



# Investor Forum Q1 2009




Enriching Sri Lankan Lives

an **axiata** company



# Highlights – Subscribers & Revenues




## ▪ Strong Subscriber growth

- Mobile – 5.85 Mn.  29% YoY
- CDMA & Broadband – approx. 183,000  149% YoY
- Pay Tv – over 130,000  68% YoY

## ▪ Cost Rescaling gains traction

- Direct Cost (excl. telco depreciation)  3% QoQ
- Opex (excl. non telco depreciation)  12% QoQ

## ▪ Group Revenue remained flat

- Dialog Rs. 7,709 Mn.  6% YoY
- DBN Rs. 553 Mn.  3% YoY
- DTV Rs. 368 Mn.  49% YoY

# Dialog Telekom PLC (Company) Snapshot

		Change YoY	Growth %	Change% QoQ
CELLULAR SUBSCRIBERS	5.85Mn	1.30 Mn	↑ 29%	↑ 6%

KEY FINANCIALS	USD Mn	Rs Mn.	Change YoY	Change% YoY	Change% QoQ
REVENUE	67.64	7,709	(Rs. 511 Mn.)	↓ 6%	↓ 3%
EBITDA	11.68	1,331	(Rs. 1427 Mn.)	↓ 52%	↑ 80%
PAT	(9.80)	(1,117)	(Rs. 2475 Mn.)	↓ 182%	↑ 62%

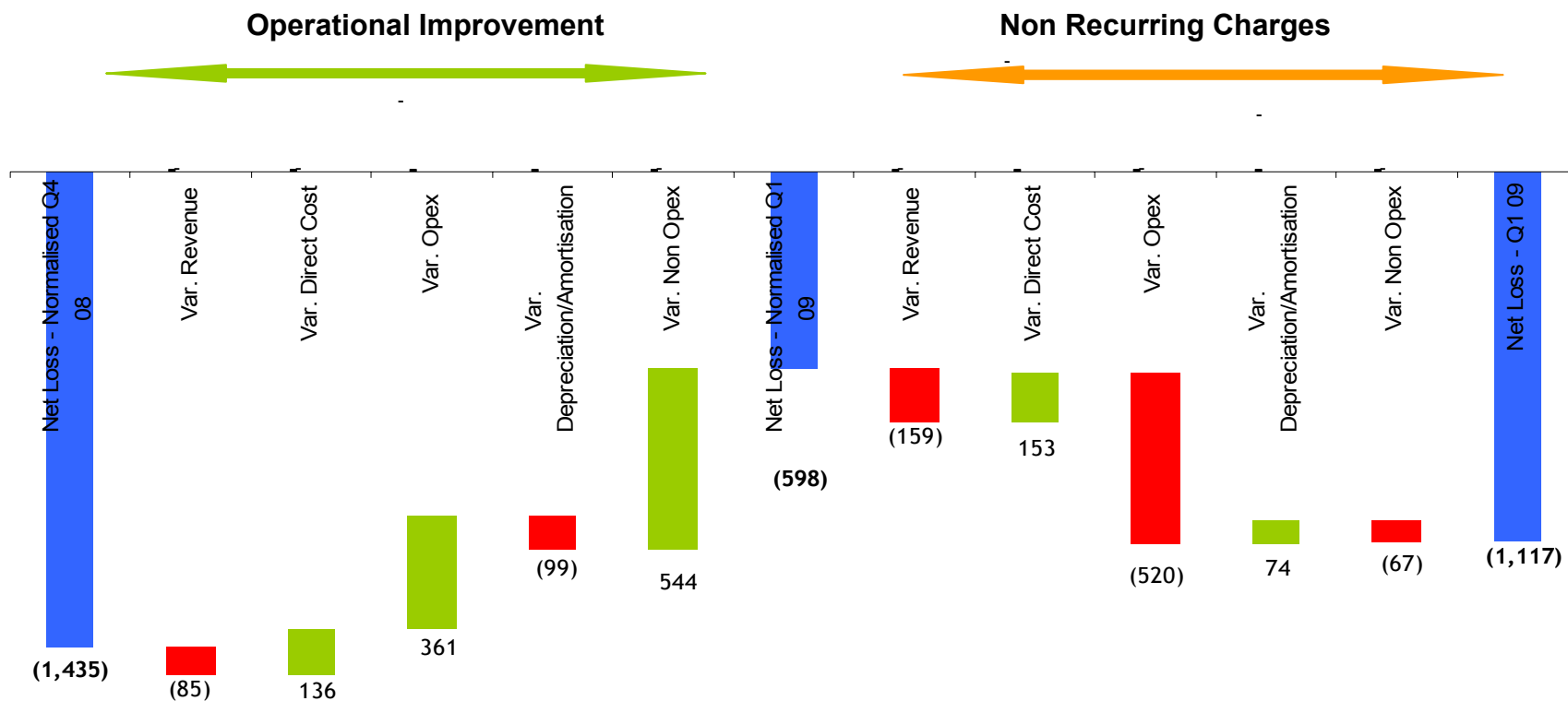
*^Exchange rates applied for Rupee Conversion are the average monthly rates published by Central Bank of SL.*

