

Continuous year-on-year revenue growth amid increased competition

Digi delivered revenue growth of 4.2% supported by strong demand for smartphone bundles from both postpaid and prepaid. The higher smartphone sales that came with service revenue opportunity moderated EBITDA margin to 43%, although service revenue EBITDA margin remained strong at 49%.

EXECUTIVE SUMMARY

Digi continued to drive solid operational momentum into FY 2015 with strong focus on *Internet For All* although challenged by intensified competition in the prepaid market.

The strong take-up on internet enabled affordable smartphone bundles and relevant internet packages contributed to positive top line year-on-year revenue and service revenue growth.

Digi successfully retained its strong subscriber base and added another 270K new subscribers, with a total of 6.6 million internet subscribers driving internet revenue growth of 35.0%.

EBITDA margin moderated to 43% to capture service revenue opportunities from higher smartphone bundles.

Profit after tax (PAT) remained resilient at RM479 million in the absence of prior year tax benefits and higher underlying depreciation.

As planned, Digi continued to strengthen its 3G and LTE network coverage and capacity with capex of RM193 million while Ops Cash-Flow (Ops CF) margin remained healthy at 32%.

RM million	1Q15	4Q14	Q-o-Q	Y-o-Y
Revenue	1,791	1,799	-0.4%	4.2%
EBITDA	775	801	-3.2%	-0.4%
EBITDA margin	43%	45%	-1.3pp	-2.0pp
PAT	479	560	-14.5%	-1.2%
Capex	193	233	-17.2%	-4.5%
Ops CF	582	568	2.5%	1.0%
Cash-Flow margin	32%	32%	0.9pp	-1.0pp
EPS (sen)	6.2	7.2	-13.9%	0.0%
DPS (sen)	6.1	7.2	-15.3%	-1.6%

Strategically tapped on internet growth opportunities

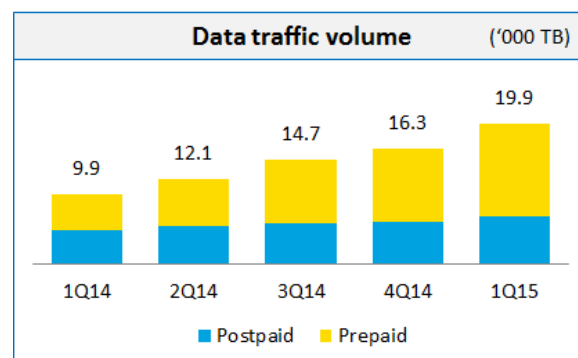
Digi consistently find new ways of engaging with the subscribers to drive internet growth and enable more subscribers on its *Best For Internet* network.

The strong sales and distribution support together with the solid demand for smartphone bundles and innovative internet packages continued to drive positive operational momentum for Digi.

As part of its focus on *Internet For All*, Digi continued to drive increased data usage and data monetisation opportunity from existing as well as new internet subscribers.

Data traffic volume continued to grow steadily with 92% of the total data traffic volume generated from 3G network.

With LTE network coverage rapidly expanding to more than 33% of population, there will be increased data growth opportunity especially when LTE network is now made available to prepaid subscribers.



Leverage on smartphone as a strategic enabler

Digi continued to leverage on the multiple smartphone brands, diversified models, as well as low average price, with lowest below RM200 to drive stronger smartphone and internet adoption.

The consistent focus on smartphone bundles as a strategic enabler contributed to increased smartphone users to 53.2% of the subscriber base, up 3.9 pp from 4Q 2014.

Out of the total smartphone users, a total of 19.4% are on LTE enabled devices.

During the quarter, the smartphone bundles sold comprised of higher mix from the affluent/upper price range. This enabled Digi to tactically secure service revenue commitments and data monetisation opportunity into the following quarters.

Digi's relentless focus to deliver consistent high-speed internet experience and affordable relevant internet packages to its subscribers continued to drive higher internet penetration to 56.7% over a larger subscriber base of 11.7 million.

Forefront in offering digital service innovations

Digi continued to bring innovative products offerings to the market such as attractive entry level pricing of RM0.50 per day for access to popular social networking platform, Facebook.

