Riding the growth momentum

DiGi continued to deliver solid y-o-y top line financial growth momentum. Service revenue grew 5.3%, strengthening overall revenue growth to 4.3% and sustained 45% EBITDA margin. The efficiencies achieved post-network modernisation contributed to a robust growth for Operational Cash-Flow (Ops Cash-Flow) and Profit After Tax (PAT).

EXECUTIVE SUMMARY

DiGi's first quarter performance marked a dynamic head start for the year and well-positioned to deliver its financial guidance for 2014. The quarter showcased an encouraging top line y-o-y growth, contrary to the seasonally less exciting first 90-day quarter of the year.

Revenue increased 4.3% y-o-y to RM1,718 million, supported by 5.3% y-o-y growth on service revenue.

EBITDA gained 8.1% y-o-y, at 45% margin. Alongside with efficient quarterly depreciation charges, PAT rose 47.4% to RM485 million compared to same quarter last year.

The positive development demonstrated the sustainable benefits and synergies from stronger network infrastructure and efficient asset base.

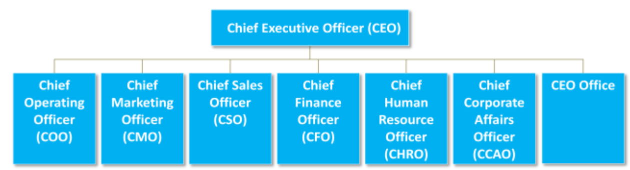
In addition, DiGi has expanded its HSPA+ enabled 3G network to 82.2% population coverage with more LTE sites in key market centres in Klang Valley, Johor Bahru, Kota Kinabalu and Kampar.

A total of RM202 million capex was invested for the quarter with Ops Cash-Flow margin remained healthy at 34%.

RM million	1Q14	4Q13	Q-o-Q	Y-o-Y
Revenue	1,718	1,733	-0.9%	4.3%
EBITDA	778	810	-4.0%	8.1%
EBITDA margin	45%	*47%*	*-1.5pp*	*1.6pp*
PAT	485	548	-11.7%	47.4%
Capex	202	130	55.4%	5.8%
Ops CF	576	680	-15.3%	8.9%
Cash-Flow margin	34%	*39%*	*-5.7pp*	*1.4pp*
EPS (sen)	6.2	7.1	-12.7%	47.6%
DPS (sen)	6.2	7.0	-11.4%	68.2%

OPERATIONAL HIGHLIGHTS

Renewed organisation focus to drive, execute and deliver day-to-day



The revitalised organisation structure effective 1 January 2014 enabled an even more synergised approach to drive, execute and deliver day-to-day results.

Key changes include:

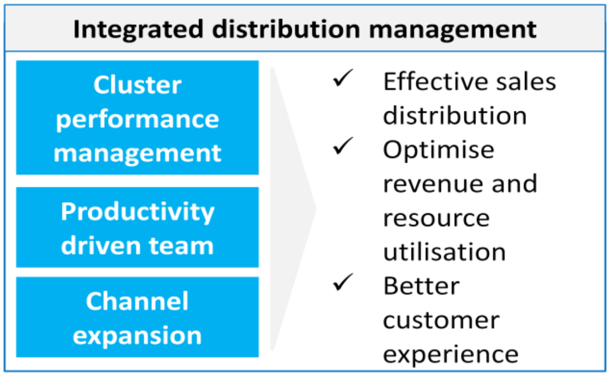
- The appointment of COO to ensure better coherence in delivering DiGi's end-to-end *Customer First* ambitions as well as to strengthen network performance, business processes, and new operating models
- A dedicated Chief Sales Officer in top management for continued pressure on day-to-day sales
- Corporate Affairs role to lead strategy and stakeholder engagement

In addition, the renewed organisation outfit also strengthens the focus on Business Intelligence (BI) and analytical decision making across Marketing and Finance as well as drives disciplined operational efficiency focus and control.

