



Enriching Sri Lankan lives with
multi-sensory connectivity


Investor Forum




First- Quarter 2008



Company Performance Review

Snapshot – Company

		Change YoY	Growth
CELLULAR SUBSCRIBERS	4.55 Mn.	1.18 Mn	 35%

KEY FINANCIALS	USD Mn	Rs Bn.	Change (1Q-2008 vs. 1Q-2007)	Change (1Q-2008 vs. 1Q-2007)
REVENUE	76.15	8.22	Rs. 575 Mn.	 8%
EBITDA	25.55	2.76	(Rs. 867 Mn.)	 24%
PAT	12.58	1.36	(Rs.1,207 Mn.)	 47%

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

4.55

million. mobile subscribers

35%

growth



**as of 31 March 2008*

Company Performance Overview

- The company's core mobile business continued to deliver robust performance in the market ending the quarter with a **subscriber base of 4.5 Million, representing 35 per cent growth Year on Year (YoY)** and an estimated market share of 53 percent .
- **Revenue growth** during the same period was **relatively modest at 8 per cent** on the backdrop of a **substantial downward revision in tariffs** in December 2007.
- Downstream of revenue performance, cost expansion has resulted in negative growth of 24 per cent at EBITDA level and a **reduction in PAT by 47 per cent** on a YoY basis.
- Cost expansion is driven in the main by
 - **General inflation (23.8 per cent YoY),**
 - **Energy derived costs (42 per cent YoY), and**
 - **Expansion of the company's network infrastructure, with associated increases in Network related costs (52 per cent YoY) and Depreciation (60 per cent)**

Tariff Revision

- The tariff revision was one of several initiatives carried out during 2007 aimed at expanding the mobile market through **affordability enhancement in contra-direction to macro inflation.**
- **Sri Lanka's mobile telephony penetration level reached an estimated 40 per cent at the end of the first quarter substantially ahead of neighbouring countries in tandem with tariff levels in the market being amongst the most affordable in the region.**
- While the company recorded **a substantial growth in airtime usage in response to affordability enhancement,** elasticity levels achieved, have been inadequate to deliver a **recovery of revenue growth trajectories during the first quarter post tariff reduction.**

P&L Highlights

(All figures in Rs.Mn. except for ratios)	COMPANY		
	1Q-2008	1Q-2007	Change(%)
Net Revenue*	8,220	7,645	8
Direct Costs	3,848	2,661	45
Gross Profit	4,372	4,985	(12)
<i>Gross Margin (%)</i>	53	65	
OPEX	2,967	2,202	35
EBITDA	2,759	3,626	(24)
<i>EBITDA Margin (%)</i>	34	47	
PBT	1,420	2,585	(45)
PAT	1,358	2,565	(47)
<i>PAT Margin (%)</i>	17	34	
EPS (Rs.)	0.17	0.32	(47)

* Comparatives restated to conform to changes in current period's presentation.

Operational Results

SUBSCRIBER BASE	UNITS	1Q-2008	1Q-2007
Postpaid	000	579	486
Prepaid	000	3,968	2,879
Total active subscriber base	000	4,547	3,365
Total net additions	000	287	259

OPERATIONAL RESULTS	UNITS	1Q-2008	1Q-2007
Blended ARPU	Rs.	501	609
Prepaid ARPU	Rs.	359	423
Postpaid ARPU	Rs.	1,463	1,687
Annualised churn	%	6.06	7.42

* ARPUs exclude international interconnect revenues

Revenue Environment

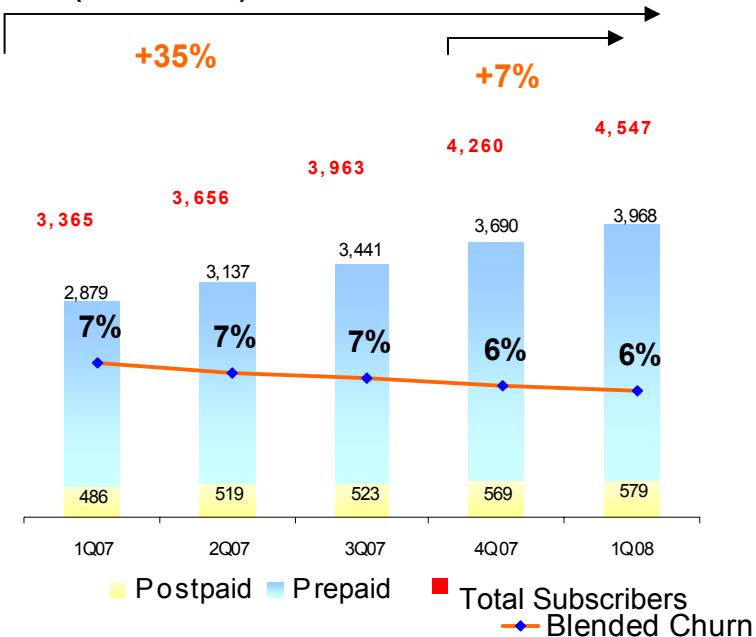
Revenue Drivers

- Market leadership with sustained growth in subscribers (**35 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 7.42 per cent in 1Q 2007 to 6.06 per cent in 1Q 2008

