



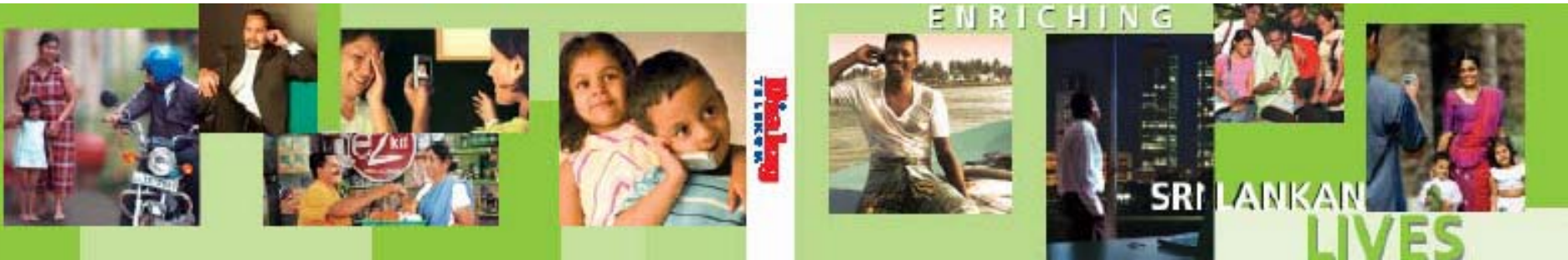
Dialog TELEKOM

A **TM** Company

Investor Forum

Interim Results

Nine months to 30 September 2006



Agenda

Highlights

Financials

Subsidiary Performance

Key Performance Indicators

Updates

Highlights

Key Financials		Nine months ended 30 September		
Units		2006 Group	2006 Company	2005 Company
Revenue	Rs.Mn	18,890	18,500	12,813
EBITDA	Rs.Mn	10,059	9,797	6,845
Profit after Tax	Rs.Mn	7,549	7,459	5,147
EPS	Rs.	1.05	1.03	0.90

Key Financials		Nine months ended 30 September		
Units		2006 Group	2006 Company	2005 Company
Revenue	US\$ Mn	184	180	128
EBITDA	US\$ Mn	97	95	68
Profit after Tax	US\$ Mn	73	72	51
EPS	US\$	0.0101	0.0100	0.0090

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

Highlights

Subscriber Base		Units	Nine months ended 30 September	
			2006	2005
<div></div> Total Net Additions	Thousands		711	565
<div></div> Total active subscriber base	Thousands		2,835	1,925
Operational Results		Units	Nine months ended 30 September	
			2006	2005
<div></div> Blended ARPU	Rs.		680	698
Pre-paid ARPU	Rs.		438	424
Postpaid ARPU	Rs.		1698	1,602
<div></div> Annualised Churn	%		10.77	7.48

* Company initiated churn accounts for 85% of overall churn.

Highlights

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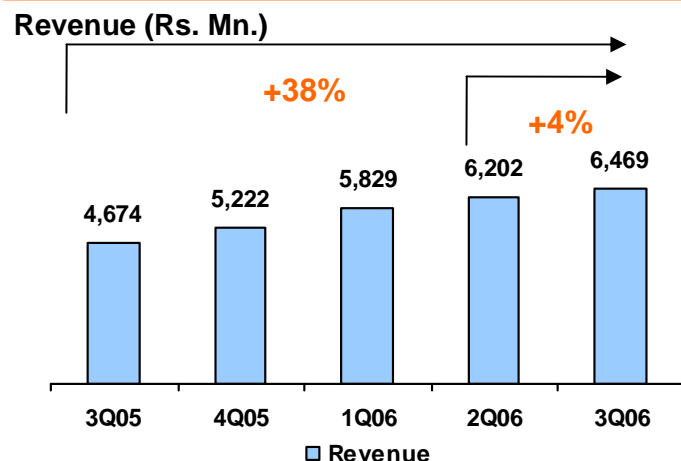
P&L Highlights

(all figures in Rs. Mn. except for ratios)	Three Months Ended 30 September			Nine Months Ended 30 September		
	2006	2006	2005	2006	2006	2005
	Group	Company	Company	Group	Company	Company
Net Revenue*	6,611	6,469	4,674	18,890	18,500	12,813
Growth (%)	41	38		47	44	
Direct Costs	2,255	2,181	1,651	6,526	6,332	4,246
Growth (%)	37	32		54	49	
Gross Profit	4,355	4,289	3,023	12,364	12,168	8,567
Growth (%)	44	42		44	42	
Gross Margin (%)	66	66	65	65	66	67
OPEX	1,621	1,619	1,273	4,398	4,366	3,258
Growth (%)	27	27		35	34	
EBITDA	3,463	3,402	2,307	10,059	9,797	6,845
Growth (%)	50	47		47	43	
EBITDA Margin (%)	52	53	49	53	53	53
PBT	2,634	2,580	1,702	7,632	7,530	5,177
Growth (%)	55	52		47	45	
PAT	2,616	2,574	1,700	7,549	7,459	5,147
Growth (%)	54	51		47	45	
PAT Margin (%)	40	40	36	40	40	40
EPS(Rs.)	0.362	0.356	0.239	1.046	1.034	0.896
Growth (%)	51	49		17	15	

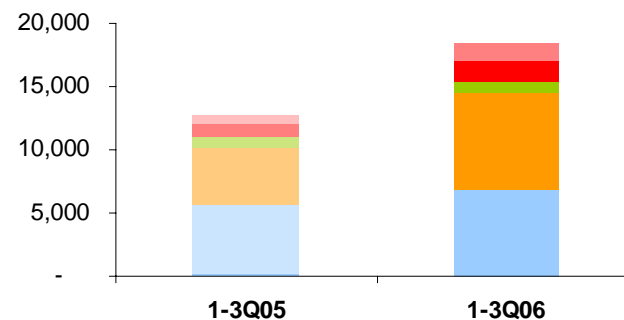
* excluding turnover tax.

