

Dialog
TELEKOM

A **TM** Company

Highlights – 2005

Highlights **2005**

Key Financials

■ Revenue	Rs 18,034 Mn
■ EBITDA	Rs 9,416 Mn
■ Profit after Tax	Rs 7,012 Mn
■ EPS	Rs 1.15

Subscriber Base

■ Total New Additions	894k
■ Post paid	237k
■ Pre paid	657k

Operational Results

	<u>Postpaid</u>	<u>Prepaid</u>
■ ARPU	Rs. 1,654	Rs 452

Proposed Dividend

- The Board of Directors of Dialog Telekom at its meeting held on 23 February 2006, has resolved to propose a first and final Dividend amounting to **40% (payout) of 2005 earnings**, which translates to **38 Cents** per share and is subject to the approval of the shareholders at the Annual General Meeting (AGM). The AGM and dividend payment dates will be notified in due course.

Investment in Infrastructure

- The company view 2006 as an Year of **aggressive infrastructure investment**, with projected capital expenditure plans totaling to over USD 147M (**Rs 15 Billion.**)
- The Dialog Telekom Network is expected to grow by **over 50%** in all dimensions during the course of 2006.
- In addition to growing its Mobile Communications Services, Dialog Telekom will invest significant capital in the development of **Wireless Broadband Services, CDMA WLL and Fibre Optic Infrastructure.**
- **Challenges** : 3G License, Spectrum Clearing (CDMA) and Development Approvals

Acquisition of MTT Networks

- MTT – an established Data/Broadband Service Provider
- Comprehensive Transmission Backbone
- PAT Positive Operation
- MTT Provides Dialog with a Portfolio of Licenses in the Fixed WLL, Broadband and Last Mile Segments
- Growth Opportunities
 - Fixed WLL using CDMA 450
 - Wireless Broadband Services
 - Local last Mile Services
 - Optical Fibre Backbone Services

Leverage Strengths to Achieve Strategic Advantage through:

- 3G Deployment
- Aggressive 2.5G Growth – Coverage and Capacity
- Pioneering Investments in Broadband - Wireless and Fibre
- Strategic deployment of CDMA, Payphone and other rural communication solutions
- Aggressive Thrust in International Business
- Convergence – Triple Play and Media/Technology Convergence

2005 Key Achievements

- **Subscriber base** crossed **2 million** in November 2005
- **PAT** up **71%** to **Rs 7.01 Bn** for fy2005 compared to fy2004
- **SAP implemented –largest and fastest implementation**
- Partnership with **Vodafone** - would enhance the company's capabilities in delivering world class mobile communication solutions
- **New Value Added Services introduced**
 - PRBT – RingIn Tones
 - Multilingual (Sinhala/Tamil) messaging and GPRS Portal
 - Local Language IVR Portal
 - Prepaid Roaming
 - Cell-based Prepaid Solution
 - Mobile Share trading
- **Non commercial 3G** trial offered to Public



Financials – An Overview

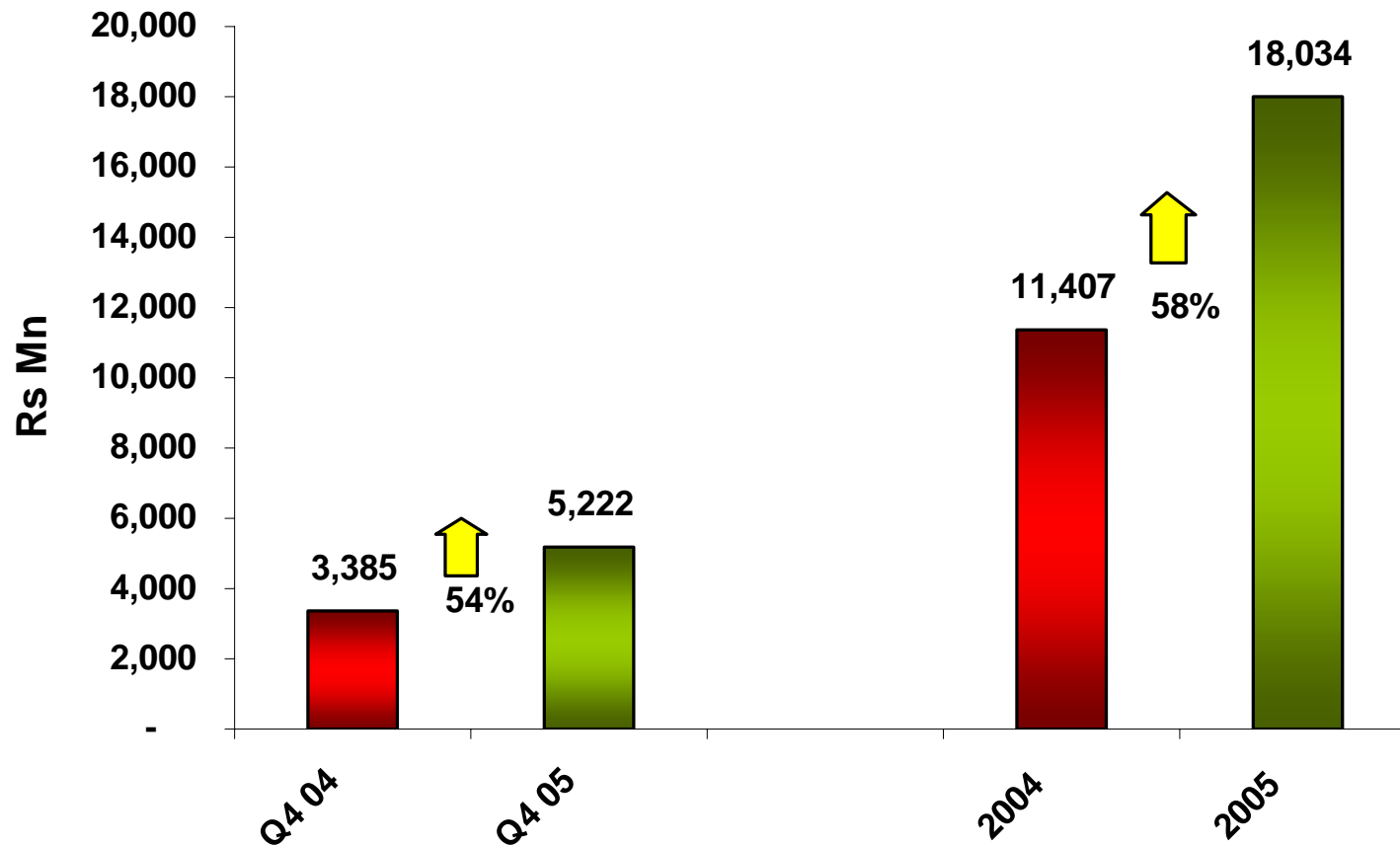
FY ended 31 December 2005

Profit & Loss

(All figures in Rs. Mn)	Q4 04	Q4 05	2004	2005
Revenue	3,385	5,222	11,407	18,034
YoY Growth (%)		54%		58%
Direct Costs	1,138	1,957	3,932	6,214
YoY Growth (%)		72%		58%
Gross Profit	2,247	3,265	7,475	11,821
YoY Growth (%)		45%		58%
Gross Margin (%)	66%	63%	66%	66%
OPEX	1,179	1,311	3,152	4,557
YoY Growth (%)		11%		45%
EBITDA	1,514	2,571	5,917	9,416
YoY Growth (%)		70%		59%
EBITDA Margin (%)	45%	49%	52%	52%
PBT	966	1,877	4,140	7,054
YoY Growth (%)		94%		70%
PAT	956	1,865	4,101	7,012
YoY Growth (%)		95%		71%
PAT Margin (%)	28%	36%	36%	39%

