



CONNECTING
SRI LANKAN LIVES
Everyday, Everywhere

Dialog
TELEKOM

Investor Forum
Nine months ended 30 September 2007

Dialog GSM

Dialog INTERNET

Dialog Global

Dialog SAT

Dialog Broadband

Dialog 3G

Dialog TV

Dialog CMA



Financials

3.96

million mobile subscribers

40%

growth






Highlights : 1-3Q 07

- Mobile subscriber base of **3.96 Mn.**
- Churn down to **6.69%** from 10.77%
- Dialog Telekom PAT : **Rs. 7.98 Bn.**
- Dialog Telekom Group PAT : **Rs 7.30 Bn.**
- Commercial Launch of **CDMA service**
- Introduction of **eZ Pay, South Asia's first Mobile Payments Service**

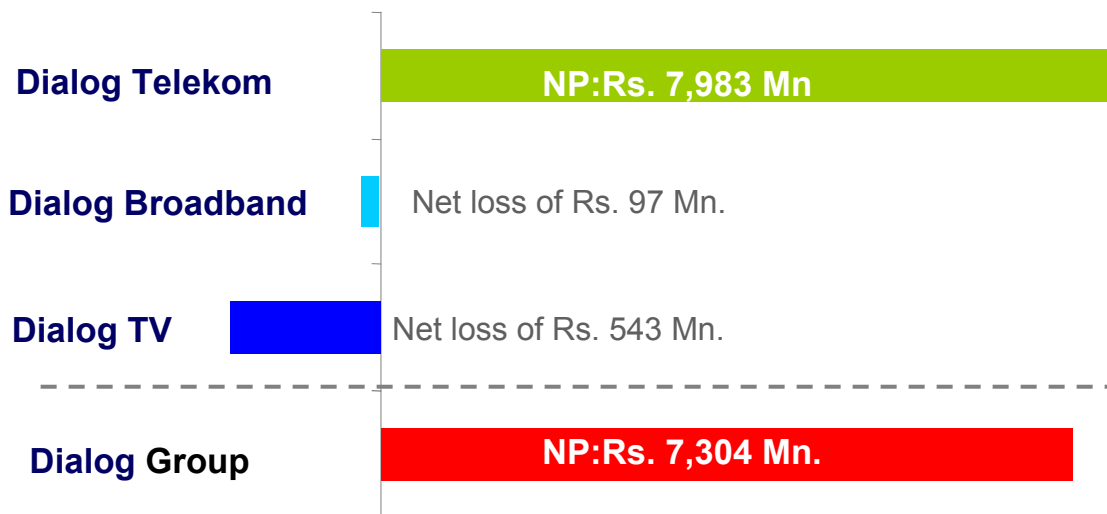
Snapshot –1-3Q 07 – Company

		Change YoY	Growth
CELLULAR SUBSCRIBERS	3.96 Mn.	1.13 Mn.	 40%

KEY FINANCIALS	USD Mn	Rs Bn.	Change (1-3Q07 vs. 1-3Q 06)	Growth (1-3Q07 vs. 1-3Q06)
REVENUE	208	23.03	Rs. 4,530 Mn.	 24%
EBITDA	102	11.30	Rs. 1,505 Mn.	 15%
PAT	72	7.98	Rs. 524 Mn.	 7%

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

1-3Q07 – Group PAT Derivation



Note: Eliminations on account of inter company transactions are not shown.

KEY FINANCIALS	USD Mn	Rs Bn.	Change	Growth (1-3Q06 Vs 1-3Q 07)
Revenue	216	23.92	Rs. 5,026 Mn.	↑ 27%
EBITDA	98	10.86	Rs. 804 Mn.	↑ 8%
PAT	66	7.30	(Rs. 245 Mn.)	↓ -3%

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

P&L Highlights

(All figures in Rs.Mn. except for ratios)	GROUP			COMPANY		
	1-3Q		Change(%)	1-3Q		Change(%)
	2007	2006		2007	2006	
Net Revenue*	23,916	18,890	27	23,030	18,500	24
Direct Costs	9,432	6,526	45	8,391	6,332	33
Gross Profit	14,484	12,364	17	14,640	12,168	20
Gross Margin (%)	61	65		64	66	
OPEX	6,553	4,399	49	6,054	4,366	39
EBITDA	10,863	10,059	8	11,302	9,797	15
EBITDA Margin (%)	45	53		49	53	
PBT	7,377	7,632	(3)	8,073	7,530	7
PAT	7,304	7,549	(3)	7,983	7,459	7
PAT Margin (%)	31	40		35	40	
EPS (Rs.)	0.94	1.03	(9)	1.03	1.02	1