Revenue Growth

- Steady growth in revenue– **44** per cent increase over nine months ended 30 September 05.
- Prepaid revenue- the dominant contributor to revenue with **42** per cent share
- Termination revenue increased by **79** per cent.
- SMS revenue accounts for approx. **6** per cent of total revenue for the nine months ended 30 September 2006, and non-SMS data revenue accounts for approx. **1** percent of Total Revenue .



Revenue Composition (Rs.Mn.)



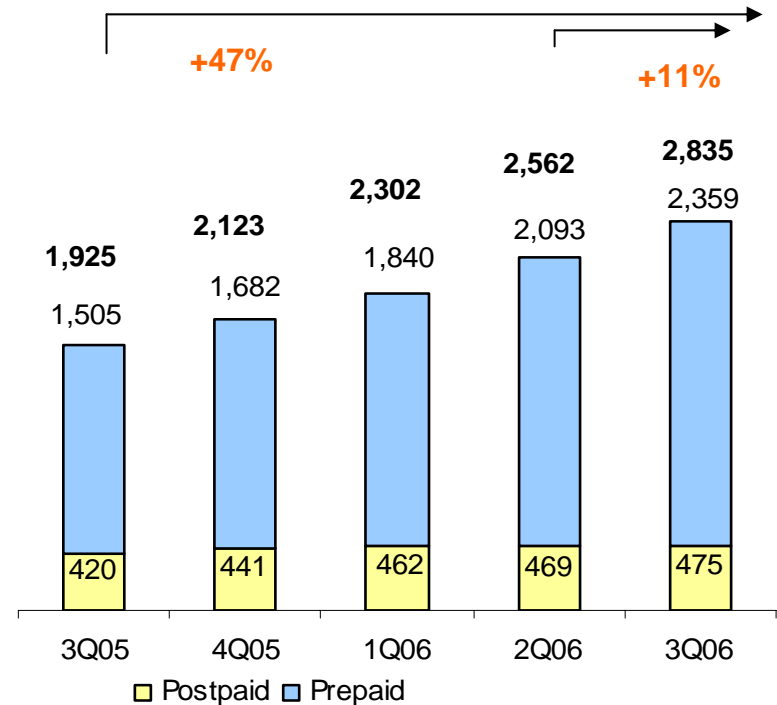
Revenue Composition

Period ended 30 September (all figures in Rs. Mn.)	2005	%	2006	%	Change %
Postpaid incl outbound roaming	5,623	44	6,855	37	22
Prepaid	4,614	36	7,701	42	67
Inbound Roaming	864	7	828	4	-4
International Termination	921	7	1,649	9	79
Other Revenue	817	6	1,473	8	80
Gross Revenue	12,839	100	18,507	100	44

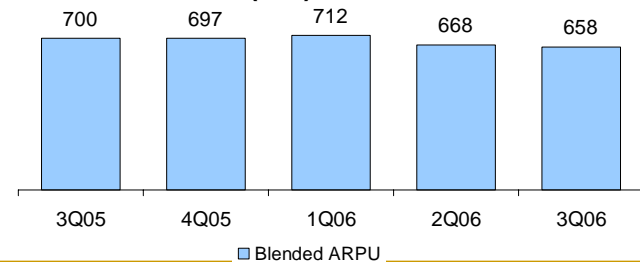
Revenue Drivers

- Market leadership with sustained growth in subscribers (**47 per cent YoY**)
- Pre/post mix: **83:17**
- Coverage and Quality of Service Improvements.
- Blended ARPU down **6** per cent with subscriber base more skewed towards prepaid.

Subscriber (Thousands)



Blended ARPU (Rs.)



