

# Investor Forum

Financial Year Ended 31 December 2008

**Dialog** GSM

**Dialog** SATELLITE TV

**Dialog** Z

**Dialog** Broadband


**Dialog** i




**Dialog** Global

# Growth Highlights – Subscribers & Revenues

- Dialog subscriber base grew 29% to 5.51 Mn.
- Company Revenue grew by 1% to Rs. 33.11 Bn. for FY 2008
- Group Revenue up 6% to Rs. 36.17 Bn.
- Dialog Broadband revenue up 129% to Rs. 2.40Bn.
- CDMA & Broadband subscribers up 5 x
- Pay TV revenue up 91% to Rs. 1.29 Bn.
- Pay TV subscribers up 121%

# Dialog Telekom PLC (Company) Snapshot

		Change YoY	Growth %
CELLULAR SUBSCRIBERS	5.51 Mn.	1.25Mn.	 29

KEY FINANCIALS	USD Mn	Rs Bn.	Change YoY	Change YoY
REVENUE	293.77	33.11	Rs. 320.54 Mn.	 1%
EBITDA	74.27	8.37	(Rs. 5,959.13 Mn.)	 -42%
PAT	-3.44	-0.39	(Rs. 10,514.46 Mn.)	 -104%

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

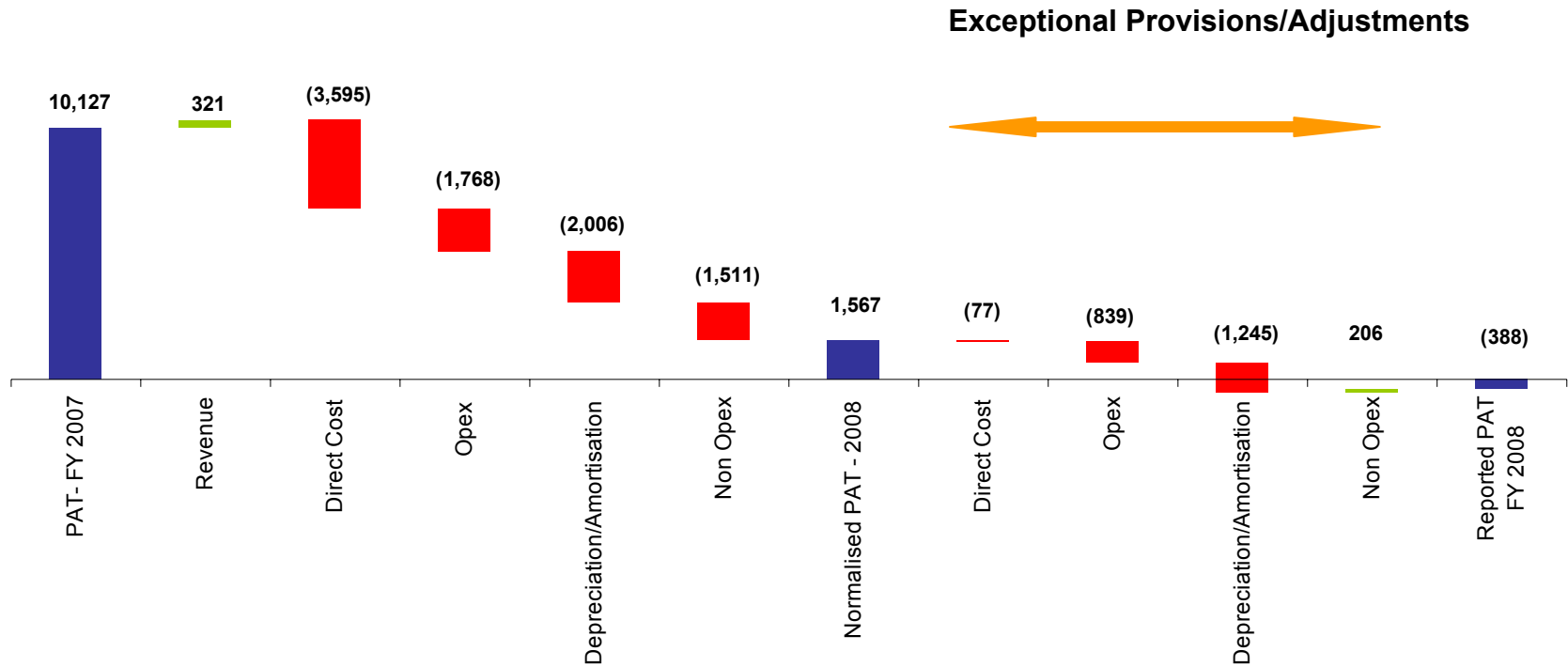
# P&L Highlights-Company

(All figures in Rs.Mn. except for ratios)	COMPANY		
	2008	2007*	Change(%)
Net Revenue	33,108	32,787	1
Direct Costs	17,630	11,882	48
Gross Profit	15,478	20,906	(26)
<i>Gross Margin (%)</i>	47	64	
OPEX	14,357	10,575	36
EBITDA	8,370	14,329	(42)
<i>EBITDA Margin (%)</i>	25	44	
PBT	138	10,172	(99)
PAT	(388)	10,127	(104)
<i>PAT Margin (%)</i>	-1	31	