# P&L Highlights-Company

(All figures in Rs.Mn. except for ratios)	COMPANY		YoY	QoQ
	1Q 09	1Q 08	Change(%)	Change(%)
Net Revenue*	7,709	8,220	(6)	(3)
Direct Costs	4,821	3,684	31	(10)
Gross Profit	2,888	4,536	(36)	10
Gross Margin (%)	37	55		
OPEX	3,379	3,131	8	(28)
EBITDA	1,331	2,759	(52)	80
EBITDA Margin (%)	17	34		
PBT	(983)	1,420	(169)	64
PAT	(1,117)	1,358	(182)	62
PAT Margin (%)	(14)	17		

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

# PAT Reconciliation Q4 '08 to Q1 '09



Values (Rs.Mn.)

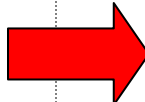
# Revenue Drivers & Dynamics

## Revenue Drivers

- **Market Leadership** with sustained growth in subscribers
- **Enhanced Portfolio of Value Added Services**
- **Coverage and Quality of Service Improvements**

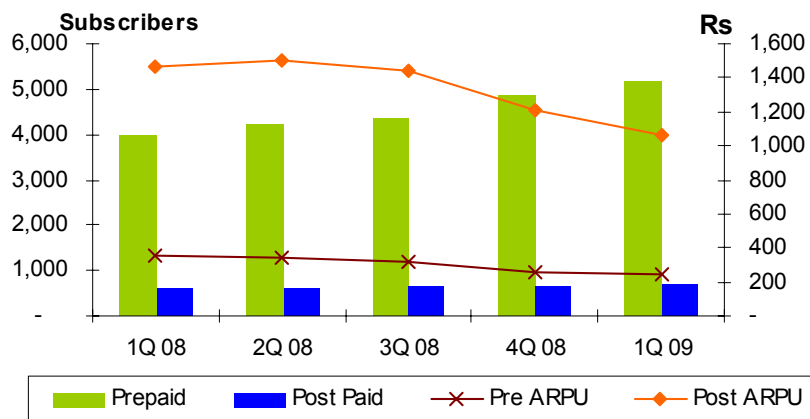
## Revenue Mitigators

- **Tariff reduction and other affordability enhancement strategies**
- **Pressures on Disposable Income**

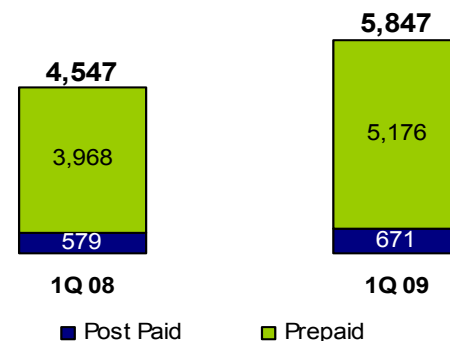
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- Total **subscriber growth of 29%**
  - Prepaid subscriber base growth of 30%
  - Postpaid subscriber base growth of 16%
  - Pre:post mix: 89:11

OPERATIONAL RESULTS	UNITS	1Q 2009	4Q 2008	Change %
Blended ARPU	Rs.	333	373	↓ (11)
Prepaid ARPU	Rs.	238	257	↓ (7)
Postpaid ARPU	Rs.	1,060	1,215	↓ (13)

## ARPUs & Subscribers



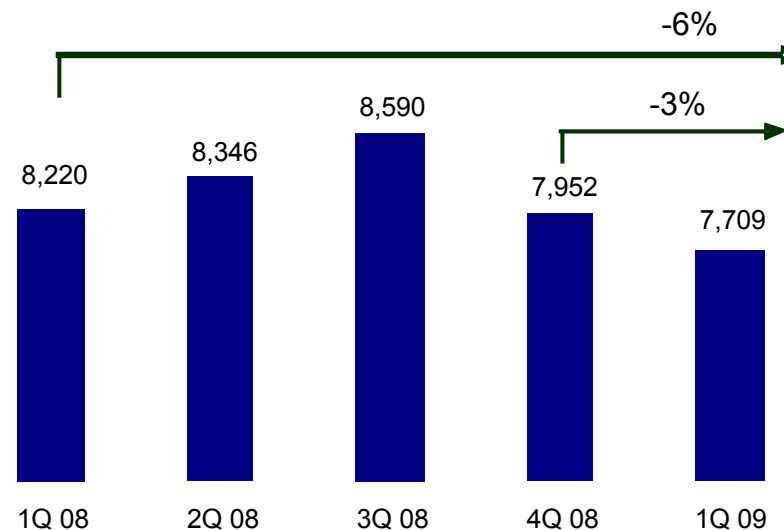
## Mobile Subscriber Mix ('000)