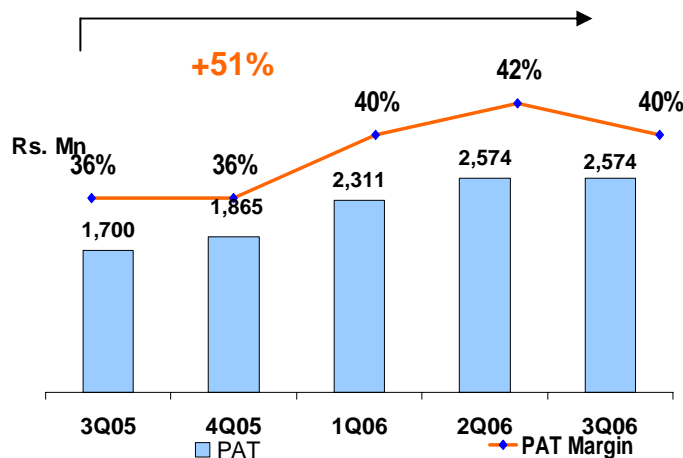
Super
5 Friends + 2 ADD



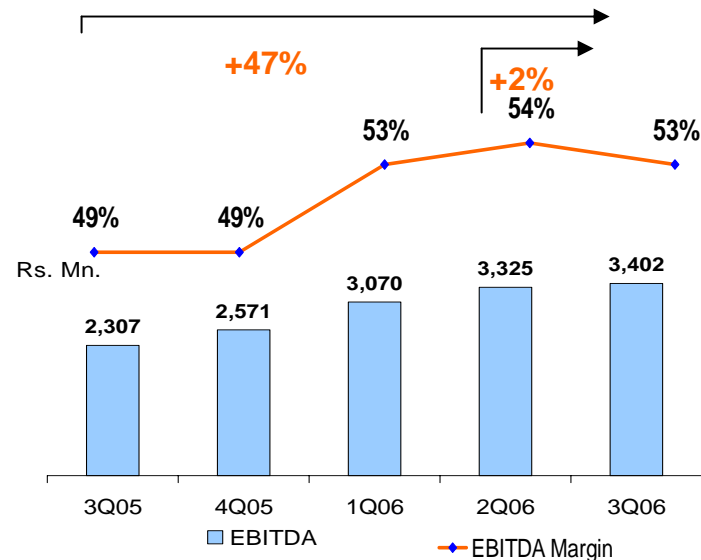
Healthy EBITDA and PAT Margins

- PAT and EBITDA margins up **4** points each in 3Q06 compared to 3Q05.
- The reduction in margins on an immediate QoQ basis is attributable to increase in operating expenses.

PAT (Rs. Mn.)

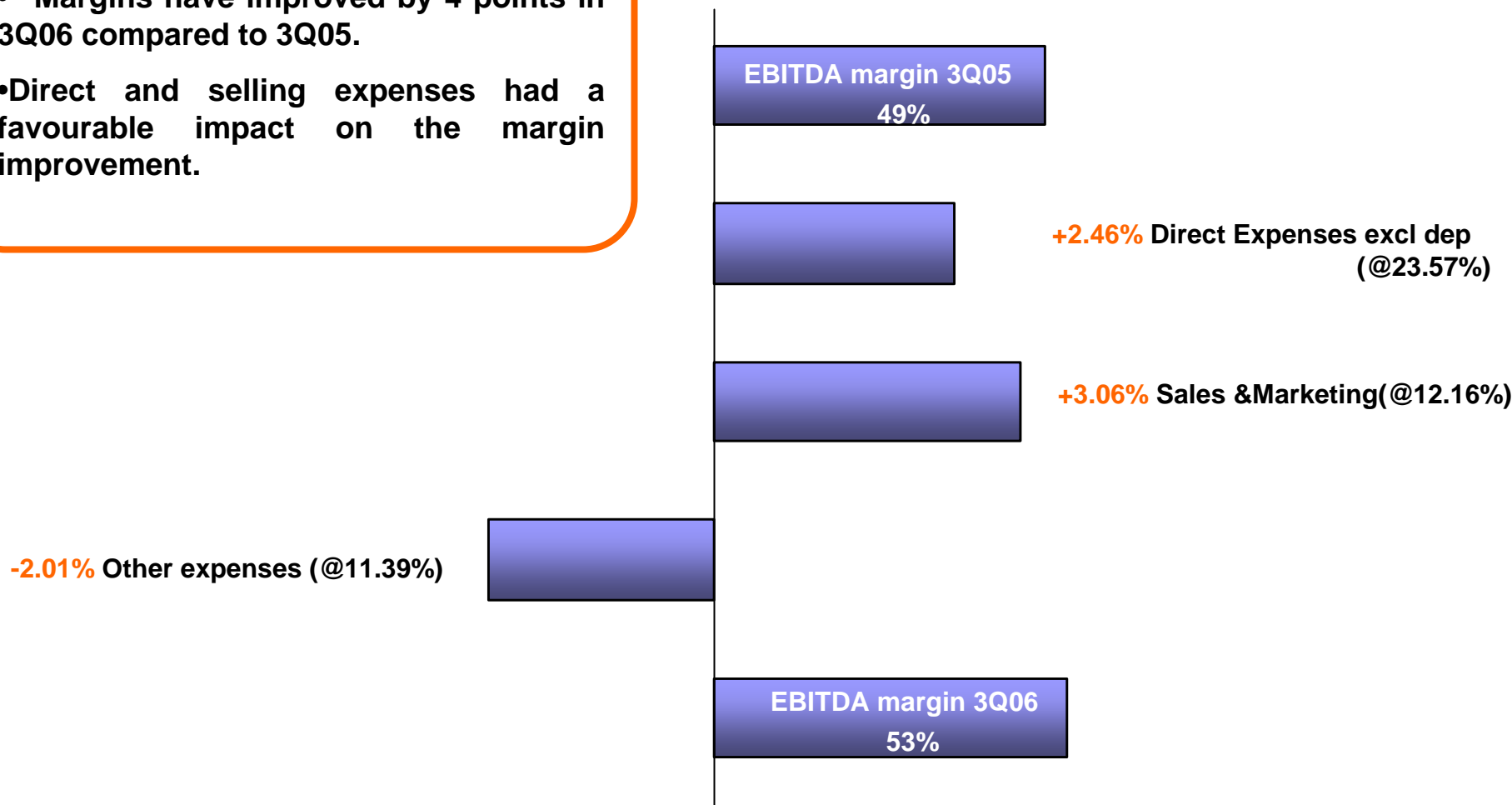


EBITDA (Rs. Mn.)



