



Enriching Sri Lankan lives with
multi-sensory connectivity

Investor Forum




First- Half 2008



Company Performance Review

Snapshot – Company

		Change YoY	Growth %
CELLULAR SUBSCRIBERS	4.81 Mn.	1.15Mn.	 31

KEY FINANCIALS (in Rs.Bn.)	1H-2008	1H-2007	Change %
REVENUE	16.57	15.61	 6
EBITDA	5.31	7.46	 -29
PAT	2.16	5.25	 -59

^Exchange rates applied for Rupee Conversion are the average monthly rates published by Central Bank of SL.

4.81

million. mobile subscribers

31%

growth

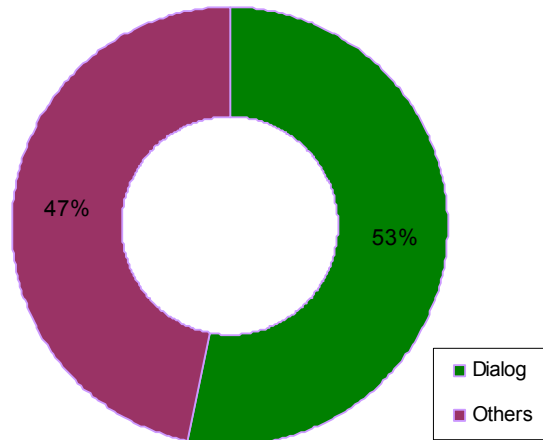


**as of 30 June 2008*

Mobile: Strong growth in Mobile Subscribers

Market Share

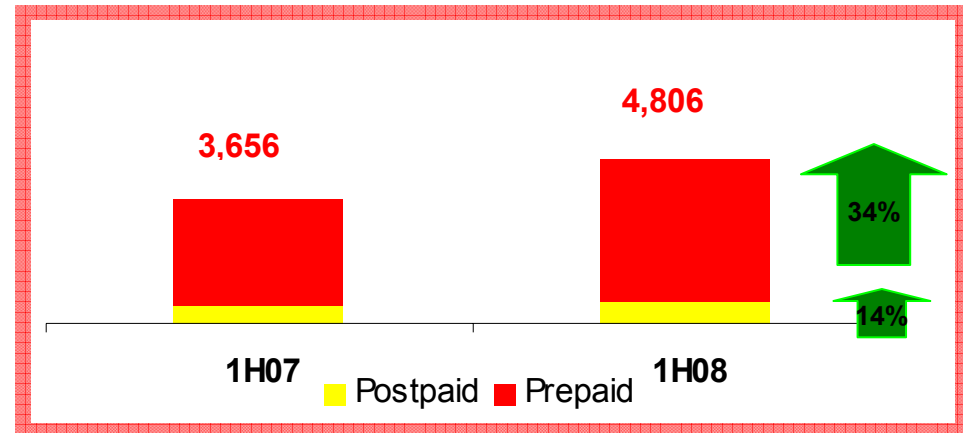
Mobile Subscriber Market Share



1H FY08 Mobile Subscribers

31%

Mobile Subscribers '000



SUBSCRIBER BASE	UNITS	1H-2008	1H-2007	Change %
Postpaid	000	590	519	↑ 14
Prepaid	000	4,216	3,137	↑ 34
Total active subscriber base	000	4,806	3,656	↑ 31
Total net additions	000	547	550	↓ (1)
Annualised churn	%	6.02	6.91	

P&L Highlights

(All figures in Rs.Mn. except for ratios)	COMPANY		
	1H-2008	1H-2007	Change(%)
Net Revenue*	16,566	15,607	6
Direct Costs	7,837	5,305	48
Gross Profit	8,729	10,302	(15)
<i>Gross Margin (%)</i>	53	66	
OPEX	6,243	4,588	36
EBITDA	5,312	7,457	(29)
<i>EBITDA Margin (%)</i>	32	48	
PBT	2,342	5,308	(56)
PAT	2,156	5,253	(59)
<i>PAT Margin (%)</i>	13	34	
EPS (Rs.)	0.27	0.70	(61)

* Comparatives restated to conform to changes in current period's presentation.




Revenue Dynamics

Revenue Drivers

- **Market Leadership** with sustained growth in subscribers
- **Enhanced Portfolio of Value Added Services**
- **Coverage and Quality of Service Improvements**

Revenue Mitigators

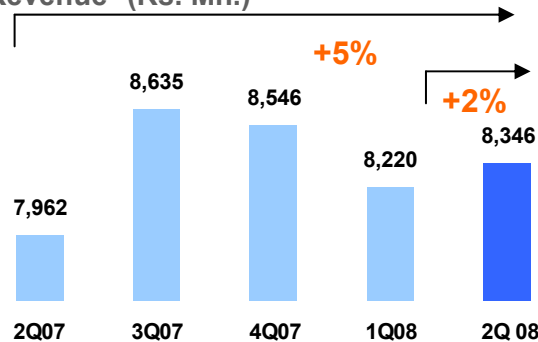
- **Tariff reduction and other affordability enhancement strategies**
- **General Inflation and Pressures on Disposable Income**

ARPU	UNITS	1H-2008	1H-2007	Change %
Blended ARPU	Rs.	492	601	 (18)
Prepaid ARPU	Rs.	350	414	 (15)
Postpaid ARPU	Rs.	1,481	1,709	 (13)

