Private & Confidential

23 OCT 2012

Q312 MANAGEMENT DISCUSSION & ANALYSIS

Moderate revenue growth in a challenging quarter

Key Numbers

('mil)	Q312	Q212	Q-o-Q
Revenue	RM1,583	RM1,580	*+0.2%*
EBITDA	RM715	RM752	*-4.9%*
Margin	45.2%	47.6%	*-2.4pp*
Net Profit	RM315	RM324	*-2.8%*
Operating cash-flow	RM565	RM575	*-1.7%*

Subscribers, ARPU & MOU

	Q312	Q212	Q-o-Q
Total customers	10,304k	10,229k	*+0.7%*
- Prepaid	8,647k	8,580k	*+0.8%*
- Postpaid	1,657k	1,649k	*+0.5%*
*Broadband customers	298k	320k	*-6.9%*
*Internet customers	5,560k	5,413k	*+2.7%*
Prepaid ARPU	RM41	RM41	*0.0%*
Prepaid MOU (mins)	241	243	*-0.8%*
Postpaid ARPU	RM82	RM85	*-3.5%*
Postpaid MOU (mins)	396	419	*-5.5%*

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

@ *current definition excludes non-revenue data generating customers*

DiGi reported moderate revenue growth in Q312 on the back of 'lost revenue opportunities' arising from the ongoing network modernization.

The 'lost revenue opportunities' were due to prolonged post-swap optimization; particularly in the Klang Valley and this mainly impacted voice revenues. Mitigation measures implemented have resulted in improved usage trends since end Q312.

The estimated revenue impact from 'lost revenue opportunities' amounted to RM40 million – RM50 million for the quarter and this was attributed to: (i) *lower net additions from cautious acquisition approach and higher churn; and (ii) less rated traffic and delay in new 3G site roll-outs.*

As a result, Q312 revenue grew by 0.2% q-o-q to RM1,583 million compared to RM1,580 million in the previous quarter.

Service revenue was flat at RM1,470 million q-o-q (Q212: RM1,470 million). Service revenue in the quarter was solely driven by data revenues which grew by 3.4% q-o-q to RM460 million (Q212: -0.7% q-o-q, RM445 million) whilst voice revenue contributions were slightly lower than previous quarter at RM1,010 million (Q212: RM1,025 million). As a result of this, data revenue contribution to service revenue grew to 31.3% in Q312 (Q212: 30.3%).

Overall, EBITDA margin for Q312 stood at 45.2% (Q212: 47.6%); and the q-o-q decline was on account of the 'lost revenue opportunities' explained earlier and IDD margin pressure. Nevertheless, overall EBITDA margin for 2012 should be on par with the 2011 EBITDA margin as guided.

Operating cash-flow (OpCF) which amounted to RM565 million (Q212: RM575 million) was in-line with EBITDA development in Q312. Capex spend in Q312 was at RM150 million (Q212: RM177 million).

DiGi's Board of Directors (Board) has declared a third interim dividend of net 4.0 sen/share, payable to shareholders on 7 December 2012. In addition to this, DiGi is also rewarding all shareholders with a one-off special dividend of net 8.0 sen/share payable on the same day.

With the payment of the special dividend, DiGi has completed the entire cash payout from the two capital management initiatives announced previously.

Operational summary

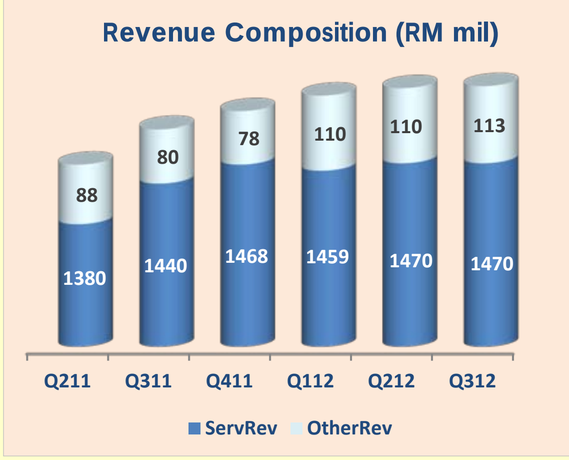
Customers & ARPU

DiGi added 75k new customers in Q312 (Q212: 293k). The lower net additions in the quarter were a result of aligning customer acquisition pace with the ongoing network swap and optimization program. In terms of mobile internet customers, DiGi continued to report a higher number of small screen users, which totaled 5.6 million at the end of Q312, against 5.4 million at the end of Q212.