EBITDA Margin analysis

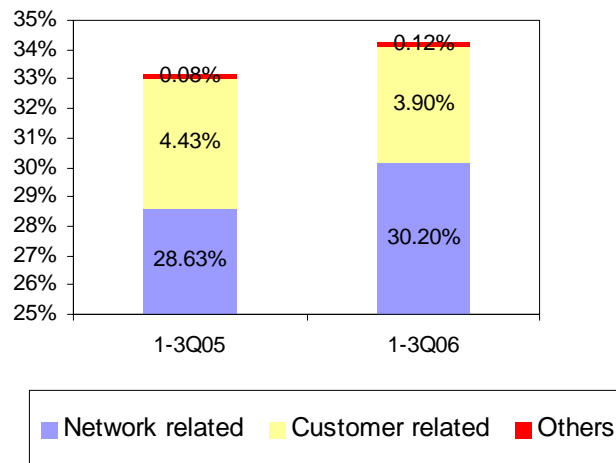
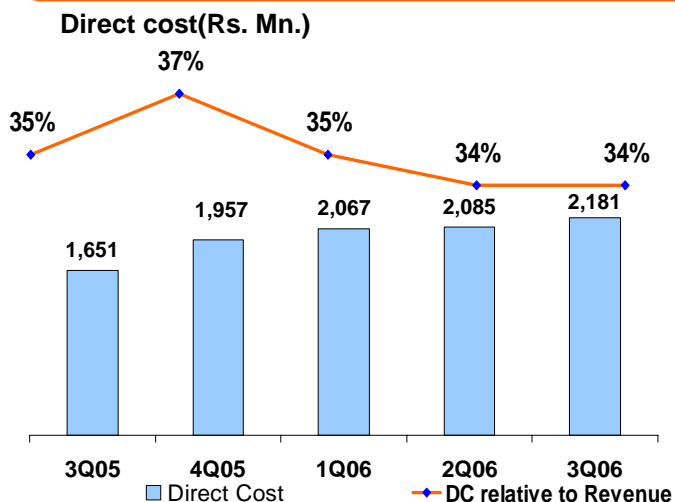
- Margins have improved by 4 points in 3Q06 compared to 3Q05.
- Direct and selling expenses had a favourable impact on the margin improvement.



@ denotes percentage of revenue

Direct Costs

- Direct costs relative to revenue has improved by 1 percentage point in 3Q06 compared to performance in the 3Q05 .



Period ended 30 September (all figures in Rs. Mn.)	2005	%	2006	%	Change %
Network Related Costs	3,668	86.40	5,588	88.25	52
As a % of Revenue	28.63		30.20		
Customer Related Costs	568	13.37	722	11.41	27
As a % of Revenue	4.43		3.90		
Others	10	0.23	22	0.35	125
As a % of Revenue	0.0762		0.12		
Total Direct Cost	4,246	100	6,332	100	49
As a % of Revenue	33		34		

- Network Related Costs relative to revenue have reduced in 3Q06 compared to 2Q06.

Network Costs

Period ended 30 September (all figures in Rs.Mn.)	2005 % of Revenue	2006 % of Revenue
Net Revenue	12,813	18,500
Network Related Costs		
Lease Circuit Rental	169 1.32	284 1.53
International Telecommunication Levy	335 2.62	640 3.46
Telecom equipment depreciation	1,180 9.21	1,749 9.46
International Origination Cost	331 2.58	543 2.94
Roaming expenditure	349 2.72	497 2.69
Other network costs	1,305 10.18	1,874 10.13
Total	3,668 29	5,588 30

*International Telecommunication Levy

- Enacted by Parliament in October 2004 - Finance Act, No 11 of 2004
- Imposed with retrospective effect dating back to March 2003 with the Liberalization of International Services via Special direction by the Minister of Telecommunications dated 21/ 02/03
- The amount to be paid under the levy for a terminated international minute

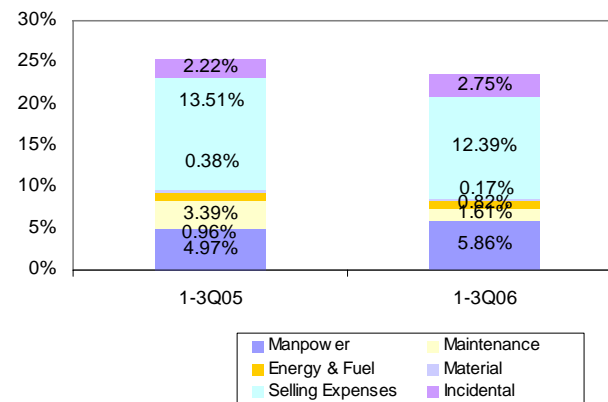
Figures in US Cents	From 04/2004
Incoming Local Access Fee	5.20
Contribution to Vishva Grama Fund	3.80
Total Network Contribution	9.00

- Regulator to determine a refund of a part of this levy as compensation for rural network development.
- Any such refund would be reflected as a cost reversal at a future date -has not been taken in to account at this stage.
- **PAT for the nine months ended 30 September 2006 is stated after provisioning for ITL –Rs. 640 Mn.**
- of this, Rs. 510 Mn. has been settled as of date.

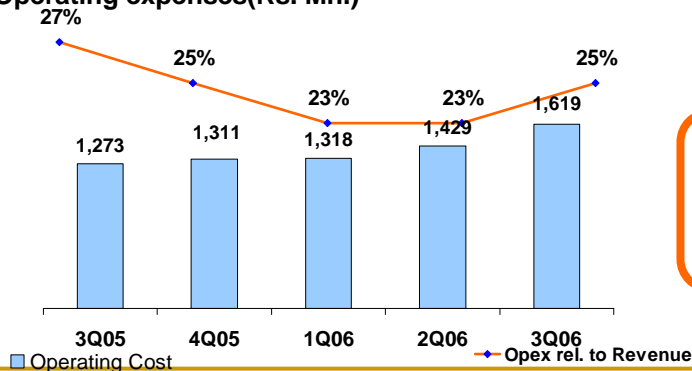
Operating Costs

- Opex as a percentage of revenue **improved by 1 percentage** point during the first nine months of 2006 compared to same period in 2005.
- The improvement in cost efficiency is attributed to relative cost reductions with respect to **maintenance** and **selling expenses**.