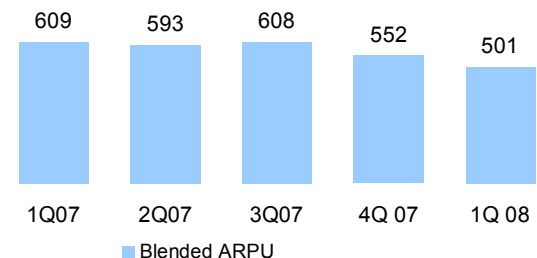
Revenue Mitigators

- Tariff Reduction
- Inflation and Reduction in Disposable Income
- Indirect Taxes Increase from 17.5% to 28 %

Subscriber (Thousands)



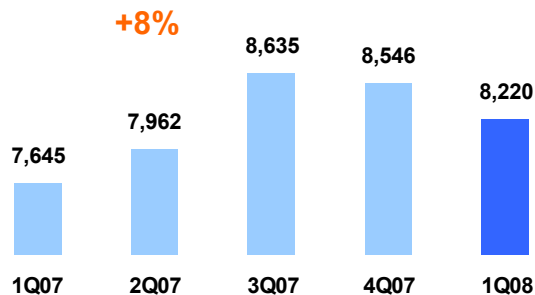
Blended ARPU (Rs.)



Revenue Performance

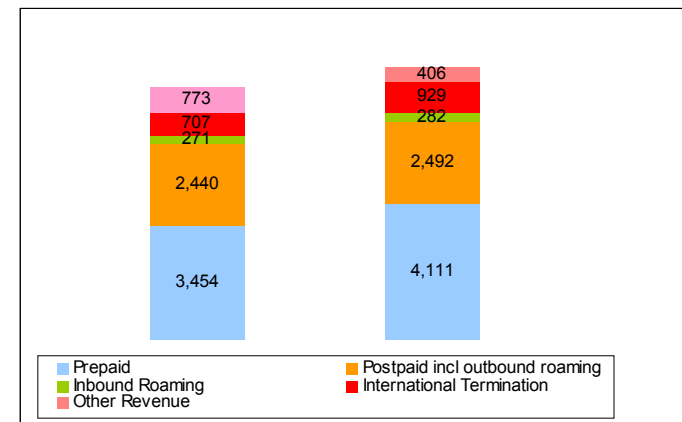
- Revenue growth of **8 per cent** in 1Q 2008 compared to 1Q 2007.
- Prepaid revenue- the dominant contributor to revenue with **50 per cent** share .
- Value Added Services account for approx. **11 per cent** of total revenue for 1Q 2008.

Revenue* (Rs. Mn.)



**Restated due to a classification change in current period.*

Revenue Composition (Rs. Mn.)

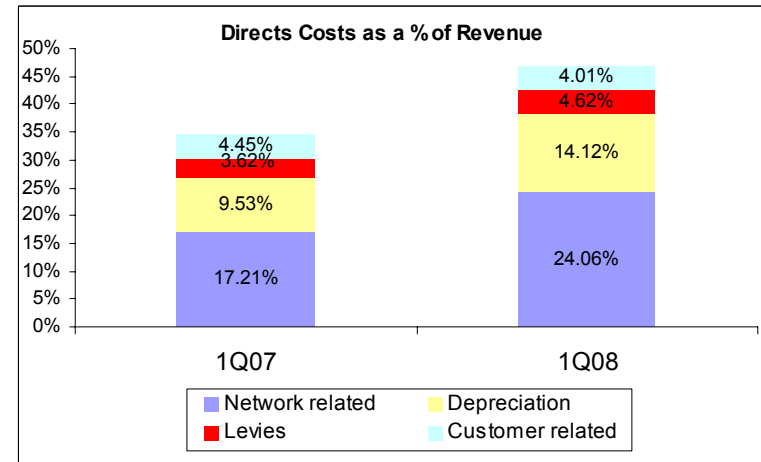
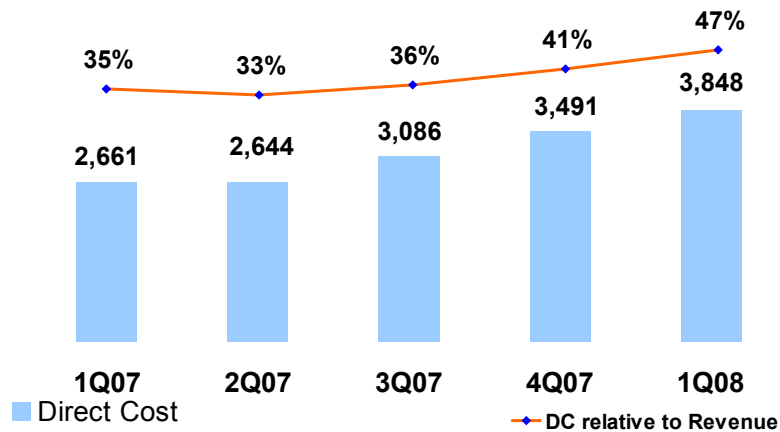


Revenue Composition

(all figures in Rs. Mn.)	1Q-2007	%	1Q-2008	%	Change %
Prepaid	3,859	50.5	4,111	50.0	7
Postpaid incl outbound roaming	2,440	31.9	2,492	30.3	2
International Termination	707	9.2	929	11.3	31
Inbound Roaming	271	3.5	282	3.4	4
Other Revenue	368	4.8	406	4.9	10
Net Revenue	7,645	100	8,220	100	8

Direct Costs

- Direct costs Performance relative to revenue is impacted by increases in **frequency fees (351 per cent)**, **telco depreciation (60 per cent)** on the back drop of aggressive investment and other network costs in relation to **site rentals (98 per cent)**, **electricity charges(90 per cent)** fuelled by inflationary pressures (approx 23.8 per cent increase YoY), rise in energy costs and expansion in operations.