Revenue Growth

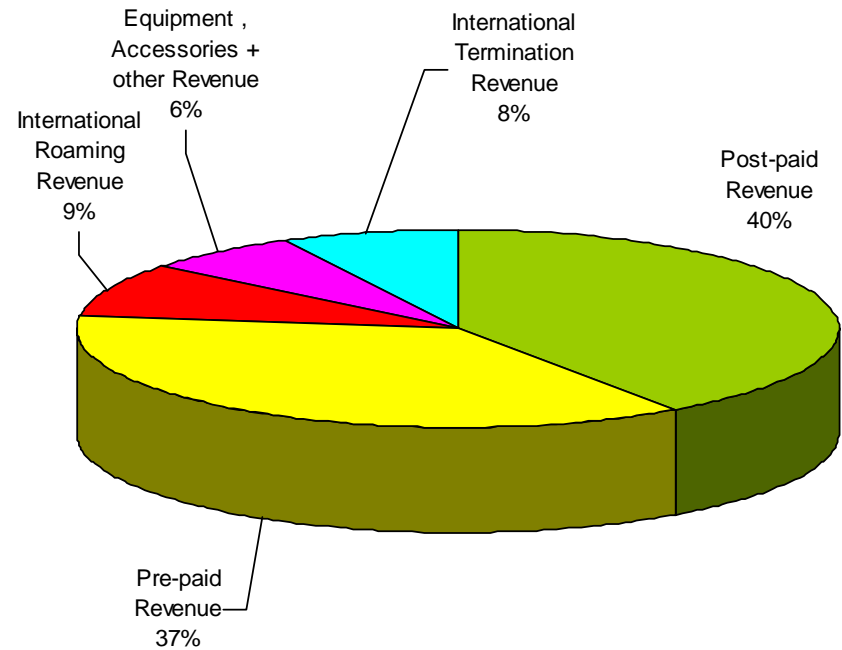
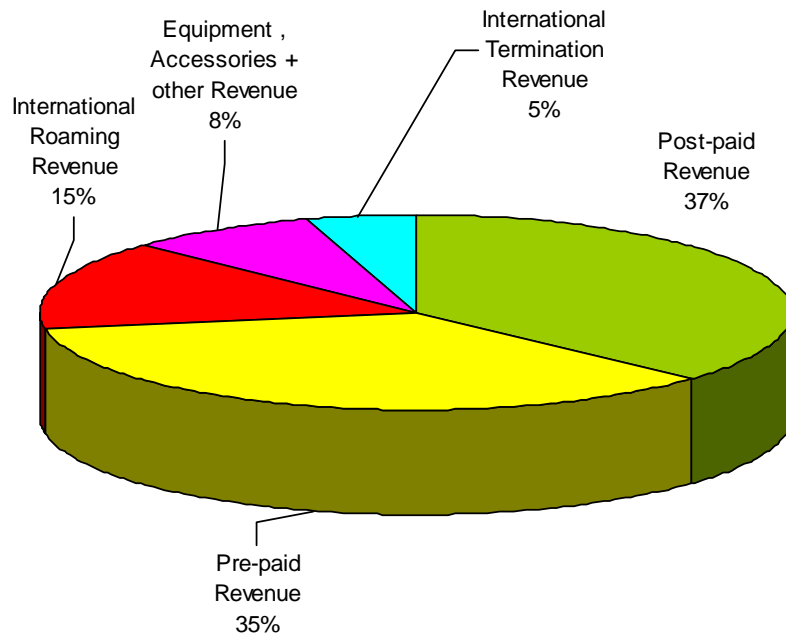
Revenue has grown at **58%** during fy2005 compared to fy2004.



Revenue Mix

2004

2005



Revenue Mix

Revenue Composition (Rs. Million)	2004	%	2005	%	Change %
Post-paid Revenue	4,224	37.0%	7,283	40.4%	72.4%
International Roaming Revenue	1,703	14.9%	1,616	9.0%	-5.1%
Pre-paid Revenue	4,010	35.2%	6,593	36.6%	64.4%
Equipment, Accessories+other Revenue	925	8.1%	1,178	6.5%	27.4%
International Termination Revenue	544	4.8%	1,364	7.6%	150.7%
Total Revenue	11,406	100.0%	18,034	100.0%	58.1%

** Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.*

International Termination Revenue has grown by **150.7 per cent** compared to 2004

Data revenue up **136 per cent** compared to 2004 accounting for 2.4% of total mobile revenue , with significant contributions coming from SMS, GPRS, RingIn tones & smart messaging.

Direct Costs

Dialog has realised *scale advantages* to minimize the growth of direct costs.

Direct Cost Breakdown (All amount)	2004	%	2005	%	Change %
Network Related Costs As a % of Revenue	3,416 29.9%	86.9%	5,408 30.0%	87.0%	58%
Customer Related Costs As a % of Revenue	494 4.3%	12.6%	790 4.4%	12.7%	60%
Others As a % of Revenue	22 0.19%	0.6%	16 0.09%	0.3%	-27%
Total Direct Cost As a % of Revenue	3,932 34%	100%	6,214 34%	100%	58%

