



CONNECTING
SRI LANKAN LIVES
Everyday, Everywhere

Investor Forum




Year Ended 31 December 2007



Financials




Snapshot –2007– Company

		Change YoY	Growth
CELLULAR SUBSCRIBERS	4.26 Mn.	1.15 Mn.	 37%

KEY FINANCIALS	USD Mn	Rs Bn.	Change (2007 vs. 2006)	Growth (2007 vs. 2006)
REVENUE	281	31	Rs. 5,980Mn.	 24%
EBITDA	130	14	Rs. 967Mn.	 7%
PAT	92	10	Rs.78Mn.	 1%

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

Snapshot –2007 – Group

KEY FINANCIALS	USD Mn	Rs Bn.	Change (2007 vs. 2006)	Growth (2007 Vs 2006)
Revenue	294	33	Rs. 6,838 Mn.	 27%
EBITDA	124	14	(Rs. 4 Mn.)	 0.03%
PAT	81	9	(Rs. 1,152 Mn.)	 11%

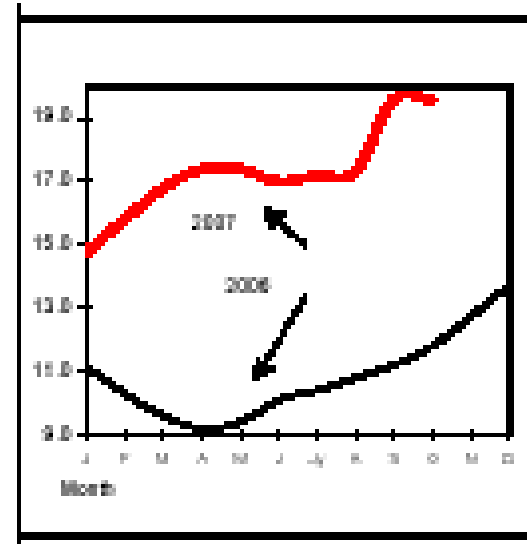
^Exchange rates applied for Rupee Conversion are the annual monthly average rates as announced by Central Bank of SL.

Strong Revenue Growth Despite Externalities

- **Revenue growth of 27%** 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 during the first half of 2007
 - Reduction in tourist arrivals which in turn diluted International Roaming Revenues relative to their full potential.
 - Delay in spectrum clearance for CDMA

Impact of Macro Economy

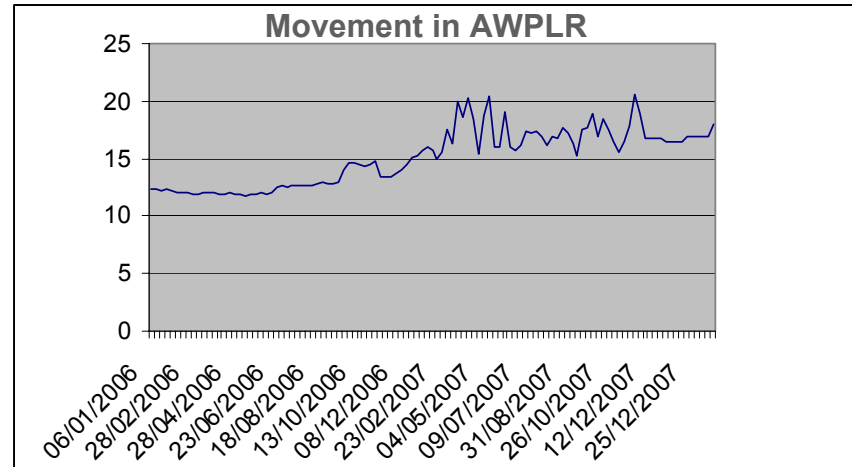
- Administrative expenses sensitive to the escalation of general inflation.
- Inflation increased to approx 20% in 2007.
- Rising crude oil prices



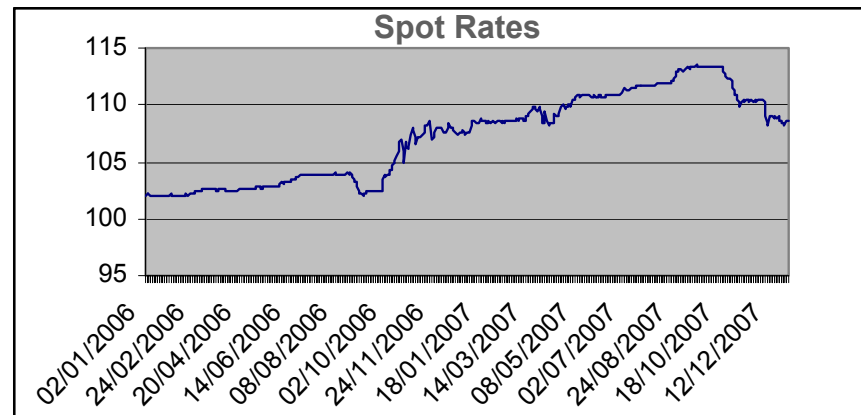
*CCPI movement (Source: Central Bank of Sri Lanka)

Impact of Macro Economy

- Average Interest rates increased by approx 400 bps in 2007.
- Adverse impacts from weakening of SLR.



