Quarter 4 2005

Results for DiGi
Analyst presentation

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Quarter four in brief

DiGi Highlights

- Strong revenue growth with sustained profit margins
- Innovations and promotions continue to drive DiGi
- Further improvement in brand equity and market position
- Boom in SIM-card sales
- Prepaid ARPU stable

Competitive landscape

- Prepaid starter pack price battle
- Promotions driving international calling and on net traffic
- Customers' increasing interest in advanced VAS
- Competition intensifying
- Fixed-to-mobile conversion moderate

Key innovations in 2005

Q1 2005

- BubbleTalk #1
- Lifelogger #1
- Prepaid Flexi e-load

Q2 2005

- MTV PowerPack #1
- Online Enhancement + Dial a DiGi #1
- 10th Anniversary Promotions

Q3 2005

- Community Zone #1
- Enhanced UMB #1
- UMB Postpaid #1

Q4 2005

- Business Postpaid Closed User Group #1
- XMS #1
- Postpaid Payment via Flexi e-load #1

#1 = first in Malaysia

2005 – record numbers

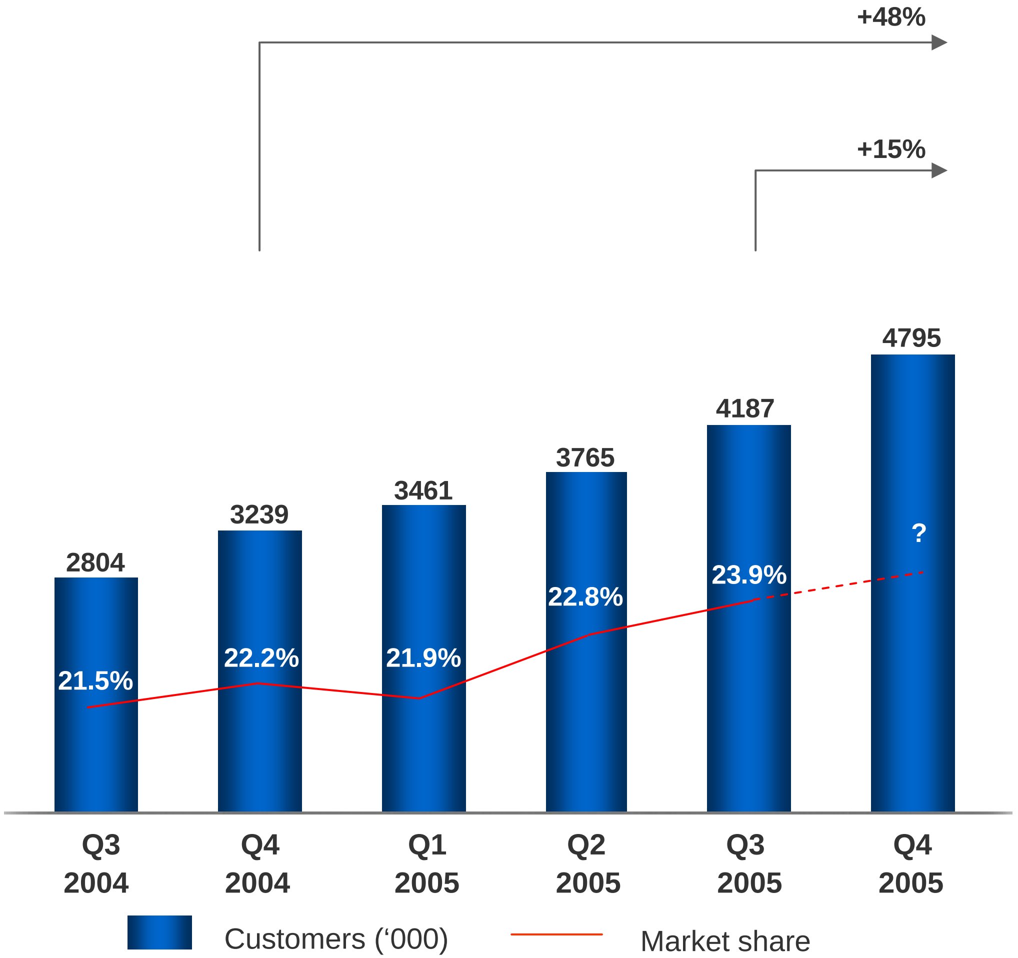
	Q405	Q-on-Q vs Q305		Y-o-Y 2005 vs 2004	
Customer base	**4.80 mil**	+ 15%	(4.19 mil)	+48%	(4.80 mil)
Revenue	**RM828 mil**	+11%	(RM745 mil)	+ 29%	(RM2,884 mil)
EBITDA	**RM361 mil**	+10%	(RM327 mil)	+29%	(RM1,259 mil)
EBITDA margin	**43.6 %**	-0.3pp	(43.9%)	-0.1pp	(43.7%)
PAT	**RM157 mil**	+10%	(RM143 mil)	+48%	(RM471 mil)
EPS	**20.9 sen**		19.1 sen		62.8 sen