*Excluding turnover tax

Highlights : 1-3Q 07 - Company

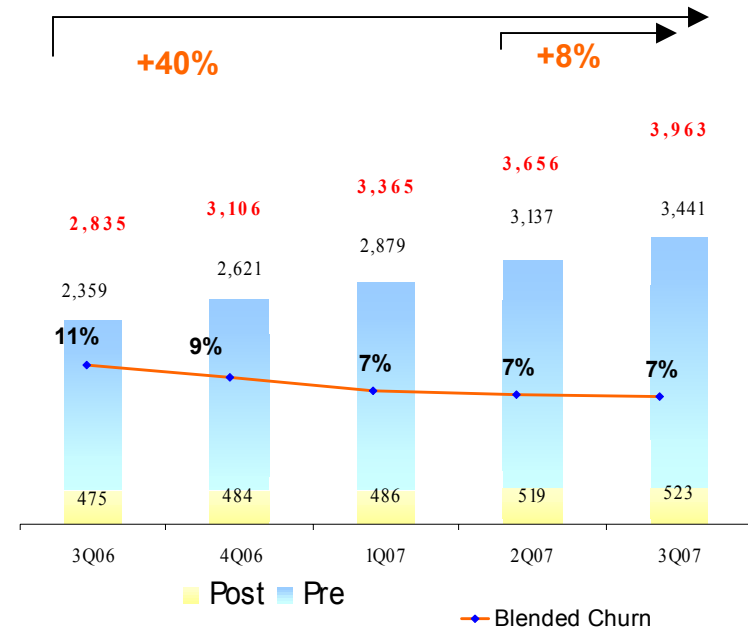
SUBSCRIBER BASE	UNITS	1-3Q 07	1-3Q 06
Postpaid	000	523	475
Prepaid	000	3,441	2,359
Total active subscriber base	000	3,963	2,835
Total net additions	000	857	711

OPERATIONAL RESULTS	UNITS	1-3Q 07	1-3Q 06
Blended ARPU	Rs.	603	680
Prepaid ARPU	Rs.	418	438
Postpaid ARPU	Rs.	1,723	1,698
Annualised churn	%	6.69	10.77

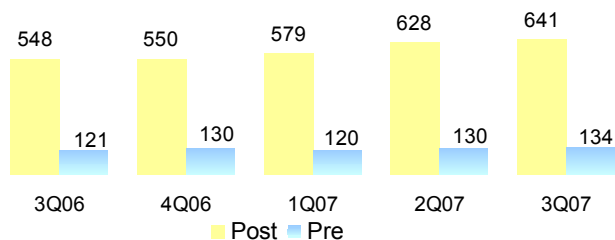
Revenue Drivers

- Market leadership with sustained growth in subscribers (**40 per cent YoY**)
- Pre/post mix: **87:13**
- **Coverage** and **Quality of Service** Improvements coupled with Introduction of **innovative Value added Services**
- Improvement in churn from 10.77 per cent in 3Q06 to 6.69 per cent in 3Q07
- Pre & post MoU have increased by 3 per cent and 2 per cent respectively on a QoQ basis.

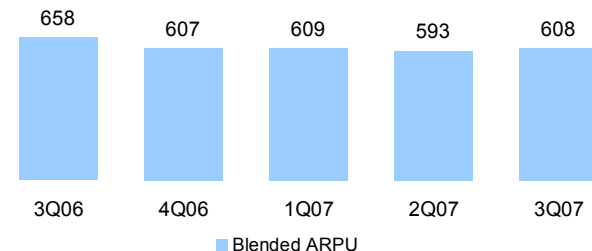
Subscriber (Thousands)



MoU/sub/month



Blended ARPU (Rs.)