Revenue

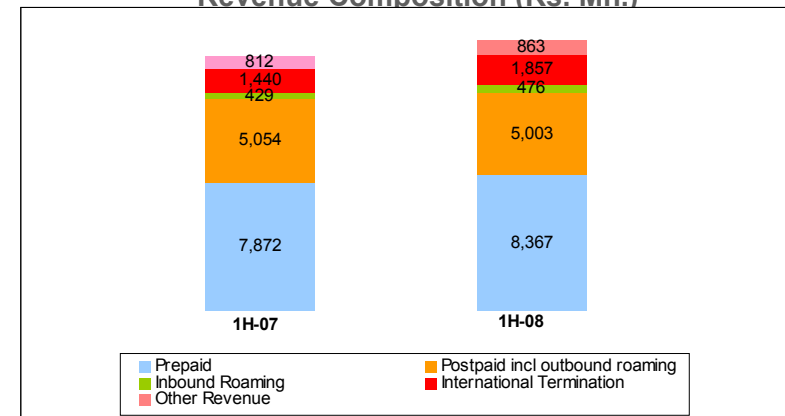
- Revenue growth of **2 per cent** on adjacent quarter basis.
- Revenue growth of **5 per cent** in 2Q 2008 compared to 2Q 2007.
- Revenue growth was mitigated in the main due to **tariff reductions and other affordability enhancement strategies** adopted by the company during Q4 2007 on the **backdrop of suppressed price-usage elasticity levels arising from inflation related pressures on consumer spending power**.
- Prepaid revenue remained the dominant contributor to revenue with **51 per cent** share .
- Value Added Services account for approx. **11 per cent** of total revenue for 1H -2008.

Revenue* (Rs. Mn.)



*Restated due to a classification change in current year.

Revenue Composition (Rs. Mn.)

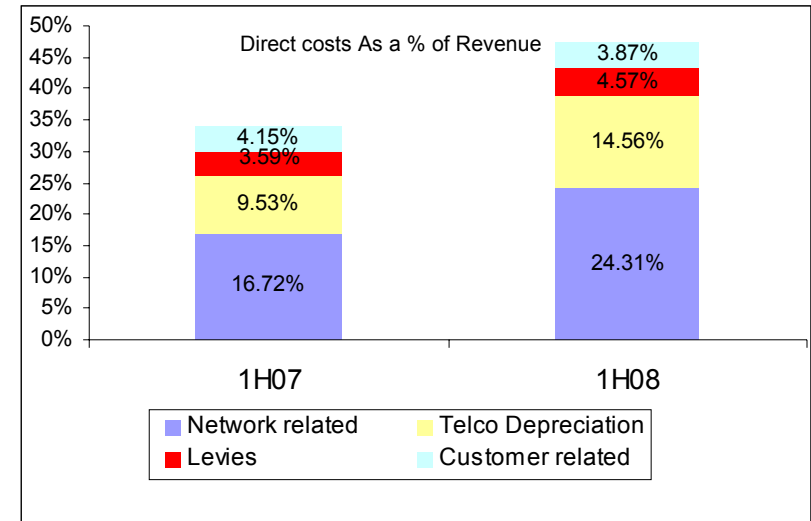
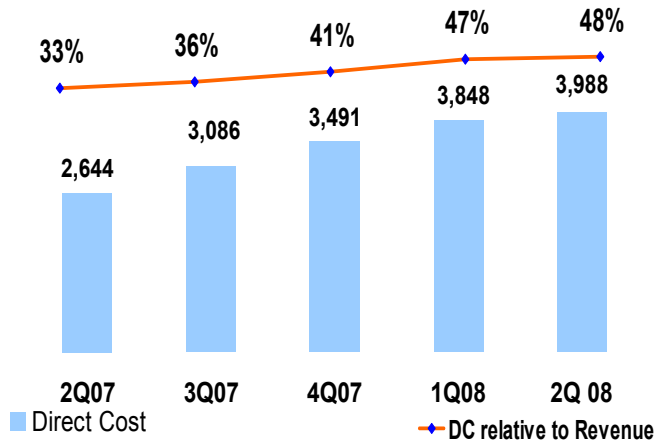


Revenue Composition

(all figures in Rs. Mn.)	1H-2008	%	1H-2007	%	Change %
Prepaid	8,367	50.5	7,872	50.4	6
Postpaid incl outbound roaming	5,003	30.2	5,054	32.4	-1
International Termination	1,857	11.2	1,440	9.2	29
Inbound Roaming	476	2.9	429	2.7	11
Other Revenue	863	5.2	812	5.2	6
Net Revenue	16,566	100	15,607	100	6

Direct Costs

- Direct costs Performance relative to revenue is mitigated mainly due to increases in **frequency fees (317 per cent)** **telco depreciation (62 per cent)** on the back drop of aggressive investment and other network costs in relation to **site rentals (144 per cent)**, **electricity charges(83 per cent)** fuelled by inflationary pressures (approx 28 per cent increase YoY), rise in energy costs and expansion in operations.



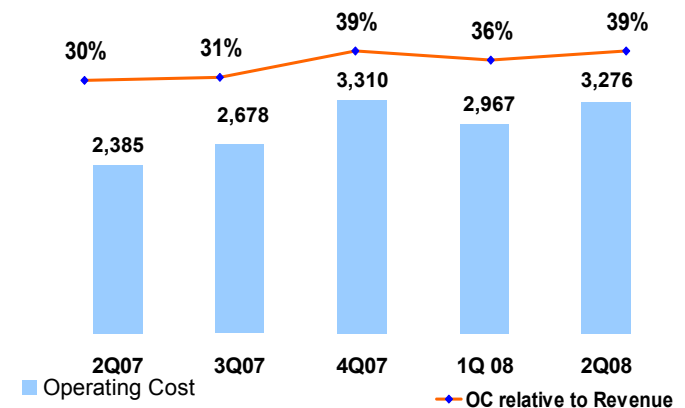
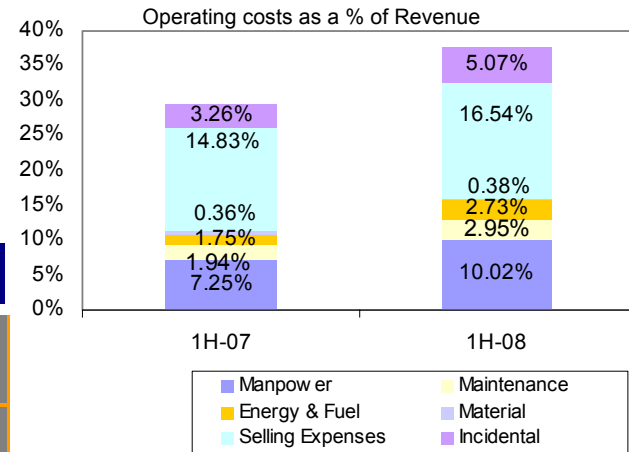
Direct costs