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

# PAT Reconciliation FY 2007 to FY2008

Values (Rs.Mn.)



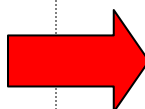
# Revenue Drivers & Dynamics

## Revenue Drivers

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

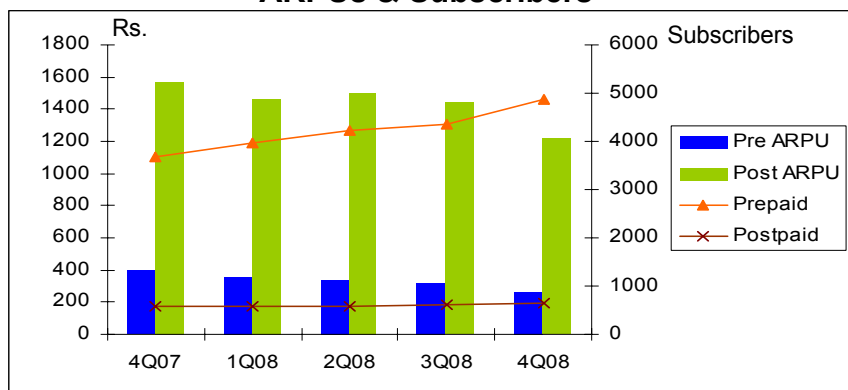
## Revenue Mitigators

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

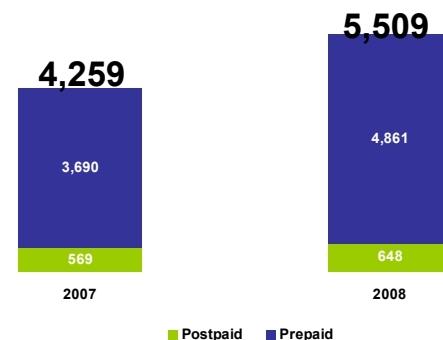
- 
- Total **subscriber growth of 29%**
  - Prepaid subscriber base growth of 32%
  - Postpaid subscriber base growth of 14%
  - Pre:post mix :88:12

OPERATIONAL RESULTS	UNITS	FY 2008	FY 2007	Change %
Blended ARPU	Rs.	453	590	↓ (23)
Prepaid ARPU	Rs.	319	412	↓ (23)
Postpaid ARPU	Rs.	1,404	1,688	↓ (17)