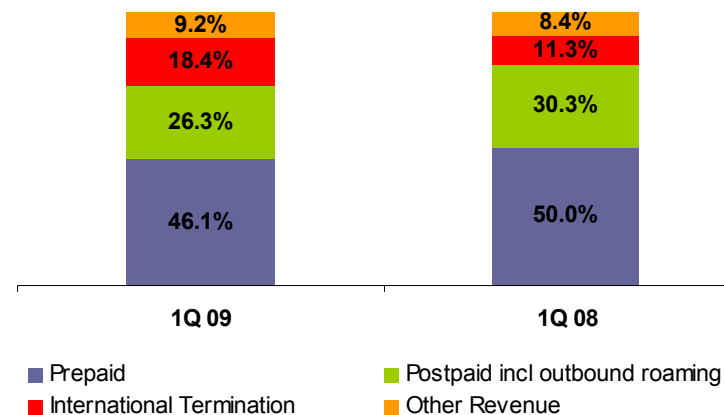
# Revenue Trends - Company

- Revenues marginally drop by **3% QoQ to Rs.7.71 Bn.**
- Aggressive pricing strategies** aimed at increasing affordability of services in the wake of waning consumer spending power
- Significant **Tariff Reduction implemented in the month of October 08**, including transition to Per-Second Billing
- Market objectives were met with **29% YoY growth in subscribers** and retention of market share – however declining **elasticity levels** resulted in inhibition of revenue growth.
- Prepaid revenue remained the dominant contributor to revenue with 46% share
- International **Termination revenue increased by 53%** from Rs.0.93 Bn. to Rs.1.42 Bn. driven by an increase in termination minutes by 35%
- Value Added Services (incl. SMS) account for approx. 9% of total revenue for Q1 2009.

Quarterly Revenues (Rs. Mn.)



Revenue Mix (Rs. Mn.)



# Direct Costs

- Drop in Network Costs on adjacent quarter due to

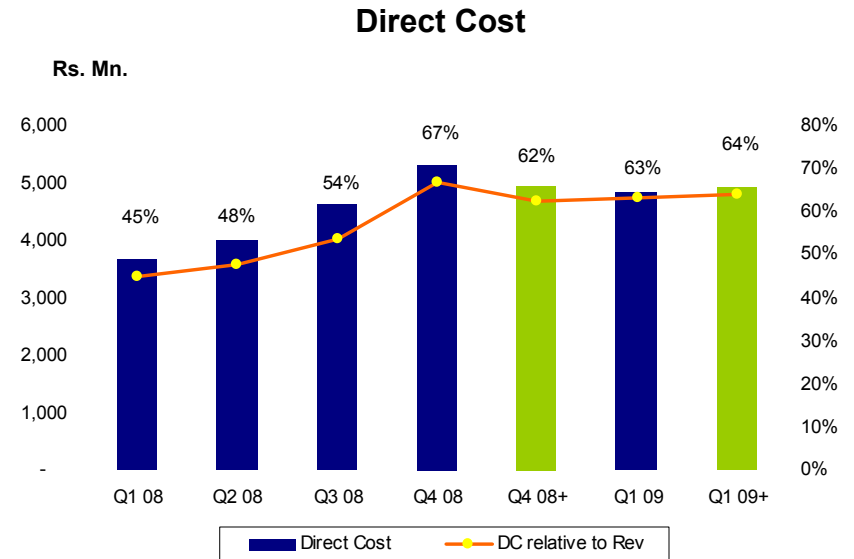
- Reduction in roaming expenditure & BTS site related expenses (47% & 49% QoQ respectively)

- Drop in Customer Related Costs due to decline in cost of accessories & starter pack costs (38% QoQ)

