

Dialog
TELEKOM

A **TM** Company

Business Performance - 1Q 2006

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Highlights – 1Q 2006

Key Financials

	Units	Quarter Ended 31 March		
		2006	2006	2005
		Group	Company	Company
Revenue	Rs.Mn	5,953	5,829	3,853
EBITDA	Rs.Mn	3,201	3,070	2,191
Profit after Tax	Rs.Mn	2,397	2,311	1,722
EPS	Rs.	0.33	0.32	0.37

Key Financials

		Quarter Ended 31 March		
		2006	2006	2005
		Group	Company	Company
Revenue	US\$ Mn	58	57	39
EBITDA	US\$ Mn	31	30	22
Profit after Tax	US\$ Mn	23	23	17
EPS	US\$	0.0032	0.0031	0.0037

Subscriber Base

		Quarter Ended 31 March	
		2006	2005
		Company	
Total New Additions (Gross)	000s	252	202
Post paid	000s	63	50
Pre paid	000s	189	151

Operational Results

		Quarter Ended 31 March	
		2006	2005
		Company	
Blended ARPU	Rs.	712	687
Annualised Churn	%	11.49	6.02

(1Q 06 Company initiated churn accounts for 78% of overall churn)



Highlights

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Key Performance Indicators

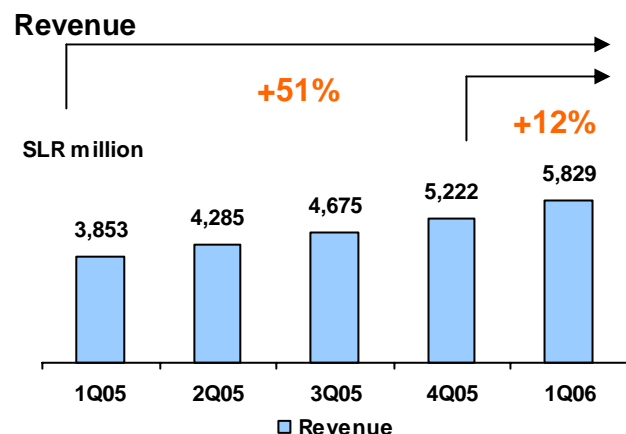
Updates

Profit & Loss Highlights

(All figures in Rs. Mn. except for ratios)	Three Months Ended 31 March		
	2006	2006	2005
	Group	Company	Company
Revenue	5,953	5,829	3,853
QoQ Growth (%)	55	51	
Direct Costs	2,081	2,067	1,321
QoQ Growth (%)	58	56	
Gross Profit	3,872	3,762	2,532
QoQ Growth (%)	53	49	
Gross Margin (%)	65	65	66
OPEX	1,328	1,318	808
QoQ Growth (%)	64	63	
EBITDA	3,201	3,070	2,191
QoQ Growth (%)	46	40	
EBITDA Margin (%)	54	53	57
PBT	2,426	2,341	1,740
QoQ Growth (%)	39	35	
PAT	2,397	2,311	1,722
QoQ Growth (%)	39	34	
PAT Margin (%)	40	40	45

Revenue Growth

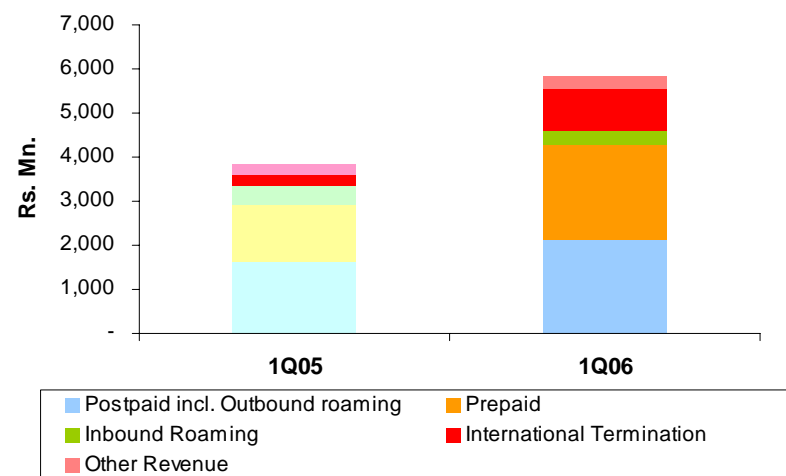
- Steady growth in revenue
- Termination revenue increased by 256 per cent
- Non voice revenues continue to increase. Prepaid SMS revenue accounting for approx. 4 per cent of total revenue in 1Q06.



