

DiGi.COM BERHAD
Company no. 425190-X
(Incorporated in Malaysia)

Date: 26 October 2005

**Subject: INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
AND NINE MONTHS ENDED 30 SEPTEMBER 2005**

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**INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
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CONDENSED CONSOLIDATED INCOME STATEMENTS

	INDIVIDUAL QUARTER CURRENT YEAR QUARTER 30 SEP 2005 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 SEP 2004 RM'000	CUMULATIVE QUARTER CURRENT YEAR TO-DATE 30 SEP 2005 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 SEP 2004 RM'000
Revenue	744,867	576,860	2,056,648	1,627,365
Operating expenses	(418,902)	(327,647)	(1,159,827)	(917,809)
Depreciation and amortisation	(132,118)	(117,624)	(438,124)	(348,369)
Other operating income	813	461	1,707	1,707
Profit from operations	194,660	132,050	460,404	362,894
Finance costs	(1,136)	(21,531)	(28,702)	(58,763)
Interest income	5,297	3,359	11,215	8,143
Profit before taxation	198,821	113,878	442,917	312,274
Taxation	(55,930)	(31,358)	(128,570)	(90,067)
Profit after taxation	142,891	82,520	314,347	222,207
Minority interest	-	-	-	-
Net Profit for the period	142,891	82,520	314,347	222,207
Earnings per share (sen)				
- Basic	19.1	11.0	41.9	29.6
- Diluted	NA	NA	NA	NA

(The Condensed Consolidated Income Statements should be read in conjunction with the Notes to the Interim Financial Report on pages 5 to 8)

Note : NA denotes "Not Applicable"

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CONDENSED CONSOLIDATED BALANCE SHEETS

	AT 30 SEPTEMBER 2005 RM'000	AT 31 DECEMBER 2004 (AUDITED) RM'000
Property, plant and equipment	2,602,306	2,686,956
Intangible asset	36,126	39,081
Deferred expenditure	542	15,213
Current assets		
Inventories	10,938	13,423
Trade and other receivables	226,321	176,955
Cash and cash equivalents	888,876	634,719
	1,126,135	825,097
Current liabilities		
Trade and other payables	850,870	750,821
Deferred revenue	193,454	158,203
Borrowings	-	224,584
	1,044,324	1,133,608
Net current assets/(liabilities)	81,811	(308,511)
	2,720,785	2,432,739
Financed By :		
Capital and Reserves		
Share capital	750,000	750,000
Reserves	1,341,540	1,027,193
Shareholders' funds	2,091,540	1,777,193
Long term liabilities		
Borrowings	300,000	455,270
Deferred tax liabilities	325,254	196,684
Employee benefits	3,991	3,592
	2,720,785	2,432,739
Net Tangible Assets Per Share (RM)	2.74	2.30

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Notes to the Interim Financial Report on pages 5 to 8)

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share Capital RM'000	Non- Distributable Share Premium RM'000	Distributable Retained Profits RM'000	Total RM'000
At 1 January 2005	750,000	352,651	674,542	1,777,193
Net profit for the period	-	-	314,347	314,347
At 30 September 2005	<u>750,000</u>	<u>352,651</u>	<u>988,889</u>	<u>2,091,540</u>
At 1 January 2004	750,000	352,651	357,187	1,459,838
Net profit for the period	-	-	222,207	222,207
At 30 September 2004	<u>750,000</u>	<u>352,651</u>	<u>579,394</u>	<u>1,682,045</u>

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Notes to the Interim Financial Report on pages 5 to 8)

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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	NINE MONTHS ENDED 30 SEPTEMBER 2005 RM'000	NINE MONTHS ENDED 30 SEPTEMBER 2004 RM'000
Cash flows from operating activities		
Profit before taxation	442,917	312,274
Adjustments for non-cash flow:		
Non-cash items	442,439	348,594
Finance costs	28,702	58,763
Interest income	(11,215)	(8,143)
Operating profit before working capital changes	<u>902,843</u>	<u>711,488</u>
Changes in working capital:		
Net change in current assets	(44,912)	(8,350)
Net change in current liabilities	135,619	(96,023)
Cash generated from operations	<u>993,550</u>	<u>607,115</u>
Finance costs	(14,996)	(34,947)
Net cash generated by operating activities	<u>978,554</u>	<u>572,168</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(353,989)	(271,987)
Interest income	9,413	8,502
Proceeds from disposal of property, plant and equipment	33	470
Net cash used in investing activities	<u>(344,543)</u>	<u>(263,015)</u>
Cash flows from financing activities		
Proceeds from bank borrowings	300,000	-
Repayment of bank borrowings	(679,854)	(133,675)
Net cash used in financing activities	<u>(379,854)</u>	<u>(133,675)</u>
Net increase in cash and cash equivalents	254,157	175,478
Cash and cash equivalents at beginning of year	634,719	338,516
Cash and cash equivalents at end of period	<u>888,876</u>	<u>513,994</u>