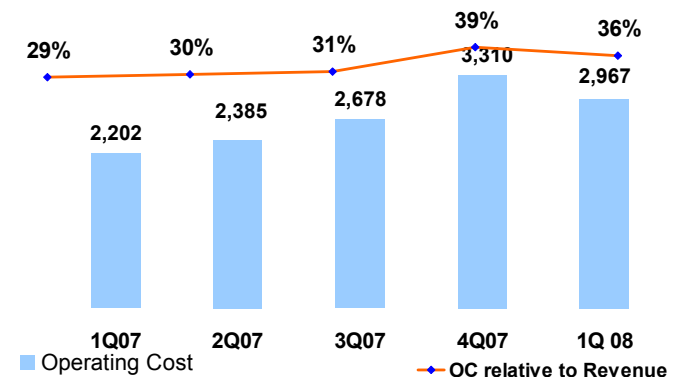
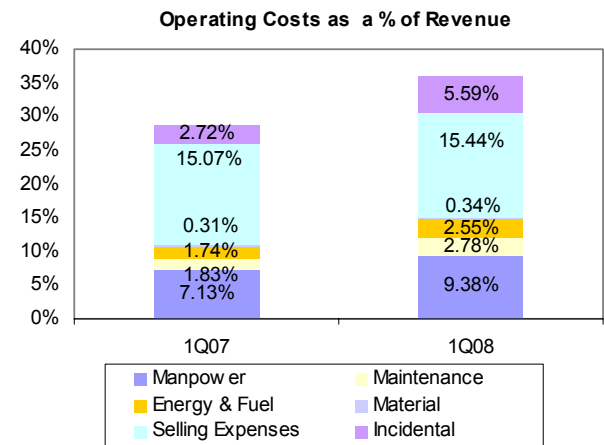


(all figures in Rs. Mn.)	1Q-2007	%	1Q-2008	%	Change %
Network Related Costs	1,316	49.45	1,978	51.40	50
As a % of Revenue	17.21		24.06		
Telco Depreciation	728	27.37	1,160	30.15	60
As a % of Revenue	9.53		14.12		
Levies	277	10.41	380	9.87	37
As a % of Revenue	3.62		4.62		
Customer Related Costs	340	12.78	330	8.57	-3
As a % of Revenue	4.45		4.01		
Total Direct Cost	2,661	100	3,848	100	45
As a % of Revenue	35		47		

Operating Costs

- Operating expenses as a percentage of revenue **increased** by 7 percentage points in 1Q 2008 vis-à-vis 1Q 2007.
- In addition to inflationary pressure on principal cost lines, performance relative to revenue is impacted by escalation of energy driven costs and expansion in operations.

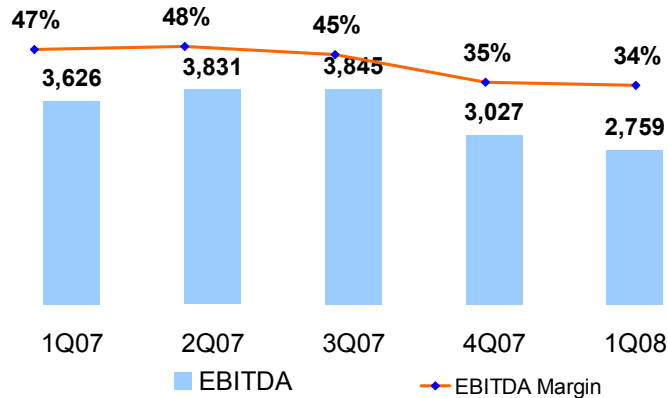
(all figures in Rs. Mn.)	1Q-2007	%	1Q-2008	%	Change %
Selling Expenses	1,152	52	1,270	43	10
As a % of Revenue	15.07		15.44		
Manpower	545	25	771	27	42
As a % of Revenue	7.13		9.38		
Maintenance	140	6	228	8	63
As a % of Revenue	1.83		2.78		
Energy & Fuel	133	6	210	7	58
As a % of Revenue	1.74		2.55		
Material	24	1	28	1	17
As a % of Revenue	0.31		0.34		
Incidental	208	9	460	15	121
As a % of Revenue	2.72		5.59		
Total Expenses	2,202	100	2,967	100	35
As a % of Revenue	29		36		