Source: Central Bank of Sri Lanka



Source: Reuters

Proposed Dividend to Shareholders

- The Board of Directors of Dialog Telekom, has resolved to propose a first and final Dividend amounting to **44% (payout) of 2007 earnings**, which translates to **55 Cents per share** and is subject to the approval of the shareholders at the Annual General Meeting (AGM).
- The recommended Dividend is **exempt from tax** in the hands of the **Shareholders**.
- The dates of the AGM and the dividend payment will be notified in due course.

Investments in Infrastructure

- **Aggressive investments in infrastructure** and matching performance in capital project implementation.
- Group-wide Infrastructure Investments in 2007 totalled **Rs. 25 Bn (237 million USD)** fuelling growth in Network Capacity and Reach of GSM, 3G/HSPA, WiMax, CDMA, Digital Television and Fibre Optic Network infrastructures.



Affordability Enhancement

- Dialog Telekom announced an **aggressive tariff reduction** with a view to expanding the market space and capturing an increasing proportion of incremental subscribers, through the enhancement of the affordability of its services.
- Enhancement of affordability was also delivered with respect to International Telecommunications service. Dialog's **rapidly expanding 3G network** delivered a tariff regime featuring a maximum tariff of Rs 3/- per minute and a greatly reduced cost of access with respect to **high speed HSPA broadband services**
- Further enhanced the **affordability of WLL Fixed Line Services** through a revolutionary tariff regime for CDMA services, reduction of entry barriers to fixed broadband services in tandem with the launch of WiMax services and the introduction of a entry level service plan for Digital Pay Television services featuring an unprecedented level of affordability at Rs 100/- per month.
- The Company has seen **requisite results** of its endeavours in terms of usage expansion and subscriber and revenue growth.



4.26

million mobile subscribers

37%

growth



P&L Highlights

(All figures in Rs.Mn. except for ratios)	GROUP		Change(%)	COMPANY		
	2007	2006		2007	2006	Change(%)
Net Revenue*	32,517	25,679	27	31,129	25,149	24
Direct Costs	13,403	8,822	52	11,882	8,536	39
Gross Profit	19,114	16,858	13	19,248	16,613	16
Gross Margin (%)	59	66		62	66	
OPEX	9,851	6,130	61	8,917	6,039	48
EBITDA	13,740	13,744	(0.03)	14,329	13,362	7
EBITDA Margin (%)	42	54		46	53	
PBT	9,012	10,193	(12)	10,172	10,105	1
PAT	8,967	10,119	(11)	10,127	10,049	1
PAT Margin (%)	28	39		33	40	

*Excluding turnover tax

Highlights : 2007 - Company

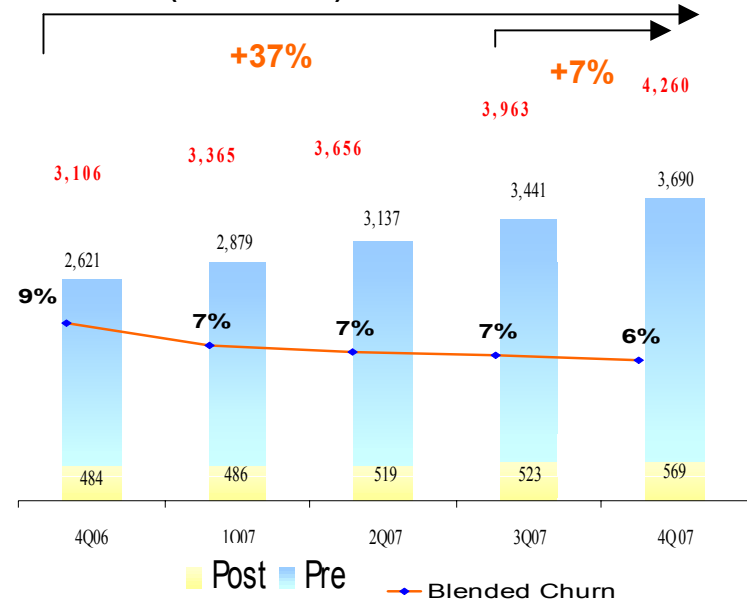
SUBSCRIBER BASE	UNITS	2007	2006
Postpaid	000	569	484
Prepaid	000	3,690	2,621
Total active subscriber base	000	4,260	3,106
Total net additions	000	1154	982