International Telecom Operator Levy

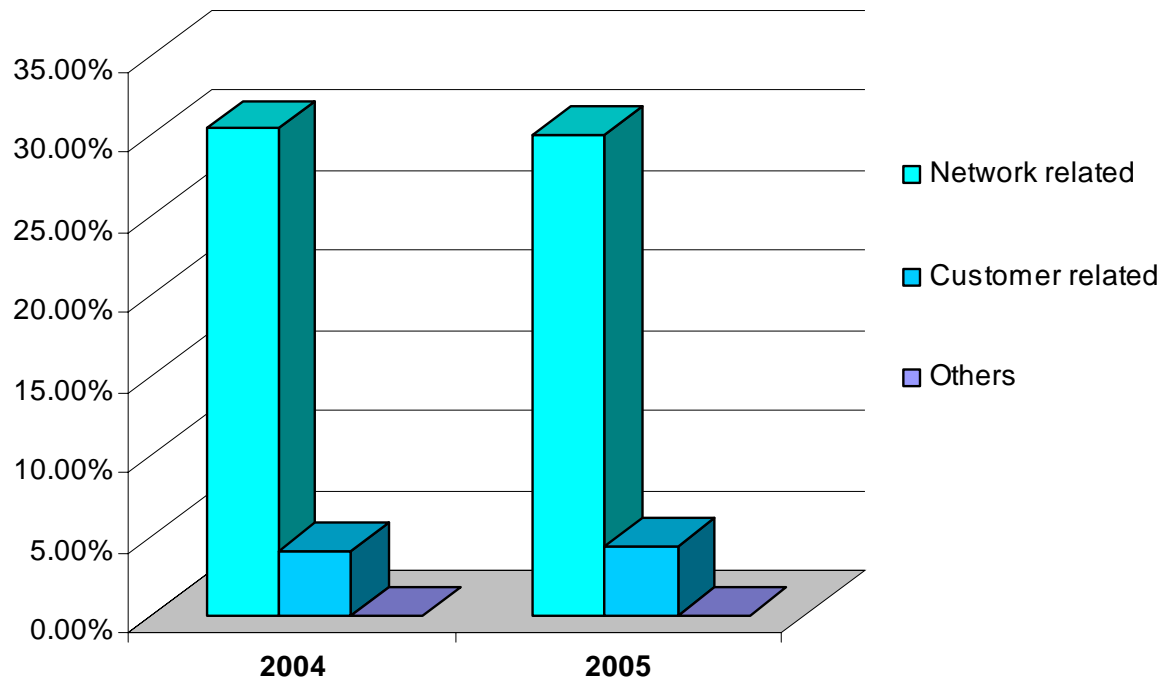
- Imposed in March 2003 with the Liberalization of International Services via
 - Special direction by the Minister of Telecommunications dated 21/ 02/03

<i>Figures in US 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
- Dialog Telekom has **settled all VGF** payments for FY 2005: –
 - Value Rs. **504 Mn**

Direct Costs relative to Revenue

- Total direct costs as a proportion of revenue has remained constant at 34% for 2004 and 2005.



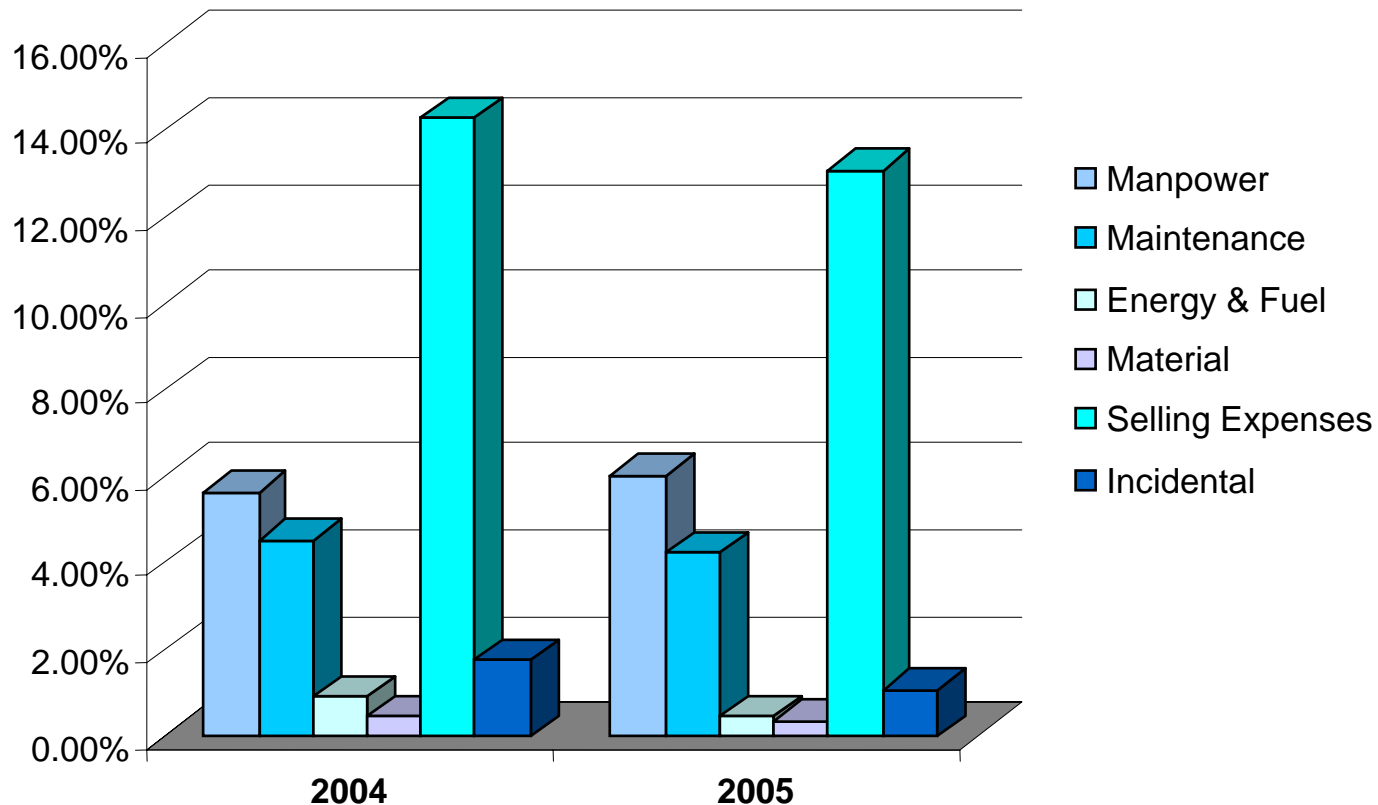
Operating Costs relative to Revenue

- Cost of Manpower maintained under 6%

OPEX Breakdown (All amounts in Rs. Million)	2004	%	2005	%	Change %
Manpower As a % of Revenue	645 5.7%	20.5%	962 5.3%	21.1%	49.1%
Maintenance As a % of Revenue	517 4.5%	16.4%	765 4.2%	16.8%	47.9%
Energy & Fuel As a % of Revenue	106 0.9%	3.4%	208 1.2%	4.6%	96.2%
Material As a % of Revenue	52 0.5%	1.7%	64 0.4%	1.4%	23.1%
Selling Expenses As a % of Revenue	1,630 14.3%	51.7%	2,362 13%	51.8%	44.9%
Incidental As a % of Revenue	202 1.8%	6.4%	196 1%	4.3%	-2.9%
Total Expenses As a % of Revenue	3,152 28%	100%	4,557 25%	100%	44.6%