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Notes to the Interim Financial Report on pages 5 to 8)

**INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
AND NINE MONTHS ENDED 30 SEPTEMBER 2005**

NOTES TO THE INTERIM FINANCIAL REPORT

A1. Basis of Preparation

The interim financial report is unaudited and has been prepared in compliance with FRS 134, Interim Financial Reporting.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2004.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2004 except for the change in the accounting policies for segment information as disclosed under Note A8 below.

A2. Auditors' Report on Preceding Annual Financial Statements

The latest audited financial statements for the financial year ended 31 December 2004 were not subject to any qualification.

A3. Seasonality or Cyclicity of Interim Operations

The operations of the Group were not significantly affected by any seasonal and cyclical factors.

A4. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence for the current quarter and financial year-to-date ended 30 September 2005 other than as disclosed under Note A5 and B9.

A5. Material Changes in Estimates

There were no changes in estimates of amounts reported in prior interim period of the current financial year or in prior financial years that have a material effect in the current quarter and financial year-to-date ended 30 September 2005 except for the change in the depreciation rates for the affected classes of property, plant and equipment based on our periodic review of the estimated useful lives of these assets and to be more in line with the depreciation rates set by the ultimate holding company, Telenor ASA.

The changes in the principal annual rates with effect from 1 January 2005 onwards are as follows:

	<u>Previous rates</u>	<u>New rates</u>
Furniture and fittings	10.0%	20.0%
Computer systems	20.0%	20.0% - 33.3%
Telecommunications network	10.0%	3.3% - 33.3%

The financial impact of the change in depreciation rates was an increase of RM10.0 million and RM66.7 million in the depreciation amount charged to the Condensed Consolidated Income Statements for the current quarter and financial year-to-date ended 30 September 2005 respectively.

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NOTES TO THE INTERIM FINANCIAL REPORT – CONT'D

A6. Debts and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter and financial year-to-date ended 30 September 2005.

A7. Dividend Paid

No dividend has been paid for the current quarter and financial year-to-date ended 30 September 2005.

A8. Segment Information

Segment information is presented in respect of the Group's business segment. The segment revenue and segment result by business segment for the financial year-to-date ended 30 September 2005 were as follows:

	Mobile RM'000	Wholesale RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Revenue					
External	1,911,525	115,912	29,211	-	2,056,648
Inter-segment *			1,844	(1,844)	-
Total Revenue	<u>1,911,525</u>	<u>115,912</u>	<u>31,055</u>	<u>(1,844)</u>	<u>2,056,648</u>
Segment Result	448,376	39,713	11,581	(23)	499,647
Unallocated expenses					(39,243)
Profit from operations					<u>460,404</u>

* *Inter-segment pricing carried out in the Group are based on an arms-length basis.*

During the period, the Group changed the previously reportable business segment from 'international' to 'wholesale' in order to better reflect the business strategy and to re-align the Group's products and services with similar risks and returns. The wholesale business segment now includes provision of international gateway facilities which offers cross border interconnection and other wholesale telecommunications services with operators, through its operating unit, DiGi Telecommunications Sdn. Bhd. Such changes resulted in reclassification of certain segment information from the previously reported 'international' (now name as wholesale) segment to 'others'. There is no change in the aggregate financial information reported.

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NOTES TO THE INTERIM FINANCIAL REPORT – CONT'D

A9. Property, Plant and Equipment

Significant acquisition of the items of property, plant and equipment for the current quarter and financial year-to-date ended 30 September 2005 was as follows:

Items of property, plant and equipment	Current year quarter 30 September 2005 RM'000	Current year-to-date 30 September 2005 RM'000
Acquisition - At Cost		
Telecommunications network	144,560	275,043
Computer systems	30,037	52,644

There is no revaluation of property, plant and equipment brought forward from the previous audited financial statements as the Group does not adopt a revaluation policy on its property, plant and equipment.

A10. Material Events Subsequent to the End of the Interim Period

There were no material events subsequent to the current quarter ended 30 September 2005 up to 21 October 2005.