**ARPUs & Subscribers**



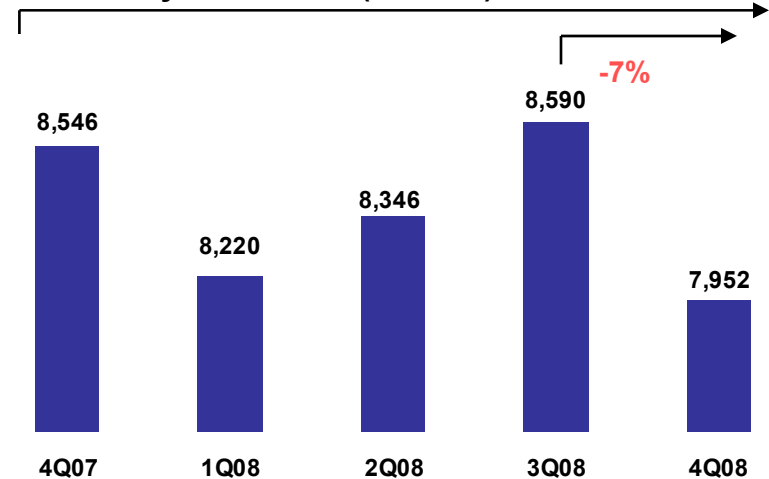
**Mobile Subscribers Mix ('000)**



# Revenue Trends - Company

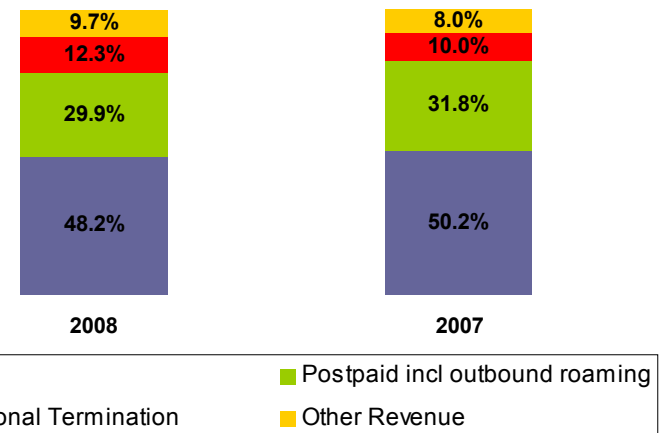
- Revenues flat – increase of **1% YoY to Rs.33 Bn.**
- **Aggressive pricing strategies** aimed at increasing affordability of services in the wake of waning consumer spending power
- Significant **Tariff Reduction implemented in the month of October 08**, including transition to Per-Second Billing
- Market objectives were met with **29% YoY growth in subscribers** and retention of market share – however declining **elasticity levels** resulted in inhibition of revenue growth.
- Prepaid revenue remained the dominant contributor to revenue with over 48 % share
- International **Termination revenue increased by 24%** from Rs.3.27 Bn. to Rs.4.06 Bn. driven by an increase in termination minutes by 32%
- Inbound roaming revenue remained stable despite a **drop in tourist arrivals by 11% YoY.**
- Value Added Services (incl. SMS) account for approx. 10 % of total revenue for 2008.

Quarterly Revenues\* (Rs. Mn.)



\*Restated due to a classification change in current period.

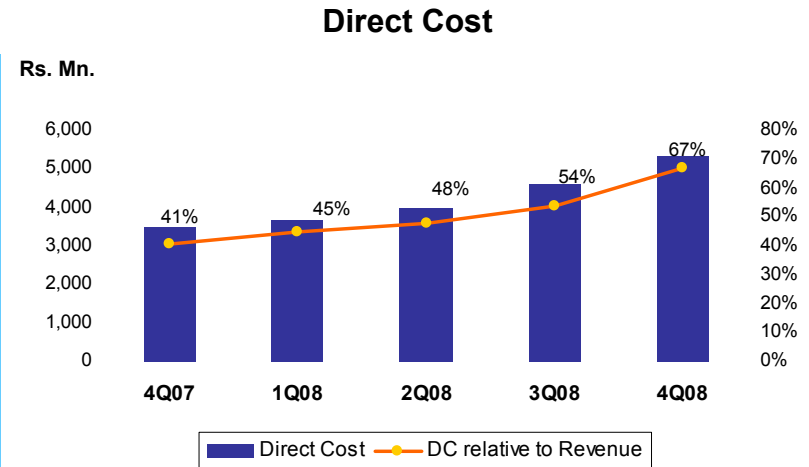
Revenue Mix (Rs. Mn.)



# Direct Costs

Direct costs Performance relative to Revenue is mitigated mainly due to:

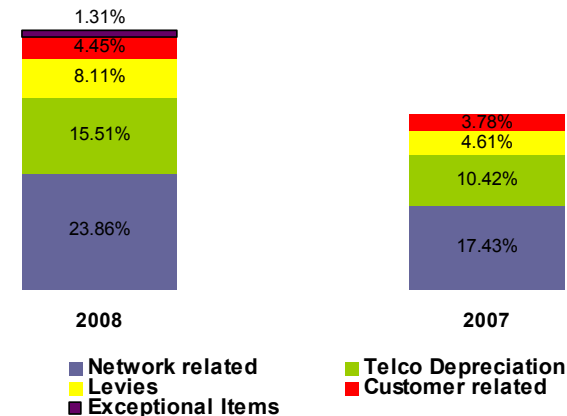
- Increase in Frequency fees **(348 per cent YoY)**
- Increase in Telco depreciation **(50 percent YoY)**
- Increase in Network Costs Driven by
  - Energy & Energy Related costs **(84 percent YoY)**
  - **32 percent YoY increase in Base Stations**
- Increase in Customer Related Costs lower compared to increased Phone/Equipment Sales **(36 per cent increase YoY)**