On the other hand, the HR function is positioned to focus on strengthening leadership and winning the war for talent.

[1] Refined to excl. unique subs with usage below 50kB /month

Strengthened organisational capabilities across distribution and product offering



DiGi has established an integrated distribution approach across all its owned shops, exclusive stores, dealers and alternate channels. This in-depth cluster performance management structure will assist DiGi in driving prepaid while strengthening its postpaid and broadband.

With the stronger organisational capabilities, DiGi is well-placed to further maximise revenue and optimise its infrastructure use. Furthermore, this will provide greater opportunity for DiGi to address dedicated and segmented offerings to customers as well as design dedicated below-the-line (BTL) campaigns and engagements.

DiGi also streamlined its core product offerings anchored on relevance, value and service quality to drive competitive offers, growth opportunity and most importantly, good customer experience. Over and above that, there will be additional leverage on predictive tools to drive re-contracting, retention and usage stimulation.

In line with the aspirations on delivering *Internet For All,* DiGi will also step up its mobile internet drive, targeting non-internet users to enable greater internet adoption.

Subscribers, ARPU, Usage and Pricing

	1Q14	4Q13	Q-o-Q	Y-o-Y
Total subscribers ('000)	10,885	10,995	-1.0%	4.9%
• **Prepaid**	9,199	9,295	-1.0%	5.8%
• **Postpaid**	1,687	1,700	-0.8%	0.5%
Internet subscribers[1] ('000)	3,993	3,856	3.6%	31.6%

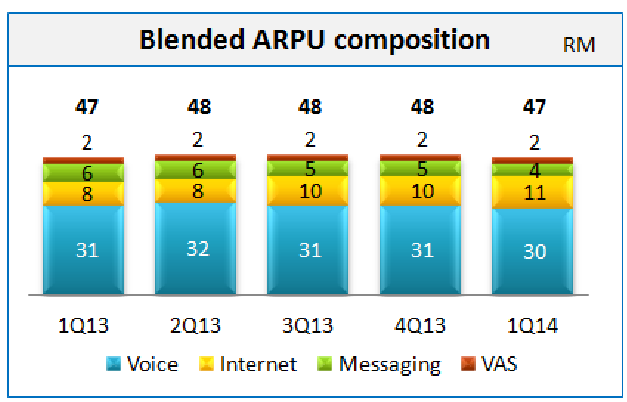
	1Q14	4Q13	Q-o-Q	Y-o-Y
ARPU	47	48	-2.1%	0.0%
• **Prepaid**	41	41	0.0%	2.5%
• **Postpaid**	81	83	-2.4%	-1.2%
Minutes Of Use (MOU)	249	256	-2.7%	-6.7%
• **Prepaid**	232	238	-2.5%	-6.5%
• **Postpaid**	347	363	-4.4%	-7.2%

Total subscribers increased 4.9% y-o-y although q-o-q development was impacted by seasonal effects on churn and gross adds with continued pressure from levelling postpaid demand. Active subscribers with internet usage of 50kB and above recorded a surge of 31.6% y-o-y and 3.6% q-o-q to 4.0 million.

During the quarter, DiGi launched its *Best For Internet* plans which centric on relevant, affordable and reliable internet services. This has gained traction and contributed stronger net adds momentum into the following quarters.

As part of the launch, the new prepaid mobile internet (MI) packages offer greater flexibility for entry-level, bite-sized weekly internet plans. This enabled more customers to enjoy popular digital services on-the-go at an affordable price. In addition, the postpaid internet plans have also been revitalised with enhanced value on digital services access and security features.

DiGi will continue to ride on smart device proliferation, cognisant of increasingly shorter device lifecycle and internet induced opportunities to deliver growth and its *Internet For All* aspirations.



The quarter's blended ARPU remained resilient at RM47 y-o-y, supported by 10.9 million subscriber base and increasing secondary device subscriptions. ARPU uplift

[1] Refined to excl. unique subs with usage below 50kB /month

from internet has sufficiently cushioned the dilution from traditional voice and messaging.