In the prepaid segment, in spite of increasing competition particularly in the IDD sub-segment, DiGi's prepaid customer base continued to grow by 67k this quarter (Q212: 277k). Usage and reload campaigns were also effective in stabilizing ARPU at RM41 for the quarter (Q212: RM41).

In the postpaid segment, DiGi added 8k new customers (Q212: 16k), all from core postpaid. Customer acquisition focus continued to be on re-contracting higher-end customers. Postpaid ARPU was RM3 lower q-o-q (Q212: RM85) and this can be attributed to lower usage resulting from network related issues and festive business closures. In terms of broadband customers, we continue to record small negative net additions of new customers in Q312, a result of high churn and our deliberate decision to reduce sales of new subscriptions.

Overall, DiGi expects improved subscriber acquisition & revenue momentum in the postpaid segment going forward from wider network coverage, quality and capacity improvements.

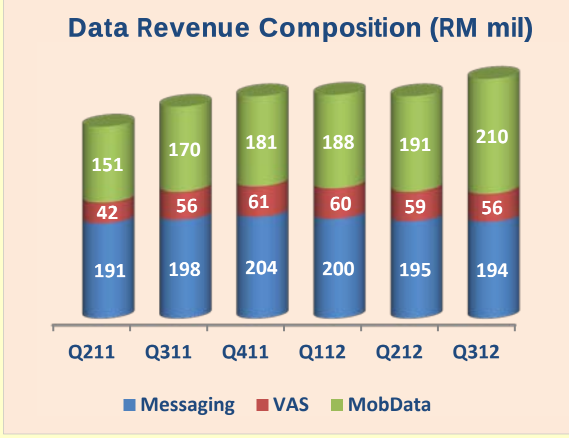


Revenue performance review

Total revenue amounted to RM1,583 million in Q312 (Q212: RM1,580 million), up by 0.2% q-o-q and 7.1% y-o-y respectively.

Service revenue was flat q-o-q at RM1,470 million (Q212: RM1,470 million). Q312 service revenue was sustained by strong data performance in the quarter whilst voice revenues were slightly lower than previous quarter.

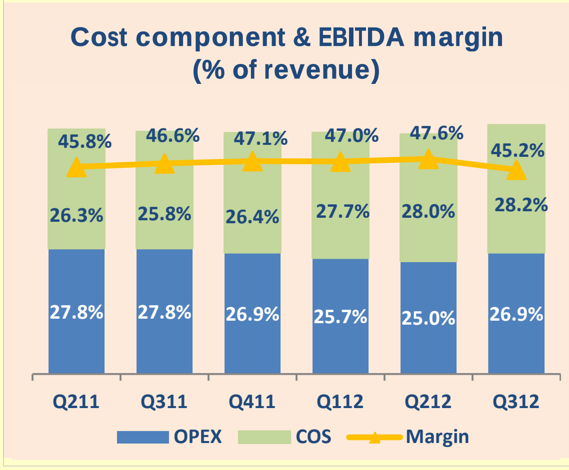
Data revenue contributions grew by 3.4% q-o-q to RM460 million (Q212: RM445 million) and this was driven by strong mobile internet usage; aided by higher take-up of smart-phone plans and bundles. This positive trend was also reflected in the increase of smart-phone users on our network, rising from 23.5% of overall customer base in Q212 to 24.8% at the end of Q312; which augurs well for future data growth.



The slight reduction in voice revenues in Q312 was mainly attributed to the 'lost revenue opportunities' arising from ongoing network modernization as explained earlier. We expect better revenue momentum in Q412 from network improvement and seasonality.