Operating Costs relative to Revenue

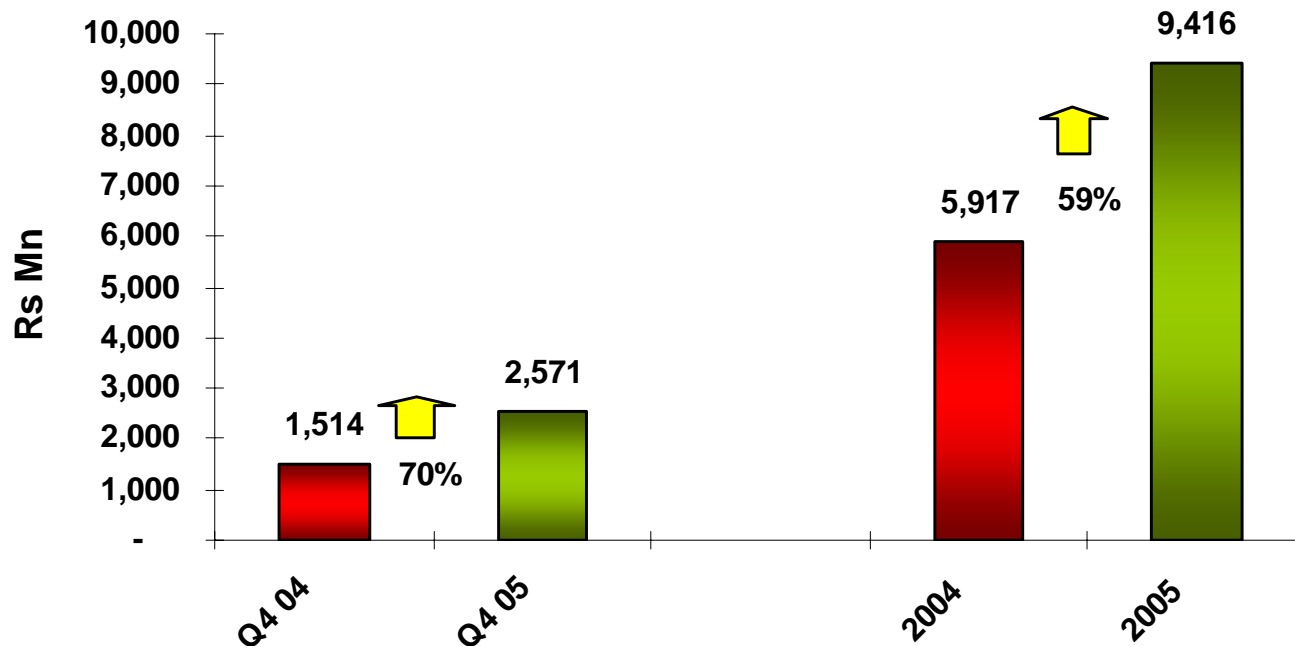
- Opex as a proportion of revenue has improved from 28% in 2004 to 25% in 2005.



EBITDA Growth

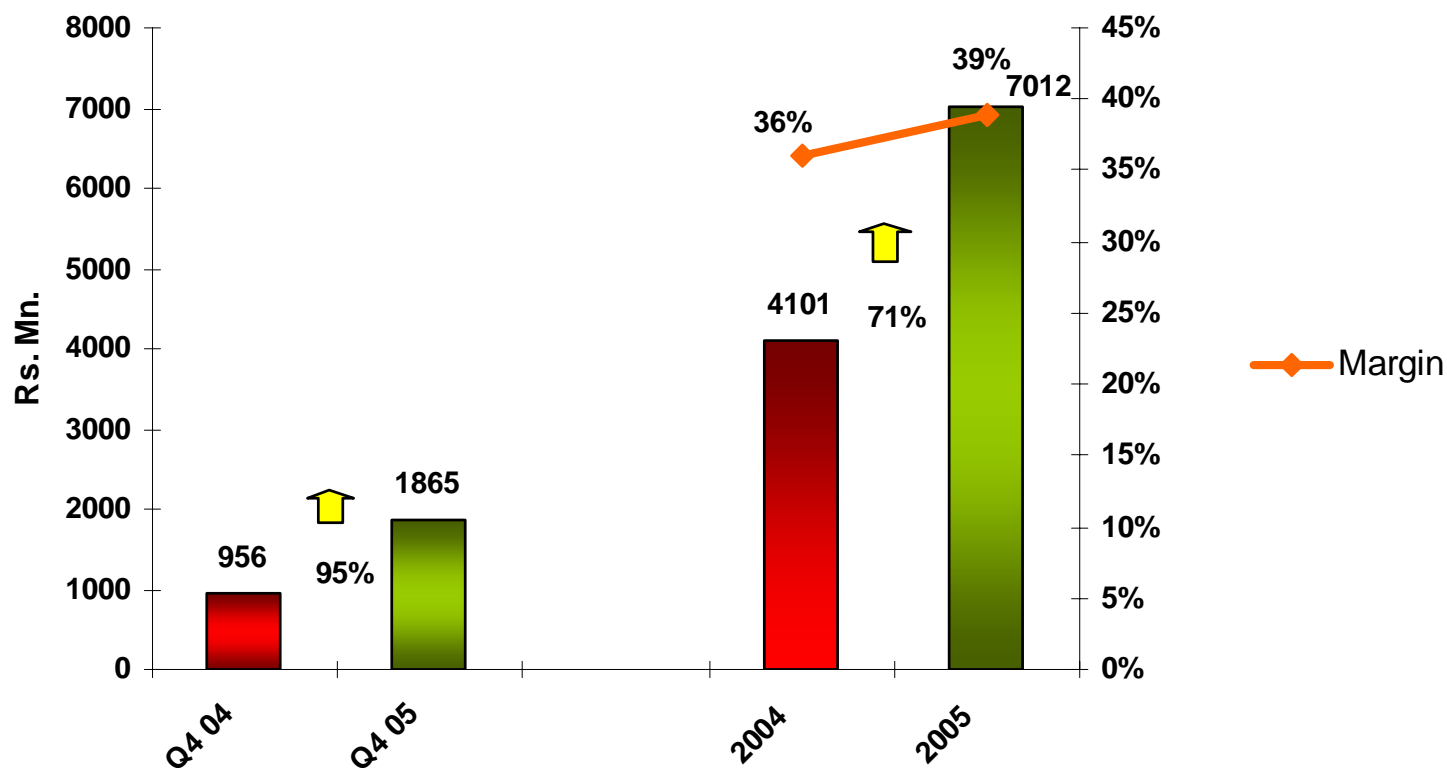
EBITDA has grown at **59%** during fy2005 compared to fy2004

- EBITDA Margin remaining constant (in fy2005 and fy2004) at **52%**



PAT Growth

- Net Profit has grown at **71%** to Rs **7.01 Billion** for fy2005 from Rs 4.10 Billion compared to fy2004.
- NP Margin has improved from 36% (in fy2004) to **39%** (in fy2005)