Voice price remained stable at 13 sen per minute but MOU declined to 249 minutes resulting in marginally weaker voice ARPU.

The stronger data network coupled with consistent internet campaigns spurred data traffic by 55% y-o-y and 13% q-o-q. This has successfully sustained the overall ARPU.

Modest demand with increased mix on affordable devices

Sales of handsets and devices continued to be driven by a combination of affordable android handsets and demand for iPhone 5S. Positive demand for affordable prepaid smartphone bundles has been a boon in securing more smartphone users and higher internet adoption.

Internet penetration[1] rose steadily to 36.7% while smartphone penetration leaped 9.9pp y-o-y to 38.4%, although remained fairly constant q-o-q.

Delivered consistent data speed and quality

In the recent network quality survey[2], DiGi ranked #1 for consistent data speed in sampled hotspots in most key market centres. This was an encouraging reflection on the modernised high-speed internet experience that serves 82.2% of the population. During the quarter, DiGi has also increased its 4G-LTE network to more locations and extended its fibre network to more than 4,100 KM.

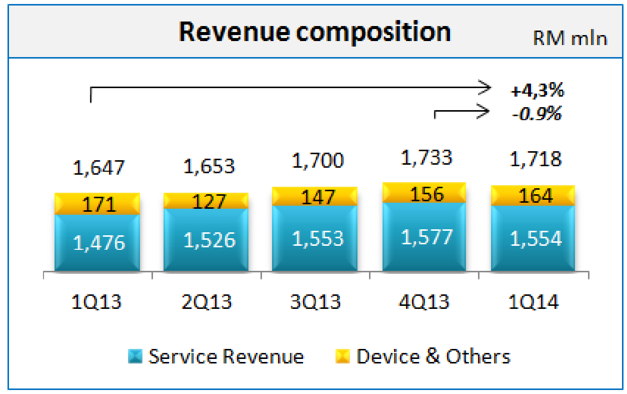
Over and above that, the network also provided greater voice stability with visible periodic improvements in minutes per drop (MPD) rates by more than 60% since beginning 2012.

DiGi is committed to continuously enhance its infrastructure capabilities to cater for greater customer experience.

FINANCIAL HIGHLIGHTS

Y-o-Y growth driven by service revenue

DiGi registered 4.3% higher revenue compared to same quarter last year. This was predominantly driven by healthy growth from service revenue which rose 5.3% y-o-y.



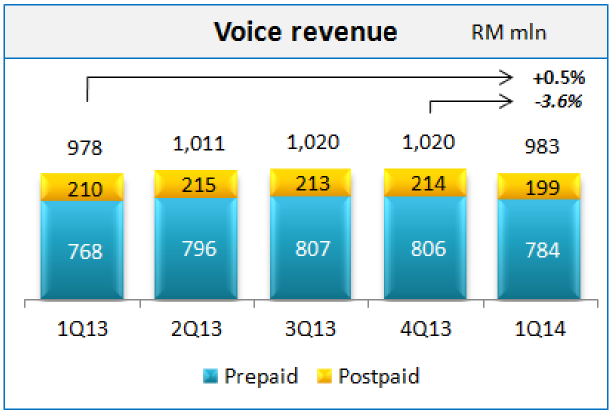
When compared to a normalised 92-day quarter, both revenue and service revenue would have added 0.6% and 0.1% q-o-q respectively. Service revenue growth continued to be strengthened by solid momentum from prepaid.

Prepaid service revenue surged 7.3% y-o-y with 1.2% growth q-o-q on a normalised 92-day quarter.

Postpaid service revenue remained rather flat y-o-y and inched lower compared to the preceding quarter. The 2.7% q-o-q decline was mainly attributable to flat postpaid demand, seasonally lower voice and roaming traffic after the year-end travel peak. The strengthened organisational capabilities and recent internet bundled plans will deliver stronger q-o-q growth momentum on postpaid in the subsequent quarters.