Key Numbers

Surge in SIM card activations

Subscribers

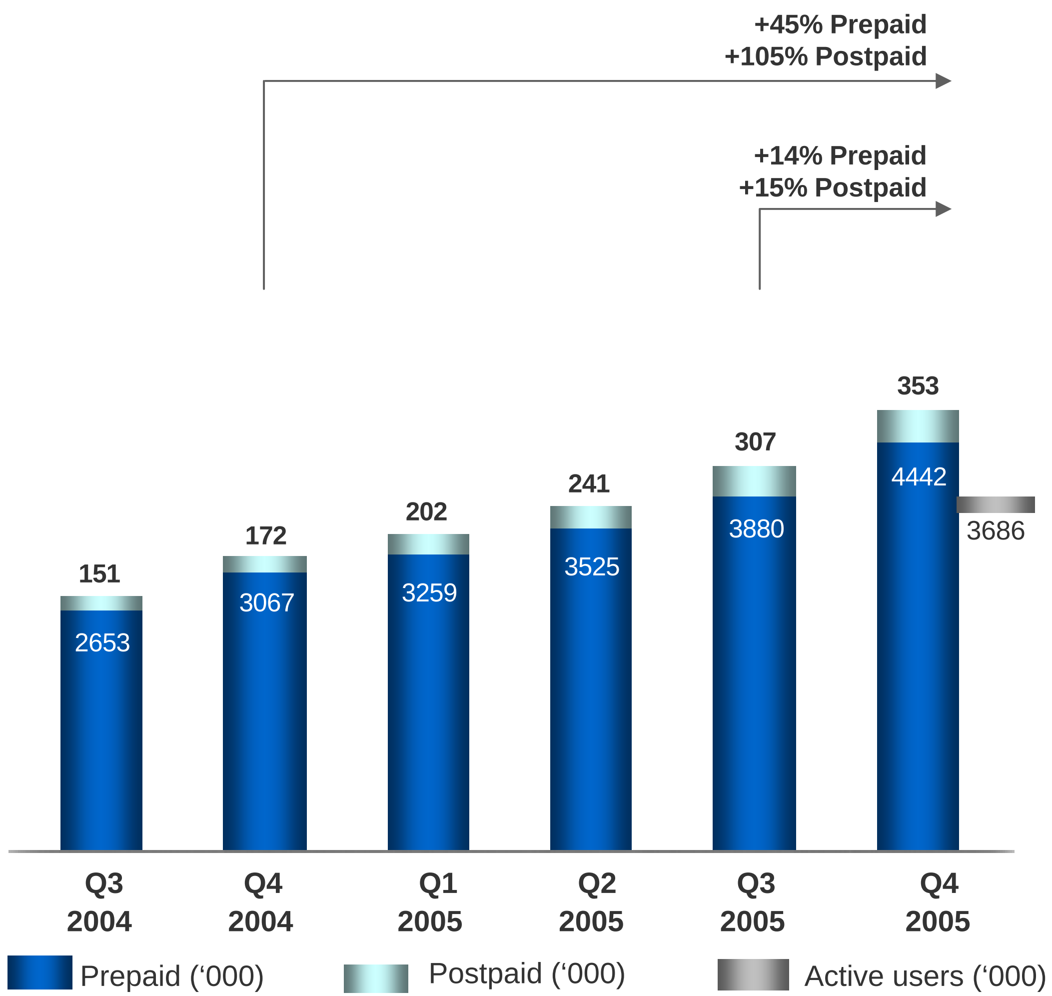
- 608k net additions
- Promotions and price of SIM pack key drivers
- Attractive brand and increased coverage paying off



Prepaid driving subscriber base

Subscribers

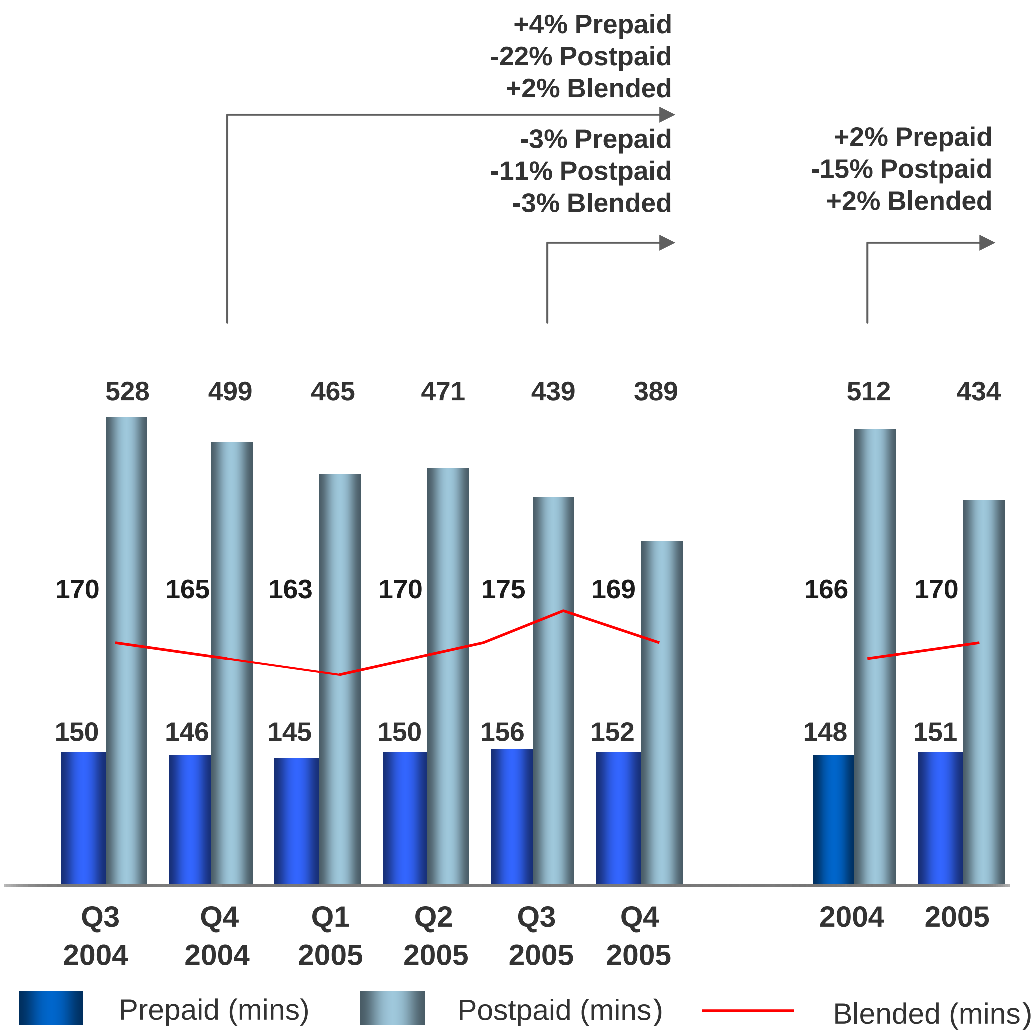
- Prepaid driven by attractive promotions and start pack prices
- Solid postpaid growth
- Overall very competitive in value, simplicity and relevance



