

Dialog GSM

Dialog TV

Dialog Broadband

Dialog Global

Dialog INTERNET

Dialog 3G

Dialog
TELEKOM

A **TM** Company

Investor Forum
First Quarter 2007



Agenda

Financials

Subsidiary / SBU Performance

Rights and RCRPS

Snapshot –1Q 2007 - Company

Key Financials			Change	QoQ Growth
PAT	US \$24 Mn.	Rs. 2.56 Bn.	Rs.254 Mn.	↑ 11%
EBITDA	US \$ 33 Mn.	Rs.3.63 Bn.	Rs. 556 Mn.	↑ 18%
Revenue	US \$ 67 Mn.	Rs. 7.24 Bn.	Rs. 1,411 Mn.	↑ 24%
Cellular subscribers	3.37 Mn.		1.06 Mn.	↑ 46%

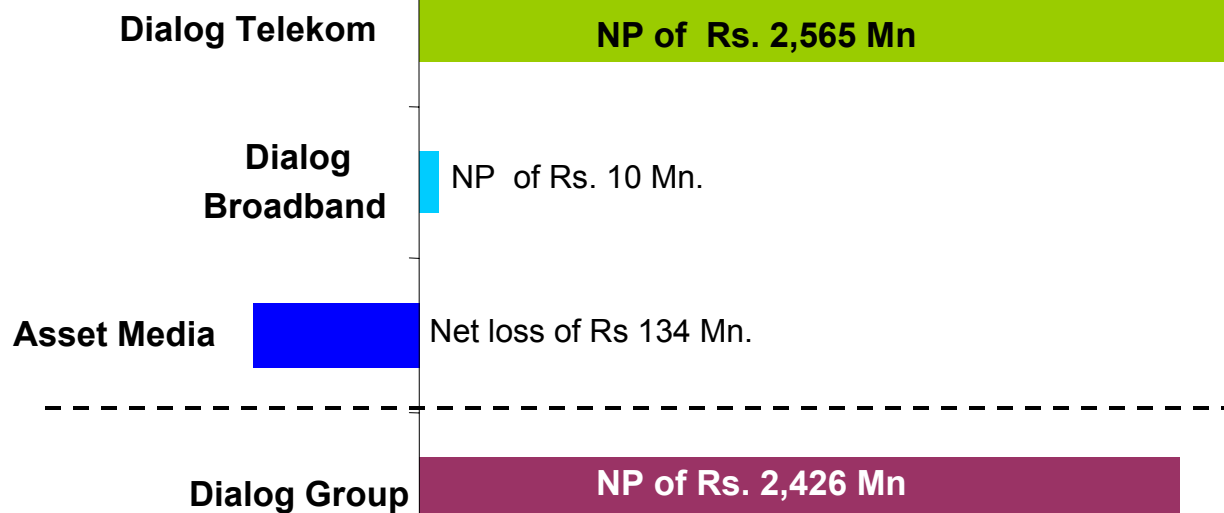
[^]Exchange rates applied for Rupee Conversion are the annual monthly average rates as announced by Central Bank of SL.

New Business – Strategic Focus

- Strategic intent of securing **Future growth and Earnings** via convergent technology related business lines will materialize in the medium term through the new business line seeded within DTL subsidiaries :
 - Dialog Broadband Networks (DBN)- currently engaged in the build out of a **CDMA** based Fixed WLL Network and **WiMax** Technology based **Broadband Wireless Access (BWA)** infrastructure aimed at exploiting the severely **under-penetrated** Broadband Internet Sector
 - Asset Media Group - recently commenced a **satellite based pay television services** targeting the future earnings potential of the similarly under-penetrated pay television market.

Both subsidiaries are expected to deliver **robust revenues** and **healthy margins** over time as the market and infrastructure development phase in which the subsidiaries are engaged in at present, evolves and grows to optimal scales.

