

Continued growth story with new infrastructure capabilities in place

Revenue registered 3.3% growth, lifted by stronger service revenue and smartphones sales whilst EBITDA margin sustained at 45%. DiGi achieved yet another important milestone, successfully migrated to a modernised billing platform, and expanded further its 3G and LTE coverage. This is supported by RM276 million capex, in line with the planned capex guidance.

EXECUTIVE SUMMARY

The quarter marked a challenging but fulfilling moment for DiGi as it relentlessly drive positive performance on the back of increased competition and billing migration intensity.

Revenue strengthened 3.3% y-o-y to RM1,756 million with a much stronger subscriber base at 11.3 million.

Service revenue grew 2.0% y-o-y, backed by solid growth momentum on prepaid and demands for affordable smartphone bundles whilst postpaid revenue remained flattish.

EBITDA gained 3.0% to RM789 million and Profit After Tax (PAT) rose 8.5% to RM487 million, compared to same quarter last year.

Ops Cash-Flow (Ops CF) margin remained healthy at 29% after accounting for 17.9% higher capex y-o-y to fund expansion of high speed data coverage and migration to a modernised billing platform.

RM million	3Q14	2Q14	Q-o-Q	Y-o-Y
Revenue	1,756	1,746	0.6%	3.3%
EBITDA	789	795	-0.8%	3.0%
EBITDA margin	45%	46%	-0.6pp	-0.1pp
PAT	487	499	-2.4%	8.5%
Capex	276	193	43.0%	17.9%
Ops CF	513	602	-14.8%	-3.6%
Cash-Flow margin	29%	34%	-5.3pp	-2.1pp
EPS (sen)	6.3	6.4	-1.6%	8.6%
DPS (sen)	6.2	6.4	-3.1%	8.8%

OPERATIONAL HIGHLIGHTS

Modernised billing infrastructure for postpaid and prepaid

During the quarter, DiGi successfully completed its billing migration, although not without its share of complexities and challenges. The convergent billing platform for both postpaid and prepaid customers is now in operation within stabilisation phase.

This further strengthened DiGi's capabilities to:

- Deliver more flexible and innovative products and services;
- Improve lead time to support go-to-market launches;
- Support dynamic charging functionalities;
- Enable better customer insights with real time intelligence; and
- Optimise cost structure to support future growth

Strong demand for internet but growth opportunities challenged

Challenges	Approach
Increased competition	Stronger positioning with relevant products
Tepid industry growth	Solid market execution (Distribution, network, IT)
Complexities from billing migration	Affordable smart phone bundles

Although, demand for internet continued to grow, the market environment now embraced increasing competition to drive growth on the back of relatively tepid industry growth.



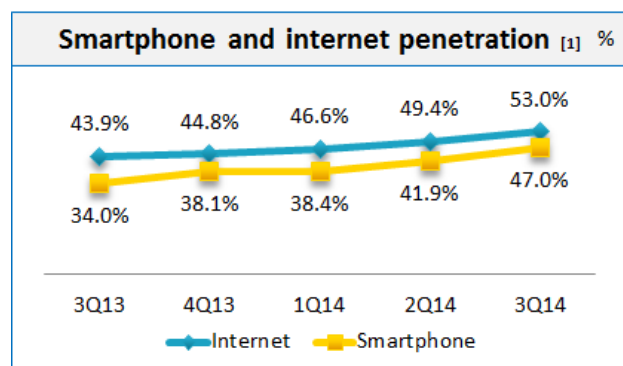
Amidst the challenged competitive landscape and complexities from billing migration, DiGi continuously strengthened its position with relevant products for its customers and focused on solid market execution on its core areas especially in distribution, network and IT infrastructure to deliver its *Internet For All* aspirations.

DiGi continued to take active steps to drive internet adoption across all customer groups by enabling access to a wide variety of smartphones and service bundles with a strong focus on affordability. This includes introducing relevant affordable smartphones, 12 month internet service bundles and flexible bite-sized internet plans, among others to encourage stronger internet adoption.

Trial promotions and nationwide customer engagements were also initiated to promote DiGi’s modernised network.

These initiatives backed by solid distribution strength garnered positive support from customers. Consequently, smartphones sales volume increased and drove smartphone and internet penetration [1] up approximately 4-5pp q-o-q to 47.0% and 53.0%, respectively.