High subscriber growth dilutes AMPU

AMPU

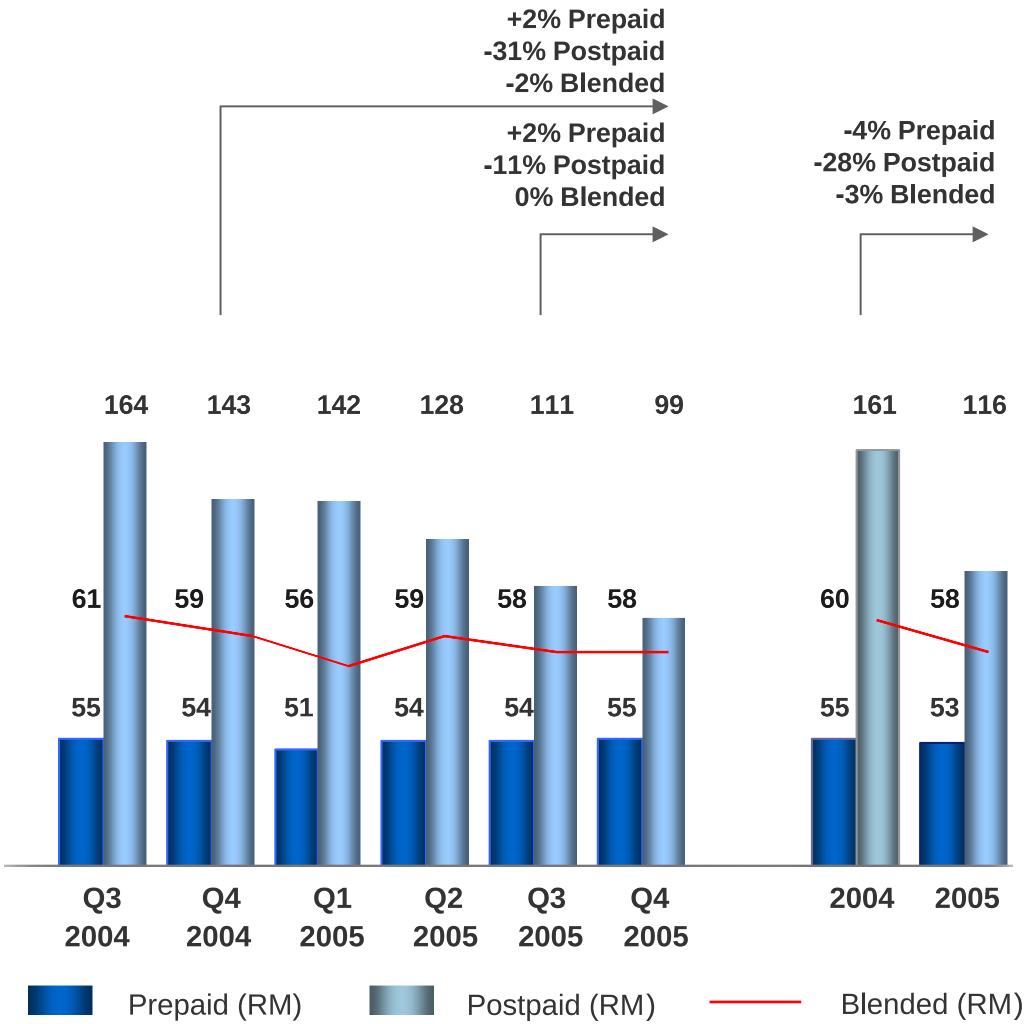
- Higher IDD and intranet traffic
- Subscriber base growing faster than incoming minutes; AMPU lower
- Postpaid; usage further diluted by uptake of supplementary lines