Snapshot –1Q 2007 – Group



Key Financials

			Change	QoQ Growth
PAT	US \$ 22 Mn.	Rs. 2.43 Bn.	Rs. 30 Mn.	↑ 1%
EBITDA	US \$ 33 Mn.	Rs. 3.55 Bn.	Rs. 354 Mn.	↑ 11%
Revenue	US \$ 69 Mn.	Rs. 7.51 Bn.	Rs. 1,553 Mn.	↑ 26%

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

Highlights

Key Financials		Units	1Q-07 Group	1Q-06 Group	1Q-07 Company	1Q-06 Company
Revenue		Rs.Mn	7,506	5,953	7,240	5,829
EBITDA		Rs.Mn	3,555	3,201	3,626	3,070
Profit after Tax		Rs.Mn	2,426	2,397	2,565	2,311
EPS		Rs.	0.34	0.33	0.35	0.32

Key Financials		Units	1Q-07 Group	1Q-06 Group	1Q-07 Company	1Q-06 Company
Revenue		US\$ Mn	69	58	67	57
EBITDA		US\$ Mn	33	31	33	30
Profit after Tax		US\$ Mn	22	23	24	23
EPS		US\$	0.0031	0.0032	0.0032	0.0031

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

P&L Highlights

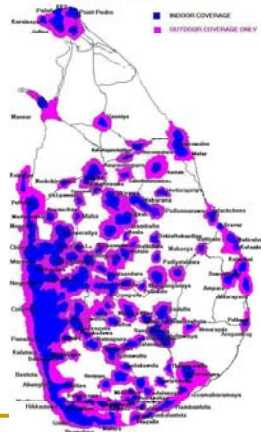
(all figures in Rs. Mn. except for ratios)	Group			Company		
	Three Months ended 31 March			Three Months ended 31 March		
	2007	2006	Change (%)	2007	2006	Change (%)
Net Revenue*	7,506	5,953	26	7,240	5,829	24
Direct Costs	2,926	2,081	41	2,661	2,067	29
Gross Profit	4,581	3,872	18	4,579	3,762	22
Gross Margin (%)	61	65		63	65	
OPEX	1,923	1,328	45	1,797	1,318	36
EBITDA	3,555	3,201	11	3,626	3,070	18
EBITDA Margin (%)	47	54		50	53	
PBT	2,453	2,426	1	2,585	2,341	10
PAT	2,426	2,397	1	2,565	2,311	11
PAT Margin (%)	32	40		35	40	
EPS(Rs.)	0.34	0.33	2	0.35	0.32	9

* excluding turnover tax.

Group Capex- Aggressive network implementation

During 1Q07, total outlay on Capex amounted Rs. **6.52** Bn. an increase of Rs. **4.54** Bn compared to 1Q06.

- **3G** enabled **BTS sites** increased by **60** per cent during the quarter.
- Fibre Optic Network – Colombo Ring approaching completion
- **CDMA WLL** enabled BTS sites increased by **55** per cent.
- **WiMax** Network in the city of Colombo and several regions of the country including Hambantota, Matara, Galle, Kurunegala, Anuradhapura and Polonnaruwa, aimed at exploiting the severely under penetrated broadband internet sector.



GSM/GPRS coverage map

Financials

- Company Performance Overview

Highlights –1Q 2007 - Company

Subscriber Base		Units	1Q-07	1Q-06
■ Postpaid		Thousands	486	462
■ Pre-paid		Thousands	2,879	1,840
■ Total active subscriber base		Thousands	3,365	2,302
■ Total Net Additions		Thousands	259	178
Operational Results		Units	1Q-07	1Q-06
■ Blended ARPU		Rs.	609	712
Pre-paid ARPU		Rs.	423	443
Postpaid ARPU		Rs.	1687	1,707
■ Annualised Churn		%	7.42	11.49