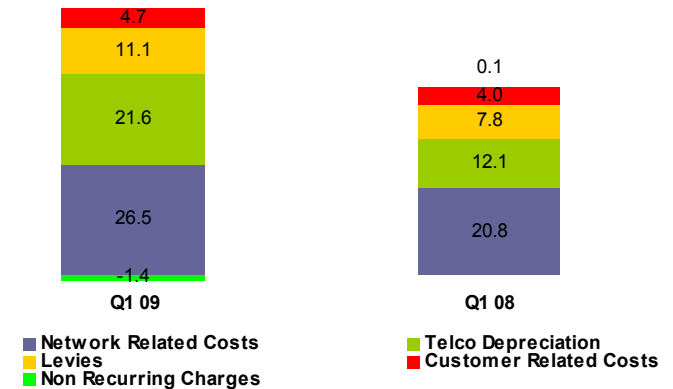
- Increase in Direct costs YoY mainly due to

- Increase in ITL (44% YoY)
- Increase in Telco depreciation (67% YoY)

Rs. Mn.



## Direct Costs Relative to Revenue(%)



(all figures in Rs. Mn.)	Q1 09	%	Q1 08	%	YoY %	QoQ %
Network Related Costs*	2,042	42.4	1,713	46.5	19.2%	-3.3%
Telco Depreciation	1,668	34.6	997	27.0	67.4%	6.1%
Levies**	856	17.8	640	17.4	33.8%	3.9%
Customer Related Costs***	361	7.5	329	8.9	9.9%	-21.8%
Non Recurring Charges	-106	-2.2	5	0.1		
<b>Total Direct Cost</b>	<b>4,821</b>	<b>100</b>	<b>3,684</b>	<b>100</b>	<b>31%</b>	<b>-9%</b>
<b>As a % of Revenue</b>	<b>63</b>		<b>45</b>			

\*Network Related Costs Include energy costs

\*\*Levies refers to International Telecommunication Levy & frequency fees

\*\*\*Refers to phone & equipment sales, printing of bills etc

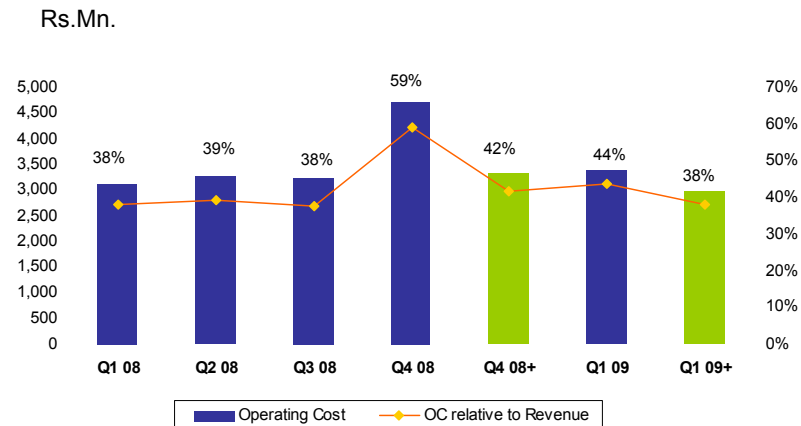
+Normalised Performance



# Operating Costs

- Operating expenses (excl. non telco depreciation) normalised for non recurring charges dropped by 12% on an adjacent quarter.
- Increase in Maintenance Costs of 29% YoY due to increase in non telco depreciation.
- Manpower cost (excl. VRS prov.) dropped by 3% YoY

## Operating Costs



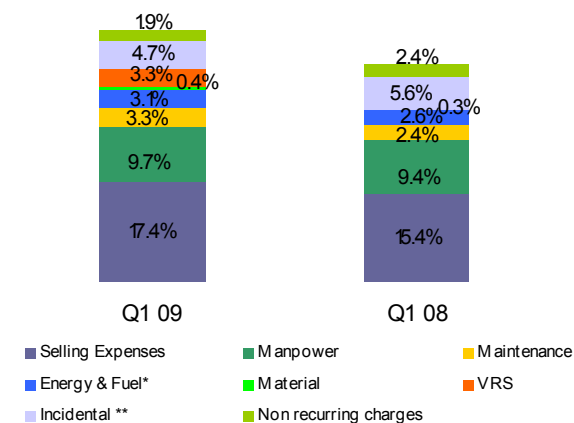
## Opex (Rs.Mn)

(all figures in Rs. Mn.)	Q1 09	%	Q1 08	%	YoY%	QoQ%
Selling Expenses	1,338	39.6	1,270	40.6	5%	-8%
Manpower	748	22.1	771	24.6	-3%	4%
Maintenance	253	7.5	196	6.3	29%	-8%
Energy & Fuel*	243	7.2	210	6.7	16%	-10%
Material	33	1.0	28	0.9	18%	12%
VRS	256	7.6	-	-		
Incidental **	361	10.7	460	14.7	-21%	-37%
<b>Non Recurring Charges</b>	<b>146</b>	<b>4.3</b>	<b>196</b>	<b>6.3</b>	<b>-26%</b>	<b>-89%</b>
<b>Total Expenses</b>	<b>3,379</b>	<b>100</b>	<b>3,131</b>	<b>100</b>	<b>8%</b>	<b>-28%</b>
<b>As a % of Revenue</b>	<b>44%</b>		<b>38%</b>			

\*Excludes network electricity charges

\*\*Incidental costs include professional fees, postage, courier, stamp duty.