OPERATIONAL RESULTS	UNITS	2007	2006
Blended ARPU	Rs.	590	661
Prepaid ARPU	Rs.	412	432
Postpaid ARPU	Rs.	1688	1,698
Annualised churn	%	6.32	9.12

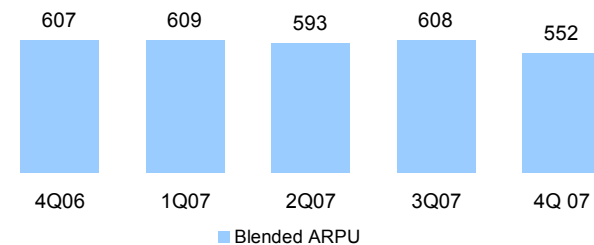
Revenue Drivers

- Market leadership with sustained growth in subscribers (**37 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 9.12 per cent in 4Q06 to 6.32 per cent in 4Q07

Subscriber (Thousands)



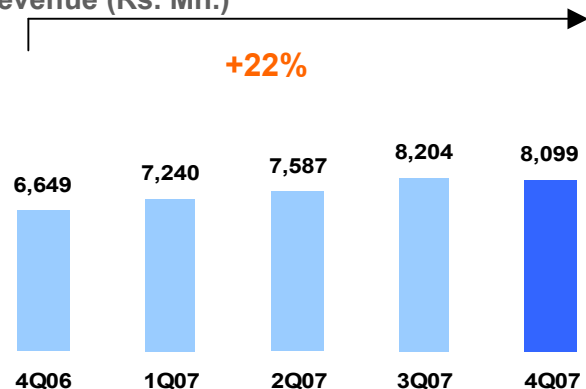
Blended ARPU (Rs.)



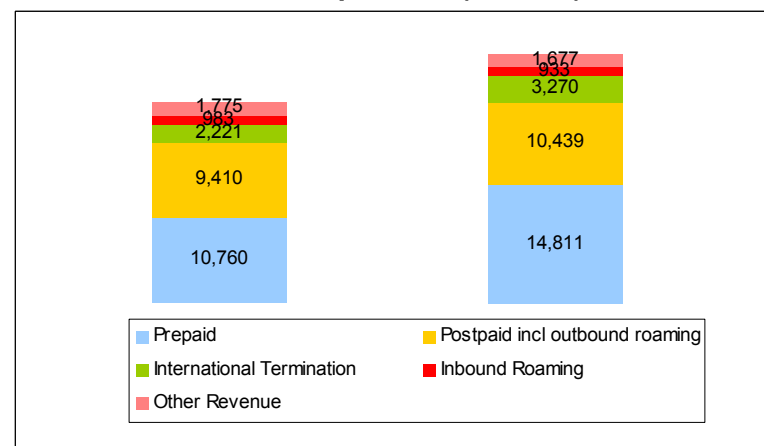
Revenue – Company

- Steady growth in revenue– **22 per cent** increase over 4Q06
- Prepaid revenue- the dominant contributor to revenue with **48 per cent** share
- Value Added Services account for approx. **10 per cent** of total revenue for 2007.

Revenue (Rs. Mn.)



Revenue Composition (Rs. Mn.)