Total Revenue(in Rs. Mn)

Revenue Composition	1Q05	%	1Q06	%	Change %
Postpaid incl outbound roaming	1,644	43	2,137	37	30
Prepaid	1,290	33	2,137	37	66
Inbound Roaming	406	11	323	6	(21)
International Termination	268	7	954	16	256
Other Revenue	246	6	296	5	20
Total Revenue	3,854	100	5,847	100	52

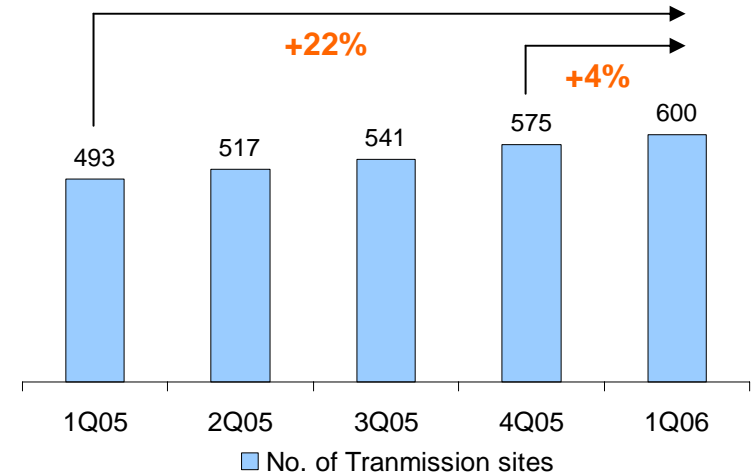
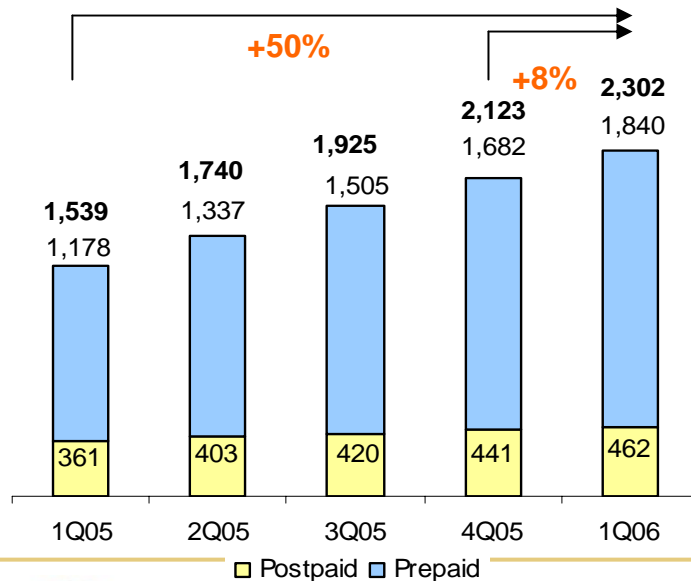
Revenue Mix



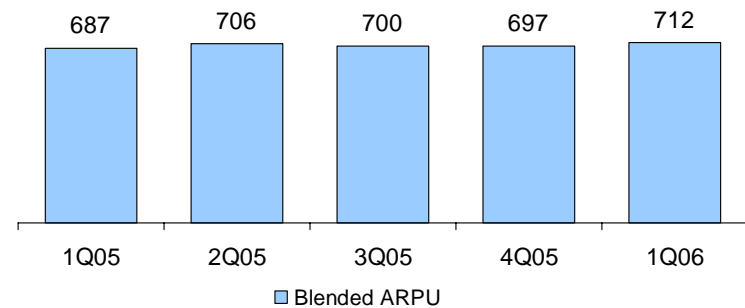
Revenue Drivers

- Market leadership with continued growth in subscribers (**50 per cent YoY**)
- Pre/post mix:80:20
- Coverage and Quality of Service Improvements

Net Subscribers ('000)