ARPU sustaining; held up by usage mix

ARPU

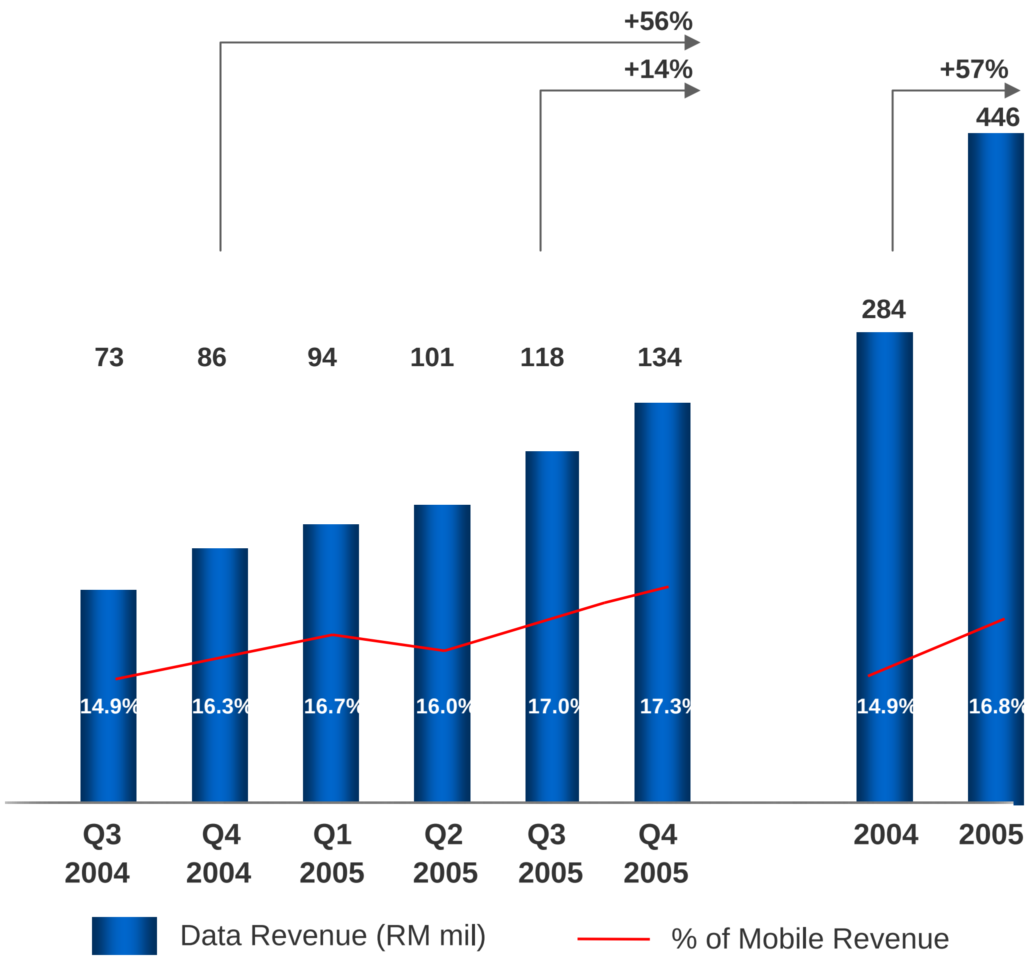
- Blended ARPU stable in spite of record SIM uptake
- Prepaid ARPU higher on promotional activities and festive seasons
- Postpaid lower due to usage



Growing contribution from data revenues

Data revenues

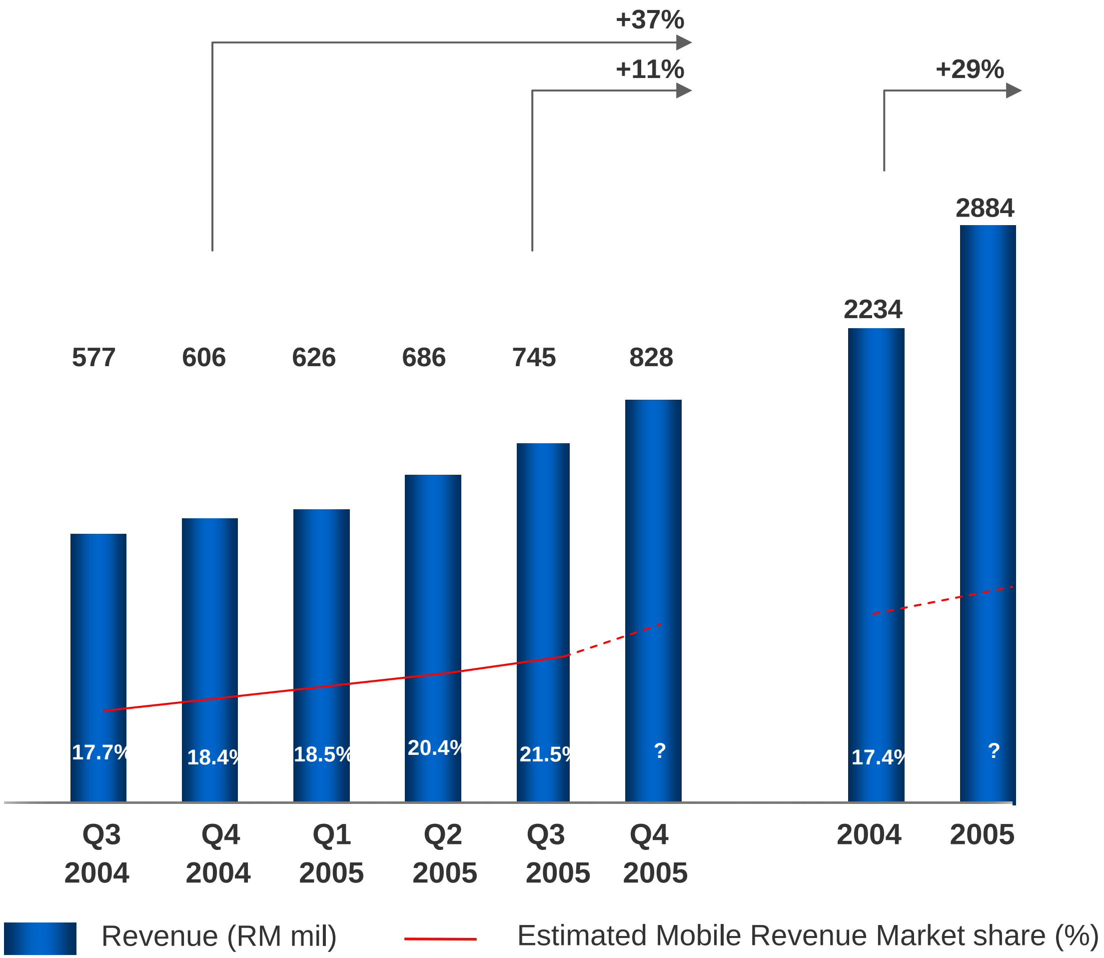
- Benefiting from expanded EDGE coverage
- SMS dominates in Q4, festive season key driver
- Richer content and new applications drive other data