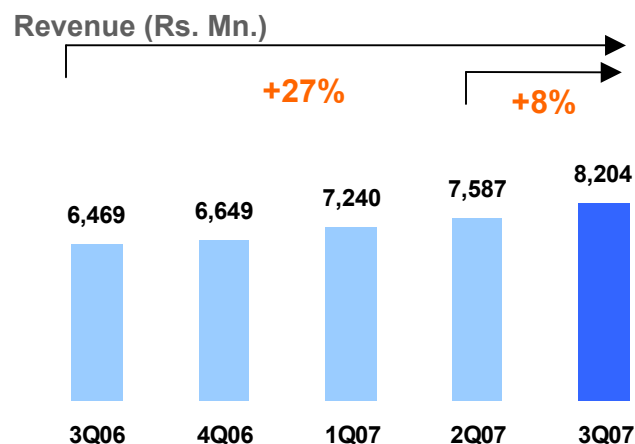


Revenue Environment

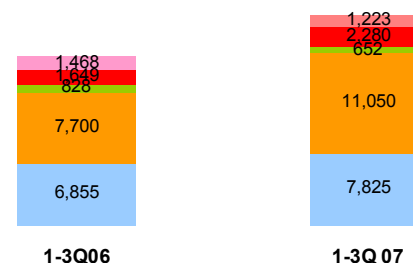
- **Revenue growth of 24%** recorded despite several revenue lines being suppressed due to Macro-Environmental factors:
 - Intermittent disruption of the company's services in the Northern and Eastern Provinces of Sri Lanka
- The upturn in macro-economic indices together with the recently concluded clearing operations in the Eastern Province of Sri Lanka are expected to reinforce revenue momentum
- **Strong Market Performance Despite Externalities**
 - **40% Growth** in Subscribers
 - Improvement in churn rate – annualized **churn reduced to 6.69%** from over **10%** in 1-3Q06.

Revenue – Company

- Steady growth in revenue– **27 per cent** increase over 3Q06
- Prepaid revenue- the dominant contributor to revenue with **48 per cent** share
- Termination revenue increased by **38 per cent**.
- Value Added Services account for approx. **10 per cent** of total revenue for 1-3Q07.



Revenue Composition (Rs. Mn.)

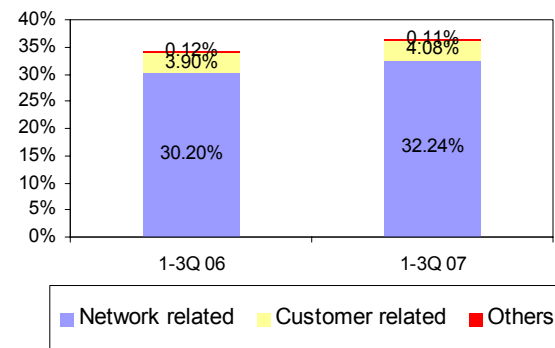
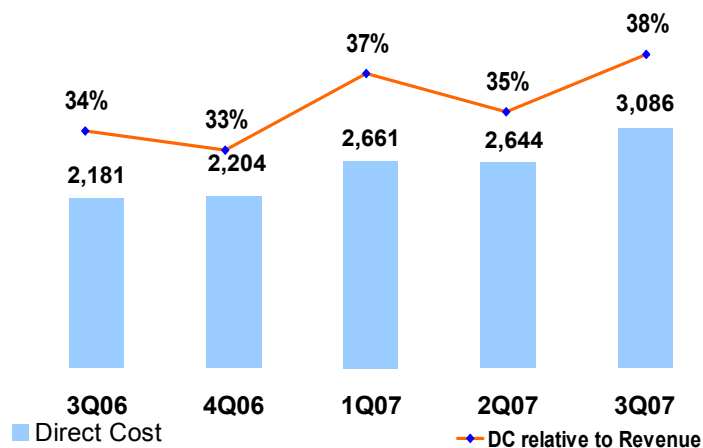


Revenue Composition

(all figures in Rs. Mn.)	1-3Q06	1-3Q07	1-3Q 07	%	Change %
Prepaid	7,700	42	11,050	48	44
Postpaid incl outbound roaming	6,855	37	7,825	34	14
International Termination	1,649	9	2,280	10	38
Inbound Roaming	828	4	652	3	-21
Other Revenue	1,468	8	1,223	5	-17
Net Revenue	18,500	100	23,030	100	24

Direct Costs - Company

- Direct Costs increased by 2 percentage points (relative to revenue) in 1-3Q07 compared to performance in the 1-3Q06 due to revenue mitigating factors cited previously.