(all figures in Rs. Mn.)	1H-2008	%	1H-2007	%	Change %
Network Related Costs	4,027	51.38	2,609	49.18	54
As a % of Revenue	24.31		16.72		
Telco Depreciation	2,412	30.78	1,488	28.05	62
As a % of Revenue	14.56		9.53		
Levies	757	9.66	560	10.56	35
As a % of Revenue	4.57		3.59		
Customer Related Costs	641	12.08	648	12.21	-1
As a % of Revenue	3.87		4.15		
Total Direct Cost	7,837	100	5,305	100	48
As a % of Revenue	47		34		

Operating Costs

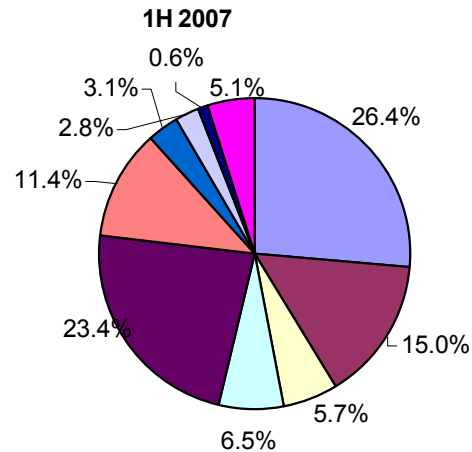
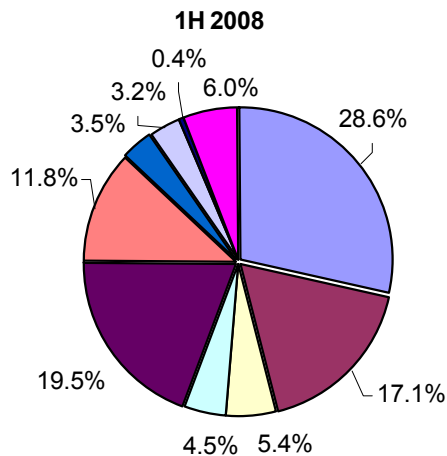
- Operating expenses as a percentage of revenue **increased** by 9 percentage points in 2Q 2008 vis-à-vis 2Q 2007.
- In addition to inflationary pressure on principal cost lines, performance relative to revenue is mitigated due to escalation of energy driven costs.

(all figures in Rs. Mn.)	1H-2008	%	1H-2007	%	Change %
Selling Expenses As a % of Revenue	2,740 16.54	44	2,315 14.83	50	18
Manpower As a % of Revenue	1,660 10.02	28	1,131 7.25	25	47
Maintenance As a % of Revenue	488 2.95	8	303 1.94	7	61
Energy & Fuel As a % of Revenue	452 2.73	7	273 1.75	6	65
Material As a % of Revenue	63 0.38	1	56 0.36	1	11
Incidental As a % of Revenue	840 5.07	13	508 3.26	11	65
Total Expenses As a % of Revenue	6,243 38	100	4,588 29	100	36



Total Cost Profile

- Increase in network costs and telco depreciation as a % of total costs.
- Manpower increased marginally as a % of total costs.



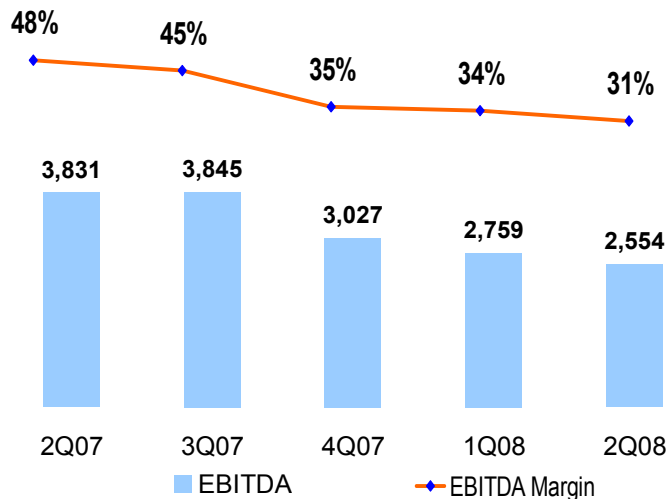
- Network Related Costs
- Telco Depreciation
- Levies
- Customer Related Costs
- Selling Expenses
- Manpower
- Maintenance
- Energy & Fuel
- Material
- Incidental

(all figures in Rs. Mn.)	1H -2008	%	1H-2007	%
Network Related Costs	4,027	28.6	2,609	26.4
Telco Depreciation	2,412	17.1	1,488	15.0
Levies	757	5.4	560	5.7
Customer Related Costs	641	4.5	648	6.5
Selling Expenses	2,740	19.5	2,315	23.4
Manpower	1,660	11.8	1,131	11.4
Maintenance	488	3.5	303	3.1
Energy & Fuel	452	3.2	273	2.8
Material	63	0.4	56	0.6
Incidental	840	6.0	508	5.1
Total Costs	14,080	100	9,892	100