Period ended 30 September (all figures in Rs. Mn.)	2005	%	2006	%	Change %
Selling Expenses As a % of Revenue	1,731 13.51	53	2,292 12.39	53	32
Manpower As a % of Revenue	636 4.97	20	1,084 5.86	25	70
Maintenance As a % of Revenue	434 3.39	13	298 1.61	7	(31)
Energy & Fuel As a % of Revenue	124 0.96	4	152 0.82	3	23
Material As a % of Revenue	48 0.38	1	31 0.17	1	(36)
Incidental As a % of Revenue	285 2.22	9	508 2.75	12	78
Total Expenses As a % of Revenue	3,258 25	100	4,366 24	100	34



Operating expenses(Rs. Mn.)



- Manpower maintained at **6** per cent of revenue.
- Increase in opex by 2 points from 3Q06 to 2Q06 due to cost increases with respect to manpower, software amortisation and incidental expenses.

Selling Expenses

- Selling Expenses maintained below 13 per cent of Revenue despite **47** per cent growth in subscribers YoY.

Period ended 30 September (all figures in Rs.Mn.)	2005	% of Revenue	2006	% of Revenue
Net Revenue	12,813		18,500	
Selling expenses:				
Sales Commission	956	7.46	1,022	5.52
Advertising	289	2.25	334	1.80
Sales promotion	139	1.08	254	1.37
Others	347	2.71	682	3.69
Total	1,731	14	2,292	12

- Sales commission includes dealer commissions of Rs. **704** Mn. for the first nine months of 2006.

Balance Sheet

- Balance Sheet remains healthy.
- The fair value of the net assets, of Asset Media Pvt Ltd. has been incorporated in the Consolidated Balance Sheet of the Group as at 30 September 2006.
- Net Assets per share has improved.

<i>(all figures in Rs.Thousands)</i>		30 September 2006		31 December 2005
	Group	Company		Group
Non - current assets	26,690,690	26,049,364		21,816,749
Current assets	12,887,662	12,544,612		11,379,886
Total assets	39,578,352	38,593,976		33,196,635
Capital and reserves attributable to equity holders of the Company				
Ordinary shares	7,403,435	7,403,435		7,403,435
ESOS Trust shares	(2,047,438)	(2,047,438)		(2,385,320)
Share premium	5,276,943	5,276,943		5,276,943
Revaluation reserve	4,896	4,896		4,896
Dividend Reserve	70,309	70,309		Nil
Retained earnings	11,636,557	11,546,605		6,900,917
	22,344,702	22,254,750		17,200,871
Minority interest	36,048	Nil		Nil
Total equity	22,380,750	22,254,750		17,200,871
Non - current liabilities	6,894,072	6,152,849		9,130,582
Current liabilities	10,303,530	10,186,377		6,865,182
Total liabilities	17,197,602	16,339,226		15,995,764
Total equity and liabilities	39,578,352	38,593,976		33,196,635
Net Asset per share (Rs)	3.018	3.006		2.323

Cash Flow Highlights

- Strong cash flows. Net Cash flows from operating activities up **41** per cent compared to nine months ended 30 September 2005.

(all figures in Rs.Mn.)	Period ended 30 September	
	2006	2005
	Company	
Net cash from operating activities	8,558	6,067
Net cash used in investing activities	(6,696)	(6,713)
Net cash used in financing activities	(3,032)	4,811
Increase/(decrease) in cash and cash equivalents	(1,170)	4,165
Movement in cash and cash equivalents		
At start of year	6,624	3,170
Increase/(decrease)	(1,170)	4,165
At end of year	5,454	7,335

Reconciliation of Cash generated from Operations

(all figures in Rs. Mn.)

Period ended 30 September
2006 2005

	Company	
Profit before Tax	7,530	5,177
Adjustments for:		
Interest Expenses	237	127
Depreciation	1,865	1,402
Amortisation	130	134
Retirement Benefit Obligation	24	18
Other Adjustments*	(1,050)	(659)
(incl. Changes in WC, exchange diff, Profit on sale of FA)		
Cash Generated from Operations	8,735	6,199

Lenders

(all figures in US \$ Mn.)	Facility Type			Period		Outstanding as at 30 September 2006
	USD	SLR	Total	<12 months	> 12 months	
Citi/Commercial Syndicated loan	4.2	16.8	21	2.59	6.47	9.06
Standard Chartered Bank	-	25	25	-	24.05	24.05
International Finance Corporation	30	-	30	2.50	11.25	13.75
HSBC	-	25	25	4.81	14.43	19.24
Total	34.2	66.8	101	9.90	56.20	66.10

International Business

- Gross contribution as a % to DTL bottom line **8** per cent.
- International termination revenue increased by **79** per cent from Rs. 0.92 Bn to Rs. 1.65 Bn during the first nine months of 2006 as traffic grew by **86** per cent.



Internet Business

- Established in 2001.
- Provides retail and wholesale internet services.
- No. of revenue generating customers approximately **5000**.
- IP Infrastructure to facilitate future convergence.



Highlights

Financials

Subsidiary Performance

Key Performance Indicators

Updates

Dialog Broadband Networks (Pvt) Ltd.(DBN)

Revenue, EBITDA and PAT

- DBN recorded a revenue of Rs.**206** Mn., in 3Q06 - up **12** per cent relative to the revenue recorded in 2Q06.
- **EBITDA** recorded at Rs.**87** Mn.for 3Q06 up **13** per cent relative to 2Q06.
- **PAT** for 3Q06 recorded at Rs. **41** Mn. relative to the loss of Rs. 5Mn. recorded for 2Q06.