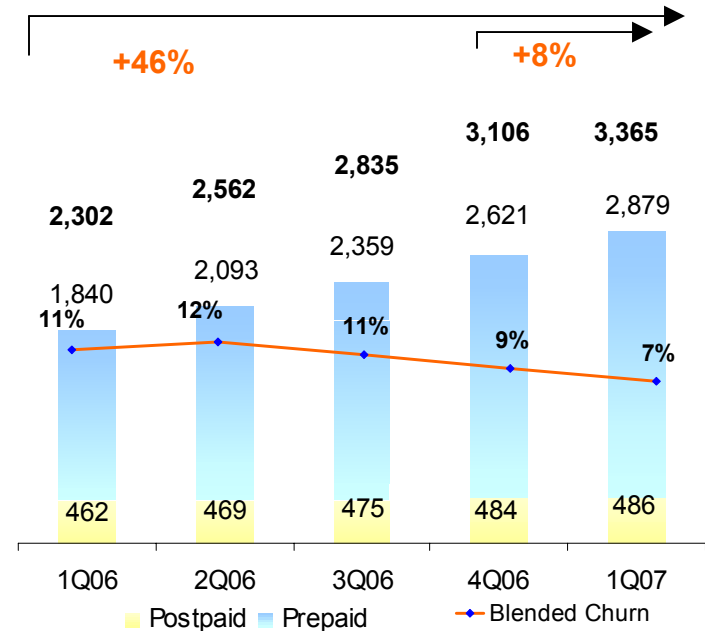
Company initiated churn accounts for **90%** of overall churn.

Revenue Drivers

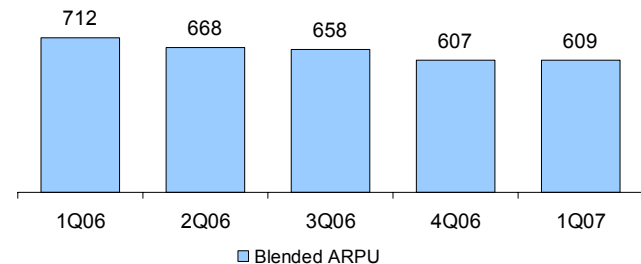
- Market leadership with sustained growth in subscribers (**46 per cent YoY**)
- Pre/post mix: **86:14**
- Coverage and Quality of Service Improvements.
- Increase in Blended ARPU QoQ following Increase in post paid ARPU.
- SMS usage has increased by 11 per cent in 1Q07 vis-à-vis 4Q06
- Improvement in churn from 11 per cent in 1Q06 to 7 per cent in 1Q07.



Subscriber (Thousands)



Blended ARPU (Rs.)