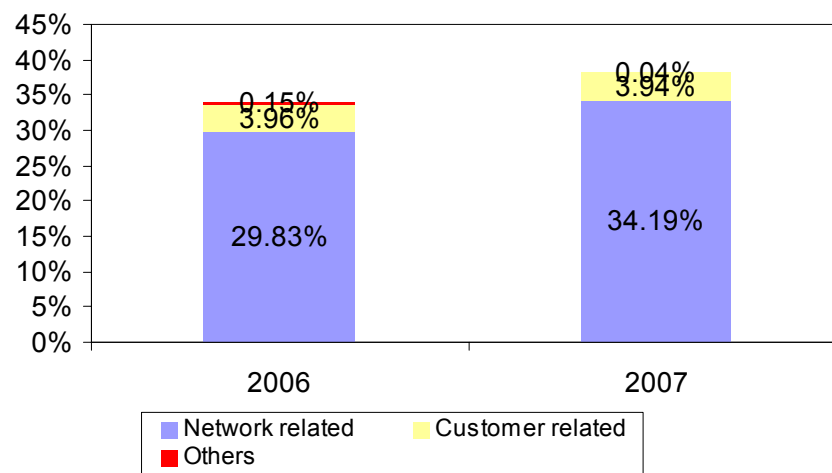
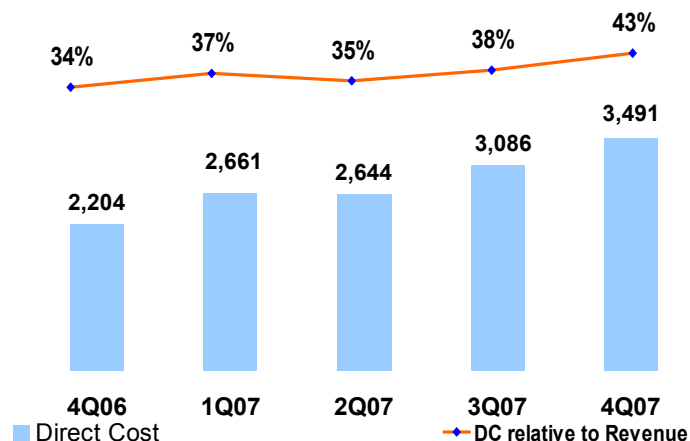


Revenue Composition

all figures in Rs. Mn	2006	%	2007	%	Change %
Prepaid	10,760	43	14,811	48	38
Postpaid incl outbound roaming	9,410	37	10,439	33	11
International Termination	2,221	9	3,270	11	47
Inbound Roaming	983	4	933	3	-5
Other Revenue	1,775	7	1,677	5	-6
Net Revenue	25,149	100	31,130	100	24

Direct Costs - Company

- Direct costs Performance relative to revenue is mitigated in the main due to the company not achieving its full revenue potential due to the revenue mitigating factors cited previously, and a relative expansion in costs during the latter half of 2007 arising from the macro environment.



(all figures in Rs. Mn.)	2006	%	2007	%	Change %
Network Related Costs	7,503	87.90	10,644	89.59	42
As a % of Revenue	29.83		34.19		
Customer Related Costs	995	11.65	1,225	10.31	23
As a % of Revenue	3.96		3.94		
Others	38	0.45	12	0.10	-67
As a % of Revenue	0.15		0.04		
Total Direct Cost	8,536	100	11,882	100	39
As a % of Revenue	34		38		

Network Costs – Company

(all figures in Rs. Mn.)	2006	% of Revenue	2007	% of Revenue
Net Revenue	25,149		31,129	
Network Related Costs				
Lease Circuit Rental	329	1.31	311	1.00
International Telecommunication Levy	861	3.42	1,279	4.11
Telecom equipment depreciation	2,431	9.67	3,418	10.98
International Origination Cost	761	3.03	1,182	3.80
Roaming expenditure	631	2.51	840	2.70
Other network costs	2,490	9.90	3,614	11.61
Total	7,503	30	10,644	34

- Network Related Costs relative to Revenue increased by 4 percentage points due to the company not achieving its full revenue potential due to the revenue mitigating factors and a relative expansion in other costs during the latter half of 2007 arising from the macro environment.
- Other network costs include link rentals, site expenses, electricity charges etc.