Asset Media (Pvt) Ltd.

- On 29 September 2006, DTL acquired a **90** per cent stake in Asset Media (Private) Ltd, for a purchase consideration of Rs. **325** Mn.
- Asset Media possesses licenses from the Ministry of the Media and the Telecommunications Regulatory Commission of Sri Lanka requisite to carry out the business of Television Broadcasting, **delivery of Pay Television Services** and the **operation of a Television broadcasting station**.
- The strategic diversification in to the Television broadcasting space will result in Dialog Telekom making transformational investments in Digital Broadcast infrastructure targeting **Digital Terrestrial Broadcast, Direct to Home (DTH)** and Mobile Television service provisioning.

Highlights

Financials

Subsidiary Performance

Key Performance Indicators

Updates

Earnings per Share

- EPS increased 15 per cent to Rs. 1.03 per share.

Description	Units	Period ended 30 September	
		2006	2005
		Company	
Net Income Applicable to ordinary shares	Rs. Mn.	7,459	5,147
Par Value	Rs.	1	1
Ordinary Shares at the beginning	Mn.	7,403	37
Issuance of shares during the period	Mn.	-	7,366
Ordinary Shares at the end of period	Mn.	7,403	7,403
Weighted average number of shares			
Ordinary Shares	Mn.	7,403	370
Bonus Shares	Mn.	-	3,686
Retained Profits Capitalised	Mn.	-	634
Conversion of preference shares on 20 May 2005	Mn.	-	564
Capitalisation of subscription in advance on 20 May 2005	Mn.	-	424
New shares issued	Mn.	-	109
Shares exercised and issued to employees	Mn.	11	-
Less: ESOS Shares issued	Mn.	(199)	(44)
Weighted average number of shares, end of period	Mn.	7,215	5,743
EPS	Rs.	1.034	0.896

*EPS restated for comparative period.

KPIs

- Leverage ratios have improved indicating increased financial flexibility.

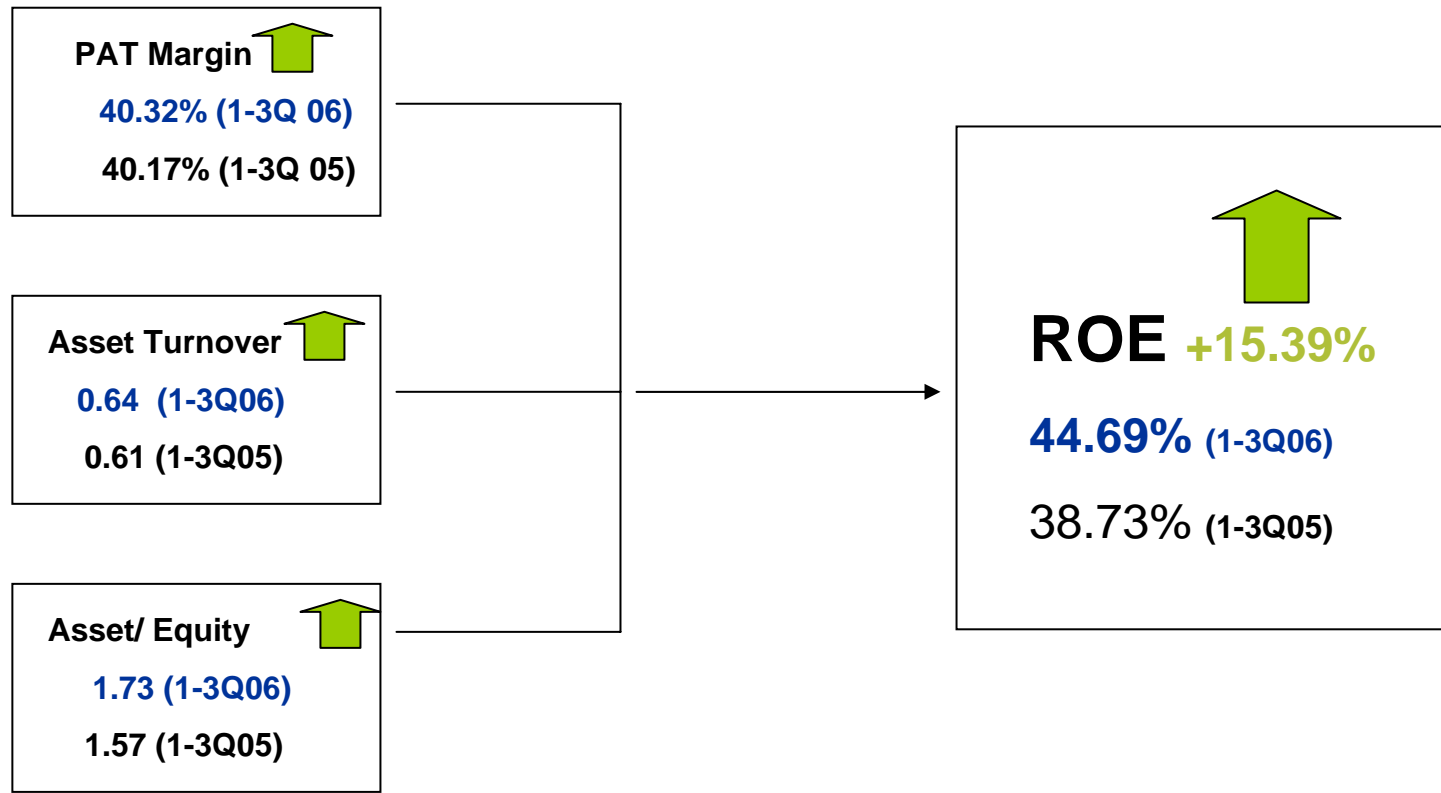
Ratio	Units	31-Dec-05	30-Sep-06
Company			
Net tangible assets per share	Rs.	2.32	3.01
Gearing Ratio	Times	0.37	0.25
Net Debt to EBITDA ratio	Times	0.36	0.21
Total Debt to equity	Times	0.58	0.43
Return on Equity	%	41	45
Return on Capital Employed	%	26	26
Earnings per Share	Rs.	1.15	1.03
Current Ratio	Times	1.79	1.23