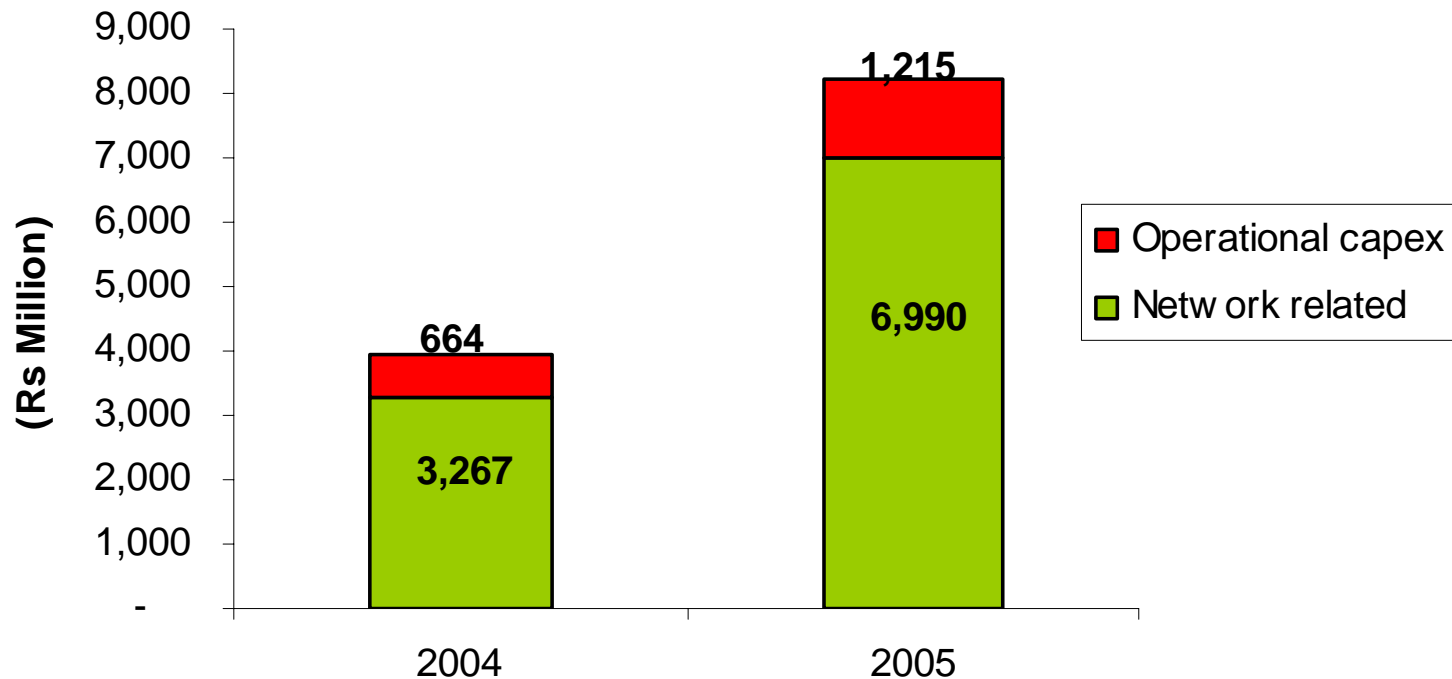


Summary Balance Sheet

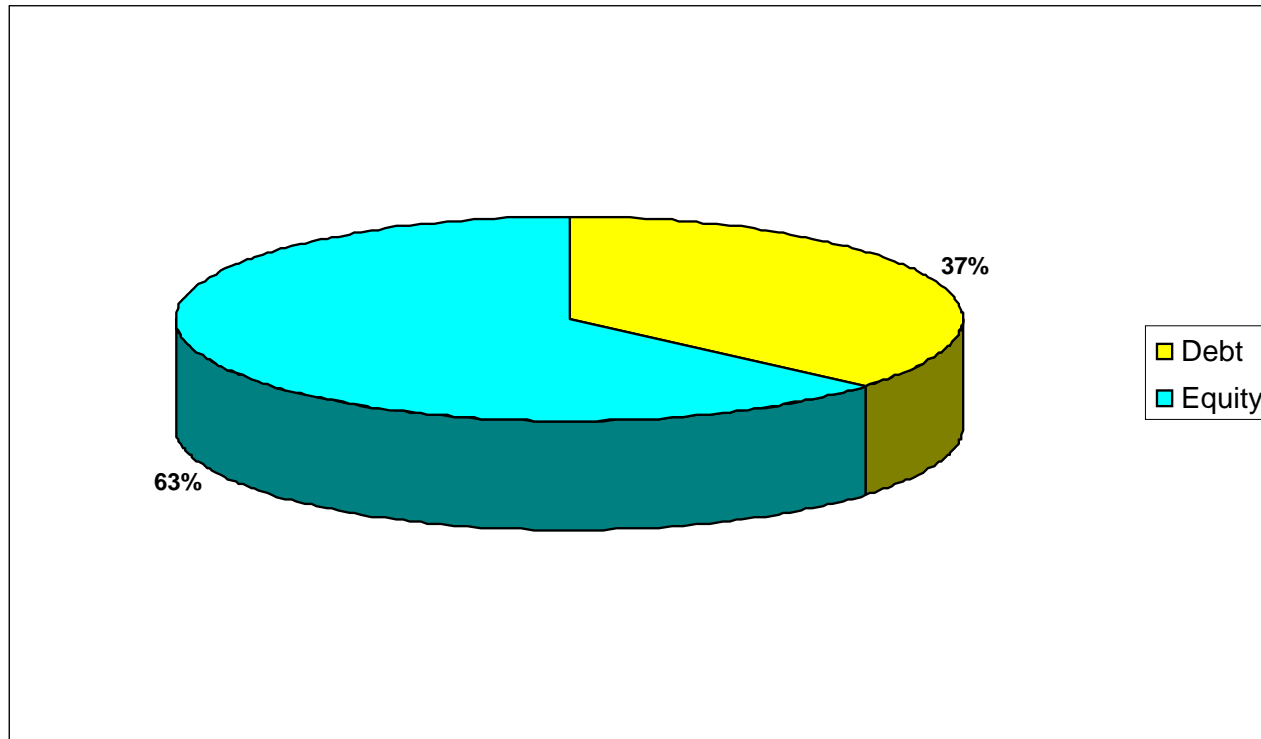
	31 December	
(all amounts in Rs. Million)	2005	2004
Fixed Assets	19,599	13,384
Intangible Assets	348	82
Investment in MTT	1,971	
Cash and Bank	6,624	3,191
Net Working Capital excl cash	(1,291)	(1,019)
Non Current Liabilities	(75)	(48)
Bank Borrowings	(9,975)	(3,463)
Net Assets	<u>17,201</u>	<u>12,126</u>
Share Capital & Share Premium	10,295	5,053
Retained Earnings	6,901	7,068
Revaluation Reserves	5	5
Net Equity	<u>17,201</u>	<u>12,126</u>

Capex Composition –(Core & Non Core Assets)

Invested a further Rs **3.7 Billion** in the mobile network infrastructure compared to previous year



Gearing Ratio as of 2005



Cash Flow Summary

(All amounts in Rs Million)	2004	2005
Profit Before Tax	4,140	7,054
<i>Adjustments for:</i>		
Interest Cost	227	195
Depreciation	1,452	1,940
Amortisation	143	213
Retirement benefit obligation	19	28
Other Adjustments (incl exchange diff, Profit on sale of FA & Changes in WC)	1,171	(140)
Cash generated from Operations	7,152	9,290
Net cash from operating activities	6,970	9,012
Net cash used in Investing Activities	(4,061)	(10,073)
Net cash generated/ (used) in Financing Activities	(255)	4,581
Net increase in cash and cash equivalents	2,655	3,519