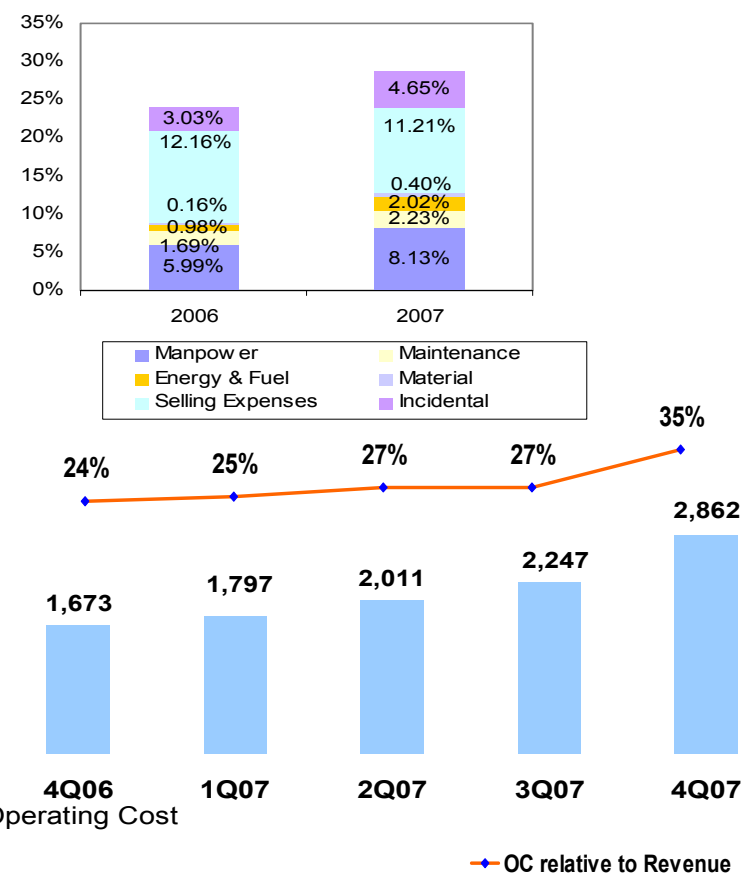
Costs Analysis –Direct Expenses

Direct costs	2007	2006	YoY %	Costs affected by rise in energy prices	Costs influenced by General Inflation/ currency devaluation	Costs influenced by business expansion
Network maintenance	994,120,393	548,741,876	81			
As a % of revenue	3.19	2.18				
International Origination Cost	1,181,724,962	761,224,179	55			
As a % of revenue	3.80	3.03				
VGF Fund	1,279,491,124	860,914,427	49			
As a % of revenue	4.11	3.42				
BTS Site rent	377,208,378	262,776,699	44			
As a % of revenue	1.21	1.04				
BTS sites Expenses	278,116,519	131354883.1	112			
As a % of revenue	0.89	0.52				
Network Electricity	462,548,928	214,691,053	115			
As a % of revenue	1.49	0.85				

Operating Costs - Company

- Opex as a percentage of revenue **increased** by 5 percentage points in 2007 vis-à-vis 2006.
- In addition to inflationary pressure on principal cost lines, performance relative to revenue is mitigated due to the company not achieving its full revenue potential due to the revenue mitigating factors cited previously.

(all figures in Rs. Mn.)	2006	%	2007	%	Change %
Selling Expenses	3,057	51	3,491	39	14
As a % of Revenue	12.16		11.21		
Manpower	1,507	25	2,530	29	68
As a % of Revenue	5.99		8.13		
Maintenance	425	7	696	8	64
As a % of Revenue	1.69		2.23		
Energy & Fuel	247	4	630	7	155
As a % of Revenue	0.98		2.02		
Material	41	1	124	1	203
As a % of Revenue	0.16		0.40		
Incidental	762	13	1,447	16	90
As a % of Revenue	3.03		4.65		
Total Expenses	6,039	100	8,917	100	48
As a % of Revenue	24		29		



Costs Analysis –Administration expenses

Admininstration expenses	2007	2006	YoY %	Costs affected by rise in energy prices	Costs influenced by General Inflation	Costs influenced by expansion
Electricity	198,554,603	96,527,927	106			
As a % of revenue	0.64	0.38				
Travel and Fuel	338,556,464	150,895,801	124			
As a % of revenue	1.09	1				
Office Rent	434,192,849	233,975,197	86			
As a % of revenue	1	1				
Postage	78,113,141	23,726,306	229			
As a % of revenue	0	0				
Courier	16,543,080	25,911,569	(36)			
As a % of revenue	0	0				
Hiring of Vehicles	153,220,096	76,827,804	99			
As a % of revenue	0.49	0.31				
Bank Charges	57,691,305	81,855,834	(30)			
As a % of revenue	0.19	0.33				
Franchise Opex	15,362,354	339,363	4,427			
As a % of revenue	0.05	0.00				
Executives Emoluments	841,676,261	489,879,474	72			
As a % of revenue	2.70	1.95				

*Despite the reasons cited above, cost lines such as courier and bank charges have reduced contributing favourably.

Selling Expenses - Company

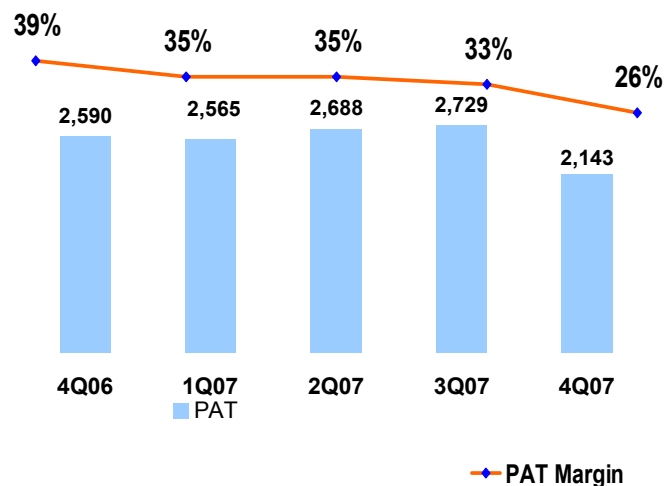
- Selling Expenses as a percentage of revenue has **improved by 1** percentage point. despite **37 per cent** growth in subscribers YoY