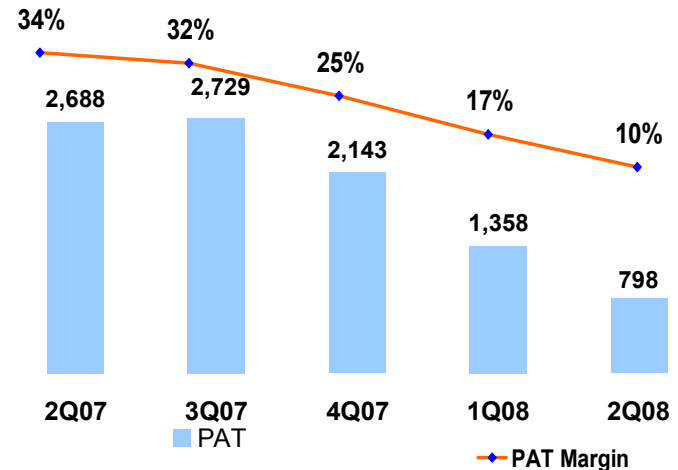
EBITDA and PAT Margins

- EBITDA/PAT performance in 2Q 2008 vis-à-vis 2Q 2007 has been mitigated due to:
 - Cost expansion** driven in the main by **general inflation (28 % YoY)**, **energy derived costs (46% YoY)**, and expansion of the company's network infrastructure, with associated increases in **Network related costs (49% YoY)** and **Depreciation (62% YoY)**

EBITDA (Rs. Mn.)

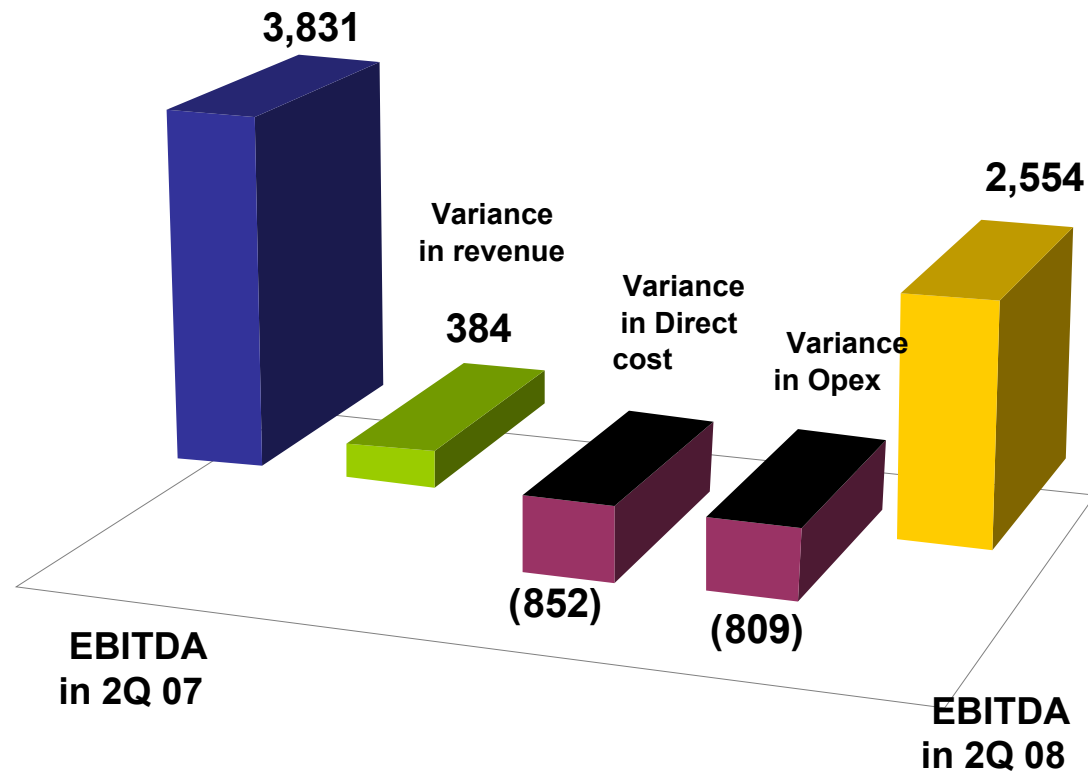


PAT (Rs. Mn.)