Revenue growth continues to be high

Revenue

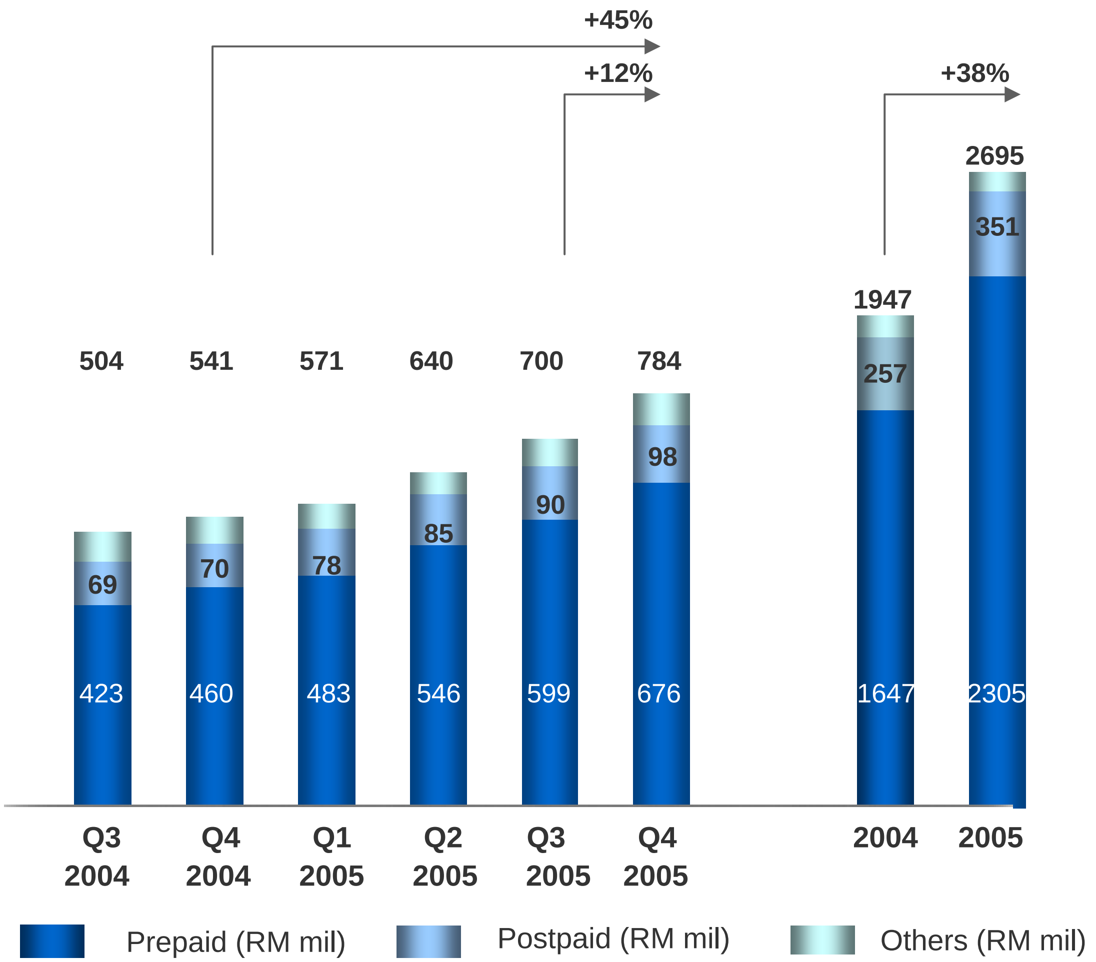
- New customers and maintained ARPU pushing revenue higher
- Steady improvement in revenue market share