(all figures in Rs. Mn.)	2006	% of Revenue	2007	% of Revenue	Change %
Net Revenue	25,149		31,129		
Selling expenses:					
Sales Commission	1,360	5.4	1,322	4.2	-2.8
Advertising	480	1.9	753	2.4	56.9
Sales promotion	379	1.5	615	2.0	62.2
Others	838	3.3	800	2.6	-4.5
Total	3,057	12	3,491	11	1

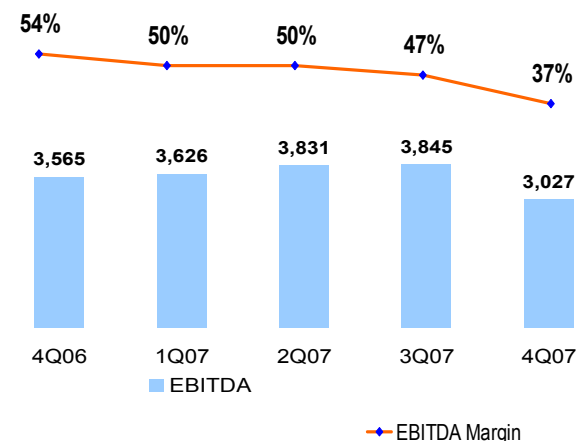
PAT and EBITDA Margins - Company

- PAT /EBITDA performance in 2007 vis-à-vis 2006 has been mitigated due to inflationary pressure on principal cost lines and costs associated to operational expansions.

PAT (Rs. Mn.)



EBITDA (Rs. Mn.)



Balance Sheet

- Net Asset per share of the Company has increased by 105%

(all figures in Rupees '000)	31 December 2007		31 December 2006	
	Group	Company	Group	Company
ASSETS				
Non - current assets	54,337,744	49,527,591	33,634,237	31,329,629
Current assets	17,387,769	20,379,238	9,791,731	10,466,449
Total assets	71,725,513	69,906,829	43,425,968	41,796,078
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Stated Capital	33,056,413	33,056,413	12,680,378	12,680,378
ESOS Trust shares	(2,000,439)	(2,000,439)	(1,925,226)	(1,925,226)
Reserve	193,099	193,099	91,149	91,149
Retained Earnings	19,096,588	20,130,681	14,206,808	14,136,581
	50,345,661	51,379,754	25,053,109	24,982,882
Minority interest In Equity	Nil	Nil	(72)	Nil
Total equity	50,345,661	51,379,754	25,053,037	24,982,882
LIABILITIES				
Non - current liabilities	5,668,205	5,216,255	8,297,462	7,568,703
Current liabilities	15,711,647	13,310,820	10,075,469	9,244,493
Total liabilities	21,379,852	18,527,075	18,372,931	16,813,196
Total equity and liabilities	71,725,513	69,906,829	43,425,968	41,796,078
Net Asset per share (Rs)	6.17	6.30	3.08	3.07

Cash Flow Highlights - Company

Net Cash Flows from
operating activities up

36%

(all figures in Rs. Mn.)	2007	2006
Net cash from operating activities	16,324	12,046
Net cash used in investing activities	(25,168)	(13,004)
Net cash used in financing activities	12,668	(3,429)
Increase/(decrease) in cash and cash equivalents	3,825	(4,387)
Movement in cash and cash equivalents		
At start of year	2,237	6,624
Increase/(decrease)	3,825	(4,387)
At end of period	6,062	2,237

Reconciliation of Cash Generated from Operations

- Company

(all figures in Rs. Mn.)	2007	2006
Profit before Tax	10,172	10,105
Adjustments for:		
Interest Expenses	638	387
Depreciation	3,607	2,597
Amortisation	391	190
Retirement Benefit Obligation	101	30
Other Adjustments*	1,936	(861)
(incl. Changes in WC, exchange diff, profit on sale of FA)		
Cash Generated from Operations	16,844	12,448

KPIs - Company

- Net Debt/ EBITDA has reduced mainly due to increase in cash position and reduction in debt following settlement of several commercial borrowing facilities in the third – quarter of 2007.
- RoE diluted due to increase in shareholders funds following the equity issue.