(all figures in Rs. Mn.)	1-3Q 06	%	1-3Q 07	%	Change %
Network Related Costs	5,588	88.25	7,426	88.50	33
As a % of Revenue	30.20		32.24		
Customer Related Costs	722	11.41	939	11.19	30
As a % of Revenue	3.90		4.08		
Others	22	0.35	26	0.31	18
As a % of Revenue	0.12		0.11		
Total Direct Cost	6,332	100	8,391	100	33
As a % of Revenue	34		36		

Network Costs - Company

(all figures in Rs. Mn.)	1-3Q 06	% of Revenue	1-3Q 07	% of Revenue
Net Revenue	18,500		23,030	
Network Related Costs				
Lease Circuit Rental	284	1.53	228	0.99
International Telecommunication Levy	640	3.46	912	3.96
Telecom equipment depreciation	1,749	9.46	2,313	10.04
International Origination Cost	543	2.94	833	3.62
Roaming expenditure	497	2.69	605	2.63
Other network costs	1,874	10.13	2,535	11.01
Total	5,588	30	7,426	32

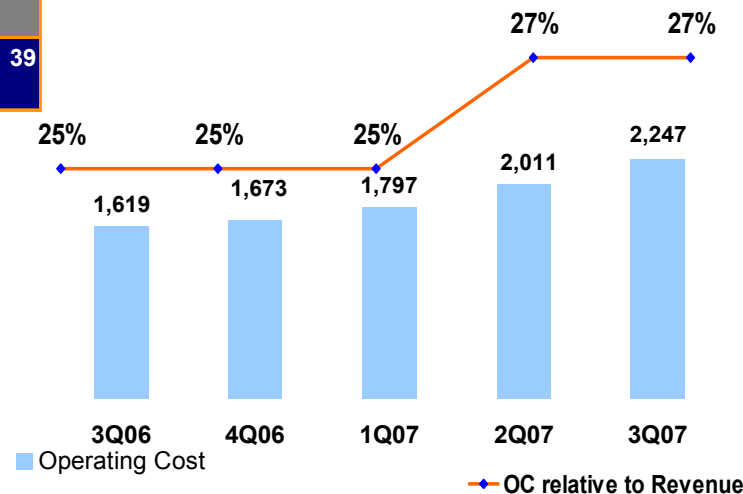
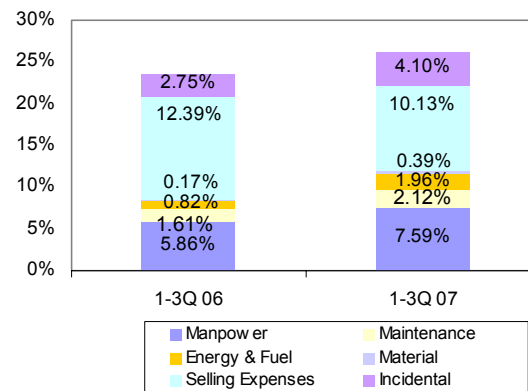
- Network Related Costs relative to Revenue increased by 2 percentage points.



Operating Costs - Company

- Opex as a percentage of revenue **increased** by 2 percentage points in 1-3Q07 vis-à-vis 1-3Q06 . Performance relative to revenue is mitigated in the main due to the company not achieving its full revenue potential due to **macro environmental conditions**.

(all figures in Rs. Mn.)	1-3Q 06	%	1-3Q 07	%	Change %
Selling Expenses	2,292	53	2,333	39	2
As a % of Revenue	12.39		10.13		
Manpower	1,084	25	1,747	29	61
As a % of Revenue	5.86		7.59		
Maintenance	298	7	488	8	64
As a % of Revenue	1.61		2.12		
Energy & Fuel	152	3	451	7	197
As a % of Revenue	0.82		1.96		
Material	31	1	89	1	187
As a % of Revenue	0.17		0.39		
Incidental	508	12	945	16	86
As a % of Revenue	2.75		4.10		
Total Expenses	4,366	100	6,054	100	39
As a % of Revenue	24		26		