## Direct Cost Relative to Revenue(%)

### Direct Cost

(all figures in Rs.Mn.)	2008	%	2007	%	Change
Network Related Costs*	7,898	44.8%	5,715	48.1%	38.2%
Telco Depreciation	5,137	29.1%	3,418	28.8%	50.3%
Levies**	2,686	15.2%	1,510	12.7%	77.9%
Customer Related Costs***	1,474	8.4%	1,239	10.4%	19.0%
Exceptional provisions/adjustments	435	2.5%	-	-	-
<b>Total Direct Cost</b>	<b>17,630</b>	<b>100%</b>	<b>11,882</b>	<b>100%</b>	<b>48%</b>
<b>As a % of Revenue</b>	<b>53</b>		<b>36</b>		



\*Network Related Costs Include energy costs

\*\*Levies refers to International Telecommunication Levy& frequency fees

\*\*\*Refers to phone & equipment sales, printing of bills etc



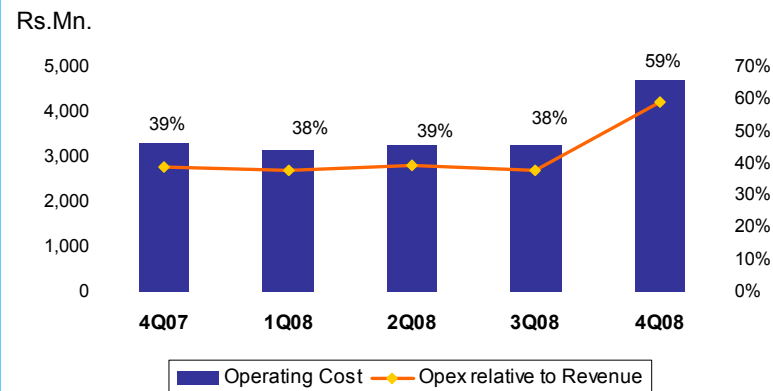
# Operating Costs

- Operating expenses as a percentage of revenue increased by 11%
- Increase in Maintenance Costs of 50% YoY due to increase in non telco depreciation.
- Principal cost lines show expansion due to inflationary pressures and expansion in operations.
- Majority of Exceptional Provisions & Adjustments Charged in 4Q 08 (Rs.1,389 Mn.) including an exceptional asset impairment charge of Rs.707 Mn.

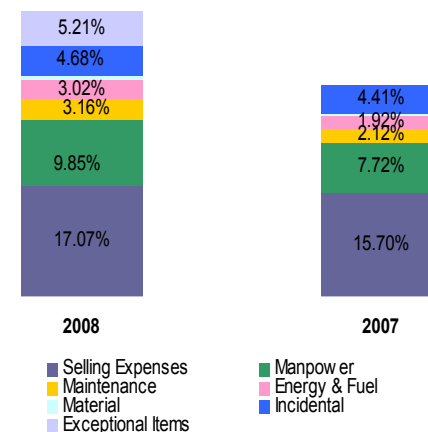
## Opex

(all figures in Rs. Mn.)	2008	%	2007	%	Change
Selling Expenses	5,652	39.4%	5,149	48.7%	9.8%
Manpower	3,261	22.7%	2,530	23.9%	28.9%
Maintenance	1,047	7.3%	696	6.6%	50.4%
Energy & Fuel*	999	7.0%	630	6.0%	58.6%
Material	123	0.9%	124	1.2%	-1.2%
Incidental **	1,550	10.8%	1,446	13.7%	7.2%
Exceptional provisions/adjustments	1,725	12.0%	-	-	-
<b>Total Expenses</b>	<b>14,357</b>	<b>100%</b>	<b>10,575</b>	<b>100%</b>	<b>36%</b>
<b>As a % of Revenue</b>	<b>43</b>		<b>32</b>		

## Operating Costs



## Operating Costs Relative to Revenue(%)



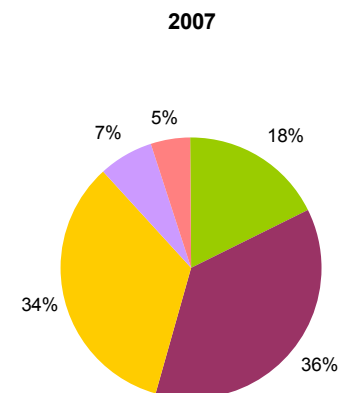
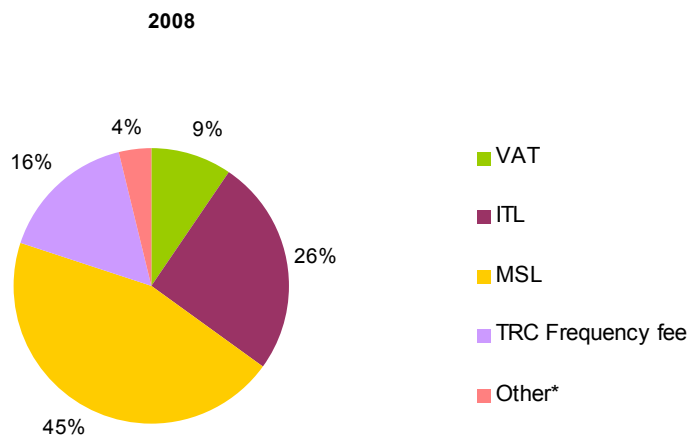
\*Excludes network electricity charges