[1] Refined to excl. unique subs with usage below 50kB /month
[2] Conducted by independent external party, Respontrade

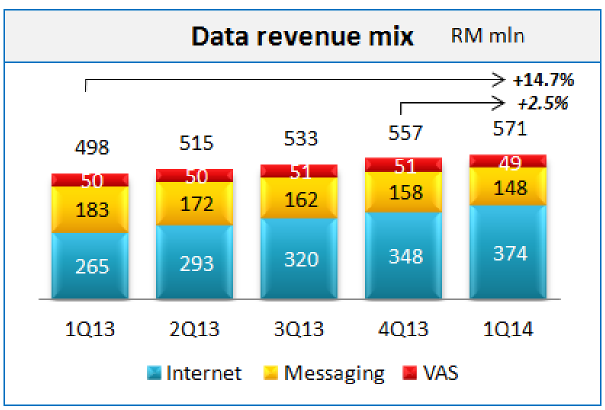
Voice revenue remained resilient y-o-y



Voice revenue remained resilient y-o-y supported by fairly stable voice ARPU on the back of a larger subscriber base. Q-o-Q voice revenue development was impacted by a combination of seasonal effects and data shift trends.

The robust pricing and bundling initiatives ensured resilient traditional voice revenue amidst increasing internet adoption and usage.

Riding on the waves of *Internet For All*



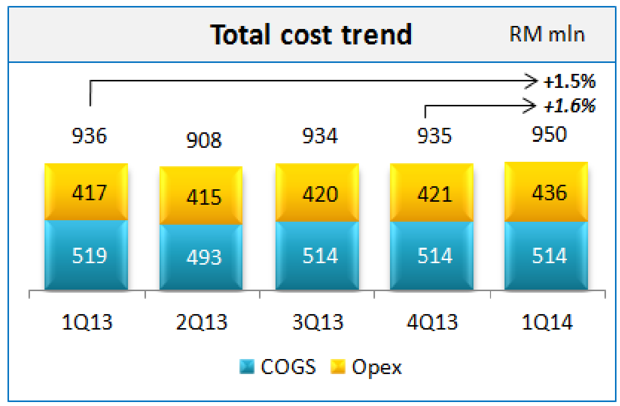
Internet revenue continued to rise 41.1% y-o-y and 7.5% q-o-q, backed by increased internet usage on stronger data network. Both postpaid and prepaid internet penetration[1] advanced steadily by 2pp q-o-q to 64% and 32% respectively.

Traditional messaging revenue slipped 19.1% y-o-y and 6.3% q-o-q although well-cushioned by gains from internet.

Total data revenue accelerated by 14.7% y-o-y and 2.5% q-o-q, strengthening the overall service revenue.

Efficient cost structure with good operational execution

Cost of Goods Sold (COGS) charted stable development when compared to same quarter last year as well as the preceding quarter. The efficiency secured on IDD cost has mitigated the forex currency exposure and enabled DiGi to manage its services competitively and sustainably.

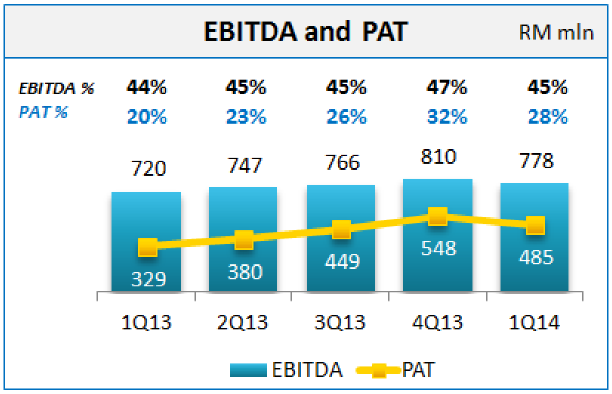


The relatively higher q-o-q opex is mainly due to continuous network expansion effects on site rental, licenses and utilities expenses.