Mobile revenues 95% of total revenues

Mobile revenues

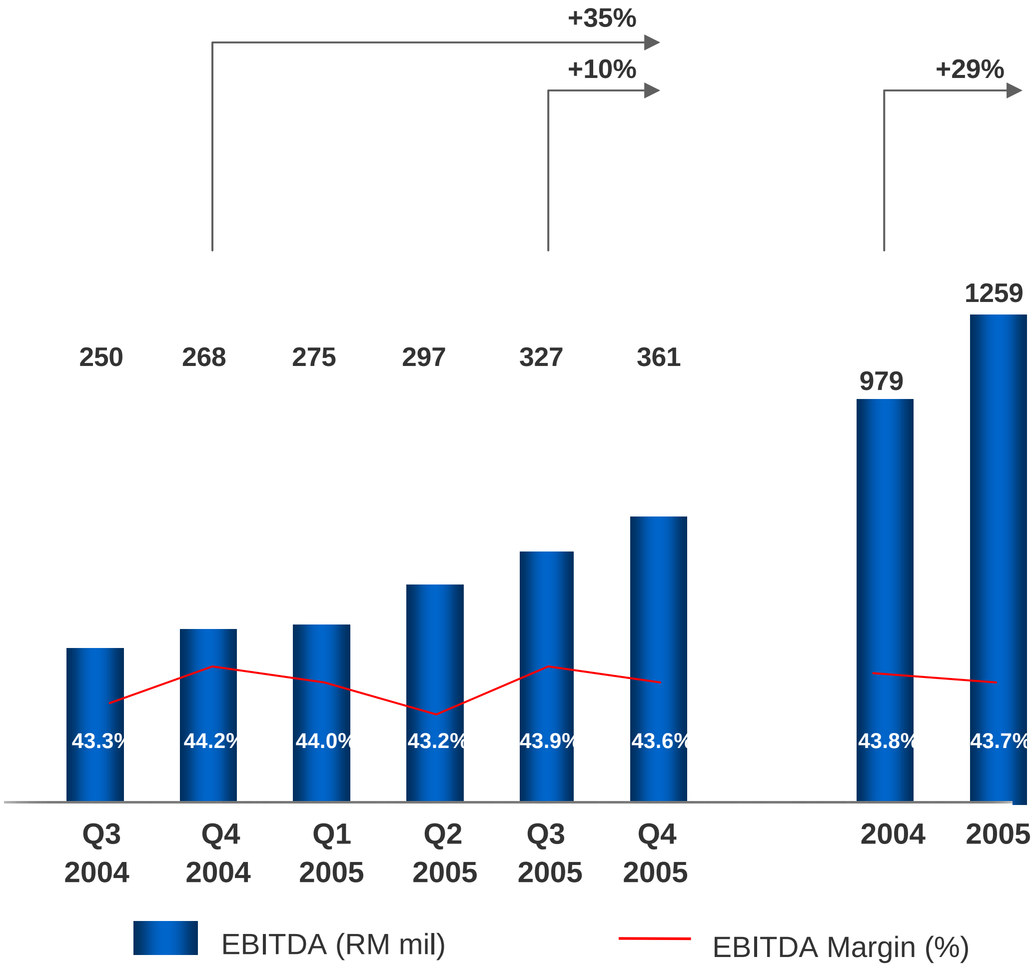
- Prepaid dominates in value & growth
- Postpaid almost 10% rev growth
- Interconnect revenues around 12% mobile revenues in Q4



EBITDA up in line with revenues

EBITDA

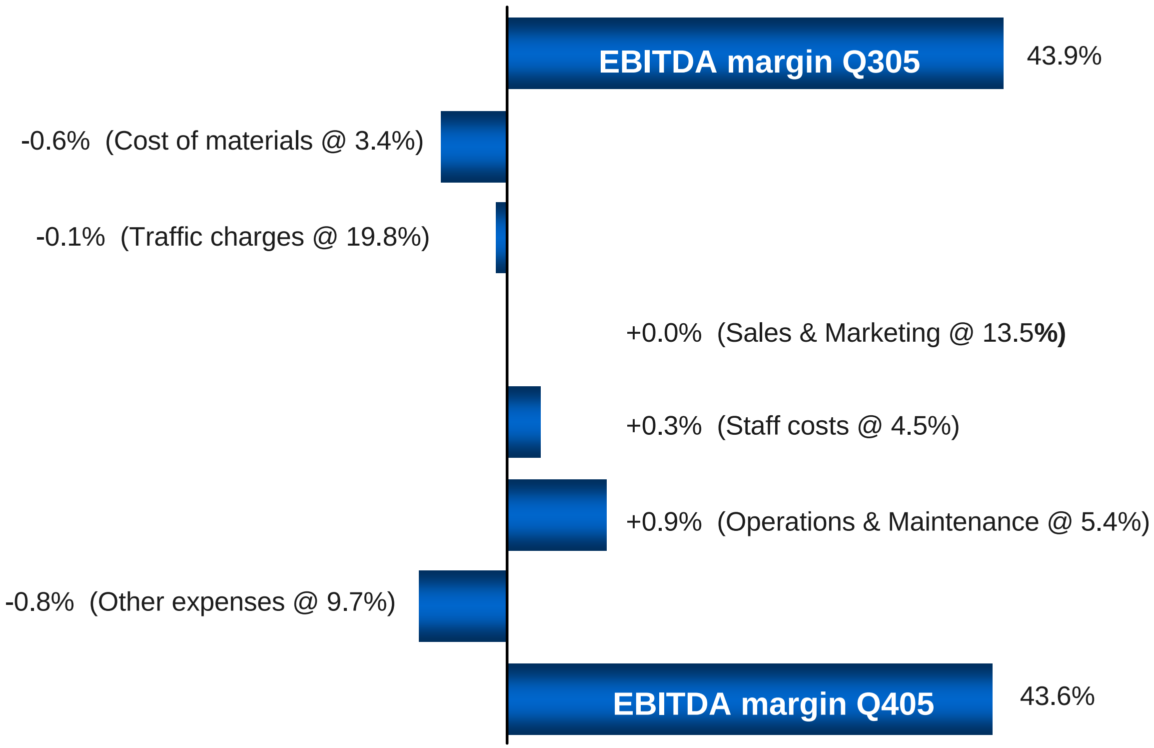
- Margin held up in spite of aggressive expansion and competition
- Underpinned by strong operational performance