Lenders

<i>All amounts in US\$Mn</i>	Loan Amount	Outstanding as at 31st December 2005
Citi/Commercial Syndicated loan	21.00	11.15
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 '04 for a loan facility of US\$30Mn, with an option of increasing up to US\$50Mn)

Cash position as of 31 December 2005

	Value ('000)	% in Rupee terms
Foreign Currency - US\$	17,962	28%
Local Currency - LKR	4,788,472	72%
Total - LKR	6,624,188	100%

Performance Indicators

Earnings per Share

EPS Computation

Rs (Mn)	2005	2004
PAT	7,012	4,101
Dividend on preference shares	-	(108)
Net Income Applicable to ordinary shares	7,012	3,993

Par Value	Rs 1/-	Rs 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	370	370
Bonus Shares	3,686	3,686
Retained Profits Capitalised on preference share conversion	634	
Conversion of preference shares on 20 May 2005 (1,269 Mn @ 7 months)	740	
Capitalisation of subscription in advance on 20 May 2005 (954 Mn@7 months)	557	
New Shares issued (490 Mn@5 months)	204	
Less: ESOS Shares issued on 20 May 2005 (199.89Mn@5 months)	(83)	
Weighted average number of shares, end of period(Mn)	6,108	4,056

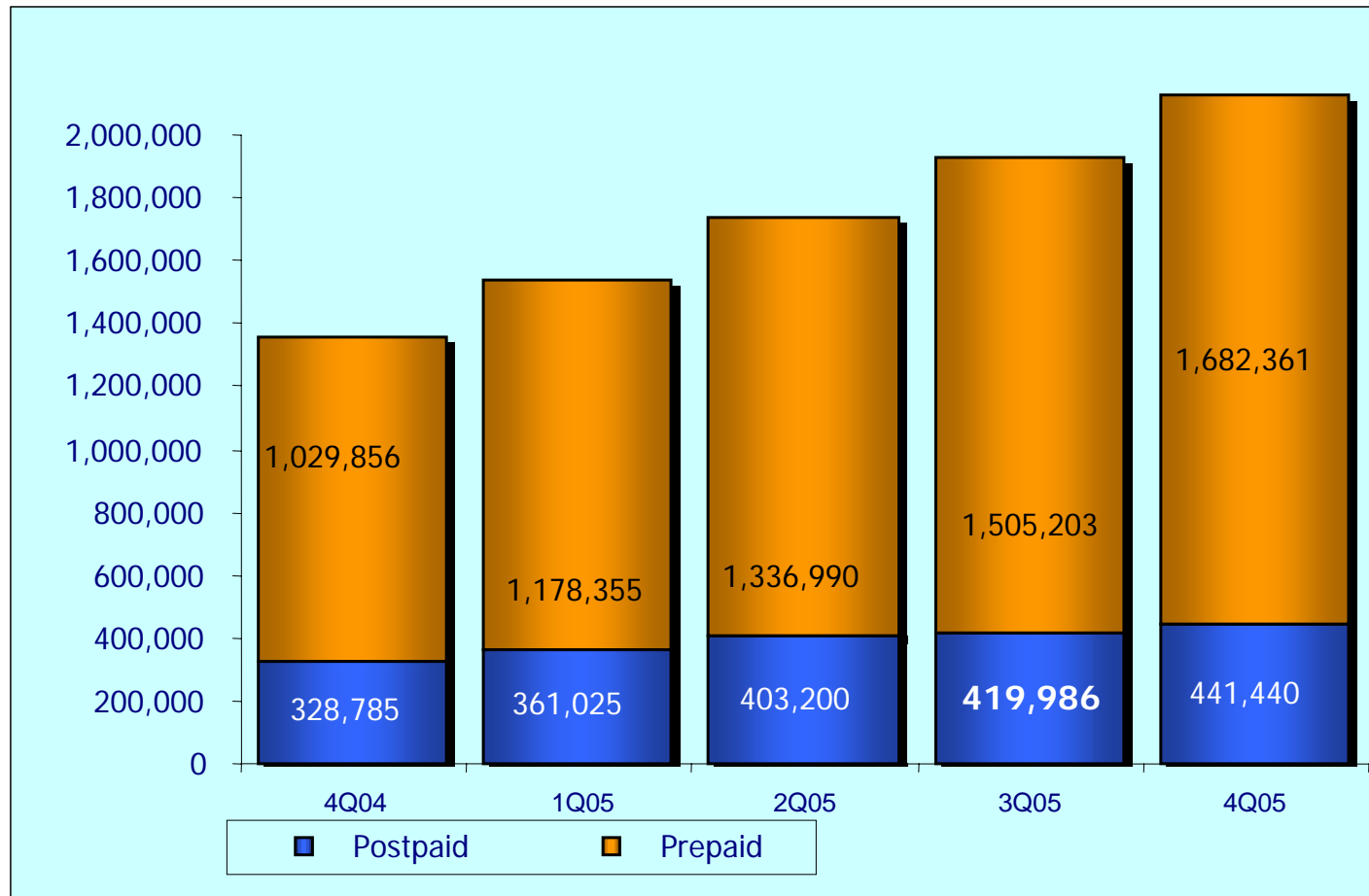
EPS (Rs)	1.15	0.98
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Balance Sheet Indicators