In addition, Digi also launched its Music Freedom pass in partnership with some of the world's top music services in an effort to bring unlimited, inspiring mobile entertainment content to its subscribers. The subscribers can enjoy music with the freedom of being able to listen to it anytime and anywhere on their smartphones.

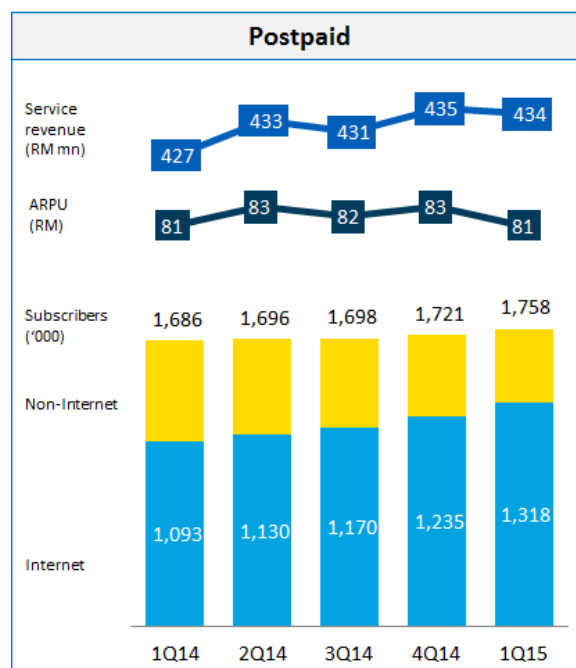
These unique offers enable subscribers to access Facebook or top music services without eating into their data quota while enjoying the rich media content that inspires them.

Digi Music Freedom will enable a new way of data monetisation opportunity through worry-free access

subscription fees rather than conventional quota based pricing.

Such innovative services are part of *Digi Live* brand proposition to bring the newest and most inspiring entertainment content along with the latest digital service innovations from global partners with data monetisation opportunity.

Best postpaid net adds momentum in three years



Digi recorded strong postpaid subscriber growth with 37K net adds supported by marked improvement in high-speed data network performance and coverage, coupled with easy access to a wide range of affordable smartphone bundles.

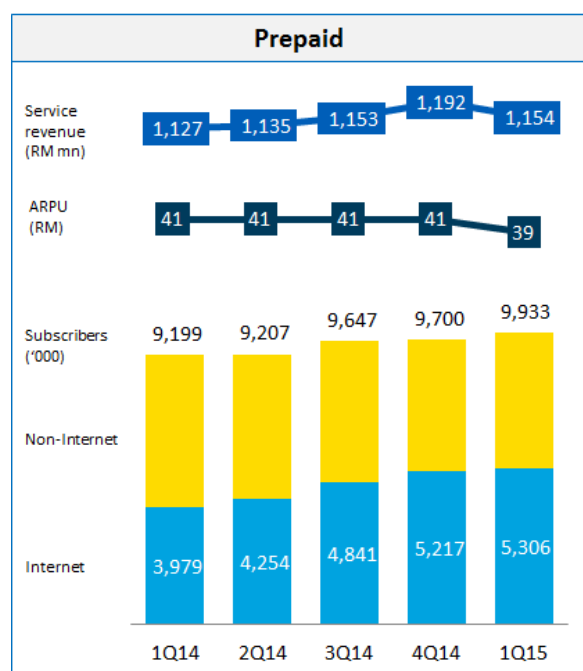
Postpaid internet subscribers rose steadily to 74.9% of total postpaid subscribers from 64.8%, a year ago.

Meanwhile, postpaid ARPU remained resilient at RM81 over a larger subscriber base and well-supported by solid demand for mobile internet.

Postpaid service revenue grew 1.6%, led by 14.6% growth on internet revenue on the back of leveling traditional voice and messaging revenue.

Prepaid growth slowed by intensified competition

Digi fortified its prepaid stronghold and added another 233K new prepaid subscribers to its base although challenged by high marketing spent and price competition in the market.



Both prepaid service revenue growth and ARPU moderated although usage and subscriber base increased.