*RoE and RoCE computed on annualised earnings.

*EPS computed for nine months earnings only.

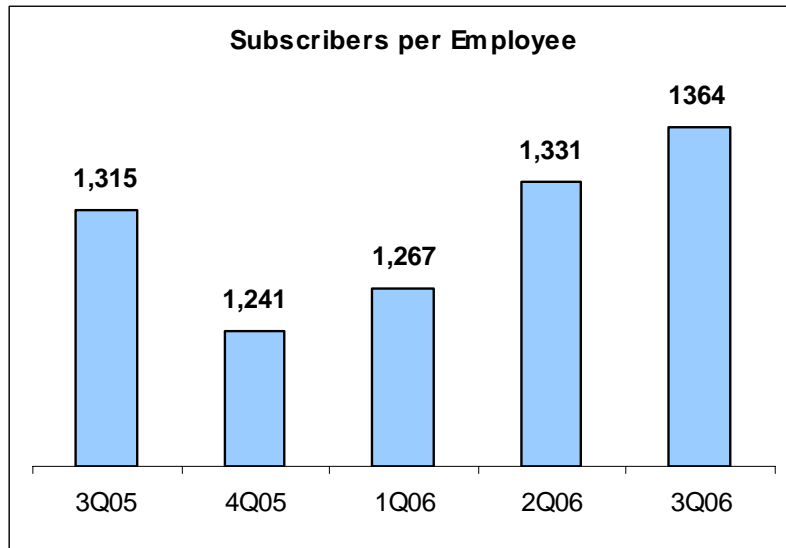
Return on Equity (ROE) analysis

- Constituents of ROE has improved yielding enhanced ROE.

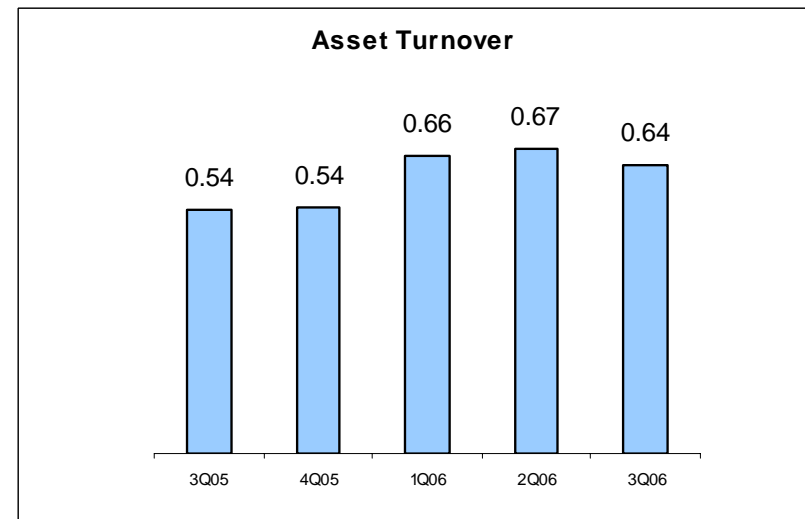


Productivity Indicators

- Key Productivity Indicators have been enhanced relative to 3Q05.



- Asset Turnover improved to 0.64x from 0.54x in 3Q05.



Highlights

Financials

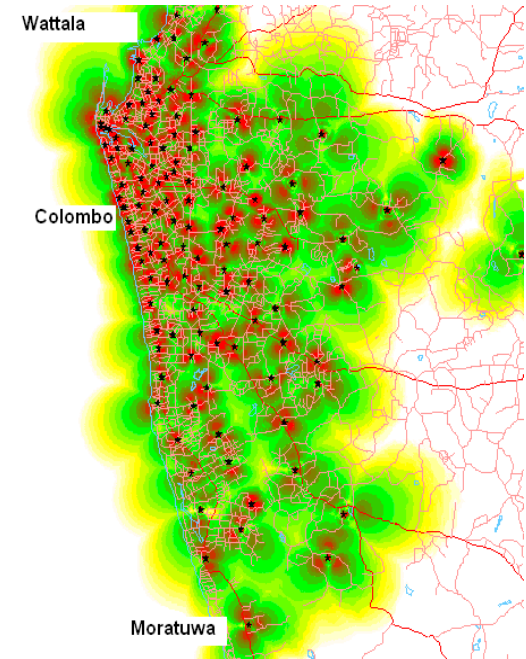
Subsidiary Performance

Key Performance Indicators

Updates

3G License

- The regulator offered frequencies for third generation, or 3G, spectrum, with a stipulation to invest **USD10 Mn** during the first 2 years of operations.
- Dialog Commenced commercial **3G** services in the City of Colombo with effect from 16th August 2006.
- Sri Lanka** becomes the **first** country in South Asia to launch a 3rd Generation network.
- 3G would be a significant revenue line from 2008 onwards.
- GSMA plan to offer **Low Cost** 3G Handset < 65 Euro by **2Q07**.
- Synergies via **Vodafone** partnership.