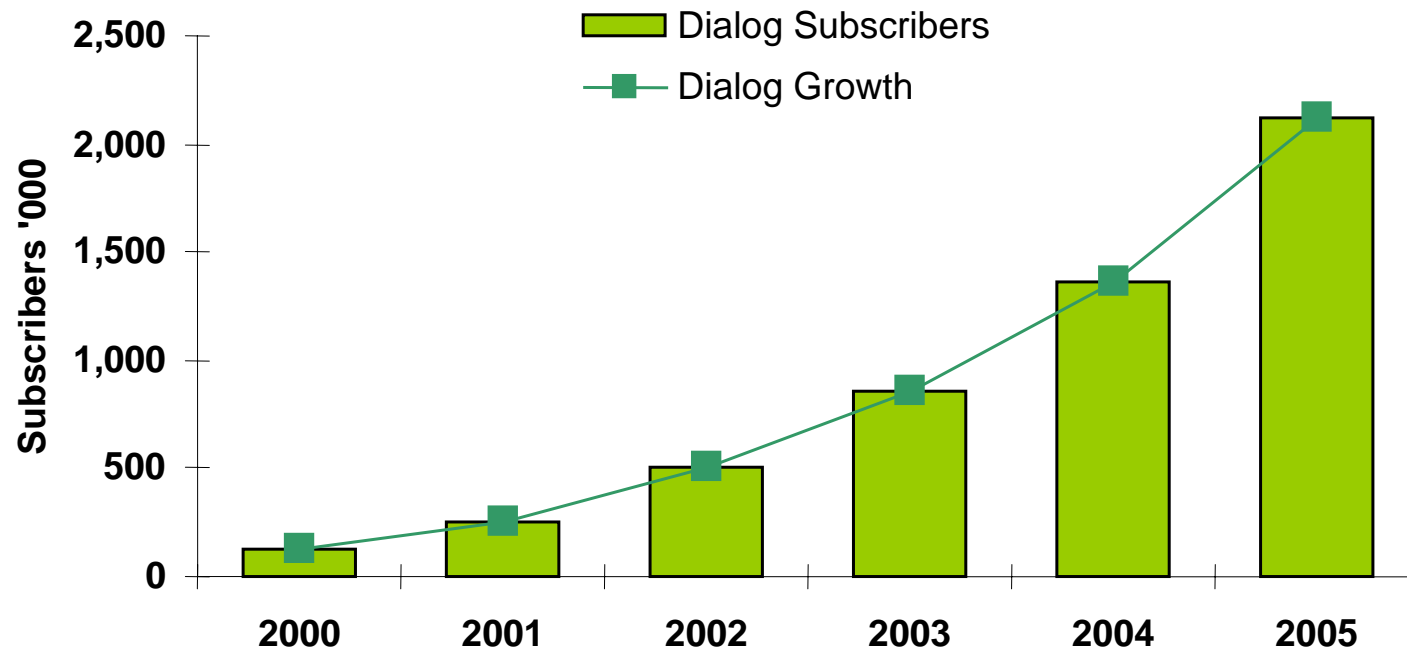
KPI	2005	2004
Net tangible assets per share(Rs.)	2.32	201.17
Gearing Ratio - %	37%	22%
Debt to EBITDA ratio (times)	1.06	0.59
Return on Equity (%)	40.76%	47.07%
Return on Capital Employed (%)	26.85%	26.86%
Earnings per Share (Rs.)	1.15	0.98
Current Ratio (times)	1.69	1.48

Key Operational Indicators - Subscriber Breakdown

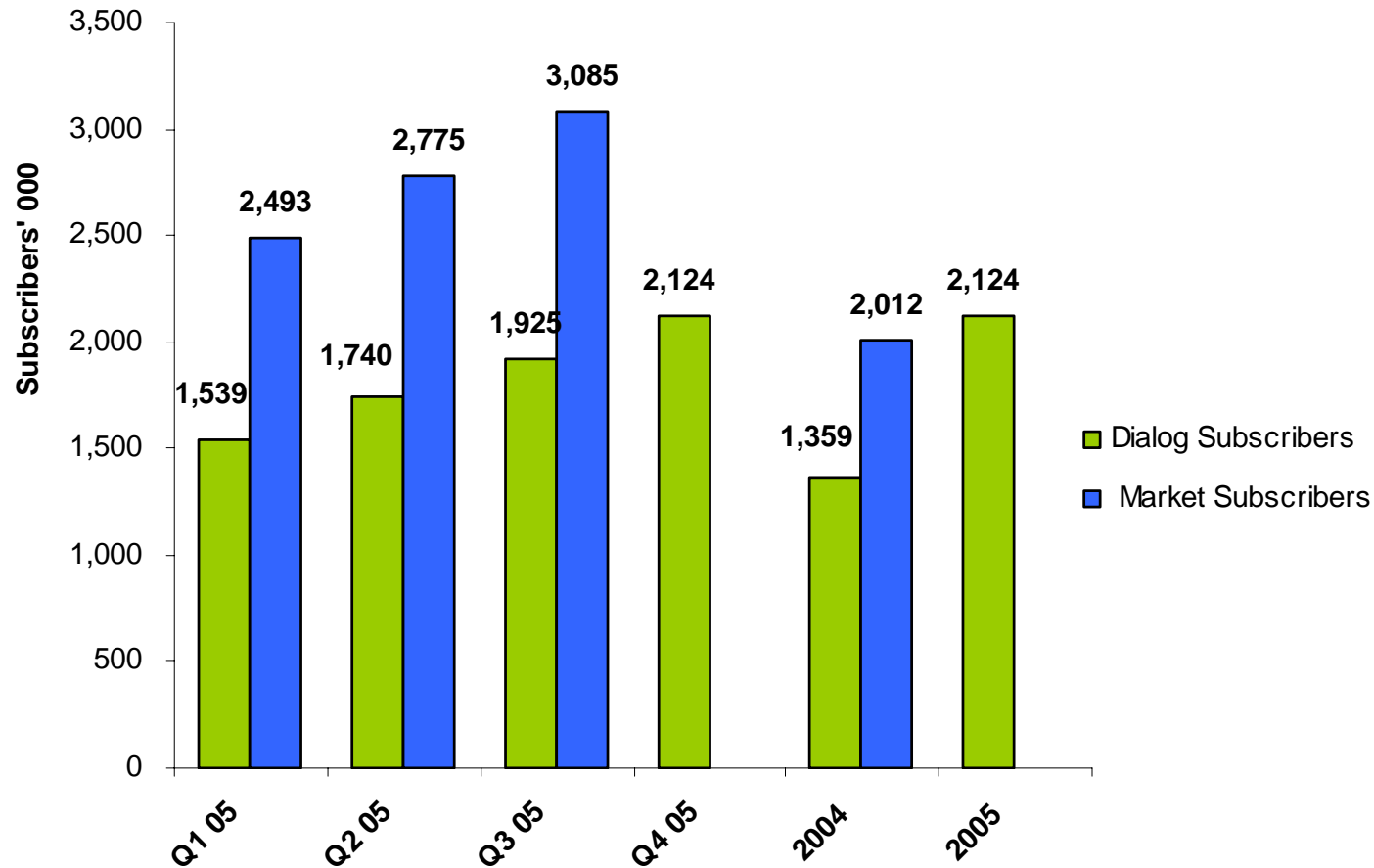
Pre paid subscriber base increased by **63%** & post paid by **34%** for fy2005 compared to fy2004.