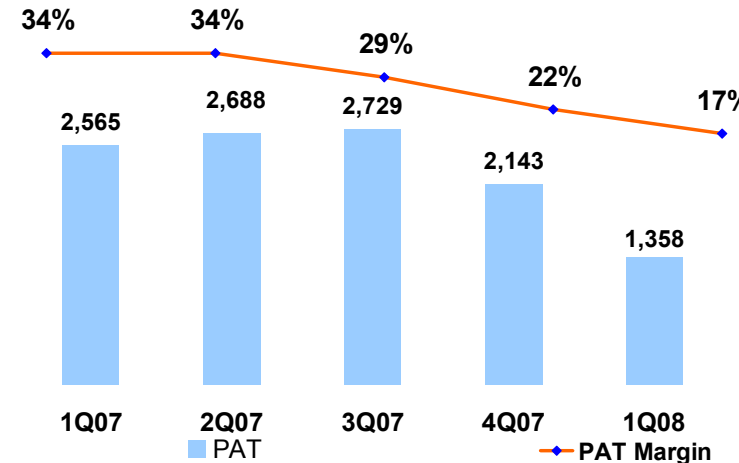
PAT and EBITDA Margins

- PAT /EBITDA performance in 1Q 2008 vis-à-vis 1Q 2007 has been impacted due to:
 - **Revenue recovery post tariff reduction** not achieved in 1Q 2008
 - **Cost expansion** driven by
 - Growth in operations
 - Inflation
 - Energy costs
 - **Increase in Depreciation (60% YoY Increase)**

EBITDA (Rs. Mn.)



PAT (Rs. Mn.)



Balance Sheet

(all figures in Rupees '000)	31st March 2008	31st December 2007
	Company	Company
ASSETS		
Non - current assets	54,097,086	49,527,591
Current assets	20,422,186	20,379,238
Total assets	74,519,272	69,906,829
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Stated Capital	33,056,113	33,056,413
ESOS Trust shares	(1,995,202)	(2,000,439)
Reserve	192,983	193,099
Retained Earnings	21,488,653	20,130,681
	52,742,547	51,379,754
Minority interest In Equity	Nil	Nil
Total equity	52,742,547	51,379,754
LIABILITIES		
Non - current liabilities	6,656,270	5,216,255
Current liabilities	15,120,455	13,310,820
Total liabilities	21,776,725	18,527,075
Total equity and liabilities	74,519,272	69,906,829
Net Asset per share (Rs)	6.48	6.30

Cash Flow Highlights

Operating Cash flows reduced due to a reduction in earnings and increase in receivables – compared to 31 March 2007

Movement in receivables compared to 31 March 2007:

VAT -Rs. 2.12 Bn

Advances to subsidiaries- Rs 4.99 Bn

(all figures in Rs. Mn.)	1Q-08	1Q-07
Net cash from operating activities	521	5,124
Net cash used in investing activities	(6,474)	(5,831)
Net cash used in financing activities	2,816	539
Increase/(decrease) in cash and cash equivalents	(3,137)	(169)
Movement in cash and cash equivalents		
At start of year	6,062	2,237
Increase/(decrease)	(3,137)	(169)
At end of period	2,925	2,069

Reconciliation of Cash Generated from Operations

(all figures in Rs. Mn.)	1Q-08	1Q-07
Profit before Tax	1,420	2,585
Adjustments for:		
Interest Expenses	74	209
Depreciation	1,064	752
Amortisation	126	92
Impairment	164	-
Retirement Benefit Obligation	25	8
Other Adjustments*	(2,289)	1,684
Cash Generated from Operations	584	5,330

**Other adjustments include Changes in Working Capital, exchange differences, profit on sale of Fixed Assets and dismantling costs.*

- Net Debt/ EBITDA has increased mainly due to increase in borrowings (SCB –Rs. 950 Mn., DFCC Rs. 225 Mn) and reduction in earnings due to reasons cited previously.
- RoE & RoCE diluted due to a reduction in earnings , combined with expansion of capital investments.

RATIOS	Units	1Q-2008	2007
Company			
Net Tangible Assets per share	Rs.	6.48	6.30
Net Debt to EBITDA*	Times	0.79	0.25
Long term Debt to Equity	Times	0.12	0.09
Return on Equity**	%	10	26
Return on Capital Employed***	%	9	21
Current Ratio	Times	1.35	1.53

*Debt includes bank borrowings and vendor financing.

**RoE for 1Q 2008 is computed as annualised PAT / average equity

***RoCE for 1Q 2008 is computed as annualised EBIT/Average Capital Employed

Lenders

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	50.00	25	-	25.00
DFCC	Term Loan	LKR	9.07	9.29	1.86	7.43
SCB	Loan Facility	LKR	25.00	8.83	8.83	-
Total			84.07	43.12	10.69	32.43

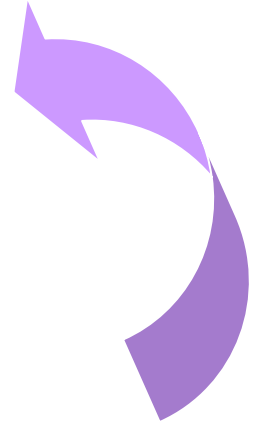
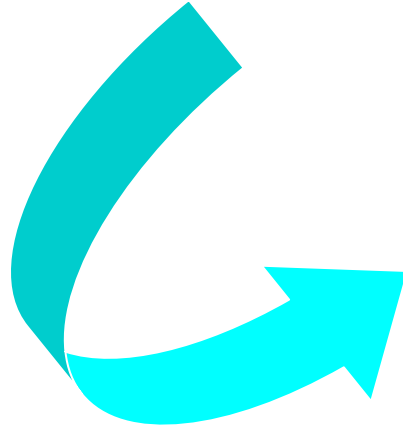
** Above excludes vendor financing.*

- The Company drew down Rs. 950 Mn from the SCB trade finance facility and Rs 225 Mn. from the DFCC facility in 1Q 2008.