\*\*Incidental costs include professional fees, postage, courier, stamp duty, office rent

# Remittances to Government of Sri Lanka (GoSL)

## GoSL payments composition

▪P&L impact of GoSL remittances is Rs. 3.41 Bn. in FY 2008 compared to Rs. 1.68 Bn. in FY 2007.

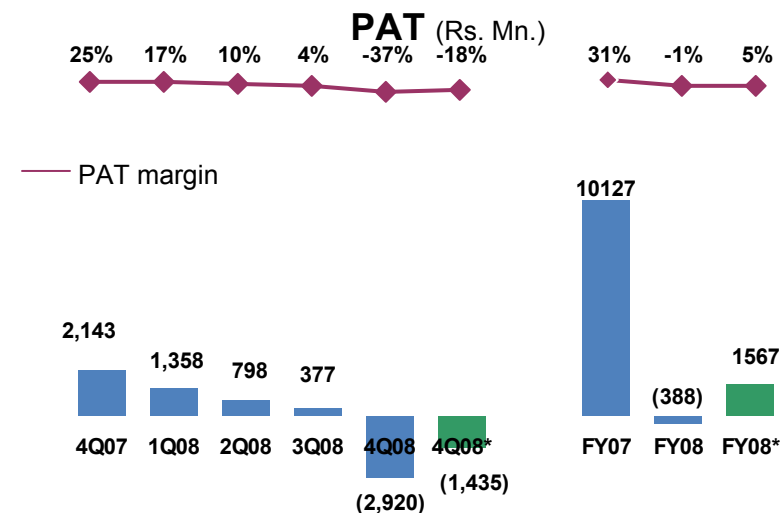
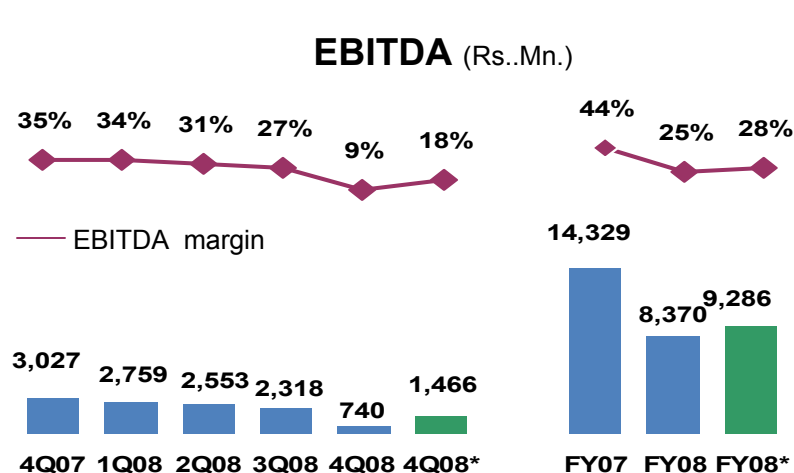


(all figures in Rs.Mn.)	2008	2007	Change
VAT	599	628	-5%
ITL	1,651	1,279	29%
MSL	2,879	1,209	138%
TRC Frequency fee	1,035	231	348%
Other*	200	185	8%
<b>Total Levies</b>	<b>6,364</b>	<b>3,532</b>	<b>80%</b>