Key Operational Indicators – Dialog Subscriber Growth



Key Operational Indicators – **Dialog** Subscriber Growth vs Industry

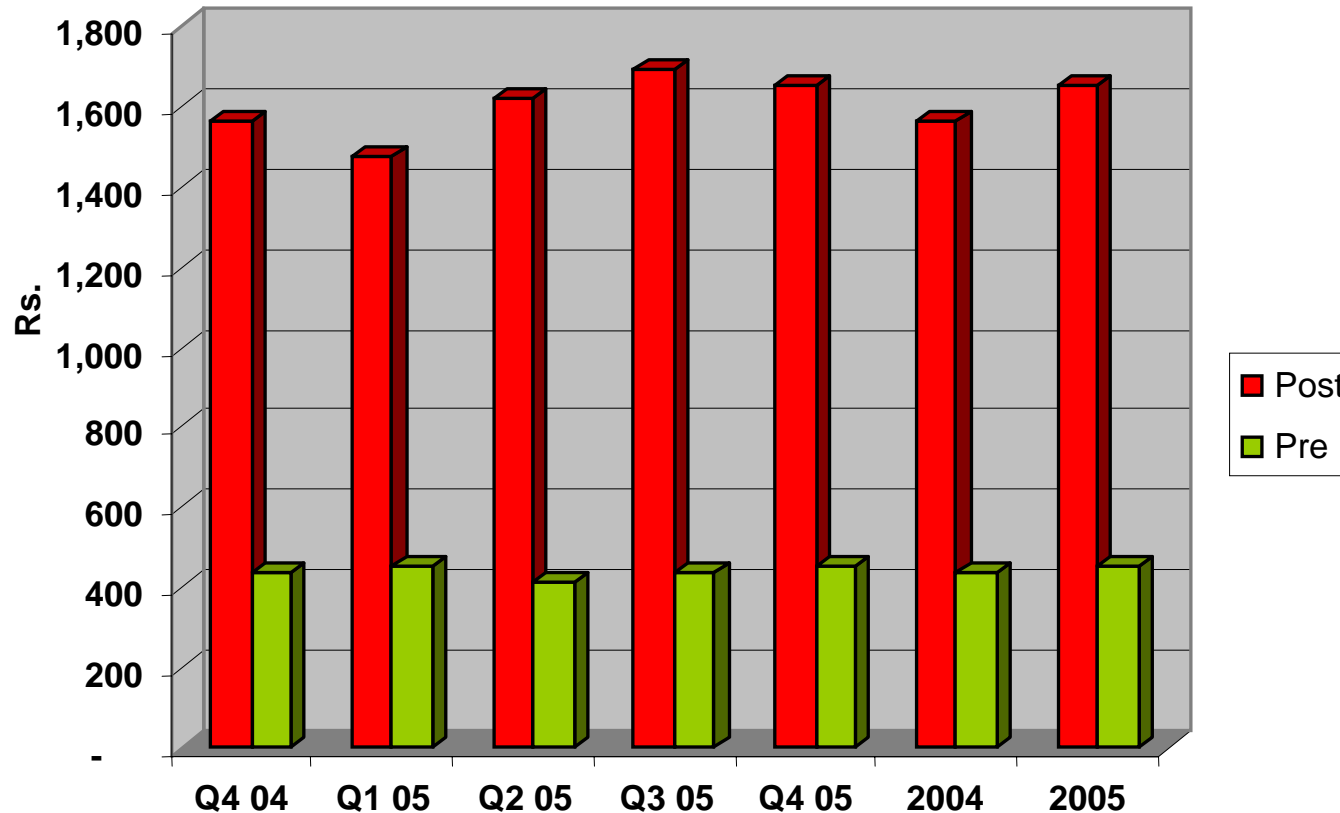


Q1 to Q3 - when the market grew @ 23.7% **Dialog** grew at 25%

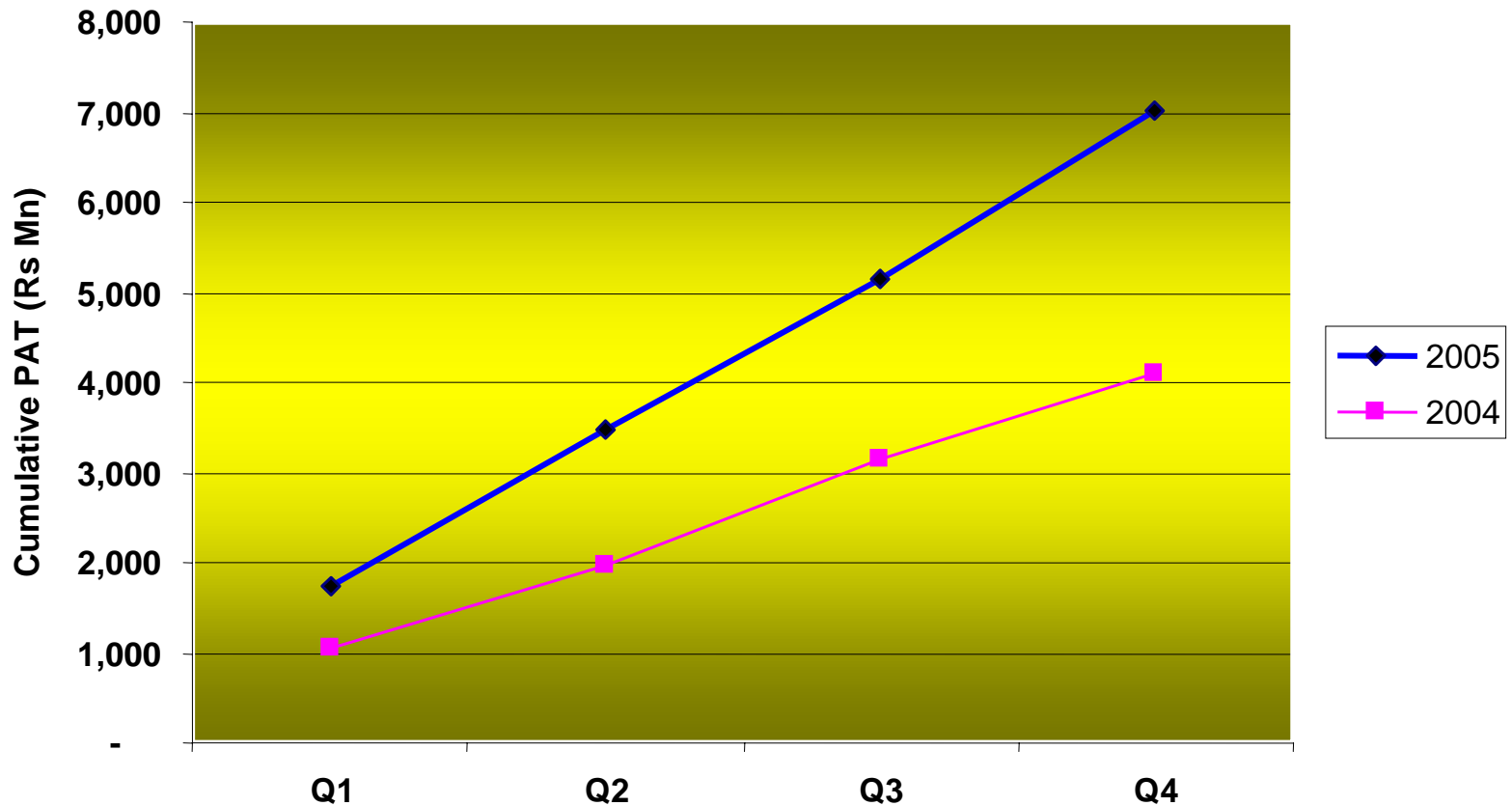
Source: TRC & Central Bank annual report on Industry Subscriber numbers

Key Operational Indicators – ARPU(post & pre)

Pre & post paid ARPU have increased by **2.73%** and **5.73%** respectively.



PAT trend 2004 Vs 2005



Thank you