Subsidiary Performance

CDMA subscribers
157% growth




Wi Max subscribers
104% growth

*growth compared against 4Q 2007

Dialog Broadband Networks (Pvt) Ltd. [DBN]

- Revenue of Rs. 536.65 Mn up 158 per cent relative to Rs. 207.70 Mn. recorded for the three months ended 31 March 2007 .
- Net loss of Rs. 126.52 Mn. for the three months ended 31 March 2008 vis-à-vis a profit of Rs. 10.39 Mn recorded for the three months ended 31 March 2007.

KEY FINANCIALS	USD Mn	Rs Mn.	Change (1Q-2008 vs. 1Q-2007)	Growth (1Q-2008 vs. 1Q-2007)
REVENUE	4.97	536.65	Rs. 329 Mn.	 158%
EBITDA	0.14	14.65	(Rs.47 Mn.)	
PAT	(1.17)	(126.52)	(Rs.137 Mn.)	

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

QoQ Performance Comparison: DBN

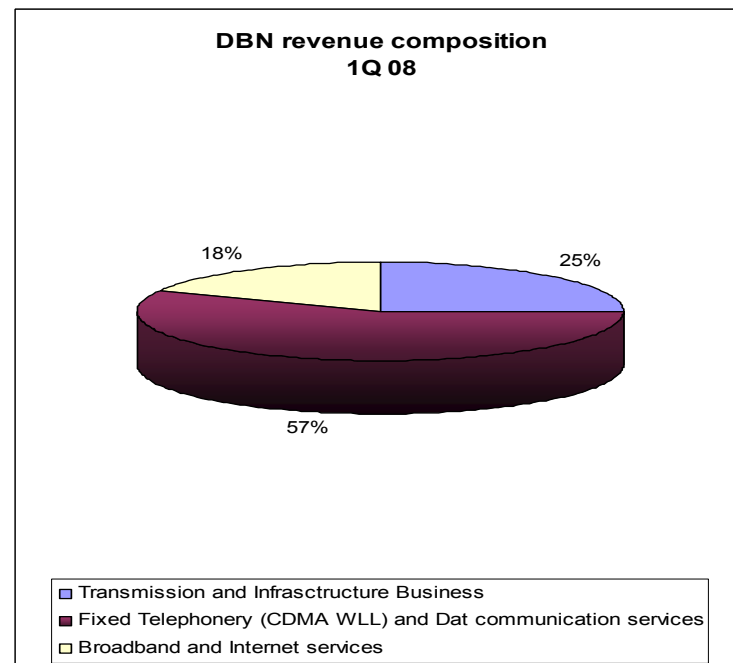
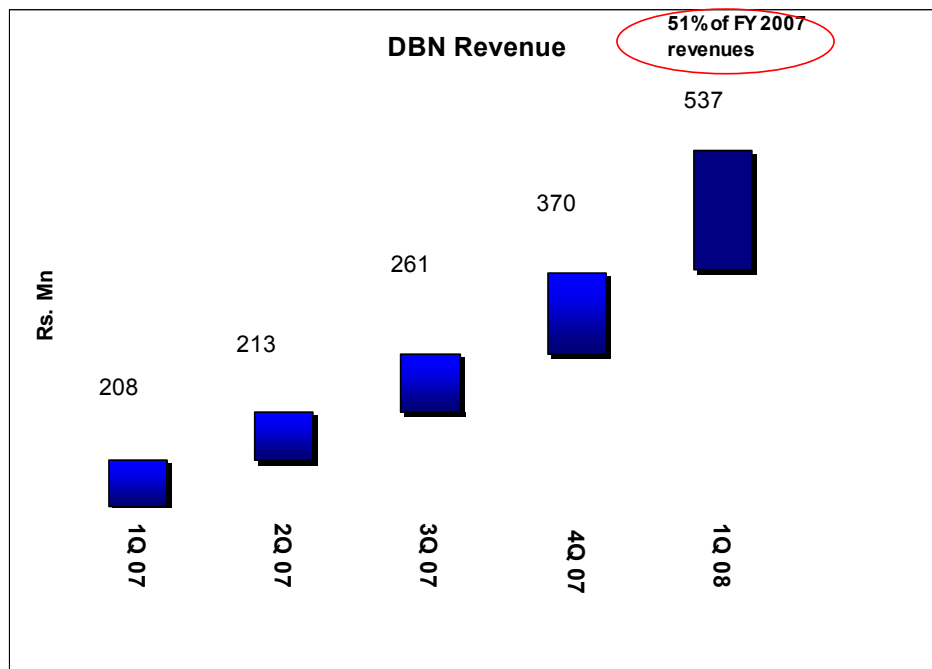
- Revenue of Rs. 536.65 Mn up 45 per cent relative to Rs. 370.61 Mn. recorded for the three months ended 31 December 2007 .
- EBITDA recorded at Rs. 14.65 Mn. (114% positive QoQ) and PAT at negative Rs. 126.52 Mn. (43% positive QoQ) signifying substantial improvements to negative positions recorded previously.