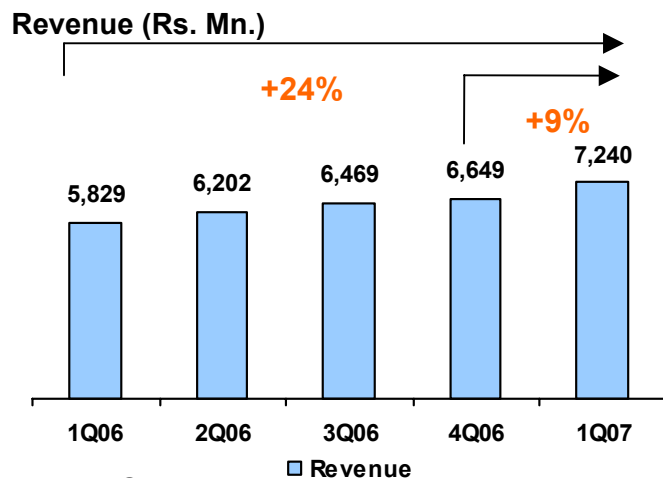


Revenue Environment

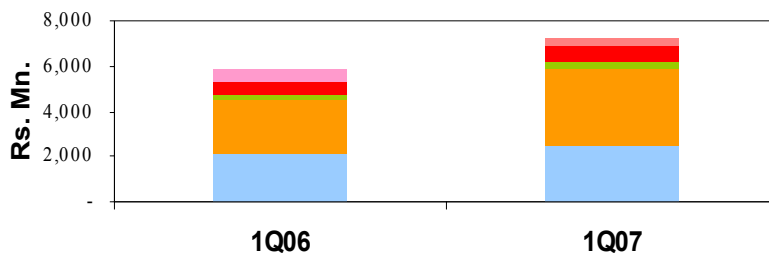
- Revenue Mitigating Macro-Environmental Factors:
 - Intermittent disruptions of the company's services in the Northern and Eastern Provinces of Sri Lanka – markets which previously contributed up to 7 per cent of company revenue
 - Decline in inbound tourist arrivals closely correlated to the inbound roaming revenue
- Increase in Blended ARPU compared to preceding quarter(4Q 06) in spite of a North/East subscribers not contributing at full potential
- Improvement in churn rate – annualized churn falling to 7.42% from over 11% last quarter

Revenue - Company

- Steady growth in revenue– **24** per cent increase over 1Q06 achieved
- Prepaid revenue- the dominant contributor to revenue with **48** per cent share – **QoQ growth 50 percent**
- Termination revenue increased by **34** per cent.
- Value Added Services account for approx. **10** per cent of total revenue for 1Q07.



Revenue Composition

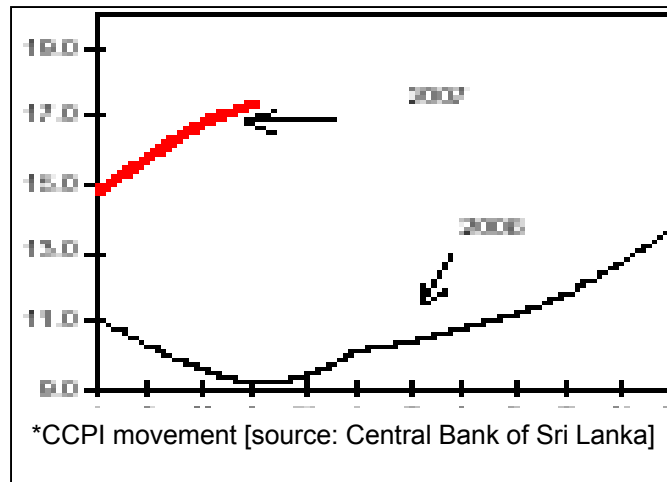


Revenue Composition

(all figures in Rs. Mn.)	1Q-06	%	1Q-07	%	Change %
Postpaid incl outbound roaming	2,164	37	2,440	34	13
Prepaid	2,297	39	3,454	48	50
Inbound Roaming	323	6	271	4	-16
International Termination	526	9	707	10	34
Other Revenue	519	9	368	5	-29
Net Revenue	5,829	100	7,240	100	24

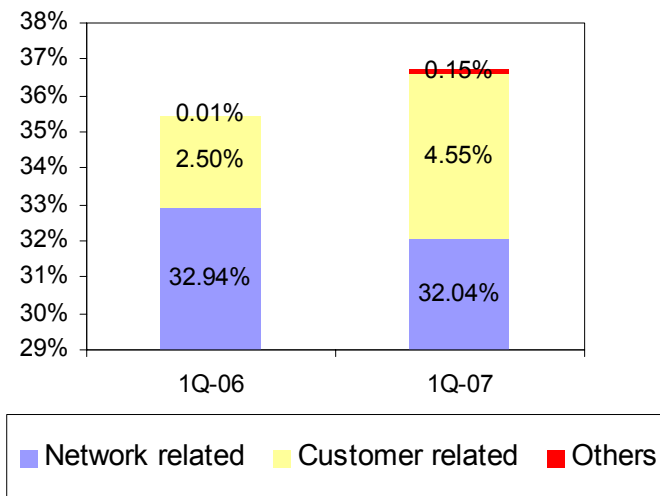
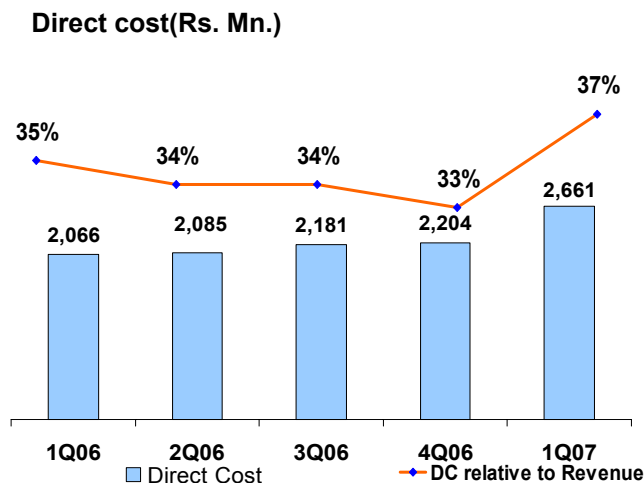
Cost Environment