Such robust development contributed to overall growth story for subscriber base, internet adoption, and data revenue.



Subscribers, ARPU, and Usage

	3Q14	2Q14	Q-o-Q	Y-o-Y
Total subscribers ('000)	11,345	10,903	4.1%	4.8%
• Prepaid	9,647	9,207	4.8%	5.7%
• Postpaid	1,698	1,696	0.1%	0.1%
Internet [1] subscribers ('000)	6,011	5,384	11.6%	26.5%
ARPU	47	48	-2.1%	-2.1%
• Prepaid	41	41	0.0%	0.0%
• Postpaid	82	83	-1.2%	0.0%
Minutes Of Use (MOU)	252	251	0.4%	-3.1%
• Prepaid	237	233	1.7%	-2.1%
• Postpaid	341	353	-3.4%	-5.3%

Total subscribers advanced 4.8% y-o-y and 4.1% q-o-q, with an impressive net adds of 442K. The stronger base was supported by additional 440K from prepaid and 2K from postpaid.

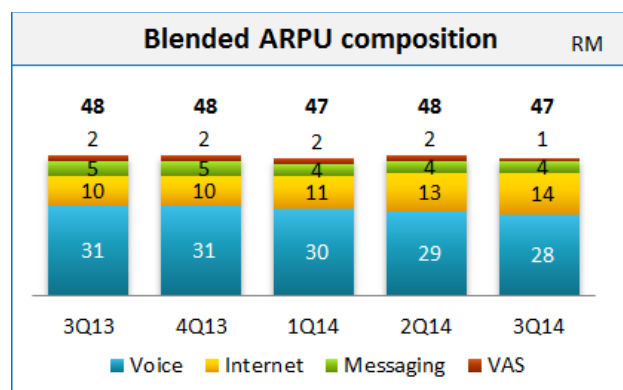
Targeted internet campaigns and affordable smartphone bundles set strong prepaid acquisition momentum and formed favourable trajectory into 4Q14 service revenue.

On the other hand, postpaid subscriber base growth remained modest, although achieved encouraging consumer subscriptions from the revitalised postpaid SmartPlans. The growth momentum was partially offset by levelling development from enterprise business.

The modernised network has been a strong enabler for greater data experience and data usage growth. Active subscribers with internet usage of at least 150kB for the last three months recorded a surge of 26.5% y-o-y and 11.6% q-o-q to 6.0 million.

[1] Revised to include subscribers with at least 150kb for the last 3 months
2U/1U/ 2U14, INVESTOR RELATIONS





The quarter’s blended ARPU remained steady at RM47 y-o-y over 11.3 million subscriber base.

Voice ARPU trended weaker as a result of data shift behaviour as well as impact from price competition.

Internet focused initiatives reflected positively on the ARPU mix with 28% ARPU from internet or 40% ARPU from non-voice (data). This has sufficiently cushioned the ARPU dilution from traditional voice and messaging.

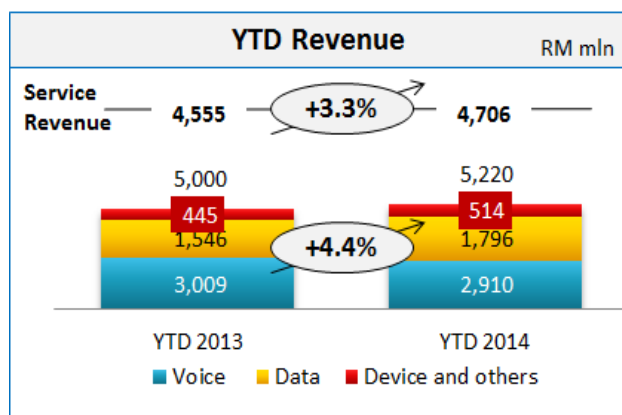
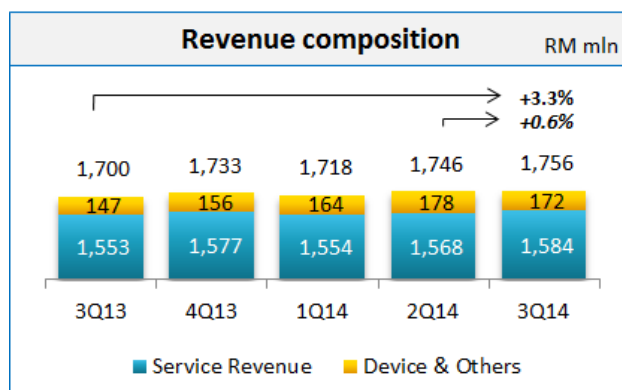
The strong internet demand continued to fuel data traffic growth to 90% y-o-y and 22% q-o-q.