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current quarter and financial year-to-date ended 30 September 2005 including business combinations, acquisition or disposal of subsidiaries and long term investments, restructurings and discontinuing operations.

A12. Changes in Contingent Liabilities or Contingent Assets

There were no contingent liabilities or contingent assets arising since the last audited financial statements for the financial year ended 31 December 2004.

A13. Capital Commitments

	Group 30 September 2005 RM'000
Property, plant and equipment:	
Authorised and contracted for	<u>442,000</u>
Authorised but not contracted for	<u>448,000</u>

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NOTES TO THE INTERIM FINANCIAL REPORT – CONT'D

A14. Related Party Transactions

The related party transactions of the Group have been entered into in the normal course of business and have been established under the terms that are no less favorable than those arranged with independent third parties. Other than those inter-company transactions, listed below are those significant transactions and balances with related parties of the Group during the current nine months period:

	Transactions for the nine months ended 30 September 2005 RM'000	Balance due from/(to) at 30 September 2005 RM'000
<i>With fellow subsidiary companies</i>		
- <i>Telenor Global Services AS</i>		(450)
Sales of interconnection services on international traffic	364	
Purchase of interconnection services on international traffic	1,290	
- <i>Telenor Consult AS</i>		(602)
Personnel services payable	5,601	
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<i>With companies in which Tan Sri Dato' Seri Vincent Tan Chee Yioun (a former Director and substantial shareholder of the company) is deemed to have an interest</i>		
- <i>Berjaya General Insurance Bhd.</i>		-
Insurance premiums paid/payable	547	
- <i>Berjaya Registration Services Sdn. Bhd.</i>		(1,292)
Printing and mailing services	4,791	
- <i>Convenience Shopping Sdn. Bhd.</i>		20,230
Sales of prepaid cards and reload coupons	58,768	
- <i>Convenience Shopping (Sabah) Sdn. Bhd.</i>		474
Sales of prepaid cards and reload coupons	1,350	
- <i>Cosway (M) Sdn. Bhd.</i>		267
Sales of prepaid cards and reload coupons	3,203	
- <i>MOL AccessPortal Bhd.</i>		56
Sales of soft pins	1,382	
- <i>Cosmo's World Theme Park Sdn. Bhd.</i>		-
Purchase of sponsorship rights	750	
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**INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
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ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR

B1. Review of the Performance of the Company and its Principal Subsidiaries

Year-to-date (YTD) 30.9.05 versus YTD 30.9.04

The Group achieved higher revenue of RM2.06 billion for the nine months ended 30 September 2005, an increase of 26% from RM1.63 billion recorded in the first nine months of last year. The higher revenue growth can be attributed to the high customer uptake from the mobile segment, which was in turn, partly offset by the reduction in wholesale segment revenue as a result of a more competitive market landscape.

Revenue from the mobile segment recorded an annual growth of 36%, with customer base reaching almost 4.2 million as of end September 2005. Higher mobile revenue contributed to the 32% growth in the voice usage while mobile data revenue grew by 58%, accounting for 17% of mobile revenue against 14% a year ago. The growth is predominantly in the mobile prepaid segment.

Earnings before interest, tax, depreciation and amortisation ('EBITDA') grew by 26% to RM898.5 million from RM711.3 million achieved last year whilst EBITDA margin was maintained at 43.7% due to ongoing costs management.

Profit before taxation ("PBT") increased by 42% to RM442.9 million against RM312.3 million registered in previous year. The increase was attributable to better EBITDA performance coupled with lower net finance costs of RM33.1 million. This was the result of higher operating cash flow and lower interest costs. Profit after taxation ("PAT") increased by 41% to RM314.3 million against RM222.2 million last year despite the accelerated effect on depreciation expense arising from the change in depreciation rates as explained under Note A5. Earnings per share rose to 41.9 sen as compared to 29.6 sen previously.

Quarter 3-05 versus Quarter 3-04

For the third quarter of the current financial year, revenue increased by 29% to RM744.9 million compared with RM576.9 million achieved in the previous year corresponding quarter. The increase in revenue was driven mainly by a 39% surge in mobile revenue as a result of 49% growth in its customer base with blended average revenue per user ('ARPU') of RM58 against RM61 last year.

EBITDA grew by 31% to RM326.8 million while EBITDA margin recorded 0.6% increase from 43.3% in the previous year corresponding quarter to 43.9% this quarter. The better-than-expected improvement was due in part to higher revenue and benefits reaped from economies of scale.