\*Other include Economic Service Charge, stamp duty, turnover tax

# EBITDA, PAT & Margins

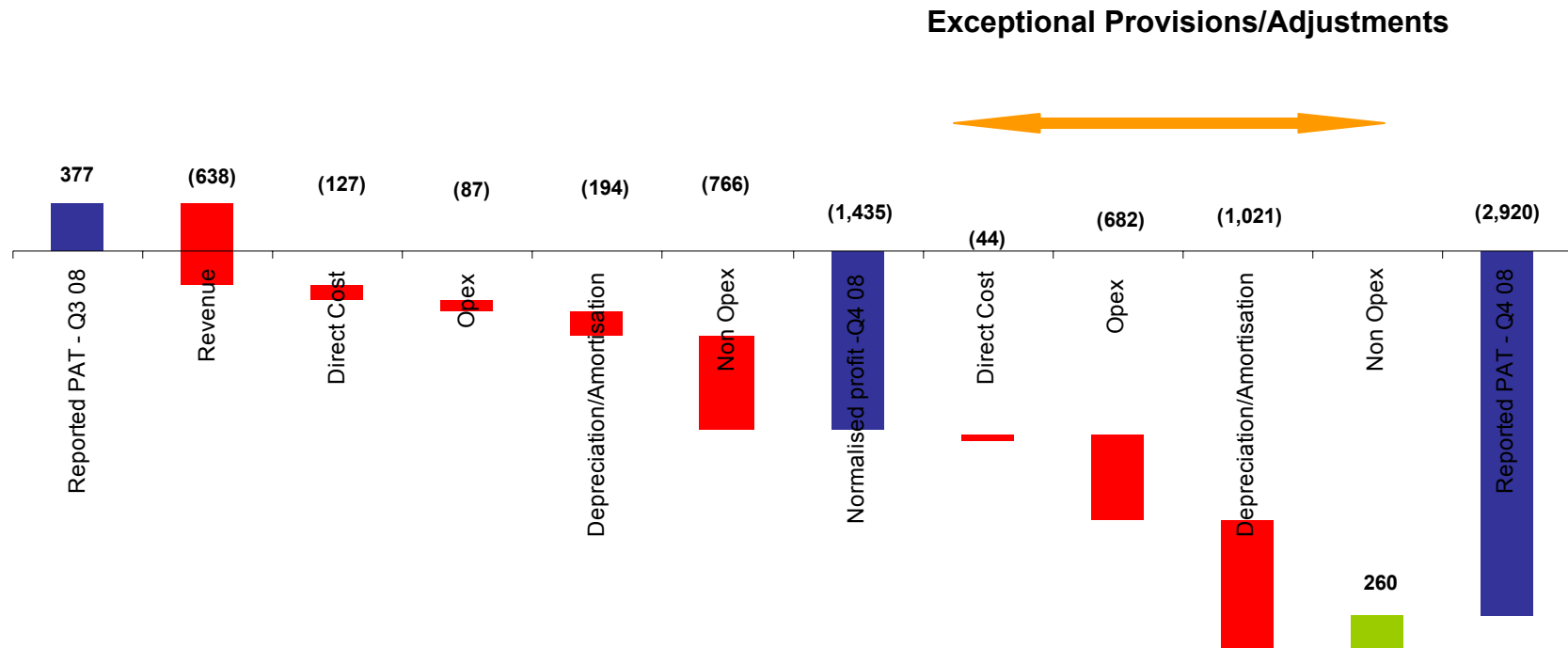
- Overall cost expansion of 15% on the backdrop of **negative revenue growth (of 7%)** due to tariff revisions in the month of October resulted in EBITDA dilution of 68% to Rs.740 Mn. in 4Q 08 compared to Rs.2,318 Mn. in 3Q 08.
- 4Q 08 EBITDA incorporates exceptional charges and adjustments of Rs.726 Mn., comprising of Annual Adjustment for Bad Debts (Rs.183 Mn.), Provision for non refundable taxes (Rs.109 Mn.), Provisions for slow moving inventory (Rs.166 Mn.) and Provisions for age items in the balance sheet based on prudence concept (inclusive of reversals) of Rs.268 Mn.
- 4Q 08 **EBIDTA normalised for Exceptional items is Rs. 1,466 Mn.**
- Further one-off provisions and accounting adjustments resulted in Q4 08 PAT being recorded at Negative Rs.2,920 Mn., Negative 875% down from the 3Q 08 PAT of Rs.377 Mn.
- Exceptional Charges below EBITDA were driven by the Company making **prudent provisions for the Depreciation of inventory & technology obsolescence totaling** Rs. 1,021Mn. The company also provided for the impact of exceptional depreciation of the LKR against the USD and Euro to the value of Rs. 723 Mn.



\*Normalised Performance

# PAT Reconciliation - 4Q 2008

- Revenue Reduction in 4Q 08 due to Significant Tariff Reduction implemented in October 08.
- Depreciation of LKR by 5% against USD and 3% against the Euro in 4Q 08 Resulted in Significant Forex Loss



Values (Rs.Mn)

# Capital Structure

	2008	2007	Y o Y
Capex	18,103	22,130	-18%
Cash & Cash Equivalents	1,545	6,062	-74%
Gross Debt	25,269	8,868	185%
Net Assets	45,395	51,380	-12%
Gross debt / equity (x)	0.56	0.17	
Net debt / EBITDA(x)	2.83	0.20	

# Cash Flow Highlights

▪ Operating Cash flows mitigated mainly due to revenue remaining flat coupled with cost expansion.

