative that entails the following:

1. Proposed capital reduction by a wholly-owned subsidiary - DiGi Telecommunications Sdn Bhd, via a par value reduction from RM1.00 per share to RM0.01 per share
2. The RM495 million cash proceeds arising from the above capital reduction will be distributed to DiGi as capital repayment
3. DiGi intends to distribute the excess cash proceeds to its shareholders at a later date

This proposed exercise requires a number of regulatory approvals and we estimate that the exercise including cash distribution to shareholders to be completed in Q1 2013 or earlier depending on these regulatory approvals.

This announcement is to be read in conjunction with our announcement to the Bursa Securities.

Moving Forward

In 2012, DiGi believes the telecommunications sector will continue to do well on the back of continuous demand growth. Specifically, demand for quality data services will remain high from growing dependency on mobile internet access for work and play and wider adoption of smart devices.

Whilst the Group is mindful of the potential economic weakness given the rather uncertain global developments, DiGi intends to keep growing faster than the industry, and in this respect the Group believes it has the right strategies, network capabilities and resources in place to support this ambition.

DiGi's priorities in the short to medium term are to expand its mobile internet revenue base, continue to leverage on the success of its cost savings initiatives to maintain margins as well as optimise network collaboration and partnerships to strengthen competitiveness. It is also our ambition to keep delivering strong returns to our shareholders. The Group's preliminary 2012 guidance is given in the adjacent table.

Dividends (sen/share)



Financial Ratios

RMmil	Q112	Q411	Q311	Q211
Interest bearing debts	1,021.3	670.9	670.9	1,023.5
Cash & equivalents	1,571.8	1,098.2	987.1	1,015.7
Gearing ratio	0.8x	0.5x	0.5x	0.8x

RMmil	Q112	2011	2010	2009
Total S/holders' Return	19.9%	56.5%	12.0%	0.7%
Payout ratio	143.1%	128.2%	98.5%	108.5%
ROE	104.6%	88.9%	87.5%	65.8%
ROA	25.3%	25.8%	22.9%	21.1%

• Q112 total shareholders' return, ROE & ROA annualised

2012 Guidance

- mid-to-high single-digit revenue growth
- sustained EBITDA & operating cash-flow margins
- capex RM700 million - RM750 million
- stable OpCF

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.

Please direct all enquiries to Ms Audrey Ho at sfho@digicom.my