KEY FINANCIALS	USD Mn	Rs Mn.	Change (1Q-2008 vs. 4Q-2007)	Growth (1Q-2008 vs. 4Q-2007)
REVENUE	4.97	536.65	Rs. 166 Mn.	↑ 45%
EBITDA	0.14	14.65	Rs.120 Mn.	↑ 114%
PAT	(1.17)	(126.52)	Rs.95 Mn.	↑ 43%

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

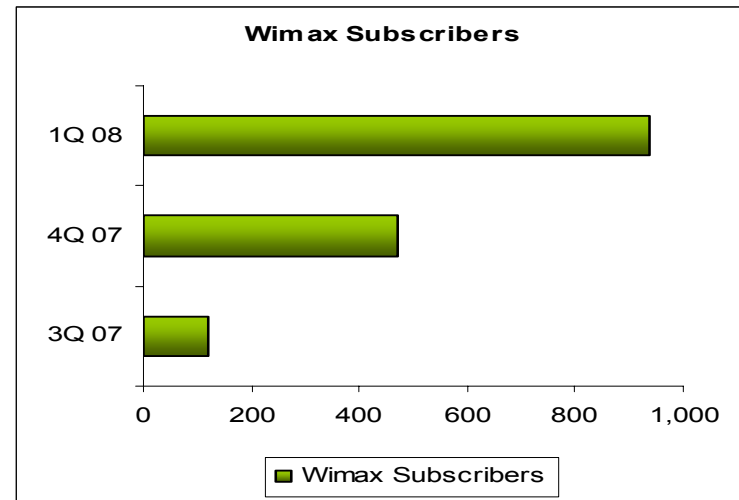
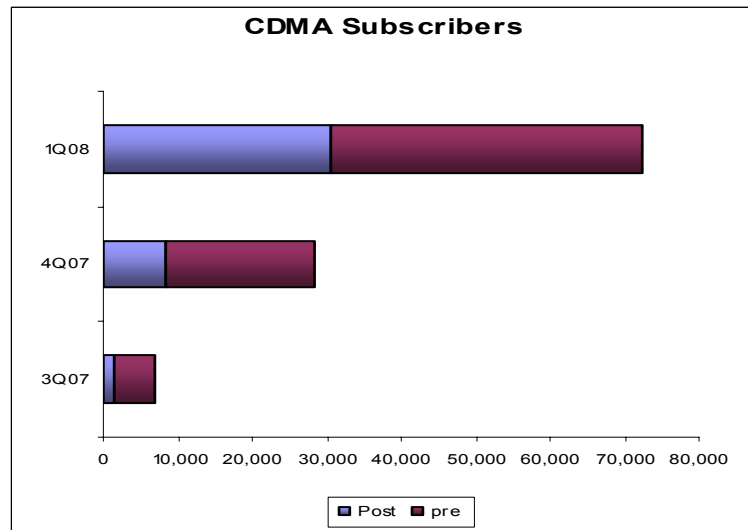
Revenue Growth - DBN

- DBN has delivered revenue growth of 158 per cent in 1Q 2008 compared to 1Q 2007
- DBN revenue components include Transmission and Infrastructure Business, Fixed Telephony (CDMA WLL), Data communication services, and Broadband and Internet services.



Revenue Environment - DBN

- Post / Pre CDMA mix: 41:59
- The CDMA fixed wireless service commercially launched in July 2007 covers **over 18 districts** including Colombo.
- CDMA subscriber growth : **↑157 per cent** on adjacent QoQ.
- Wi Max subscriber growth : **↑104 per cent** on adjacent QoQ.





Dialog Television

77,000 +


Pay TV Subscribers


300% YoY growth



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. 336.42 Mn** for the three months ended 31 March 2008
- The company recorded a **net loss of Rs. 114 Mn.** for the three months ended 31 March 2008.

		Change YoY	Growth
PAY TV SUBSCRIBERS	77,506	58,123	 300%




KEY FINANCIALS	USD Mn	Rs Mn.	Change (1Q-2008 vs. 1Q-2007)	Growth (1Q-2008 vs. 1Q-2007)
REVENUE	3.12	336.42	Rs. 219 Mn.	 187%
EBITDA	(0.70)	(75.29)	Rs. 54 Mn.	
PAT	(1.05)	(113.64)	Rs.28 Mn.	

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

QoQ Performance Comparison : DTV

•DTV Group (inclusive of subsidiaries Communiq Broadband Network (Pvt) Ltd (CBN) and CBN SAT (Pvt) Ltd) recorded a **revenue of Rs. 336.42 Mn** for the three months ended 31 March 2008 relative to Rs. 242.83 Mn. recorded for the three months ended 31 December 2007 .