▪ Cash used in Investing activities reduced by 17% YoY due to rationalising of Capex.

(all figures in Rs. Mn.)	2008	2007
Net cash from operating activities	6,212	12,274
Net cash used in investing activities	(20,944)	(25,270)
Net cash generated from financing activities	7,819	16,714
Increase/(decrease) in cash and cash equivalents	(6,913)	3,717
Movement in cash and cash equivalents		
At start of year	6,062	2,237
Increase/(decrease)	(6,913)	3,717
Forex adjustment	(1)	108
<b>At end of period</b>	<b>(852)</b>	<b>6,062</b>

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

# Funding Position

## Credit Lines

▪USD 150 Mn. Of undrawn facilities

## Summary of Outstanding borrowings - As at 31 December 2008

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	4.17	45.83
DFCC	Term Loan	LKR	8.87	7.10	1.77	5.32
SCB	Loan Facility	LKR	22.18	19.58	19.58	0.00
<b>Total</b>			<b>101.06</b>	<b>76.7</b>	<b>25.52</b>	<b>51.16</b>

*\*SCB facility is a revolving trade facility*

*\*\* Above excludes vendor financing.*

# Group Performance Summary




(in Rs. Bn)

KEY FINANCIALS	Dialog	DBN	DTV	Consolidation Adjustments	Group
REVENUE	33.11	2.41	1.29	(0.63)	36.18
EBITDA	8.37	(0.11)	(0.63)	0.16	7.79
PAT	(0.39)	(1.51)	(0.93)	(0.05)	(2.88)



# P&L Highlights-Dialog Broadband

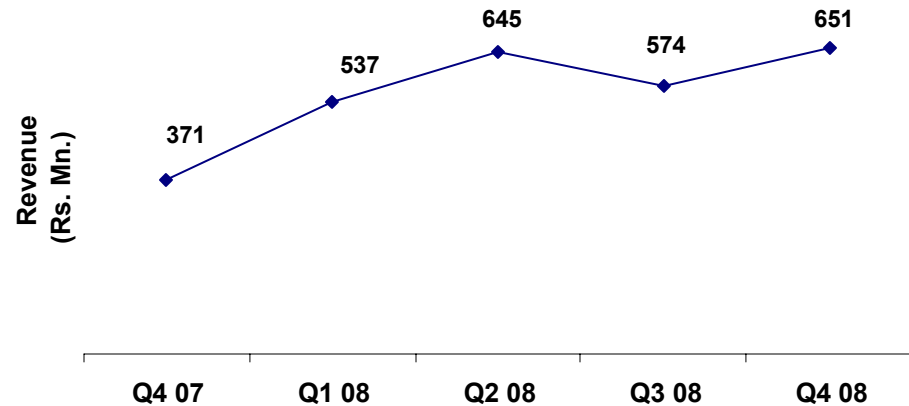
		Change YoY	Growth
CDMA & BROADBAND SUBSCRIBERS	176k	145k	 5x

KEY FINANCIALS	USD Mn	Rs Mn.	Change YoY	Change YoY
REVENUE	21.36	2407	Rs. 1355 Mn	 129%
EBITDA	(1.05)	(118)	(Rs. 282 Mn.)	 -172%
PAT	(13.37)	(1,507)	(Rs. 1189 Mn.)	 -374%

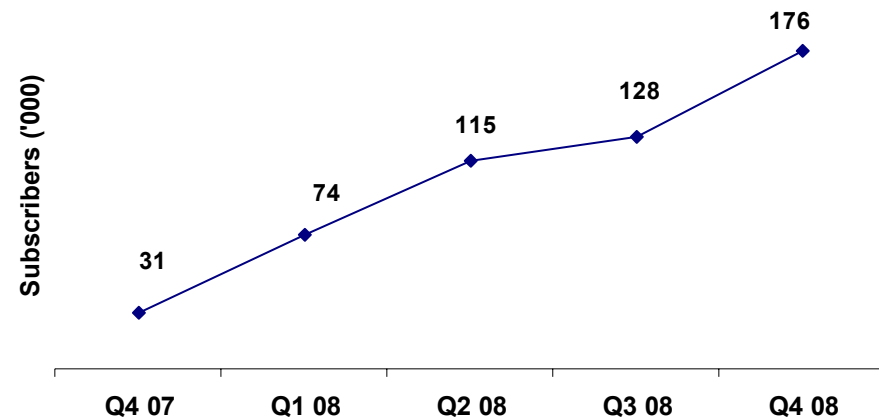
# Dialog Broadband – Subscribers & Revenues