RATIOS	Units	31 Dec 2007	31 Dec 2006
Company			
Net Tangible Assets per share	Rs.	6.30	3.07
Net Debt to EBITDA*	Times	0.25	0.74
Long term Debt to Equity	Times	0.09	0.49
Return on Equity**	%	28	48
Return on Capital Employed***	%	21	33
Earnings Per Share	Rs.	1.30	1.37
Current Ratio	Times	1.53	1.13

*Debt is inclusive of vendor financing

**RoE is computed as PAT available to ordinary shareholders / average equity

***RoCE is computed as EBIT/Average Capital Employed

Earnings Per Share

DESCRIPTION	UNITS	2007	2006
Net income applicable to ordinary shares*	Rs. Mn.	8,906	10,119
Weighted average number of shares, end of period**	Mn.	7,720	7,344
EPS	Rs.	1.15	1.38

* Earnings for 2007 adjusted for preference dividend

**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	70.00	25	-	25
DFCC	Term Loan	LKR	9.07	7.16	2.31	4.85
Total			79.07	32.16	2.31	29.85

* Above excludes vendor financing.

- The International Finance Corporation (IFC) enhanced its commitment to Dialog Telekom PLC through a **Debt/Equity commitment totalling US\$ 100 Mn.** IFC funding targets the expansion of the Company's telecom network and the building of new telecommunication infrastructure networks. The **US\$100 million package includes a US\$ 70 million term loan facility and a US \$30 million equity commitment** via the acquisition of a 1.6 percent holding in Dialog from Telekom Malaysia (TM).
- The Company drew down Rs. 775 Mn from the DFCC facility in 2007.



Subsidiary Performance

Dialog Broadband Networks (Pvt) Ltd. [DBN]

- Revenue of Rs. 1052.28 Mn up **36%** relative to Rs. 774.6 Mn. recorded for the year ended 31 December 2006 .
- Net loss of Rs. 317.96 Mn. for year ended 31 December 2007 vis-à-vis a profit of Rs. 152.92 Mn recorded for the year ended 31 December 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.

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. 722.45 Mn** for year ended 31 December 2007
- The company recorded a **net loss of Rs. 788.53 Mn.** during year ended 31 December 2007.
- In January 2008, Dialog TV expanded its Digital Broadcast (DVB) infrastructure to encompass **Terrestrial Digital Television services based on DVB-T/H technology**, signalling the entry of Sri Lanka's media sector in to the emerging era of Terrestrial Digital Television.
- The efficiencies delivered by digital broadcast technology are set to facilitate the expansion of television (channel) **availability to all regions of Sri Lanka**, where economic viability constrained the expansion of incumbent analogue infrastructure.



Product /CSR Updates

Sri Lanka's Widest and Largest 3G Experience

- Widest 3G coverage with > 450 Base Stations
- Largest 3G Roaming Network with > 40 operators in 26 countries
- Best call rates with 3G SuperLine
- Affordable HSPA Terminals and Handsets



Get **3G SuperLine** on Line 2

And enjoy the lowest ever call charges in Sri Lanka!



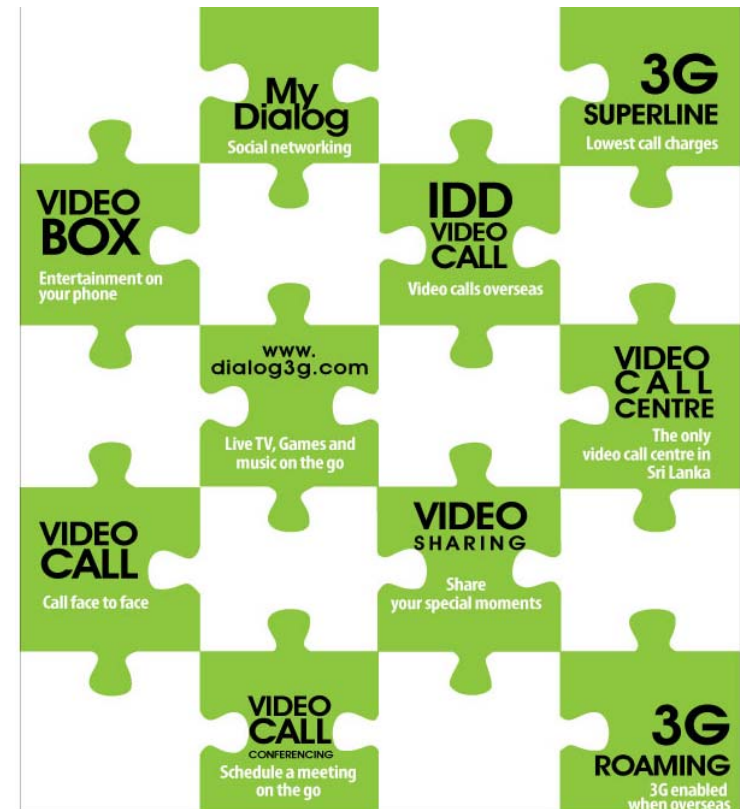
Comprehensive Portfolio of 3G applications