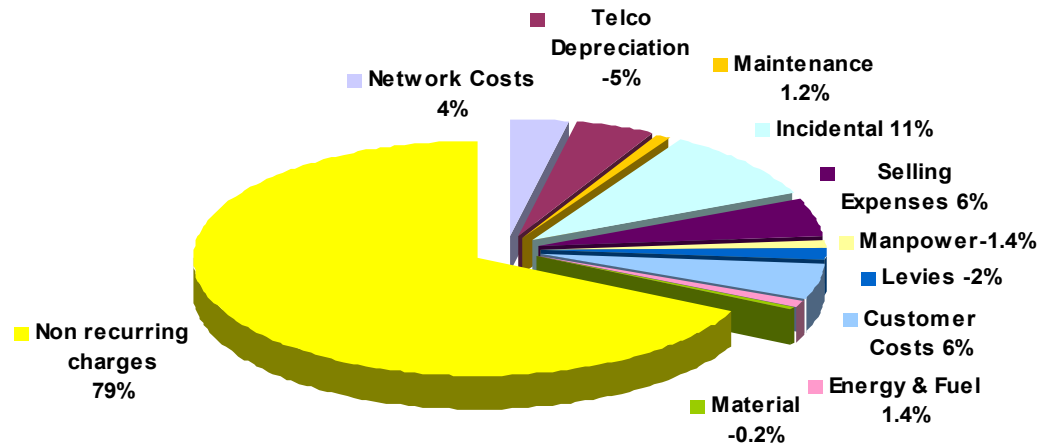
## Operating Costs Relative to Revenue(%)



+Normalised Performance

# Total Cost Variance Q1 '09 Vs. Q4 '08

Contribution to Total Cost Variance (Q1 09 Vs. Q4 08)

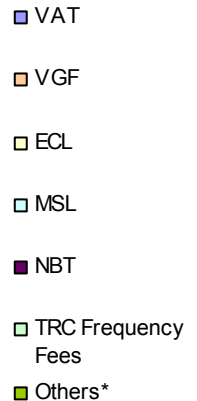
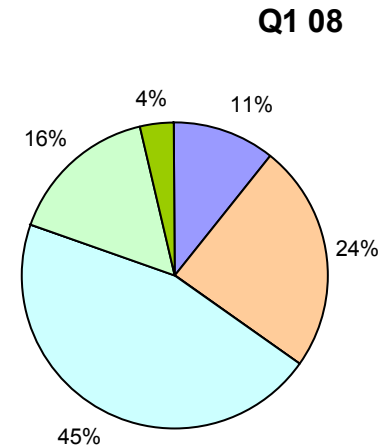
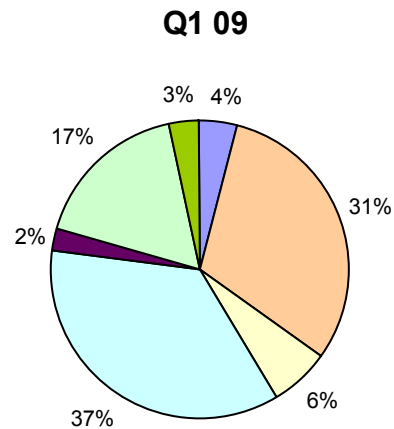


(all figures in Rs. Mn.)	Q1 09	Q4 08	Variance	Contribution to Total Variance %
Network Costs	2,042	2,111	69	3.8%
Telco Depreciation	1,668	1,572	(96)	-5.3%
Maintenance	253	274	21	1.2%
Incidental	361	570	209	11.4%
Selling Expenses	1,338	1,449	111	6.1%
Manpower	748	722	(26)	-1.4%
Levies	856	823.9	(32)	-1.8%
Customer Costs	361	462	101	5.5%
Energy & Fuel	243	269	27	1.4%
Material	33	30	(4)	-0.2%
Non recurring Charges	296	1,747	1,452	79.3%
<b>Total Expenses</b>	<b>8,200</b>	<b>10,031</b>	<b>1,831</b>	<b>100%</b>

# Remittances to Government of Sri Lanka (GoSL)

## GoSL payments composition

■ P&L impact of GoSL remittances is Rs. 675 Mn. in Q1 2009.