- Prepaid internet traffic accelerated 143% y-o-y and 33% q-o-q
- Postpaid internet traffic surged 41% y-o-y and 8% q-o-q

DiGi will continue to capture internet usage growth opportunities sustainably through a segmented approach to drive internet adoption and usage.

FINANCIAL HIGHLIGHTS

Solid execution paved the growth story



DiGi recorded 3.3% higher revenue compared to same quarter last year. Year-To-Date (YTD) revenue and service revenue grew 4.4% and 3.3%, respectively.

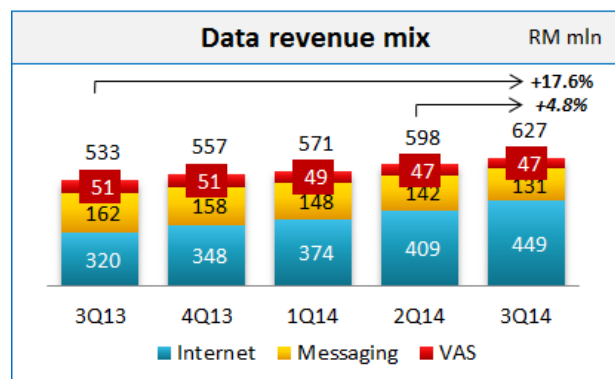
Service revenue growth for the quarter was supported by increased usage from internet and Raya festive alongside with larger subscriber base, although growth partly subdued by increased competition.

Prepaid service revenue increased 3.0% y-o-y and 1.6% q-o-q, weighed down by levelling voice revenue which declined 5.5% y-o-y and 1.2% q-o-q. Competition intensity continued to challenge service revenue opportunities thus the increasing importance for relevant product innovation and differentiation, with a segmented approach to drive growth sustainably.



Postpaid service revenue remained rather flat y-o-y and q-o-q compared to the preceding quarter on the back of tepid subscribers development. DiGi will continue its effort to build stronger momentum for postpaid, leveraging on 4Q14's new smartphone launches.

Steadily unlocking data monetisation opportunities



The positive demand for affordable smartphone bundles boosted incremental data usage and revenue, opening opportunities for data monetisation.

DiGi progressively registered encouraging data revenue growth with total data revenue accelerated 17.6% y-o-y and 4.8% q-o-q; more than compensated weaker traditional voice and messaging revenue and strengthened the overall service revenue.

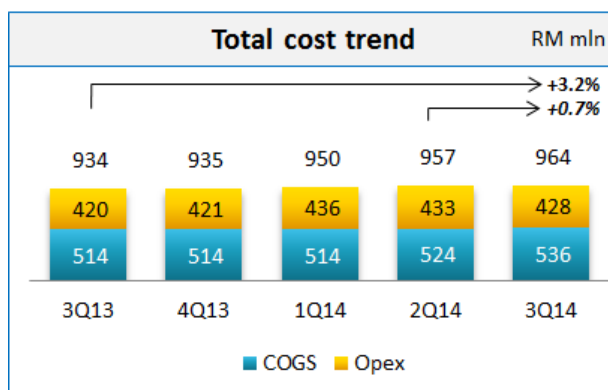
Internet revenue surged 40.3% y-o-y and 9.8% q-o-q, contributed by increased internet usage on stronger data network.

Internet penetration [1] for both prepaid and postpaid climbed steadily q-o-q to 50% and 69% respectively, aided by a combination of positive uptake of affordable smartphones and internet packages

Persistent pursuance for efficient operations

Diligent efforts to drive efficient cost development successfully sustained cost to revenue ratio and EBITDA margin, amidst increased competition.

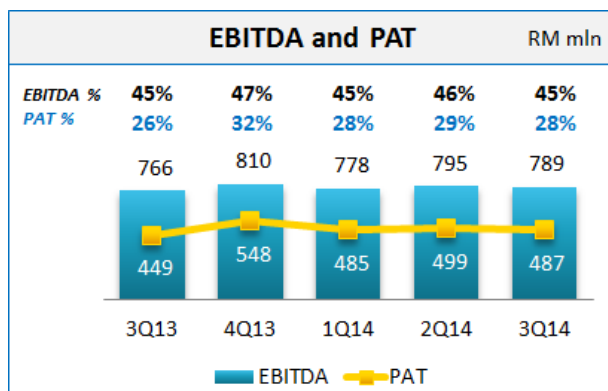
Cost of Goods Sold (COGS) remained well managed to drive revenue generating activities and support smartphone bundles related cost.