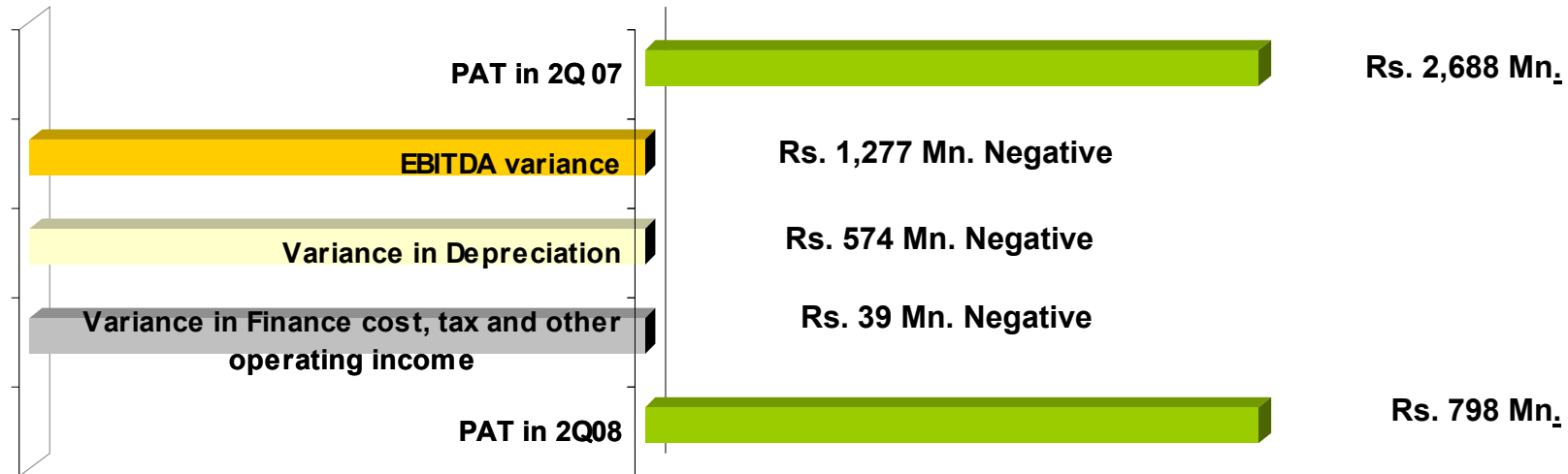


EBITDA Analysis :2Q 08 vs 2Q 07

(all figures in Rs Mn.)



PAT Analysis :2Q 08 vs 2Q 07



Balance Sheet

(all figures in Rupees '000)	30th June 2008	31st December 2007
	Company	Company
ASSETS		
Non Current Assets	56,622,722	49,527,591
Current Assets	20,044,105	20,379,238
Total Assets	76,666,827	69,906,829
EQUITY		
Capital and Reserves Attributable to Equity Holders of the Company		
Stated Capital	32,556,113	33,056,413
ESOS Trust Shares	(1,991,791)	(2,000,439)
Reserves	280,212	193,099
Retained Earnings	17,503,705	20,130,681
Total Equity	48,348,239	51,379,754
Liabilities		
Non Current Liabilities	9,718,173	5,216,255
Current Liabilities	18,600,415	13,310,820
Total Liabilities	28,318,588	18,527,075
Total Equity and Liabilities	76,666,827	69,906,829
Net Assets per share (Rs.)	5.94	6.31

Cash Flow Highlights

- Operating Cash Flows was mitigated due to reduction in earnings and increase in receivables.
- Cash used in Investing Activities increased by 61% YoY due to **committed investments**. Capex reassigned to priority areas.

(all figures in Rs. Mn.)	1H-2008	1H-2007
Net cash from operating activities	1,204	5,426
Net cash used in investing activities	(10,961)	(6,825)
Net cash used in financing activities	6,216	11,707
Increase/(decrease) in cash and cash equivalents	(3,540)	10,307
Movement in cash and cash equivalents		
At start of year	6,062	2,237
Increase/(decrease)	(3,540)	10,307
At end of period	2,522	12,545

* Comparatives restated to conform to changes in current year's presentation

Reconciliation of Cash Generated from Operations

- Interest expenses have reduced by 34 per cent due in the main to prepayment of several commercial borrowing facilities during the third-quarter of 2007.

(all figures in Rs. Mn.)	1H-2008	1H-2007
Profit before Tax	2,342	5,308
Adjustments for:		
Interest Expenses	275	415
Depreciation	2,394	1,688
Amortisation	268	54
Impairment	164	-
Retirement Benefit Obligation	51	16
Other Adjustments*	(4,055)	(1,624)
Cash Generated from Operations	1,439	5,857

*Other adjustments include Changes in Working Capital, exchange differences, profit on sale of Fixed Assets and dismantling costs.

Lenders as at 30 June 2008

Summary of Outstanding borrowings						
Institutions	Type of Facility	Currency	Facilities Amt	Principal Outstanding	Less than one year	More than one year
			USD Mn eqv.	USD Mn eqv.	USD Mn eqv.	USD Mn. eqv.
IFC	Term Loan	USD	70.00	50.00	-	50.00
DFCC	Term Loan	LKR	9.30	9.30	1.86	7.44
SCB	Loan Facility	LKR	25.00	8.84	8.84	-
Total			104.30	68.14	10.70	57.44

** Above excludes vendor financing.*

The Company drew down USD 25 Mn. from IFC in 2Q 2008.

Debt KPIs as at 30 June 2008

Gearing

29%

Net Debt : EBITDA

1.66x

**EBIT : Net Interest
Expense**

9x

Fitch Rating

AAA (Ika)

**Debt includes bank borrowings and vendor financing.*



Subsidiary Performance

CDMA subscribers
56% growth




Wi Max subscribers
66% growth

*growth compared against 1Q 2008

Dialog Broadband Networks (Pvt) Ltd. [DBN]