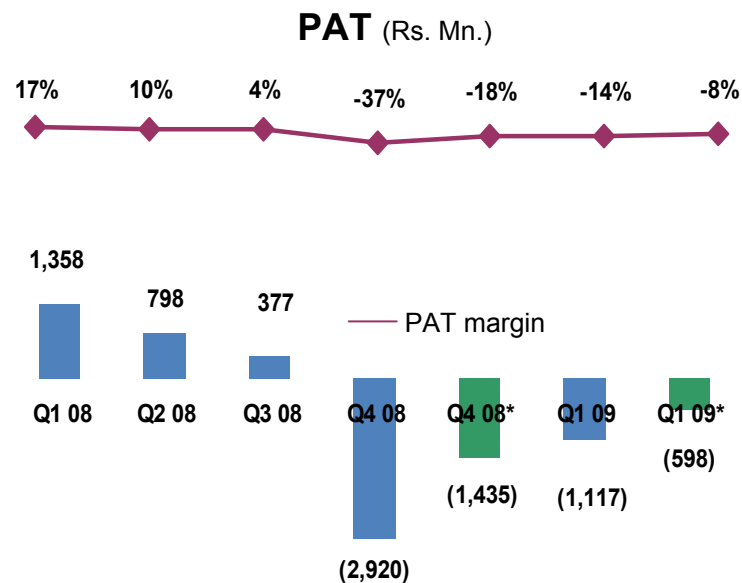
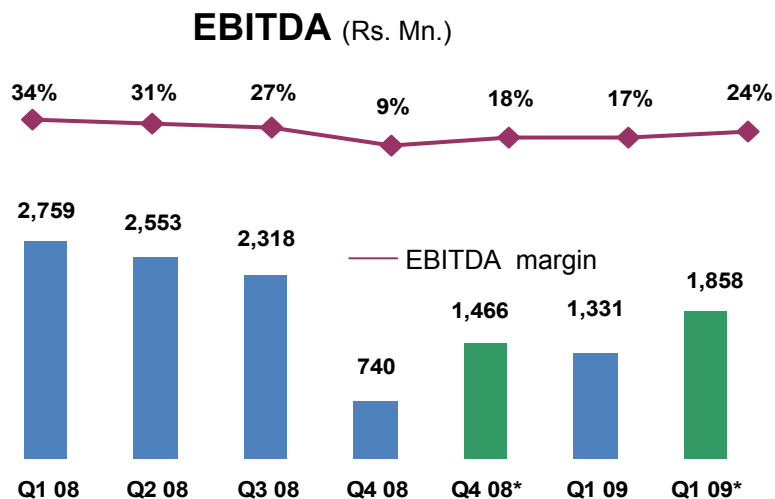


(all figures in Rs. Mn.)	Q1 09	Q1 08	Change %
VAT	75	173	-57%
VGF	547	384	42%
ECL	112	-	
MSL	631	731	-14%
NBT	40	-	
TRC Frequency Fees	308	260	19%
Others*	58	58	0%
<b>Tota Levies</b>	<b>1,770</b>	<b>1,606</b>	<b>10%</b>

\*Other include Economic Service Charge, stamp duty, turnover tax

# EBITDA, PAT & Margins

- EBITDA normalised for non recurring charges improved by 27% relative to the Q4 08 driven by reduction in direct costs and operating costs of 3% and 12% respectively.
- Q1 '09 EBITDA incorporates non recurring charges of Rs. 527 Mn., comprising mainly of VRS provision
- Q1 '09 EBITDA normalised for non recurring charges is Rs. 1,858 Mn. and normalised PAT at Rs. (598 Mn.).



\*Normalised Performance

# Capital Structure

	YTD Mar 09	YTD Mar 08	Y o Y
Capex*	5,783	7,120	-18.8%
Cash & Cash Equivalents	14,372	3,042	+372%
Gross Debt	40,594	12,910	
Net Assets	39,520	51,456	-23.2%
Gross debt / equity (x)	1.03	0.25	
Gross debt / EBITDA** (x)	9.18	1.66	

\*Capex includes CWIP additions  
+ direct additions

\*\* Annualised EIBITDA

# Cash Flow Highlights

▪ Operating Cash flows increased by 4 times compared to Q1'08 mainly due to improvement in working capital and increase in Non cash expenses

▪ Cash used in Investing activities reduced by 59% YoY due to rationalising of Capex.