- Revenue of Rs. 2.41 Bn. representing a growth of 129 % YoY
- CDMA & Broadband Subscriber growth of 4.6x YoY
- Resulting in a year end CDMA & broadband subscriber base of over 175,931


Quarterly revenue growth






Cumulative subscriber growth



# P&L Highlights-Dialog TV

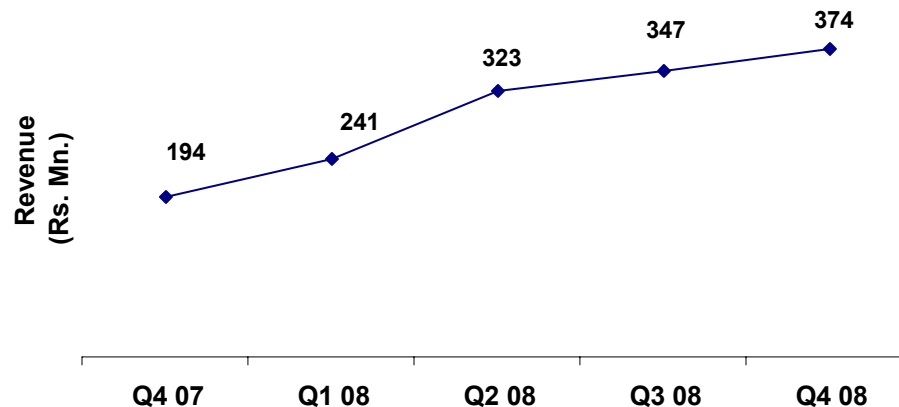
		Change YoY	Growth %
PAY TV SUBSCRIBERS	123k	67k	 121

KEY FINANCIALS	USD Mn	Rs Mn.	Change YoY	Change YoY
REVENUE	11.40	1285	Rs. 611 Mn	 91%
EBITDA	(5.62)	(633)	(Rs. 2 Mn.)	 -0.32%
PAT	(8.29)	(934)	(Rs. 85 Mn.)	 -10%

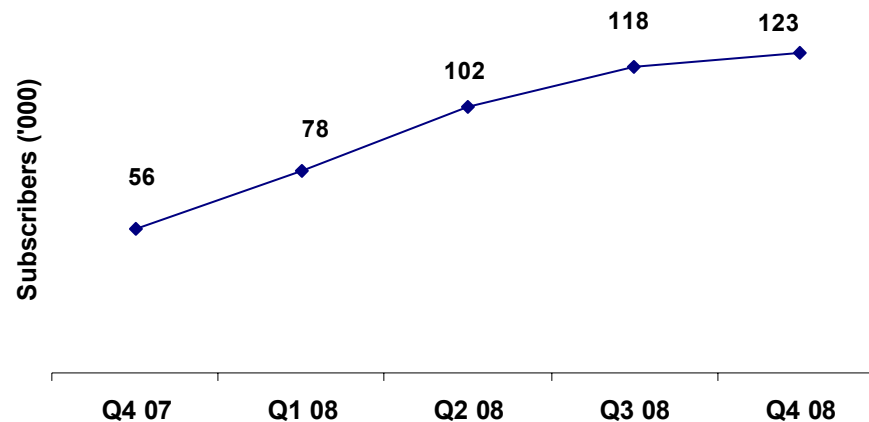
# Dialog TV – Subscribers and Revenues

- Revenue of Rs. 1.29 Bn. representing a growth of 91% YoY
- Subscriber growth of 121% YoY
- Resulting in a year end Pay Tv subscriber base of over 122,000




Quarterly revenue growth



Cumulative subscriber growth



# Group Snapshot

KEY FINANCIALS	USD Mn	Rs Bn.	Change YoY	Change YoY
Revenue	320.93	36.17	Rs. 2041.78 Mn.	 6%
EBITDA	69.03	7.78	(Rs. (6,140) Mn.)	 44%
PAT	-25.55	-2.88	(Rs. (11,786) Mn.)	 132%

*^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		
	2008	2007*	Change(%)
Net Revenue	36,169	34,127	6
Direct Costs	19,989	13,154	52
Gross Profit	16,180	20,973	(23)
<i>Gross Margin (%)</i>	45	61	
OPEX	17,159	11,759	46
EBITDA	7,779	13,919	(44)
<i>EBITDA Margin (%)</i>	22	41	
PBT	(2,372)	8,952	(126)
PAT	(2,879)	8,907	(132)
<i>PAT Margin (%)</i>	-8	26	

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

**Thank You**