Dialog Telekom becomes
The first 3G operator in South Asia
to commence commercial operations.
We are proud and honoured
to put Sri Lanka on the map yet again.

CDMA (fixed wireless operations)

- Commercial operations expected to commence from end 2006/ 1Q07.
- Delayed due to issues in spectrum clearance.
- Spectrum Cleared in 9 Districts.
- All – Island Spectrum by end of 2Q07.

Tariff cuts

- Dialog Continues to be Aggressive with respect to the retention and growth of market share
- Parallel Focus on **network scale economies**, **operational cost curtailment initiatives**, and **reduction in effective capital expenditure per subscriber and cost per minute** has enabled Dialog to enhance the value delivered to its subscribers via successive tariff cuts in 2005 and 2006.
- The tariff revisions are **consistent with DTL's long-term business plans** market expansion and development roadmap.
- Such tariff revisions undertaken by Dialog in the past have resulted in **more than proportionate increase in airtime usage**, diminishing any downward pressures on revenue.
- On an immediate QoQ comparison, it was noted that the postpaid usage increased **5** per cent and prepaid usage by **9** per cent.

Thank You
to our **2 1/2 million** customers.
Call charges slashed
In appreciation.

Outgoing call charges

Package	Peak (Weekdays 6 a.m to 8 p.m)		Percentage reduction	Introducing D2D Late Nite Bonanza (Everyday 11 p.m to 6 a.m)		Percentage reduction
	Old rate	New rate		Old rate	New rate	
Dialog 	Rs. 9/-	Rs. 6/-	33%	Rs. 4/-	Rs. 2/-	50%
	Rs. 41/-	Rs. 7/-	36%	Rs. 7/-	Rs. 3/-	57%
Dialog Rs. 300 	Rs. 40/-	Rs. 7/-	30%	Rs. 5/-	Rs. 2/-	60%

* Rental Rs. 100, 200, 400 Packages Peak Outgoing Rs. 7/-

* Rental Rs. 100, 200, 400, Power 2000 Packages **D2D** Late Nite Bonanza Rs. 2/-

* Peak **D2D** tariffs remain unchanged
(All rates are excluding taxes)



Hot Line 077 7 678678



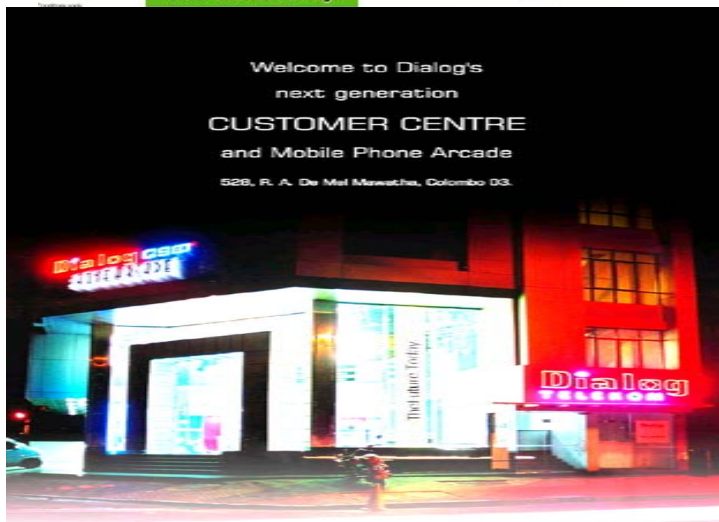
Key Initiatives & Developments



You can now pay your Dialog bill or reload your KIT connection via SMS!
You can also pay bills or reload on behalf of your friends and family members. All you need is an HSBC credit card.
Just register for the service with Dialog GSM, and once you are registered, you will receive your 6 digit PIN.
No more rushing around, just pay your bill. Anywhere. Anytime.
Hotlines - HSBC 4 511 577 / Dialog 0777 669 669

Dialog GSM
TheFuture.Today.

HSBC



- Introduced **Dialog Plans** for **HNB** credit card holders.
- Payment of **Dialog bill** or reload **KIT** via **sms** with HSBC credit card.
- Payment of **internet bills** online for Sampath Bank credit card holders.
- Introduced **international collect calls** .
- Revised **IDD** rates w.e.f. 3 September 2006.
- Deposit free **IDD** and **AIR** facilities for HSBC Gold and Premier cardholders.
- A **next generation customer center** and mobile arcade was opened in the heart of Colombo city.
- **24th** Franchise outlet at Cellcity- Moratuwa.

Investments in Social and Community Development



- Launched Sri Lanka's first Interactive **Distance Education** Network in partnership with the Ministry of Education on World Teachers Day.
- The **Disaster and Emergency Warning Network** Devices developed by the Dialog UOM Lab is short listed as one of the three top innovations at the **Asian Mobile Innovation Awards** organized by the GSMA.
- Donated a computer lab to an Internally Displaced Community at Puttlam, in partnership with the Malaysian High Commission in Sri Lanka.
- Collaborated with the **Cancer Society of Kandy** to provide basic facilities to patients of the cancer ward at the General Hospital in Kandy.
- Completed Tank Restoration Project with Damrivi Foundation and the United Nations FAO in Kirinda, Hambanthota
- Laid the Foundation Stone at **the Ranaviru Sevana** and commenced work on Sri Lanka's first state of the art audiology library.

Thank you