(all figures in Rs. Mn.)	Q1 '09	Q1 '08
Net cash from operating activities	2,924	558
Net cash used in investing activities	(2,686)	(6,474)
Net cash generated from financing activities	13,235	2,816
Increase/(decrease) in cash and cash equivalents	13,472	(3,100)
Movement in cash and cash equivalents		
At start of year	(852)	6,062
Increase/(decrease)	13,472	(3,100)
Forex adjustment	118	(37)
<b>At end of period</b>	<b>12,739</b>	<b>2,925</b>

*\* Comparatives restated to conform to changes in current year's presentation*

# Funding Position

## Credit Lines

- USD 50 Mn. IFC loan prepaid during April 09

Summary of Outstanding borrowings - As at 31 March 2009						
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	50.00	4.17	45.83
DFCC	Term Loan	LKR	8.68	6.95	1.74	5.21
SCB	Loan Facility	LKR	21.70	21.70	21.70	0.00
OCBC	Term Loan	USD	100.00	100.00	0.00	100.00
<b>Total</b>			<b>200.38</b>	<b>178.65</b>	<b>27.61</b>	<b>151.04</b>

\*SCB facility is a revolving trade facility

\*\* Above excludes vendor financing.


# Group Performance Summary




(in Rs. Mn.)

KEY FINANCIALS	Dialog	DBN	DTV	Consolidation Adjustments	Group
REVENUE	7,709	553	368	(187)	8,443
EBITDA	1,331	(120)	(159)	53	1,105
PAT	(1,117)	(437)	(303)	(11)	(1,868)



# P&L Highlights-Dialog Broadband

		Change YoY	Growth %
CDMA & BROADBAND SUBSCRIBERS	182,950	109,559	 149%

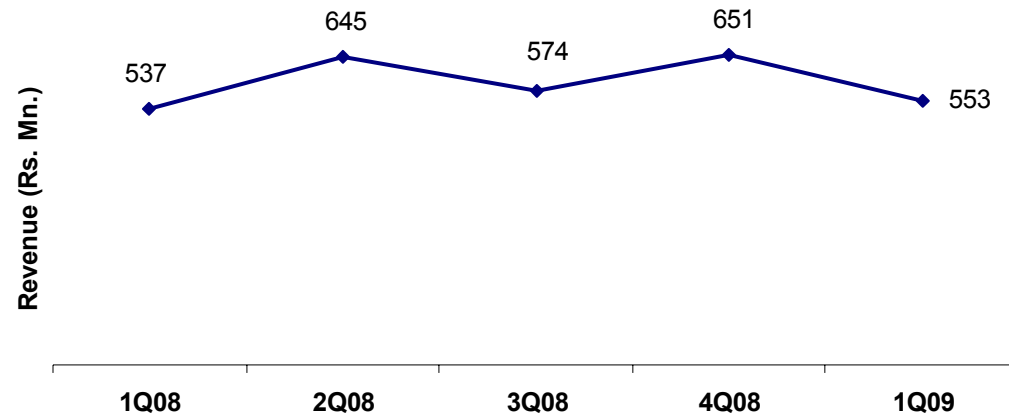
KEY FINANCIALS	USD Mn.	Rs Mn.	Change YoY	Change% YoY
REVENUE	4.85	553	Rs. 16 Mn.	 3%
EBITDA	(1.05)	(120)	(Rs. 158) Mn.	 415%
PAT	(3.83)	(437)	(Rs. 156) Mn.	 56%

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

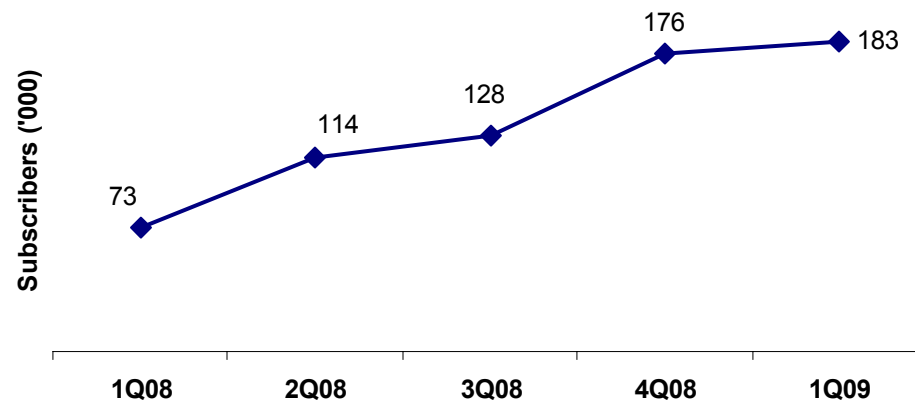
# Dialog Broadband – Subscribers & Revenues