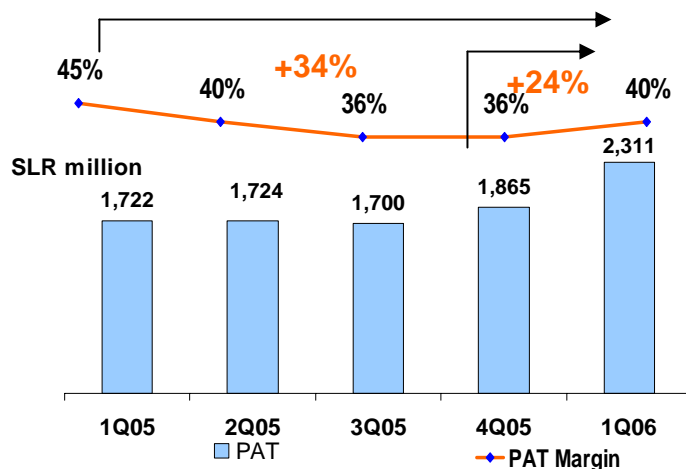
Blended ARPU (SLR)



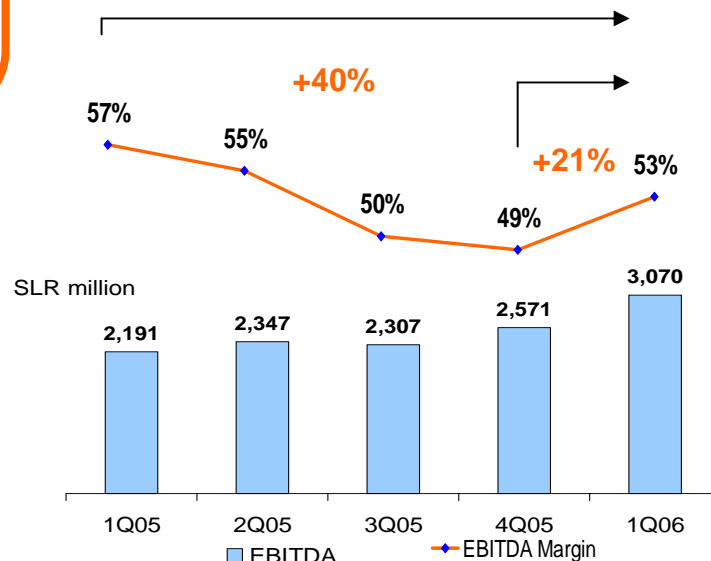
Healthy EBITDA and PAT Margins

- Improvement in EBITDA and PAT margins compared to 4Q05
- 1Q05 (in terms of margins) was exceptional due to exceptional inbound roaming revenues in the aftermath of the tsunami. Inbound roaming commandeers higher than average margins.

PAT (Rs. Mn.)



EBITDA (Rs. Mn)



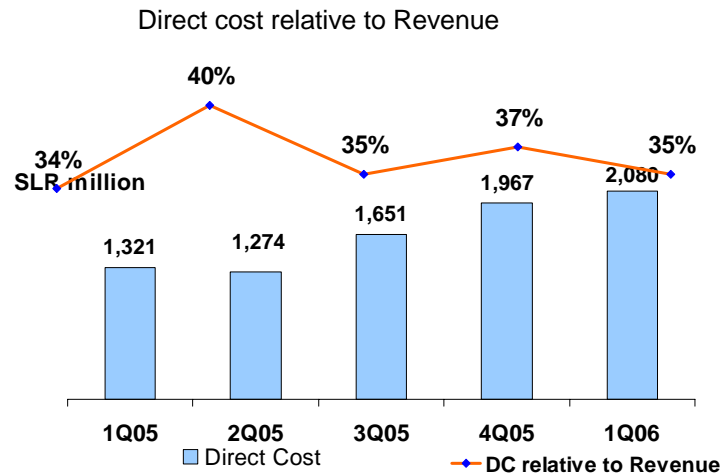
Direct Costs Under Control

Dialog continues to capitalise on *scale advantages* to control growth of direct costs.