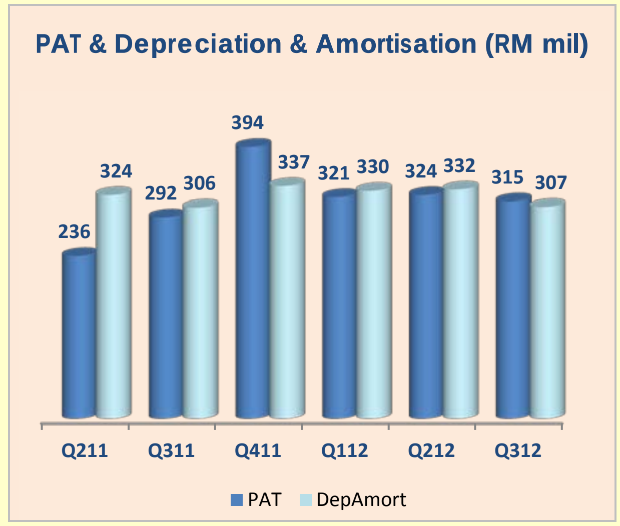
Cost and margin review

Overall, in Q312, the Group's total cost base rose by 4.3% q-o-q to RM873 million (Q212: RM837 million) whilst total revenue increased by 0.2% in the same period.



The increase in total cost base in the quarter was solely driven by two items namely traffic related costs from higher international traffic and increased market spend used predominantly to stimulate usage and drive retention. Operation and maintenance (O&M) cost was back at normalized level post-Q2 one-off.

As a result, group EBITDA declined by 4.9% q-o-q, ending at RM715 million (Q212: RM752 million) and EBITDA margin was also lower at 45.2% (Q212: 47.6%).



Profit After Tax

DiGi reported slightly lower net profit of RM315 million this quarter (Q212: RM324 million), in-line with the revenue and EBITDA development in the quarter as explained earlier.

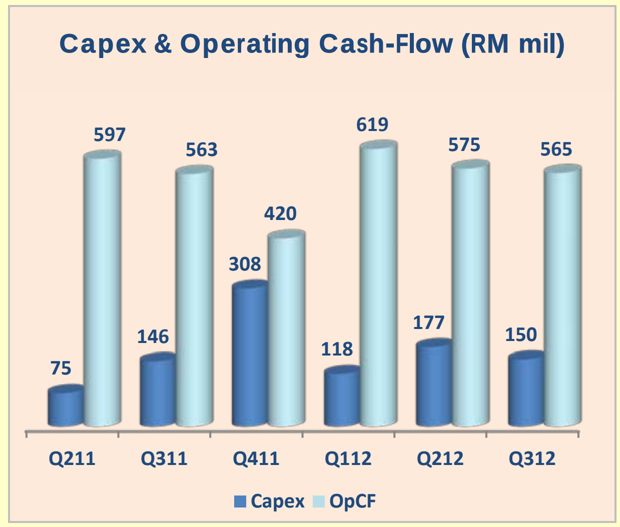
Capital expenditure (capex) and network updates

DiGi's capex spend totaled RM150 million in Q312 (Q212: RM177 million). The bulk of capex was spent on coverage expansion, capacity upgrades as well as works related to network modernisation.

In terms of population coverage, the Group's current 2G and 3G coverage stood close to 97% and 59% respectively. The roll-out of new 3G sites were slightly delayed by ongoing network challenges.

Network modernization: We have upgraded close to 2,500 sites to-date, representing almost 50% of the sites to be swapped. We have completed upgrades in the Klang Valley, and are currently working on post-swap optimization. Going forward, our focus is on prioritizing network optimization to improve network usage experience post-swap and enlarging our 3G footprint.

DiGi-Celcom network collaboration: We are making good progress on site sharing and joint-fiber build. Cost savings are on track as per earlier guidance.



Regulatory updates

The official allocation for the 2600 MHz spectrum is still pending from the regulator, SKMM. In the meantime, DiGi has successfully completed our LTE trial on 2600 MHz spectrum and is currently embarking on similar trials using the existing 1800 MHz spectrum. As for the other spectrum bands including the 900 MHz and 1800 MHz, there is still no news with regard to the re-allocation process.

On access pricing, SKMM has issued a public inquiry earlier this month with industry feedback due sometime in November. We will apprise the market once we know the determination from SKMM.