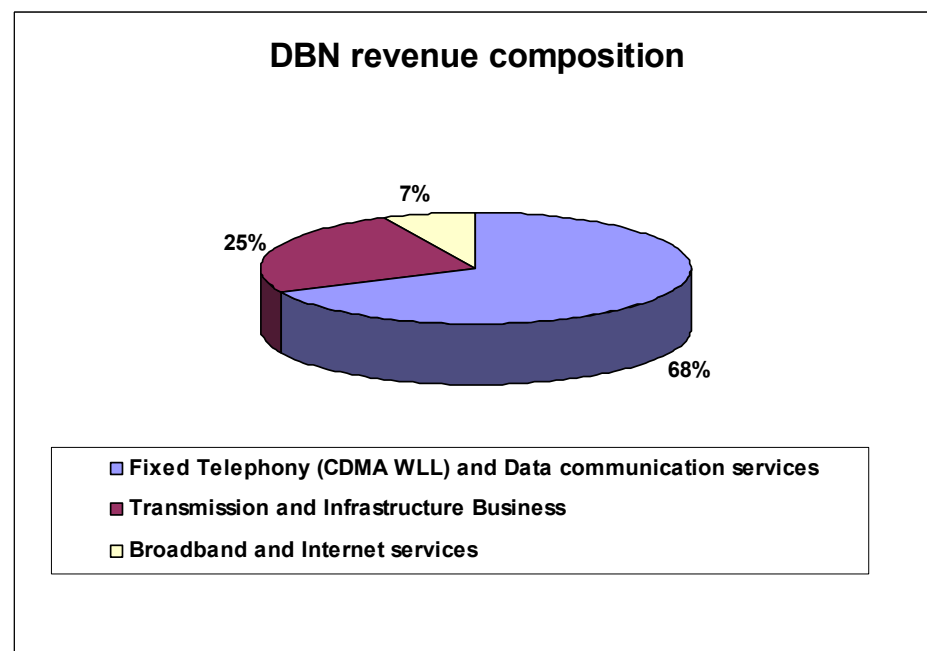
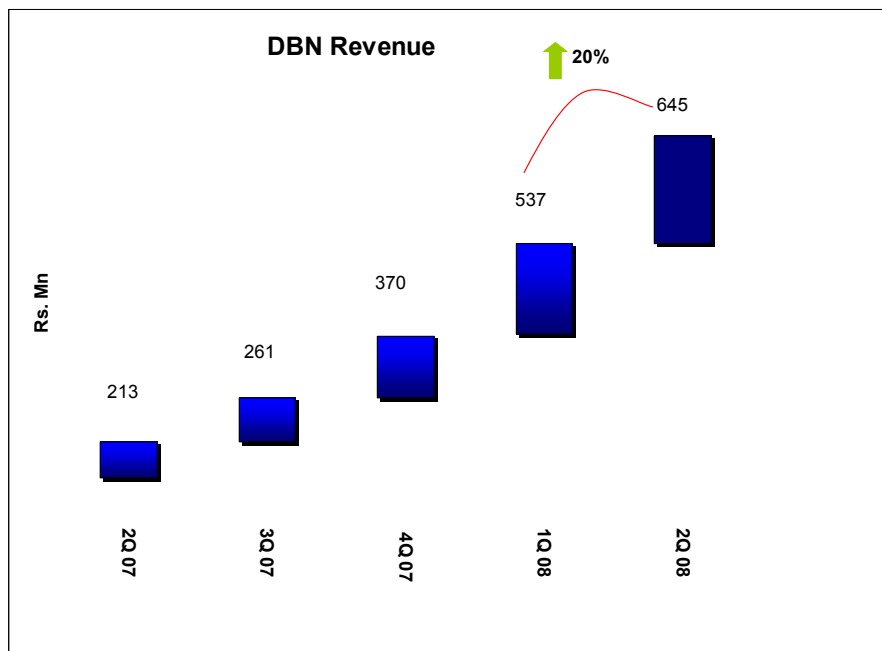
- Revenue of **Rs. 1,181.84 Mn up 181 per cent relative to Rs. 420.96 Mn.** recorded for the six months ended 30 June 2007 .
- DBN recorded a **EBITDA of Rs. 51.36 Mn.** for the six months ended 30 June 2008 vis-à-vis a figure of Rs.120.70 Mn recorded for the six months ended 30 June 2007.
- Immediate QoQ performance displays **a positive trajectory in terms of key performance indicators** – with EBITDA recording positive performance of 151% relative to Q1 2008.
- **Net loss** of Rs. 291.07 Mn. for the six months ended 30 June 2008 vis-à-vis a loss of Rs. 7.79 Mn. recorded for the six months ended 30 June 2007.

KEY FINANCIALS	USD Mn	Rs Mn.	Change YoY	Growth % YoY
REVENUE	10.96	1,182	Rs. 761 Mn.	 181
EBITDA	0.48	51	(Rs. 69 Mn.)	
PAT	(2.70)	(291)	(Rs. 283 Mn.)	

[^]Exchange rates applied for Rupee Conversion are the monthly average rates published by Central Bank of SL.

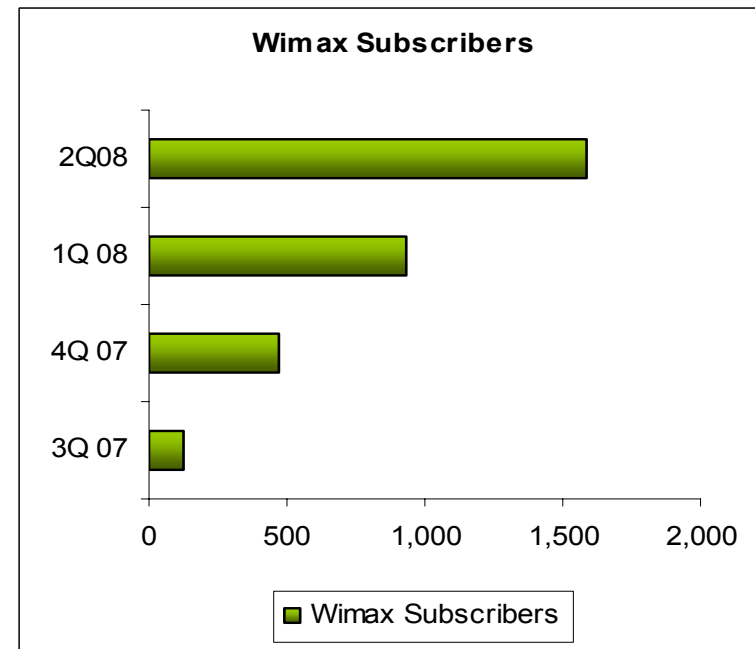
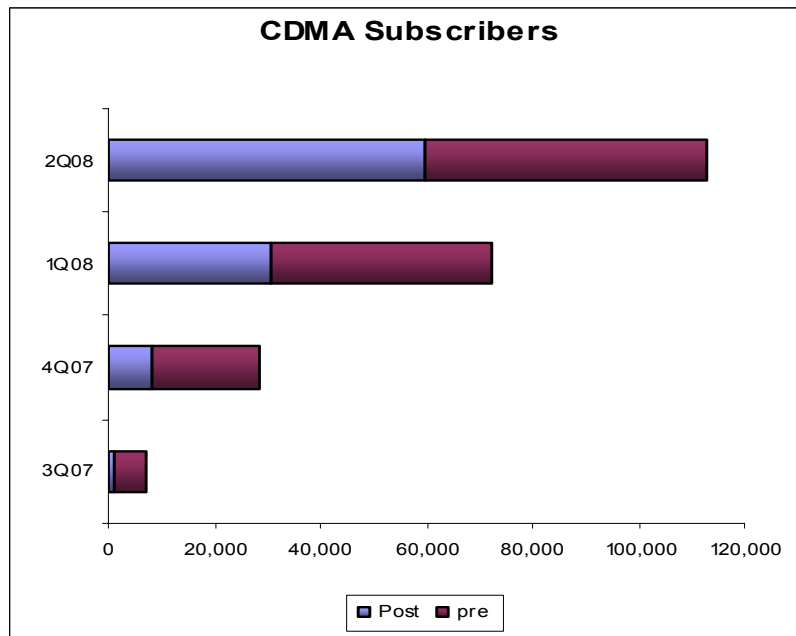
Revenue Growth - DBN