•EBITDA recorded at negative Rs. 75.29 Mn. (21% positive QoQ) and PAT at negative Rs. 114 Mn. (54% positive QoQ) **signifying substantial improvements to negative positions recorded at the early stages of market creation.**

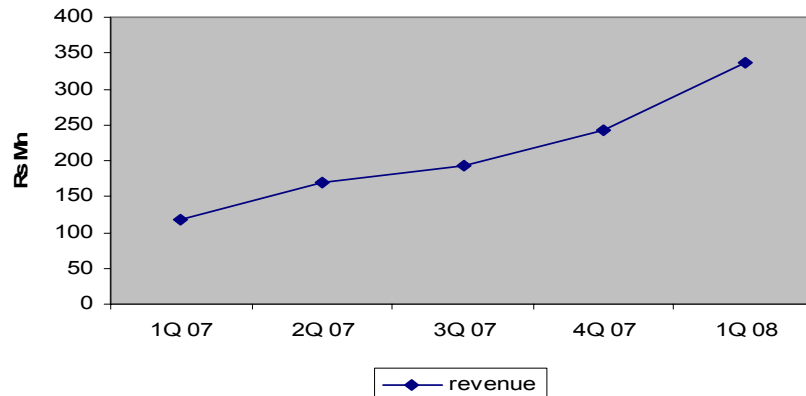
KEY FINANCIALS	USD Mn	Rs Mn.	Change (1Q-2008 vs. 4Q-2007)	Growth (1Q-2008 vs. 4Q-2007)
REVENUE	3.12	336.42	Rs.94 Mn.	 39%
EBITDA	(0.70)	(75.29)	Rs. 20 Mn.	 21%
PAT	(1.05)	(113.64)	Rs.132 Mn.	 54%

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

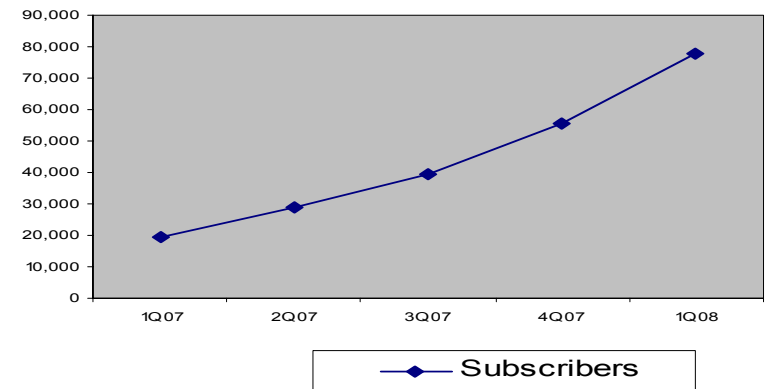
Revenue Environment - DTV

- Revenue comprises of initial connection fees and monthly subscription rentals.
- Connection fee** revenue represented **43 per cent** of total revenue totaling to Rs. **146 Mn.** The revenue generated from **monthly subscription** totaled Rs. **190 Mn.** contributing to **57 per cent** of total revenue.
- Pay TV** Subscribers registered **a growth of 300 per cent YoY.**

Quarterly Revenue



Subscriber Growth





Dialog Group Performance

Snapshot – Dialog Group




- The Dialog Group has achieved a strong foothold in the multiple sectors of fixed line, broadband and pay television through comprehensive portfolio of services commercialised during the course of 2007.
- The growth potential of the associated new businesses, is expected to be enhanced **manifold** in tandem with
 - improvements in macro-economic conditions and
 - accompanying enhancement in consumer spending power and related consumption potential for ICT services including broadband and pay television.

KEY FINANCIALS	USD Mn	Rs Bn.	Change (1Q-2008 vs. 1Q-2007)	Change (1Q-2008 vs. 1Q-2007)
Revenue	83.16	8.98	Rs. 1,065 Mn.	↑ 13%
EBITDA	25.35	2.74	(Rs. 819 Mn.)	↓ 23%
PAT	10.24	1.11	(Rs. 1,321 Mn.)	↓ 54%

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

QoQ comparison - Dialog Group

- An immediate QoQ comparison (1Q 2008 vs 4Q 2007) reveals an improvement in performance in terms of EBITDA and PAT compared to 1Q 2008 vs 1Q 2007.

KEY FINANCIALS	USD Mn	Rs Bn.	Change (1Q-2008 vs. 4Q-2007)	Change (1Q-2008 vs. 4Q-2007)
Revenue	83.16	8.98	(Rs. 71 Mn.)	 1%
EBITDA	25.35	2.74	(Rs. 142 Mn.)	 5%
PAT	10.24	1.11	(Rs. 558 Mn.)	 34%

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

P&L Highlights -Group

(All figures in Rs.Mn. except for ratios)	GROUP		
	1Q-2008	1Q-2007	Change(%)
Net Revenue*	8,977	7,912	13
Direct Costs	4,352	2,926	49
Gross Profit	4,625	4,986	(7)
<i>Gross Margin (%)</i>	52	63	
OPEX	3,410	2,329	46
EBITDA	2,736	3,555	(23)
<i>EBITDA Margin (%)</i>	30	45	
PBT	1,170	2,453	(52)
PAT	1,105	2,426	(54)
<i>PAT Margin (%)</i>	12	31	
EPS (Rs.)	0.14	0.30	(53)

* Comparatives restated to conform to changes in current period's presentation.