EBITDA margin resilient

EBITDA margin

- Higher IDD traffic resulted in higher traffic charges
- Signs of economies of scale; in O&M and staff costs
- A&P remain high



@ denotes % of revenue in Q405

Conscious cost management

Opex

- Higher traffic charges; driven by IDD
- S&M pushed higher by new launches and promotions
- Slight increase in bad debts; from higher postpaid base

(RM mil)	Q405	Q305	2005	2004
Cost of materials	28.0	20.6	88.6	90.2
Traffic charges	164.2	147.1	557.2	422.1
Sales & Marketing	112.0	100.4	393.5	275.2
- Advertising & promotions	*45.2*	*41.8*	*168.3*	*113.9*
-Commissions	*66.8*	*58.6*	*225.2*	*161.3*
Staff Costs	37.3	35.9	135.0	114.2
Operations & Maintenance	45.0	46.7	180.0	146.7
Other expenses	80.7	68.2	272.8	208.8
- USP fund and license fees	*50.3*	*41.8*	*164.3*	*129.7*
- provision for bad & doubtful debts	*3.8*	*2.9*	*11.9*	*6.9*
- others	*26.6*	*23.5*	*96.6*	*72.2*
Total	467.2	418.9	1,627.1	1,257.2
EBITDA margin	43.6%	43.9%	43.7%	43.8%

Improvements flow through to PAT

PAT

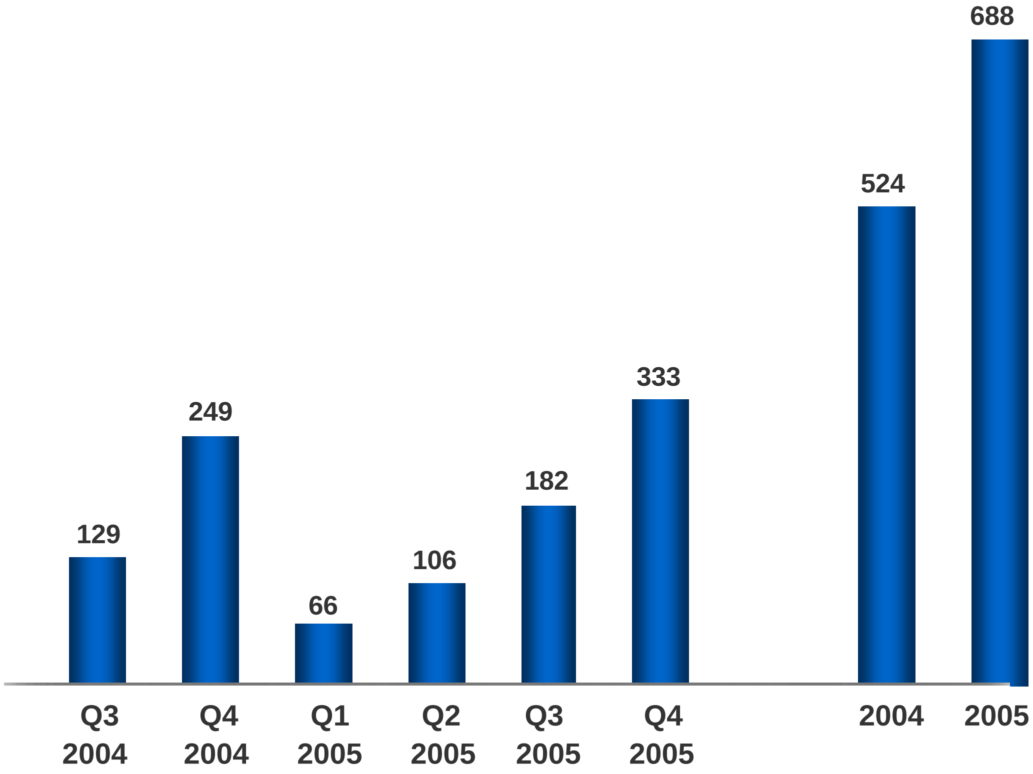
- Lower finance costs from prepayment of loans
- Accelerated depreciation effects Q4 with RM 9 mil
- PAT and EPS increase > 9% q-on-q