SKMM has also issued a public inquiry on the proposed implementation of 'accounting separation' with submission of industry comments due end of October. Similarly, we will apprise the market accordingly once we know the outcome of this public inquiry.

Balance Sheet & Capital Management updates

DiGi's operating cash-flow amounted to RM565 million in Q312 against RM575 million in Q212, in-line with EBITDA development during the quarter.

In view of the continued good operational performance of the Group, the Board has declared a third interim dividend of 4.0 sen/share (net) payable to shareholders on 7 December 2012.

In addition, the Board has also declared a special dividend of 8.0 sen/share (net) to shareholders payable on the same day.

With the payment of special dividend, DiGi has completed the pay-out of entire cash proceeds from the two capital management initiatives announced previously.

YTD, taking into account the third interim dividend and special dividend, shareholders would have received dividend per share of 23.8 sen versus 11.0 sen in the same period last year.

Moving Forward

Whilst the voice and messaging segment is still an important source of revenue for mobile operators, the future of the industry is in data as we expect see more pronounced shifts from voice to data demand in the coming years.

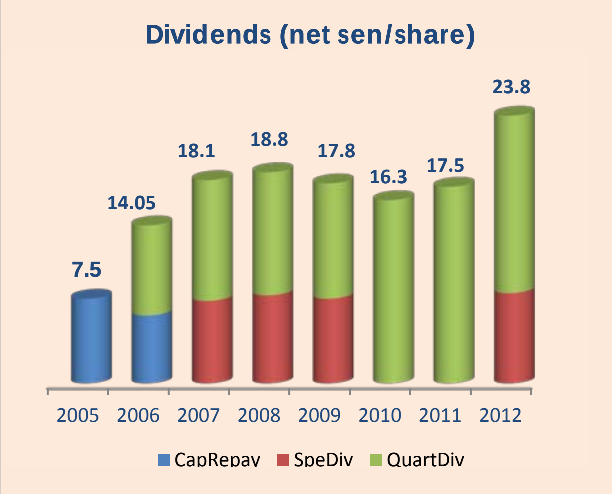
We believe the Group is moving in the right strategic direction by focusing on growing data revenues through its 'Internet for All' proposition. In this regard, the Group's current transformation program which includes the roll-out of a modernized and LTE-enabled network as well as the expansion our 3G footprint will ensure that it is well-positioned to capture a bigger share of these revenues going forward.

Concurrently, the Group will continue to put in place measures to ensure that it would continue to have the right structural cost base to compete effectively in the market. Operational efficiency will continue to be a strong focus area.

As we are trending within our overall growth ambition for 2012, there is no change to our 2012 market guidance.

For 2013, our ambition is to continue to outgrow our industry peers in terms of revenue growth. We believe industry revenue growth will still be around 5% and the Group can deliver higher growth of 5% to 7%. EBITDA and cash-flow margins will be at 2012 levels. It is also our ambition to keep delivering strong returns to our shareholders.

The Group's preliminary 2013 guidance is summarised in the adjacent table.



- *2012 = Q1+Q2+Q3 interim dividends +Q3 special dividends*

Financial Ratios

RMmil	Q312	Q212	Q112	Q411
Total Assets	4707.9	4,928.6	5,066.3	4,863.3
Total Equity	948.8	1,092.2	1,226.7	1,411.4
Interest bearing debts	1,021.9	1,021.6	1,021.3	670.9
Cash & equivalents	1,453.1	1,516.6	1,571.8	1,098.2
Gearing ratio	1.5x	0.9x	0.8x	0.5x

RMmil	Q312	2011	2010	2009
*Total S/holders' Return	24.2%	56.5%	12.0%	0.7%
Payout ratio	295.8%	128.2%	98.5%	108.5%
*ROE	133.0%	88.9%	87.5%	65.8%

- *Q312 total shareholders' return, ROE & ROA annualised*

2013 Preliminary Guidance

- 5% - 7% revenue growth
- sustaining EBITDA & cash-flow margins at 2012 levels

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.

This report is to be read in conjunction with the announcement to Bursa Malaysia and all other disclosures related to our Q312 results. Please direct all enquiries to Ms Audrey Ho at sfho@digi.com.my