Selling Expenses - Company

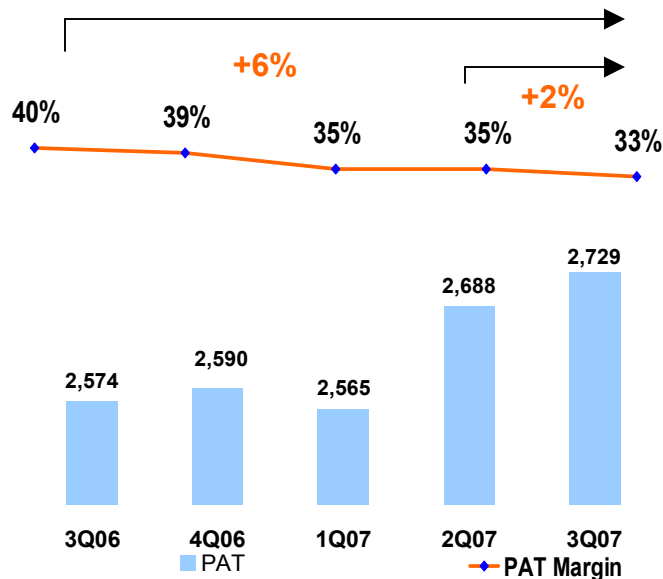
- Selling Expenses as a percentage of revenue has **improved by 2** percentage points QoQ.
- Selling Expenses maintained close to 10 per cent of Revenue despite **40** per cent growth in subscribers YoY.

(all figures in Rs. Mn.)	1-3Q 06	% of Revenue	1-3Q 07	% of Revenue	Change %
Net Revenue	18,500		23,030		
Selling expenses:					
Sales Commission	1,022	5.5	811	3.5	-20.7
Advertising	334	1.8	502	2.2	50.3
Sales promotion	254	1.4	435	1.9	71.3
Others	682	3.7	585	2.5	-14.2
Total	2,292	12	2,333	10	2

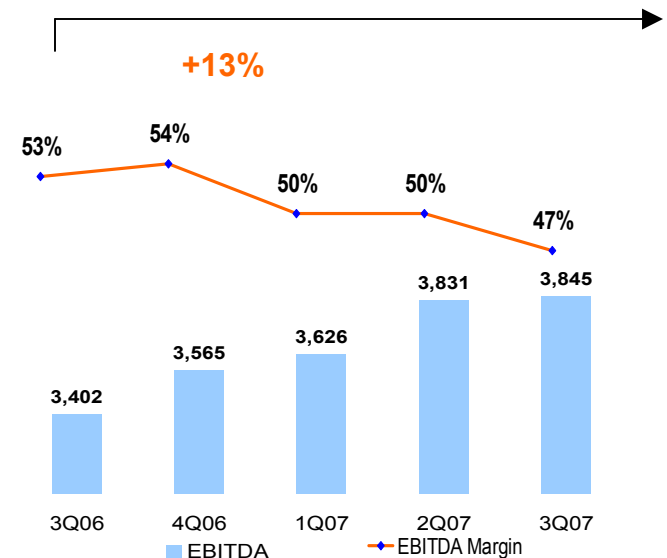
PAT and EBITDA Margins - Company

- PAT performance in 1-3Q 07 vis-à-vis 1-3Q 06. has been mitigated due to inflationary pressure on principal cost lines in addition to revenue mitigating factors cited previously.

PAT (Rs. Mn.)



EBITDA (Rs. Mn.)



Balance Sheet

- Net Asset per share of the Company has increased by 62% following the rights issue.

(all figures in Rupees '000)	30 September 2007		31 December 2006	
	Group	Company	Group	Company
ASSETS				
Non - current assets	42,192,449	38,107,682	33,634,237	31,329,629
Current assets	13,907,256	16,441,460	9,791,731	10,466,449
Total assets	56,099,705	54,549,142	43,425,968	41,796,078
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Stated Capital	28,104,198	28,104,198	12,680,378	12,680,378
ESOS Trust shares	(2,029,227)	(2,029,227)	(1,925,226)	(1,925,226)
Reserve	175,788	175,788	91,149	91,149
Retained Earnings	17,494,166	18,048,302	14,206,808	14,136,581
	43,744,925	44,299,061	25,053,109	24,982,882
Minority interest In Equity	Nil	Nil	(72)	Nil
Total equity	43,744,925	44,299,061	25,053,037	24,982,882
LIABILITIES				
Non - current liabilities	2,894,415	2,499,671	8,297,462	7,568,703
Current liabilities	9,460,365	7,750,410	10,075,469	9,244,493
Total liabilities	12,354,780	10,250,081	18,372,931	16,813,196
Total equity and liabilities	56,099,705	54,549,142	43,425,968	41,796,078
Net Asset per share (Rs)	5.37	5.44	3.37	3.36

Investments / Network rollout

- Total investments **in excess of USD 95 Mn (Rs 10 Bn)** in telecommunication and infrastructure, a large proportion of which has been deployed in underserved regions of the country.
- Increased capex will lead to a faster island wide coverage and hence higher penetration.