- Revenue of Rs. 553 Mn. representing a growth of 3% YoY
- CDMA & Broadband Subscriber growth of 1.5x YoY
- Resulting in a quarter end CDMA & Broadband subscriber base of approx. 183,000

Quarterly revenue growth



Cumulative subscriber growth



# P&L Highlights-Dialog TV

		Change YoY	Growth %
PAY TV SUBSCRIBERS	130,227	52,721	↑ 68%

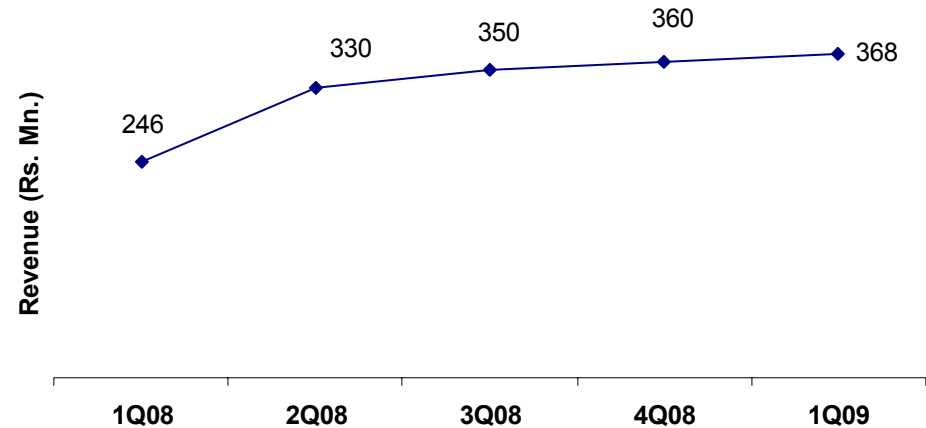
KEY FINANCIALS	USD Mn	Rs Mn.	Change YoY	Change% YoY
REVENUE	3.23	368	Rs. 122 Mn.	↑ 49%
EBITDA	(1.40)	(159)	(Rs. 27.49 Mn.)	↓ 21%
PAT	(2.66)	(303)	(Rs. 127.44 Mn.)	↓ 73%

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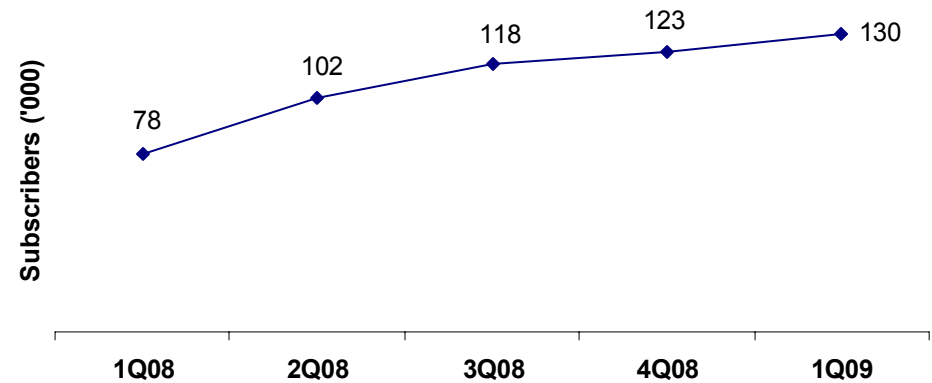
# Dialog TV – Subscribers and Revenues

- Revenue of Rs. 368 Mn. representing a growth of 49% YoY
- Subscriber growth of 68% YoY
- Resulting in a quarter end Pay Tv subscriber base of over 130,000

Quarterly revenue growth



Cumulative subscriber growth



# P&L Highlights - Group

(All figures in Rs.Mn. except for ratios)	GROUP		YoY	QoQ
	1Q 09	1Q 08	Change(%)	Change(%)
Net Revenue*	8,443	8,887	(5)	(4)
Direct Costs	5,469	4,130	32	(12)
Gross Profit	2,974	4,757	(37)	15
<i>Gross Margin (%)</i>	35	54		
OPEX	4,038	3,750	8	(26)
EBITDA	1,105	2,703	(59)	193
<i>EBITDA Margin (%)</i>	13	30		
PBT	(1,729)	954	(281)	54
PAT	(1,868)	889	(310)	52
<i>PAT Margin (%)</i>	(22)	10		

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

**Thank You**