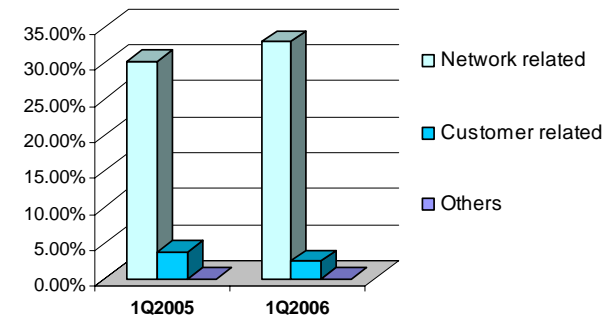
(All figures in Rs. Mn.)	1Q 2005	%	1Q 2006	%	Change %
Network Related Costs	1,169	88.5%	1,920	92.9%	64%
As a % of Revenue	30.3%		32.9%		
Customer Related Costs	150	11.3%	146	7.1%	-2%
As a % of Revenue	3.9%		2.5%		
Others	2	0.2%	0	0.0%	-27%
As a % of Revenue	0.06%		0.01%		
Total Direct Cost	1,321	100%	2,067	100%	56%
As a % of Revenue	34%		35%		

Direct Costs Relative to Revenue

- Direct costs relative to revenue has improved by 2 points relative to performance in the immediately preceding quarter – (4Q05).



Direct cost composition



International Telecom Operator Levy

- Imposed in March 2003 with the Liberalization of International Services via
 - Special direction by the Minister of Telecommunications dated 21/ 02/03

<i>Figures in USD Cents</i>	03/2003-03/2004	From 04/2004
Incoming Local Access Fee	7.20	5.20
Contribution to Vishva Grama Fund	3.80	3.80
Total Network Contribution	11.00	9.00

- Enacted by Parliament in October 2004 - Finance Act, No 11 of 2004
- PAT for 1Q 06 is stated after provisioning for ITL –Rs 201 Mn of this, **Rs 128 Mn** settled as of date.

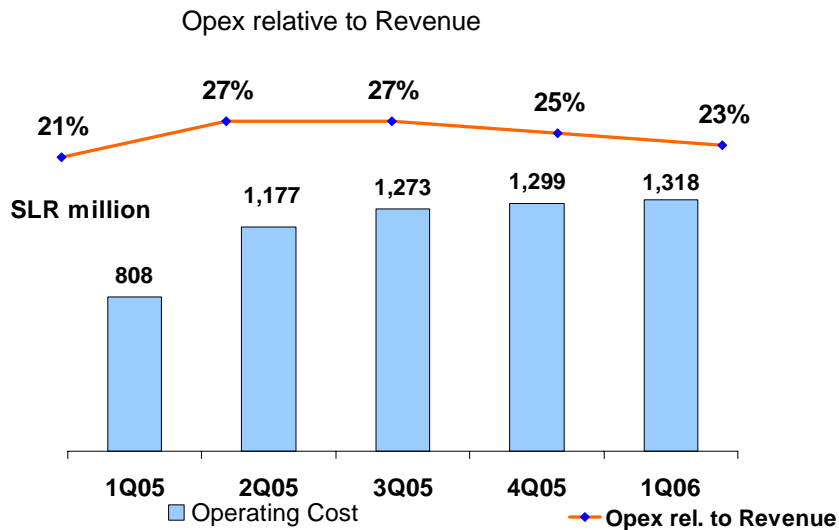
Operating Costs Relative to Revenue

- Cost of Manpower maintained < 6%

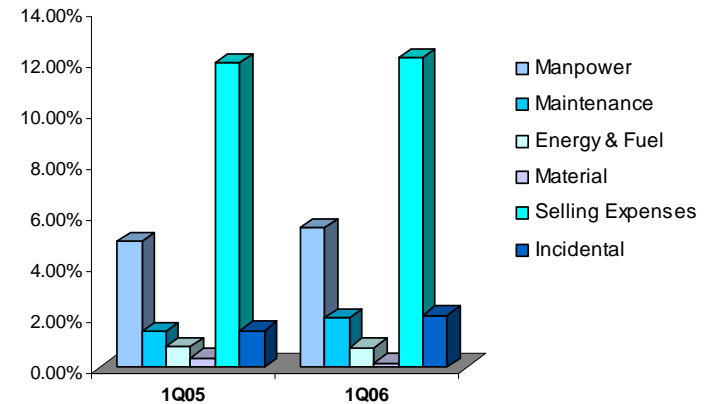
(All figures in Rs. Mn.)		1Q05	%	1Q06	%	Change %
Selling Expenses As a % of Revenue		461 12%	57%	710 12%	54%	54%
Manpower As a % of Revenue		191 5%	24%	320 5%	24%	68%
Maintenance As a % of Revenue		54 1%	7%	113 2%	9%	108%
Energy & Fuel As a % of Revenue		31 1%	4%	45 1%	3%	45%
Material As a % of Revenue		15 0%	2%	10 0%	1%	-32%
Incidental As a % of Revenue		56 1%	7%	120 2%	9%	116%
Total Expenses As a % of Revenue		808 21%	100%	1,318 23%	100%	63%