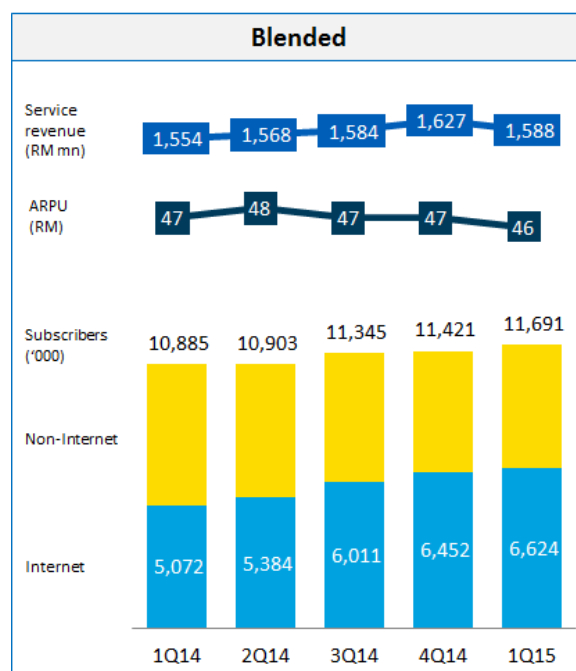
Prepaid service revenue rose by 2.4% amid steeper decline on voice revenue at 6.8% from increased competition and price adjustments. Impact from seasonally shorter quarter and mobile termination rate revision sequentially lowered prepaid service revenue by 3.2%.

Continuous year-on-year revenue growth backed by stronger subscriber base

Overall, Digi successfully registered solid subscriber growth with encouraging net adds from both prepaid and postpaid to strengthen its market position to 11.7 million subscribers.

Internet subscribers continued to grow to more than 6.6 million, with 44% of them using data above

500MB a month. This continued to pave a strong foundation for underlying internet revenue growth.



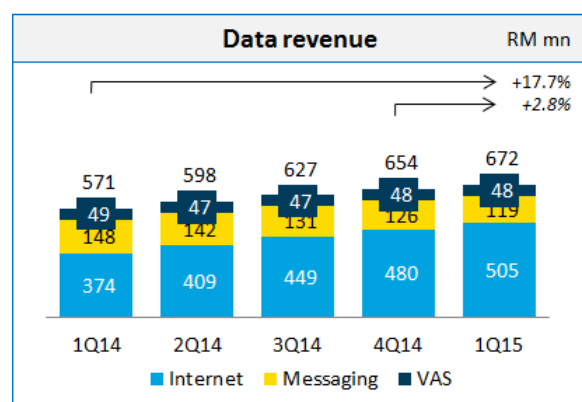
The blended ARPU moderated to RM46 over an increasing subscriber base but internet ARPU progressively strengthened and now formed 32.6% of the blended ARPU.

Digi continued to deliver revenue growth with 4.2% higher revenue and 2.2% higher service revenue compared to same quarter last year.

Service revenue growth for the quarter was undermined by competition and price adjustments although well-supported by higher usage from internet alongside with larger subscriber base.

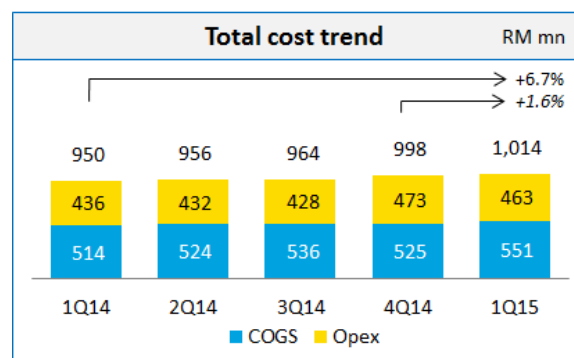
Service revenue would be at same level as seasonally high 4Q 2014 if normalised for the shorter quarter and impact from mobile termination rates revision.

Data revenue continued to advance 17.7% year-on-year whilst internet revenue surged 35.0% to RM505 million. This was underpinned by higher internet usage over a larger subscriber base and stronger high-speed data network.



Device and others revenue for the quarter grew 23.8% year-on-year to RM203 million (1Q 2014: RM164 million; 4Q 2014: RM172 million), mainly to tap on strong demand for smartphone bundles.

Higher COGS fuelled by increased smartphone bundles



Cost of Goods Sold (COGS) climbed 7.2% led by increased demand for smartphone bundles, compounded with effects from weaker MYR.