Cash Flow Highlights - Company

Net Cash Flows from
operating activities up

12%

(all figures in Rs. Mn.)	1-3Q 07	1-3Q 06
Net cash from operating activities	9,587	8,558
Net cash used in investing activities	(12,617)	(6,696)
Net cash used in financing activities	5,265	(3,032)
Increase/(decrease) in cash and cash equivalents	2,235	(1,170)
Movement in cash and cash equivalents		
At start of year	2,237	6,624
Increase/(decrease)	2,235	(1,170)
At end of period	4,473	5,454

Reconciliation of Cash Generated from Operations

- Company

(all figures in Rs. Mn.)	1-3Q 07	1-3Q 06
Profit before Tax	8,073	7,530
Adjustments for:		
Interest Expenses	463	237
Depreciation	2,437	1,865
Amortisation	279	130
Retirement Benefit Obligation	24	24
Other Adjustments*	(1,209)	(1,050)
(incl. Changes in WC, exchange diff, profit on sale of FA)		
Cash Generated from Operations	10,067	8,735

KPIs - Company

- Net Debt/ EBITDA has reduced mainly due to improved cash position after the rights issue in June 2007.
- RoE diluted due to increase in shareholders funds following the equity issue.

RATIOS	Units	30 Sep 2007	31 Dec 2006
Net Tangible Assets per share	Rs.	5.44	3.36
Net Debt to EBITDA*	Times	0.10	0.83
Long term Debt to Equity	Times	0.05	0.29
Return on Equity**	%	31	48
Return on Capital Employed***	%	26	33

**Net debt is inclusive of vendor financing*

***RoE has been computed as annualized PAT/ average shareholders funds*

****RoCE has been computed as annualized EBIT/ average capital employed*

Earnings Per Share

DESCRIPTION	UNITS	1-3Q 07	1-3Q 06
Net income applicable to ordinary shares	Rs. Mn.	7,304	7,549
Weighted average number of shares, end of period*	Mn.	7,775	7,322
EPS	Rs.	0.94	1.03

**Adjusted for effects of rights issue and ESOS shares exercised*

Lenders - Company

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	15.00	11.25	2.50	8.75
SCB	Term Loan	LKR	25.00	5.74	-	5.74
Total			40.00	16.99	2.50	14.49

- Loans which did not have unwinding costs were prepaid during the quarter and converted to working capital lines.
- Entered into a loan agreement with IFC for a facility of US \$ 70 Mn in the month of September 2007.
- Executed in the month of October 2007
 - Rs 5 Bn via Rated Cumulative Redeemable Preference Shares
 - Rs. 1 Bn subsidized loan from DFCC



Subsidiary / SBU Performance

International Business

- Contribution to DT group bottom line: **14%**
- **38% growth** in International termination revenue
- International Fibre backbone through **SMW3** and **SMW4**
- Best-in -class **International Gateway infrastructure** with **Soft Switching**



Dialog Broadband Networks (Pvt) Ltd. [DBN]