The incessant pursuance for robust cost discipline across all its value chain has shown positive results in sustaining healthy margins. Both Opex and Net Opex ratios remained resilient y-o-y, at 25.4% and 24.8%, respectively.

[1] Refined to excl. unique subs with usage below 50kB /month

Sustained EBITDA margin at 45%



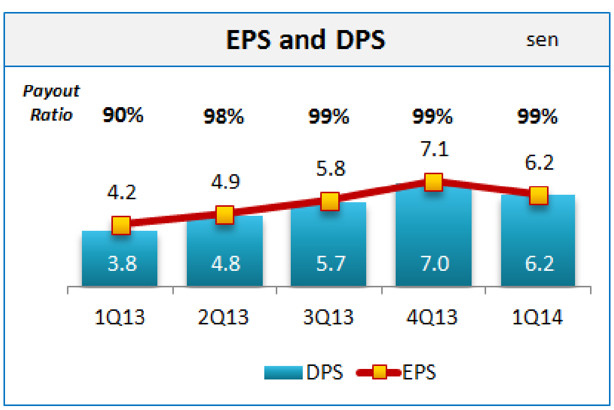
The stronger service revenue growth and continuous benefits from efficient cost structure have propelled EBITDA and PAT up by 8.1% and 47.4% y-o-y, respectively.

DiGi delivered EBITDA margin of 45%, consistent with the guidance for the year, although q-o-q development was impacted by seasonally lower revenue and higher opex related to network expansion.

DiGi has progressed steadily on its planned network and infrastructure expansion aspirations for the year with solid network roll-out achievements to capture growth opportunities. Capex for the quarter amounted to RM202 million or 12% of revenue.

Ops Cash-Flow development mirrored the impact on higher capex and remained healthy at 34%.

Sustainable flow of healthy earnings and dividend



DiGi's earnings per share (EPS) gained 2.0sen to 6.2sen, an improvement of 47.6% compared to same quarter last year.

In view of the stronger EPS, the Board of Directors declared its 1st interim dividend of 6.2 sen per share (net) for the financial quarter, an increase of 68.2% y-o-y. The dividend, equivalent to RM482 million or 99.4% payout, is payable to shareholders on 6 June 2014.

Balance sheet RM mln

	1Q13	2Q13	3Q13	4Q13	1Q14
Total Assets	3,809	3,923	3,788	3,752	3,667
Total Equity	396	480	556	661	602
Interest-bearing debts	928	927	951	749	853
Cash & cash equivalents	579	761	550	411	372

Total assets at quarter end stood at RM3,667 million, 3.7% lower than previous quarter's balance mainly due to periodic payment for USO obligations related to prior years. Such payments are usually made in the first and third quarter of the year, consistent with historical trends.

Interest-bearing debt at the end of first quarter 2014 was RM853 million, 13.9% higher compared to previous quarter's balance to support additional working capital requirements.

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 first quarter's performance has well-positioned DiGi for a solid head start for 2014.

DiGi will carry on its relentless drive on delivering *Best For Internet* and *Customer First* aspirations through an integrated plan across customer service, sales and network.

DiGi's core distribution and network strength combined with affordable smartphone opportunities will provide the lever to drive growth and deliver on its ambitions.

For the financial year 2014, DiGi has plans to invest up to RM900 million capex to expand its data coverage and quality, and greater fibre connectivity for its subscribers. With this, data will not only be faster but covering a wider network footprint.

DiGi aims to deliver 86% population coverage on its HSPA+ enabled 3G network, and grow its LTE footprints to 1,500 sites by year end. The expansion of fibre network will be leveraging on own built as well as from the established partnership and collaborations. In addition, DiGi will also focus on modernising the IT platform and infrastructure to strengthen its competitiveness.

The 2014 guidance remained intact and is summarised in the table below.

2014 Guidance	Aims to deliver
Revenue growth	4% - 6%
EBITDA margin	Sustain at 2013 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 1st Quarter 2014 results.