Balance Sheet - Group

(all figures in Rupees '000)	31st March 2008	31st December 2007
	Group	Group
ASSETS		
Non - current assets	59,943,175	54,337,744
Current assets	16,247,894	17,387,769
Total assets	76,191,070	71,725,513
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Stated Capital	33,056,113	33,056,413
ESOS Trust shares	(1,995,202)	(2,000,439)
Reserve	192,983	193,099
Retained Earnings	20,201,828	19,096,588
	51,455,722	50,345,661
Minority interest In Equity	Nil	Nil
Total equity	51,455,722	50,345,661
LIABILITIES		
Non - current liabilities	7,086,068	5,668,205
Current liabilities	17,649,280	15,711,647
Total liabilities	24,735,347	21,379,852
Total equity and liabilities	76,191,070	71,725,513
Net Asset per share (Rs)	6.32	6.17



Recent Updates

Recent Key Product /Service Initiatives

you can say **LET'S MEET**



everyone's got it.

**FOR THE FIRST TIME IN SRI LANKA DIALOG INTRODUCES
Group SMS**



and Internet
downloads and
stay your fingertips.



Video call conferencing
Call up a meeting
on your mobile
and discuss face to face.



3G roaming
Access to 3G services and
High Speed Internet when
you travel to over 21 countries



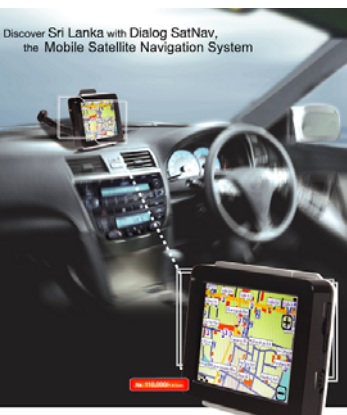
Video calls
Not only can you have
conversations, but you
can do it face to face.



My TV
If bored, select from over 12
channels and watch TV on
your mobile.



100 video calls
Have face to face
conversations with people
overseas.



Discover Sri Lanka with Dialog SatNav,
the Mobile Satellite Navigation System

**YOUR BUSINESS
ADVANTAGE**



video **STAR**
XCALL



Navigation System

- Launched Sri Lanka's First Mobile Satellite Navigation System The Dialog SatNav device enables users to navigate Sri Lanka's road network using satellite positioning.

IP Voice

- Box office is one of the flagship products of Dialog Broadband, targeted towards SME and Enterprise Segments in Sri Lanka.
- Box office is a complete solution that combines the Broadband Internet, with Voice, Email, Web site, and the PBX functionalities

THE FUTURE OF TV



Mobile TV

- MyTV is a personal television experience offering 13 TV channels on Dialog mobile, with unlimited access.



Sri Lankan Content

Channel C

Sri Lanka's very own musical Channel - Channel C (a 24 Hour Music Channel) was launched by Dialog TV in March 2008.

Fitch Ratings Affirmed Dialog Telekom at AAA (Ika)

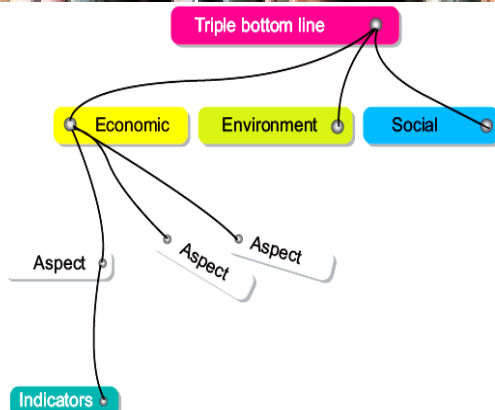
- Fitch Ratings affirmed Dialog Telekom PLC's (Dialog) National Long Term Rating at 'AAA(Ika)'. The rating Outlook is Stable.
- Fitch has also affirmed the rating on Dialog's outstanding preference shares of LKR 5 Bn at 'AA+(Ika)'.

Local and International Recognition

- Dialog Telekom PLC was recognized as the **single largest investor** in Sri Lanka at the Invest Sri Lanka felicitation event hosted by BOI.
- Dialog Telekom PLC secured the top slot in investment rankings for the **3rd year in succession**.
- Dialog Telekom was ranked **No 1 among Sri Lanka's Top 10 companies** by Business Today TOP 10 (Sri Lanka's leading business magazine) based on the company's performance during the 2006/7 period.
- Dialog Telekom emerged at the pinnacle of Sri Lanka's **Top 100 Brand Index, for the second year** in succession
- Dialog Telekom was the recipient of **three awards** at the annual **GCCRM Customer Management Awards 2007** held in China.



Corporate Responsibility



■ Dialog's Gift to Differently able war heroes

Dialog Telekom recently furthered its commitment to the differently able war heroes by gifting a Listening Library & Therapeutic Centre to **Ranaviru Sevana** in Ragama and a Water therapy unit to the **Army Commando camp** in Ganemulla.

■ Mobile Environment Education Programme (MEEP)

MEEP is an Education Programme on **Biodiversity and Natural Resources** of Sri Lanka conducted by Dialog Telekom PLC for school children to **raise awareness** on our environment

■ Robust Corporate Governance framework backs Triple Bottom Line emphasis

In demonstrating its commitment to achieve and maintain the highest standards of **business integrity, professionalism and ethical values** Dialog Telekom PLC emphasizes on **Triple Bottom Line** parameters : **Economic, Environmental and Social**



Thank you