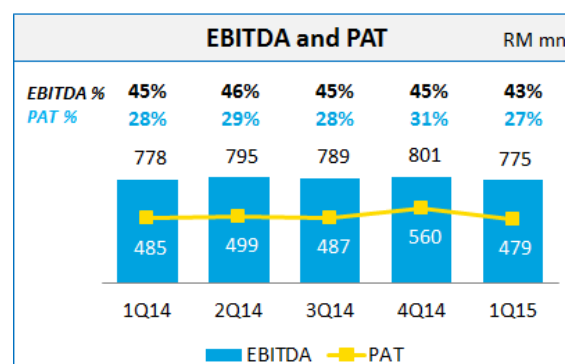
Opex surged 6.2% year-on-year although sequentially lower by 2.1%. Opex to Revenue ratio remained fairly resilient at 25.9% on the back of increasingly competitive market and rapid expansion of data network footprint.

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

Sustained absolute EBITDA at 1Q 2014 level although margin moderated to 43%

Digi maintained its absolute EBITDA similar to 1Q 2014 level, or 0.8% higher if normalised against forex loss for the quarter. The higher device sales and weaker MYR lowered EBITDA margin to 43%, although service revenue EBITDA margin remained strong at 49%.

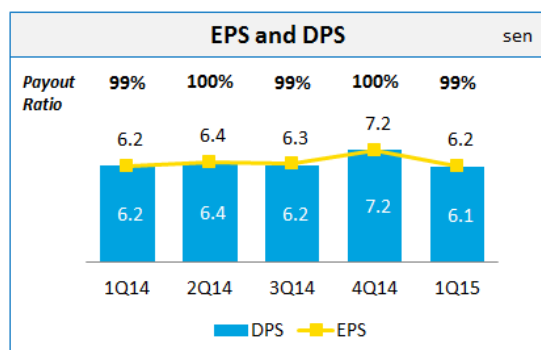
PAT margin resumed back to normalised trend in the absence of tax incentives relating to prior year.



Capex spent for the quarter of RM193 million was within planned network and infrastructure expansion to deliver 3G and LTE coverage to 86.4% and 33.3%, respectively.

Ops CF trended stronger by 1.0% to RM582 million (1Q 2014: RM576 million), with Ops CF margin remained healthy at 32%.

Healthy EPS development at 6.2 sen



Earnings per share (EPS) remained healthy amid increased competition.

The Board of Directors declared its 1st interim dividend of 6.1 sen per share (net) equivalent to RM474 million or 99% payout, payable to shareholders on 5 June 2015.

Balance sheet					RM mn
	1Q14	2Q14	3Q14	4Q14	1Q15
Total Assets	3,667	3,759	3,785	4,303	4,143
Total Equity	602	619	608	686	606
Interest-bearing debts	853	848	598	1,048	1,048
Cash & cash equivalents	372	403	259	526	357

Total assets at quarter end stood at RM4,143 million, 13.0% higher than the previous year.

Interest-bearing debt at quarter end remained at RM1,048 million with net debt/EBITDA ratio at 0.2x, backed by healthy balance sheet.

2015 guidance remained intact

The robust capability built over the years has set a solid competitive foundation for Digi into FY 2015. Digi achieved healthy operational growth momentum in the first quarter of 2015 in spite of the impact from increased competition and price adjustments.

	2015 Guidance	YTD 1Q 2015
Service revenue growth	Low- mid single digit	2.2%
EBITDA margin	Sustain at 2014 level	43%
Capex		RM193 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 that there are good growth opportunities for the mobile industry fueled by strong demand on internet. Therefore, Digi will continue to drive growth opportunities with strong focus on *Internet For All* offerings and monetise on data usage.

It will also strengthen its competitiveness and on-ground execution to deliver continuous growth amid increased competition and tougher operating environment.

In addition, Digi will leverage on operational efficiency and strengthen its organisational capabilities towards becoming the best mobile internet provider for the mass market.

Consistent with before, Digi aspires to deliver above industry service revenue growth and to sustain EBITDA margin at 2014 level. In this respect, Digi believes it has the right strategies, network and resources in place to support this ambition.

The 2015 guidance is summarised as follows:

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

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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, 2015 results.