(RM mil)	Q405	Q305	2005	2004
EBITDA	360.8	326.8	1,259.3	979.0
Depreciation & Amortization	(145.4)	(132.1)	(583.5)	(469.6)
EBIT	215.4	194.7	675.8	509.4
Net finance income / (costs)	3.2	4.1	(14.2)	*(62.6)*
- finance costs	*(3.7)*	*(1.1)*	*(32.4)*	*(75.5)*
- interest income	*6.9*	*5.2*	*18.2*	*12.9*
PBT	218.6	198.8	661.6	446.8
Taxation	(62.0)	(55.9)	(190.6)	(129.4)
PAT	156.6	142.9	471.0	317.4
EPS (sen)	20.9	19.1	62.8	42.3

Accelerated roll-out; slight short-fall

Capex (RM mil)

- Network expansion short of targets
- Coverage now at low 80s nationwide
- 49% capex on expansion - 29% on capacity and maintenance



High year end cash balance

Free cash-flow

- High cash-flow generation
- Working capital build up due to higher accruals
- First tax payment of RM15 mil

(RM mil)	Q405	Q305	2005	2004
Cash at start	888.9	636.0	634.7	338.5
Cash-flow from operations	339.6	330.8	1,227.5	924.9
Changes in working capital	279.2	100.8	369.9	79.7
Cash-flow used in investing activities	(324.7)	(178.7)	(669.2)	(506.5)
- Capex	*(333.0)*	*(181.9)*	*(686.9)*	*(519.9)*
Cash-flow used in financing activities	0.0	0.0	(379.9)	(201.9)
Net change in cash	294.1	252.9	548.3	296.2
Cash at end	1,183.0	888.9	1,183.0	634.7
Operational cash-flow (EBITDA – Capex)	27.8	144.9	572.4	459.1

Balance sheet has flexibility

Balance sheet

- Fixed assets affected by RM76 mil accelerated depreciation effect in 2005
- First time positive net current assets

(RM mil)	31 Dec 2005	31 Dec 2004
Fixed Assets	2,791.1	2,687.0
Intangible Assets	35.1	39.1
Deferred Expenses	0.5	15.2
Current Assets	1,405.6	838.8
- Cash and its equivalent	*1,183.0*	*634.7*
Current Liabilities	(1,302.6)	(1,142.8)
- Short-term borrowings	*(0.0)*	*(224.6)*
	2,929.7	2,437.3
Financed by:-		
Shareholders' Funds	2,248.1	1,777.2
Long-term & Deferred Liabilities	681.6	660.1
- Long-term borrowings	*300.0*	*455.3*
	2,929.7	2,437.3

Key ratios show strength

Key ratios

- Good improvement in ROE and ROCE
- Capex/sales ratio at its peak quarter

	Q405	Q305	2005	2004
ROE (%)	7.0%	7.0%	20.9%	17.9%
ROCE (%)	7.4%	11.6%	23.1%	20.9%
Net debt-to-equity (%)	Net cash	Net cash	Net cash	2.5%
Net debt-to-EBITDA (x)	Net cash	Net cash	Net cash	0.05x
Interest Coverage	NA	49.7x	47.3x	8.1x
FCF/share	3.7 sen	19.3 sen	76.3 sen	61.2 sen
FCF yield (%)*	0.5%	2.4%	9.7%	7.7%
Capex/Sales (%)	40.3%	24.4%	23.8%	23.4%

** Based on share price of RM7.90 (closing on 14th February)*

Updates and outlook

Regulatory update

3G

- submitted strong and credible bid
- bid based on proven investment commitment & innovation promise
- formal bid announcement expected end February

Number Portability

- framework still under discussion
- central data-base approach
- implementation aims for 2007
- well positioned to capture potential changes

Prepaid Registration

- mandatory from 2006
- DiGi and industry working together to meet government target
- no major impact on long term revenue development

Access Pricing

- narrowing of gap in fixed and mobile termination rates
- full year negative net impact less than RM35 mil (reduced revenues – reduced costs)
- new rates effective 15 Feb 2006, within guidance

SOA 404 (SOX) update

Telenor listed on Nasdaq

- Telenor aims to be SOA compliant by end of 2006
- DiGi as a significant operation in Telenor, therefore needs to comply as well

Governance and Control

- strengthening internal controls over financial reporting
- more structured, and visibility of, key processes
- enhancing key controls

Work done for over one year

- 2005: Business process documentation and remediation
- 2006: Remediation, testing and final auditor's attestation
- After 2006: Ongoing documentation updates, testing and attestation

Potential effects to DiGi

- fixed asset register reconstruction
- asset tagging and reclassification
- increase or decrease of assets' reported value
- more updates in 2006

Delivering good returns to shareholders

75 sen capital repayment
- obtained shareholders' approval
- pending High Court approval
- expect cash payout in Q2 2006
- current share price indicates a net yield of 9.5%

Balance sheet
- ROE to be enhanced by capital repayment
- ongoing assessment on optimal capital structure

Financing
- RM700 mil CP/MTN programme approved by SC
- drawdown dependent on requirements/plans
- RM300 mil term loan in place

Dividend
- reaffirmed; payout of minimum 50% of net earnings beginning FY2006
- current share price and guidance indicate a net yield in excess of 4%
- first interim expected in second half of 2006

Outlook maintained in relative terms

	2006
Revenue	10-15% growth
ARPU	lower
EBITDA margin	lower than 2005
Capex	RM800 mil – RM900 mil
PAT	mid teens growth

thank you

see you next quarter

3 May 2006

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