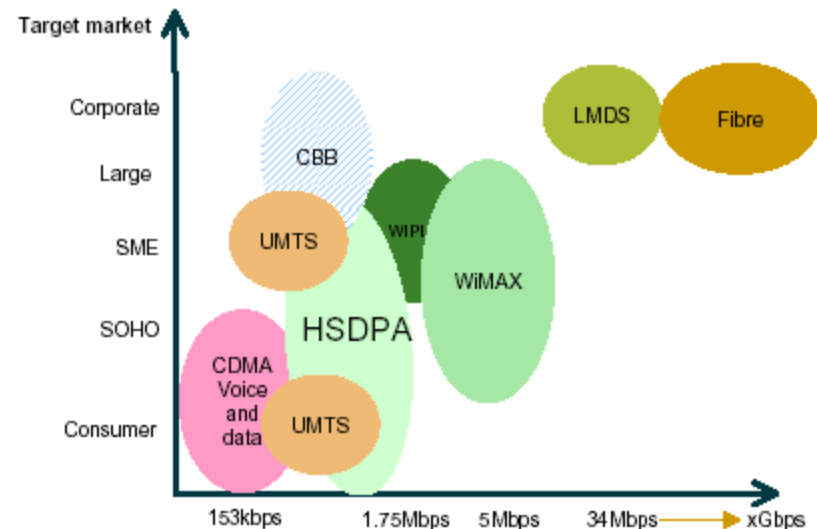
- Revenue of Rs. 681.68 Mn up **19%** relative to Rs. 574.47 Mn. recorded for the nine months ended 30 September 2006 .
- **Net loss of Rs. 96.55 Mn.** for the nine months ended 30 September 2007 vis-à-vis a profit of Rs. 126.00 Mn recorded for the nine months ended 30 September 2006.
- The adverse performance in profitability is in part due to **delay in launch of CDMA and WiMax services**. Bottom line is also impacted by high administration expenses incurred in capacity building for future expansion/new revenue streams.
- The CDMA fixed wireless service was commercially launched in July 2007 in 6 districts .
- During the third-quarter of 2007, DBN acquired **approx. 7,000 CDMA subscribers**.
- Top-line revenue growth initiatives growth initiatives centered around **an aggressive entry in to the CDMA market** will serve to **boost revenue streams and normalize profit margins** of DBN in the medium term.

high speed broadband Internet access
virtually anywhere in the Island



Broadband Technologies & Segment Coverage

- Broadband/HSDPA was launched in 3Q 2007.
- **WiMax subscribers base** as of 30 September 2007 :122
- Significant market potential for Broadband and Data Networks
- Dialog will use a mix of technologies
- Fixed Broadband:
HSDPA,Wi-Max, WiFi
- Mobile Broadband:
HSDPA and 3G
- Corporate Data Networks:
Local & International IPVPN



Development Of National Optical Fibre Network (OFN)

- National OFN Network : 1250km
The project on laying of the outer ring is expected to commence in the fourth-quarter of 2007
- Colombo Access Fibre : 200km
The fibre optic Colombo ring is complete
- The OFN is expected to **substantially increase voice traffic and interconnect quality.**
- Focus on intra-group and Carrier Services
- Recognised by the GoSL as a National ICT Project

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. 479.62 Mn.** on the backdrop of over a **200 per cent growth in subscribers** within the first nine months of operations for 2007.
- The company recorded a **net loss of Rs 542.56 Mn.** during the nine months ended 30 September of 2007, as characteristic of a Satellite Television operation in **start-up phase**. The achievement of a break-even volume of subscribers and operating revenues will see the company in a position to override its fixed cost base, leading thereafter to positive bottom line contribution.
- Third- quarter 2007 Highlights:
 - Dialog TV subscriber base: 37,339
 - The month of September witnessed the soft launch of the **SET Plans scheme**. The SET plans scheme is designed to provide subscribers with **the flexibility to customise their Channel bouquet** to suit their personal preference.



South Asia's First Mobile Payments Service



- Launched the **eZ Pay service** in the month of August : **South Asia's first commercial mCommerce (Mobile Commerce) initiative**, a revolutionary service that allows consumers to purchase goods, pay bills, transfer money and perform banking transactions via their mobile phones.
- The Dialog-NDB Bank mobile commerce network will **empower consumers** with the ability to carry out a variety of electronic transactions using their mobile phone from anywhere within Dialog GSM's network coverage.
- eZ Pay is available on **Post-paid as well as Pre-paid** Dialog subscriptions.
- The consumer can avail themselves of the eZ Pay facility by
 - Obtaining an eZ Pay enabled SIM card from Dialog.
 - Opening a Pre-paid Card Account at NDB Bank, at which time they can also opt for a Pre-paid Debit Card.
- The card is an **internationally accepted** VISA Pre-paid Debit card linked to the eZ Pay account.



- Dialog Telekom awarded membership of the **UN Global Compact** – the Worlds largest CR network with 4,400 organizations

- Nominated as **champion for Communications sector** in the Sri Lanka steering committee for the UN Global Compact.

- Investment in downstream supply chain – Conducted **workshops to empower small and medium retailers**

Recognitions



■ Chief Marketing Officer of the Dialog Telekom Group, Nushad Perera was recently bestowed with the coveted **'Global Brand Leadership Award'** at the Asia Brand Congress 2007 held in India.



■ Asia Pacific Customer Service Consortium award for “Winners of the **Customer Relationship Excellence-2006**”.



Thank you