PBT rose by 75% to RM198.8 million while PAT registered at RM142.9 million, 73% higher than RM82.5 million achieved in Quarter 3, 2004. This significant increase was an upshot of higher revenue, improved EBITDA margin and lower finance costs recorded despite the higher depreciation charged out.

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ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR – CONT'D

B2. Explanatory Comments on Any Material Change in the Profit Before Taxation for the Quarter Reported on as Compared with the Immediate Preceding Quarter

PBT for the current quarter increased by RM39.5 million or 25% to RM198.8 million from RM159.3 million registered in the preceding quarter. This was mainly contributed by an approximate 9% increase in revenue to RM744.9 million, a result of an expanded mobile customer base of 422,000 new additional subscribers. Prepaid segment, the driving sector for the increase in revenue and subscribers, maintained its ARPU at RM54 although blended ARPU reduced slightly to RM58. The higher revenue achieved can be attributable to the current quarter's higher usage spurred by the continuation of the DiGi 10th year anniversary promotions and other promotional activities.

The higher PBT was the outcome of better EBITDA performance. EBITDA margin improved by 0.7% to 43.9% from 43.2% achieved in the preceding quarter while finance costs decreased by RM7.4 million. Lower finance costs were mainly attributed to full amortization of the ancillary costs of borrowing for the previous loan facilities as well as refund of certain finance costs due to earlier loan repayment as disclosed under Note B9.

B3. Prospects For The Remaining Quarter Up To 31 December 2005

The Directors are positive the telecommunication industry's mobile sector will continue to grow with subscribers' increasing demand for more sophisticated mobile offerings amidst intensive competition amongst operators. As we pursue an optimized investment program, we will stay focused to deliver high service quality and coverage expansion. The Directors expect operational performance to remain positive as we continue to bring to the market innovative products and services that are simple, attractive and of clear relevance to customers.

B4. Explanatory Notes for Variance of Actual Profit from Forecast Profit/ Profit Guarantee

Not applicable.

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ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR – CONT'D

B5. Taxation

The taxation charge for the current quarter and financial year-to-date ended 30 September 2005 was made up as follows:

	Current year quarter 30 September 2005 RM'000	Current year-to-date 30 September 2005 RM'000
Current tax expense	-	-
Deferred tax expense		
- current	55,826	128,466
- prior year under provision	104	104
	55,930	128,570
Total	55,930	128,570

There was no current tax expense for the current quarter and financial year-to-date ended 30 September 2005 due to utilisation of unabsorbed capital allowances and business tax losses brought forward.

The effective tax rate for the current quarter and financial year-to-date ended 30 September 2005 of 28.1% and 29.0% respectively were higher than the statutory tax rate of 28.0% as certain expenses and provisions were not deductible for tax purposes.

B6. Profits/(Losses) on Sale of Unquoted Investments and/or Properties

There were no profits/(losses) on sale of investments and properties included in the results for the current quarter and financial year-to-date ended 30 September 2005.

B7. Quoted Securities

There was no purchase and disposal of quoted securities for the current quarter and financial year-to-date ended 30 September 2005. There was no investment in quoted shares as at 30 September 2005.

B8. Status of Corporate Proposals

As at 21 October 2005, there was no corporate proposal announced but not completed in the interval from the date of the last quarterly report.

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ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR – CONT'D

B9. Group Borrowings

Details of Group Borrowings are as follows:

Borrowings	30 September 2005 RM'000
<u>Unsecured</u>	
Long term: Denominated in Ringgit Malaysia	300,000
Total	300,000

On 11 April 2005, a subsidiary of the Company has entered into a new credit facility of fixed rate term loan ("FRTL") of RM300.0 million to refinance the previous borrowings. This new FRTL facility was fully drawdown in April 2005 to prepay the outstanding borrowings of RM337.8 million as at 31 March 2005 and the remaining of RM37.8 million were settled by utilizing the excess cash from operations. The legal charge on the previous loan facilities is in the process of being discharged.

B10. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments entered into by the Group as at 21 October 2005.

B11. Material Litigation

There was no pending material litigation as at 21 October 2005.

B12. Dividends

No interim dividend has been recommended for the current quarter ended 30 September 2005.

B13. Earnings Per Share

Basic Earnings Per Share

The basic earnings per share for the current quarter and financial year-to-date ended 30 September 2005 has been calculated based on the net profit attributable to ordinary shareholders of RM142,891,000 and RM314,347,000 respectively and the weighted average number of ordinary shares outstanding during the quarter and financial year-to-date of 750,000,000.

Diluted Earnings Per Share - Not applicable.

c.c Securities Commission