DiGi's continued focus on operational efficiencies in the execution of day-to-day activities and decision making activities facilitated prudent opex ratio management.

Opex / Revenue ratio improved 0.3pp y-o-y and 0.4pp q-o-q to 24.4% whilst Net Opex / Revenue ratio improved 0.2pp y-o-y and flat q-o-q to 24.5%.

Maintained healthy margins within capex guidance



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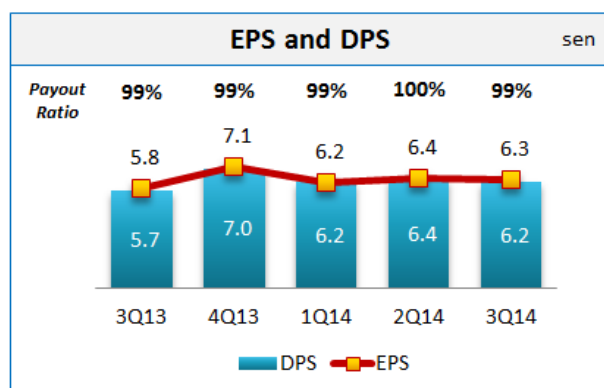
The quarter registered 3.0% higher EBITDA and 8.5% higher PAT than the same quarter last year. Progressively higher depreciation charges from capex coupled with lower EBITDA led to lower PAT q-o-q.

Meanwhile, EBITDA margin and PAT margin remained healthy at 45% and 28%, respectively.

During the quarter, DiGi has progressed steadily on its planned network and infrastructure expansion aspirations with capex driven by completion of billing migration, expansion of 3G population coverage to 84% and acceleration of LTE sites roll-out.

The seasonally higher capex spent for the quarter resulted in lower Ops Cash-Flow by 3.6% y-o-y and 14.8% q-o-q. Capex spent for the year will be managed within RM900 million as guided.

Healthy returns amidst challenging competitive landscape



DiGi's earnings per share (EPS) gained 0.5sen to 6.3sen, an improvement of 8.6% compared to same quarter last year.

The Board of Directors declared its 3rd interim dividend of 6.2 sen per share (net) for the financial quarter, an increase of 8.8% y-o-y. The dividend, equivalent to RM482 million or 99% payout, is payable to shareholders on 5 December 2014.

Balance sheet					RM mln
	3Q13	4Q13	1Q14	2Q14	3Q14
Total Assets	3,788	3,752	3,667	3,759	3,785
Total Equity	556	661	602	619	608
Interest-bearing debts	951	749	853	848	598
Cash & cash equivalents	550	411	372	403	259

Total assets at quarter end stood at RM3,785 million, after RM250 million of debt repayment net of incremental drawdown during the quarter.

Interest-bearing debt at the end of third quarter 2014 was RM598 million, 29.5% lower compared to previous quarter's balance.

The net debt / EBITDA ratio improved further on the back of healthy balance sheet.

A tough quarter but embracing challenges with stride

With three quarters of 2014 sealed, both revenue growth and EBITDA margin to-date registered within guidance, although revenue growth skewed towards lower end of the guidance.

2014 Guidance	Aims to deliver	YTD 3Q 2014
Revenue growth	4% - 6%	4%
EBITDA margin	Sustain at 2013 level	45%

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.

With market competition likely to continue, DiGi aims to further strengthen its capabilities to compete and defend its position sustainably. It will also focus on excellent execution of planned strategies and continuously focus on operational efficiency.

There is no easy way and to capture the next wave of growth will require a segmented approach.

Going forward, DiGi will continue to:

- strengthen its brand position;
- focus on *Customer First* approach;
- capitalise on *Internet For All* initiatives on devices and digital services; and
- leverage on new capabilities from modernised network, billing and distribution.

DiGi is committed to invest up to RM900 million in capex to secure competitive infrastructure capabilities, including expansion of its high speed data coverage to 86%.

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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 3rd Quarter 2014 results.