Operating Costs Controlled

- Opex relative to revenue has improved by 2 points relative to performance in the immediately preceding quarter (4Q05).



Operating cost composition



Summary Balance Sheet

- Balance Sheet remains healthy

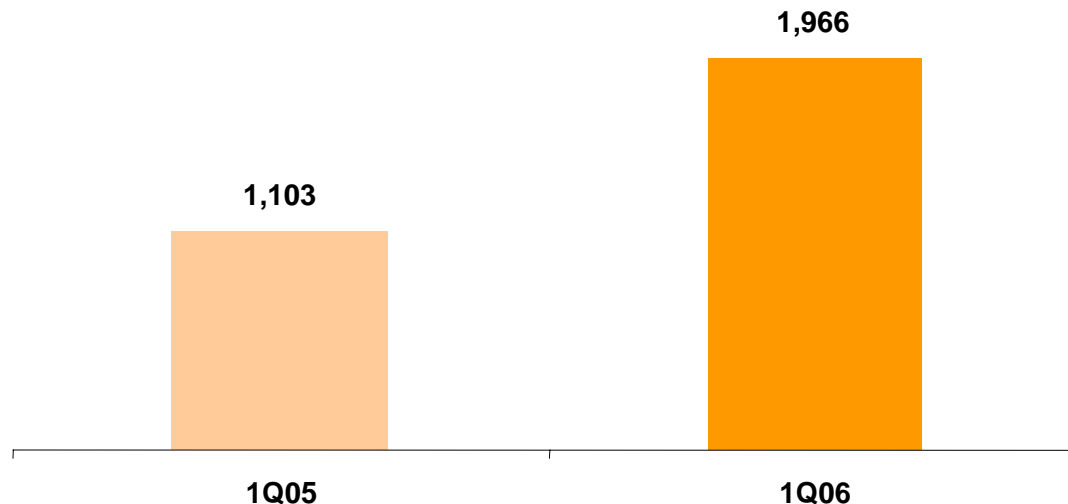
(All figures in Rs. Mn)	As at 31 March		As at 31 Dec
	2006 Group	2006 Company	2005 Company
Fixed Assets	21,577	20,384	18,986
Intangible Assets	1,605	325	348
Investment in DBN	Nil	1,971	1,971
Cash and Bank	7,046	6,908	6,624
Net Working Capital excl cash	201	68	(642)
Current tax Liabilities	(45)	(45)	(36)
Non Current Liabilities	(135)	(128)	(75)
Bank Borrowings	(10,574)	(9,893)	(9,975)
Net Assets	19,675	19,590	17,201
Share Capital & Share Premium	10,373	10,373	10,295
Retained Earnings	9,297	9,212	6,901
Revaluation Reserves	5	5	5
Net Equity	19,675	19,590	17,201

Capex Composition –(Core & Non Core Assets)

Invested **Rs 1.97 Bn** for the three months ended 31 March 2006.

- Compared to 1Q05 , capex spent up by 78 per cent

Capex (in SLR .Mn.)