- DBN has delivered revenue growth of 181 per cent in 1H -2008 compared to 1H-2007
- DBN revenue components include Fixed Telephony (CDMA WLL), Data communication services, Transmission and Infrastructure Business, and Broadband and Internet services.



Revenue Drivers - DBN

- Pre / Post CDMA mix: 53:47
- The CDMA fixed wireless service commercially launched in July 2007 covers **20 districts** including Colombo.
- **CDMA subscriber growth** : **↑56 per cent** on adjacent QoQ.
- **Wi Max subscriber growth** : **↑66 per cent** on adjacent QoQ.



102,293

Pay TV Subscribers

276% YoY growth







Dialog Television (Pvt) Ltd.

■ DTV Group (inclusive of subsidiaries Communiq Broadband Network (Pvt) Ltd (CBN) and CBN SAT (Pvt) Ltd) recorded a **revenue of Rs. 787.66 Mn** for the six months ended 30 June 2008 .

• DTV EBITDA recorded at negative Rs. 30.78 Mn in Q2 2008 - a **performance improvement of 84 % relative to Q2 2007 and 59% relative to Q1 2008** signifying substantial performance enhancements relative to the negative positions recorded at the early stages of market creation.

■ The company recorded a **net loss of Rs. 196.40 Mn.** for the six months ended 30 June 2008.

		Change YoY	Growth %
PAY TV SUBSCRIBERS	102,293	75,121	 276

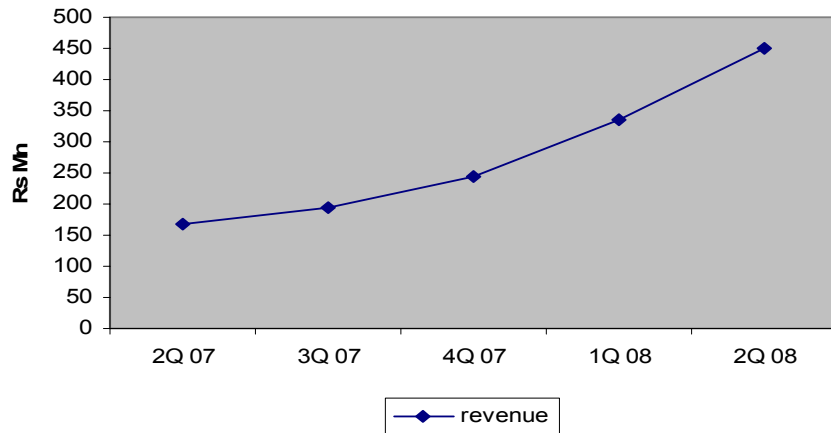
KEY FINANCIALS	USD Mn	Rs Mn.	Change YoY	Growth % YoY
REVENUE	7.30	788	Rs 502 Mn.	 176
EBITDA	-0.98	(106)	Rs. 211 Mn.	 67
PAT	-1.82	(196)	Rs. 154 Mn.	 44

[^]Exchange rates applied for Rupee Conversion are the monthly average rates as announced by Central Bank of SL.

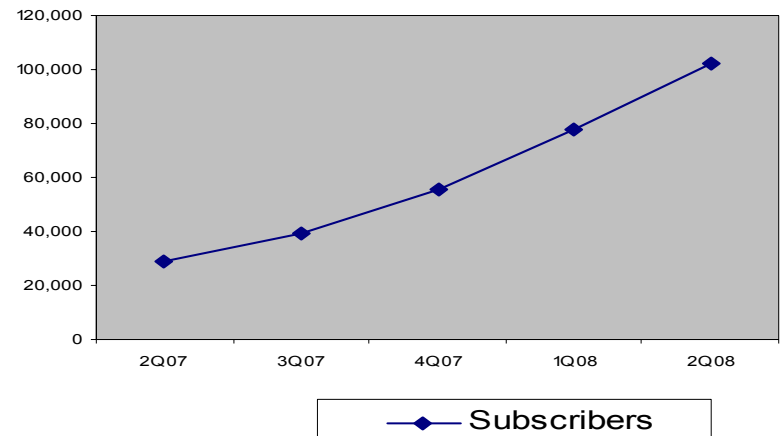
Revenue Composition - DTV

- Revenue comprises of initial connection fees and monthly subscription rentals.
- Connection fee** revenue represented **58 per cent** of total revenue totaling to Rs. **456 Mn.** The revenue generated from **monthly subscription** totaled Rs. **332 Mn.** contributing to **42 per cent** of total revenue.
- Pay TV** Subscriber registered **a growth of 276 per cent YoY.**

Quarterly Revenue



Subscriber Growth





Group Performance




Performance Synopsis

- Revenue Growth YoY-
 - ❑ Dialog - 6%
 - ❑ DBN - 181%
 - ❑ DTV – 176%

- Subscriber Growth –
 - ❑ Mobile - 31% YoY
 - ❑ CDMA - 56% Adjacent QoQ
 - ❑ Wi Max – 66% Adjacent QoQ
 - ❑ Pay TV – 276% YoY

Snapshot – Group

- While the Dialog Group has achieved a strong foothold in the multiple sectors of fixed line, broadband and pay television through an aggressive range of services commercialised during the course of 2007, the growth potential of the associated new businesses, is expected to be enhanced manifold in tandem with improvements in macro-economic conditions and accompanying enhancement in consumer spending power and consumption of ICT services including broadband and pay television.