■ Business Applications

- ❑ Video Conferencing
- ❑ Video Surveillance
- ❑ Local & IDD Video Call
- ❑ Mobile Broadband with HSPA
- ❑ Customer support via Video Call Centre

■ Personal Applications

- ❑ Video Sharing & Social Networking
- ❑ Mobile TV on MyTV
- ❑ Best call rates with 3G SuperLine
- ❑ Video Portal – 555
- ❑ Best Content on 3G Download Zone
- ❑ First ever Mobile Film Competition



S R I L A N K A ' S
WIDEST
and
LARGEST
3G EXPERIENCE



3G Applications



The pioneer in South Asia for **3G** Roaming

Keep an eye on business & home from anywhere

MOBILE SURVEILLANCE

Home
Office
Factory

Hotline: 077 7 678 678

Dialog 3G
3rd GENERATION

MyTV is a personal television experience made just for you.

With 13 TV channels on your Dialog mobile, you'll never miss your television wherever in the country you are.

Log on to www.dialogwap.com - My TV to watch TV on your phone.

Dialog 3G

My TV
It's very personal

A 3G, EDGE and GPRS Video Streaming Service. Handset compatibility required.

TheFuture.Today.

Go ahead with the project

Shipping sorted

What's the price on the total order?

Is the contract in order

Yes, suppliers have confirmed quantities

Order for raw material is ok

Dialog 3G
3rd GENERATION

Broadband Services

- HSPA Down Link speeds upto 14.4Mbps & Uplink Speeds upto 1.9Mbps
- HSPA speeds available on all data plans
- Speeds upto 10Mbps on WIMAX (Up/down Link)

HSPA Facts

HSPA stands for high speed pocket access. HSPA is a data service supported on 3G network. HSPA is capable of delivering data speeds up to 14.4Mbps on the downlink and up to 1.9 Mbps on the uplink. While these speeds are the “maximum” an HSPA user would enjoy, actual speeds achieved can be limited by one or more of the following factors:

- a) Your device/terminal – It is necessary to check the data speeds supported by the terminal you purchase
- b) Where you are – The HSPA configuration of 3G base station serving your location
- c) Time and Place – The number of HSPA users simultaneously accessing the same 3G base station serving your location



Fixed Wireless Service -CDMA

- The CDMA fixed wireless service was commercially launched through out the country.
- DBN acquired **21,167** CDMA subscribers with in the last quarter of 2007.
- Pre/ post CDMA mix: 69:31
- The CDMA fixed wireless service commercially launched in July 2007 now covers over **18 districts** including Colombo. With its entrance into the CDMA market, the Dialog group will further its vision of being a provider of a “total connectivity” encompassing Mobile, Fixed, Broadband and Media services.



DTV Portfolio

- Dialog TV introduced Citi Hitz, Sri Lanka's uninterrupted Sinhala movie and tele-drama channel and channel TBO.
- Dialog TV subscriber base: in excess of 50,000
- DTV now offers over 20 SET Plans. **SET Plans scheme** is designed to provide subscribers with **the flexibility to customise their Channel bouquet** to suit their personal preference.



CSR



■ The Company in collaboration with the School for the Deaf and Blind launched the Ratmalana Audiology Centre – an early Diagnostic Centre for the hearing impaired.

■ The Company's Distance Learning Network established in collaboration with the Ministry of Education also saw a rapid expansion with the addition of Digital Satellite Broadcasting technology to the platform's outreach capability.



■ The Digital Bridge architected and sponsored by Dialog is designed to connect up to 1,000 schools in remote regions of Sri Lanka to high quality education administered by the Ministry of Education.

■ The Company also supported a large number of initiatives focussed on marginalised communities such as the differently-abled, hearing and sight impaired and internally displaced persons, protection of the environment and ICT for human and community development.



■ Dialog Telekom is also a signatory to the United Nations Global Compact.

■ Dialog Telekom launched Dialog Vyapara Diriya- in association with the Business Development Centre, to empower small and medium retailers through the development of practical entrepreneurial skills.



Thank you