Cash Flow Highlights

- Strong cash flows enabling heavy capex spending

(All figures in Rs.Mn)	Three Months ended 31 March	
	2006	2005
	Company	
Net cash from operating activities	2,258	2,344
Net cash used in investing activities	(1,993)	(1,102)
Net cash used in financing activities	19	(2,948)
Increase/(decrease) in cash and cash equivalents	284	(1,706)
Movement in cash and cash equivalents		
At start of year	6,624	3,170
Increase/(decrease)	284	(1,706)
At end of year	6,908	1,464

Reconciliation of Cash generated from Operations

(All figures in Rs. Mn)	Three months ended 31 March	
	2006	2005
	Company	
Profit before Tax	2,341	1,740
Adjustments for:		
Interest Expenses	79	13
Depreciation	565	427
Amortisation	61	40
Retirement Benefit Obligation	7	6
Other Adjustments (incl. Changes in WC, exchange diff, Profit on sale of FA)	(747)	131
Cash Generated from Operations	2,307	2,357

Lenders

<i>All amounts in US\$Mn</i>	Loan Amount	Outstanding as at 31 March 2006
Citi/Commercial Syndicated loan	21.00	10.43
Standard Chartered Bank	25.00	24.46
International Finance Corporation	30.00	15.00
HSBC	25.00	21.78

(An agreement was signed with IFC in 2004 for a loan facility of US\$30Mn, with an option of increasing up to US\$50Mn)

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Dialog Broadband Networks (Pvt) Ltd.(DBN)

Revenue, EBITDA and PAT

- For the quarter ended 31 March 2006, DBN recorded revenue of **Rs. 184 Mn.**
- The EBITDA for the first quarter of 2006 was Rs.131 Mn (**US \$1.28 Mn**) and EBITDA margin was 71 per cent.
- PAT margin is recorded at 46 per cent.

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Earnings per Share

	Units	Three months ended 31 March	
		2006	2005
		Company	
Net Income Applicable to ordinary shares	Rs. Mn	2,311	1,722
Par Value	Rs.	1	10
Ordinary Shares at the beginning	Mn	370	37
Issuance of shares during the period	Mn	7,403	-
Weighted average number of shares			
Ordinary Shares	Mn	7,403	370
Bonus Shares	Mn	-	3,686
Retained Profits Capitalised	Mn	-	634
Shares exercised and issued to employees	Mn	8	-
Less: ESOS Shares issued	Mn	(200)	-
Weighted average number of shares, end of period	Mn	7,211	4,690
EPS	Rs.	0.32	0.37

KPIs

	31 Dec 2005 Company	1Q2006 Company
Net tangible assets per share(Rs.)	2.32	2.65
Gearing Ratio (times)	0.37	0.34
Net Debt to EBITDA ratio (times)	0.36	0.24
Total Debt to equity (times)	0.58	0.50
Return on Equity (%)	41	47
Return on Capital Employed (%)	26	31
Earnings per Share (Rs.)	1.15	0.32
Current Ratio (times)	1.79	1.88

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Key Developments-Market Position

- *Another milestone -600th* base station at Suriyawewa
- Market Share maintained at over 60% as of 1Q-06
 - Over 2.3 Million active subscriber base on Dialog Network
- Products
 - Packages introduced Lite 103 and 30X
 - Blackberry launched in January 2006
 - Dialog Plans introduced for Standard Chartered credit card holders
 - Motorola C117 special offer
- Value Added Services – TheFuture.Today
 - My5
 - 444 -SLT directory assistance
 - 7777- Valentine's day promotion



Awards Received

- DTL honored with Top awards at TM inaugural Group awards:
 - Award for the most Customer Centric Organisation
 - Op-Co of the Year - the award for the best performing Operating Unit of the Telekom Malaysia Group
 - TM Group Award - The "top" award for outstanding performance and selected from amongst all award winners.

TM OpCo awards recently held in Malaysia –



Other updates

- Appointment of Ms. Anoja Obeyesekere-GM Legal and Regulatory affairs, Company Administration and International Business as **Vice Chairperson of GSM Asia Pacific**
- **3G license** to be obtained within the next quarter
- Dialog Telekom powered Sri Lankan Contingent to 2006 **Commonwealth Games**
- MTT Network (Pvt) Ltd renamed as **Dialog Broadband Networks (Pvt) Ltd**
- Together with Research in Motion, DTL became the first operator to launch the **world-renowned BlackBerry® platform in Sri Lanka**

24th GSMAP conference held on 24 March 2006 at Dhaka

*Seen-*Anoja Obeyesekere, new Deputy Chairperson of GSM Asia Pacific (GSMAP), Simon Zhang, outgoing Chairman of GSMAP, and Mehboob Chowdhury, new Chairman of GSMAP



Thank you