KEY FINANCIALS (in Rs. Bn.)	1H-2008	1H-2007	Change %	
REVENUE	18.27	16.14		13
EBITDA	5.33	7.24		-26
PAT	1.64	4.87		-66

^Exchange rates applied for Rupee Conversion are the monthly average rates published by Central Bank of SL.

P&L Highlights -Group

(All figures in Rs.Mn. except for ratios)	GROUP		
	1H-2008	1H-2007	Change(%)
Net Revenue*	18,269	16,137	13
Direct Costs	8,820	5,935	49
Gross Profit	9,449	10,202	(7)
<i>Gross Margin (%)</i>	52	63	
OPEX	7,338	4,845	51
EBITDA	5,334	7,237	(26)
<i>EBITDA Margin (%)</i>	29	45	
PBT	1,842	4,932	(63)
PAT	1,643	4,868	(66)
<i>PAT Margin (%)</i>	9	30	
EPS (Rs.)	0.20	0.65	(69)

* Comparatives restated to conform to changes in current period's presentation.

Balance Sheet - Group

(all figures in Rupees '000)	30th June 2008	31st December 2007
	Group	Group
ASSETS		
Non Current Assets	63,351,180	54,337,744
Current Assets	15,383,034	17,387,769
Total Assets	78,734,214	71,725,513
EQUITY		
Capital and Reserves Attributable to Equity Holders of the Company		
Stated Capital	32,556,113	33,056,413
ESOS Trust Shares	(1,991,791)	(2,000,439)
Reserves	280,212	193,099
Retained Earnings	15,957,000	19,096,588
Total Equity	46,801,534	50,345,661
Liabilities		
Non Current Liabilities	10,111,648	5,668,206
Current Liabilities	21,821,032	15,711,646
Total Liabilities	31,932,680	21,379,852
Total Equity and Liabilities	78,734,214	71,725,513
Net Assets per share (Rs.)	5.75	6.18



Operational Updates

New Products and Promotions in Q2

Tariff campaigns

- KIT Double
- Family Package

Blackberry Promotions

- Business Solutions
- 8700 Offer
- Corporate customer testimonials

Mass Market Promotions

- Avurudu Vasi,
- Vodafone Handset offer at 3499/-
- Nokia low cost handset offer
- Magic SMS to attract de-active customers

■ Phone Backup

■ SMS roaming – re-launch

3G

- Exclusive launch of Samsung i450 handset
- Business and individual 3G applications in ATL media

For the first time in Sri Lanka

PHONE **BACKUP**



Keep your contacts, SMS, videos and photos stored on your mobile safe with Phone Backup.

To download application via SMS

- ✓ Type : BACKUP and send to 111.
- ✓ Await an SMS with instructions to download.

To download application via WAP

- ✓ Log on to www.dialogwap.com on your mobile.
- ✓ Click on Phone Backup service to install application.

Registration fee of Rs. 25/- will be charged Monthly rental Rs. 25/-
GPRS charges apply Phone compatibility required
Conditions apply

Step 1 Click the link in your reply SMS to download and install application

Step 2 Open application and select backup options

Step 3 Backup your phone's data

Dialog GSM

TheFuture.Today.

Recent Developments

External

- The Central Environmental Authority (CEA) announced recently an **Environment Conservation Levy (ECL)** of 2% on mobile usage, with effect from 15 August 2008.
- A fixed levy has been imposed per telecom transmission tower with effect from 01 August 2008.

Internal

The Company has undertaken several **Performance Improvement Plans** to combat the impact of inflationary pressures and rise in energy costs on margins, the outcome of which will have **positive impact** in the medium term.

DTV -news

Channel Addition:

NDTV Good Times

NDTV Good Times is part of the NDTV Group & the channel was adjudged as the 'Best Fashion & Lifestyle Channel' at the INDY's Awards, 2008. Its programming content concentrates on cuisine/ fine dining, Lifestyles, Technology, Fashion, Food, Travel, People, Reality, Auto and luxury living in the Asian region.



Corporate Responsibility



- More than 10,000 articles of M-waste collected

Dialog has taken the lead to recognizing that unusable mobiles & accessories could cause **environmental concern** and steps were taken at an early stage to develop **social and institutional consciousness**.

- GSM world award winner-SMS blood service

This is an improved SMS based system, introduced by Dialog as an effort to **help the Sri Lankan public** in an **emergency situation** through facilitating more donors to donate the blood.

- Transformation of rural villages to E-Villages in the cyber world

This project aims to **empower rural villages** in Sri Lanka with the power of **Information and Communication Technological (ICT) tools** to enrich the power of villages through the implementation of WIMAX network and Wi-Fi hotspots.



IFC and Dialog Telekom supports small scale business enterprise development

- Dialog Telekom with its objective of improving the capabilities of the Dialog Telekom retail traders recently entered into an agreement with the International Finance Corporation (IFC).
- IFC will provide 250,000 US dollars for this project which will help to improve the distribution and retail trade stalls of Dialog Telekom.



Thank you