- Network Maintenance cost increasing in step with aggressive deployments
- Network related costs related to operations in **North-East** being incurred not withstanding revenue mitigation.
- Selling Expenses Improved by **2%** relative to revenue
- Administration expenses sensitive to the escalation of general **inflation**
- Aggressive Programme to address “**Controllable Costs** ” in the short term



Direct Costs - Company

- Direct Costs increased by **2** percentage points (relative to revenue) in 1Q07 compared to performance in the 1Q06 .
- The dip in performance relative to revenue is mainly attributable to the company **not achieving its full revenue potential** for the quarter due to uncontrollable macro conditions



(all figures in Rs. Mn.)	1Q-06	%	1Q-07	%	Change %
Network Related Costs	1,920	92.92	2,321	87.22	21
As a % of Revenue	32.94		32.06		
Customer Related Costs	146	7.07	330	12.39	126
As a % of Revenue	2.50		4.55		
Others	0.39	0.02	10	0.39	2569
As a % of Revenue	0.0067		0.15		
Total Direct Cost	2,066	100	2,661	100	29
As a % of Revenue	35		37		

Network Costs - Company

(all figures in Rs. Mn.)	1Q-06	% of Revenue	1Q-07	% of Revenue
Net Revenue	5,829		7,240	
Network Related Costs				
Lease Circuit Rental	90	1.54	56	0.77
International Telecommunication Levy	201	3.46	277	3.83
Telecom equipment depreciation	532	9.12	728	10.06
International Origination Cost	159	2.72	240	3.32
Roaming expenditure	139	2.39	155	2.14
Other network costs	799	13.71	864	11.93
Total	1,920	33	2,321	32

*International Telecommunication Levy

- Enacted by Parliament in October 2004 - Finance Act, No 11 of 2004
- Imposed with retrospective effect dating back to March 2003 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

- PAT for 1Q-07 is stated after provisioning for ITL –Rs. **277 Mn.**

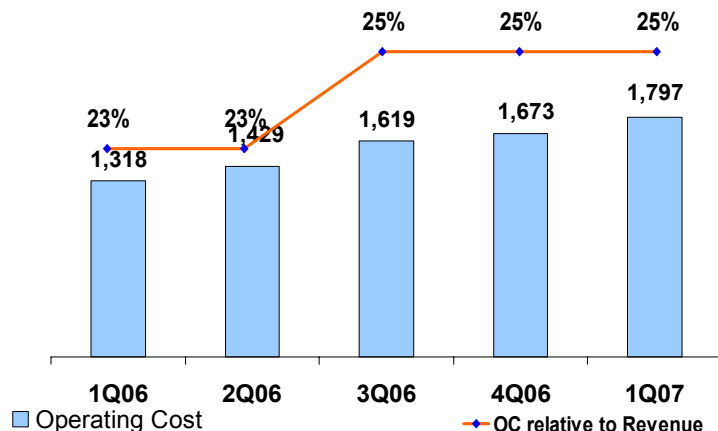
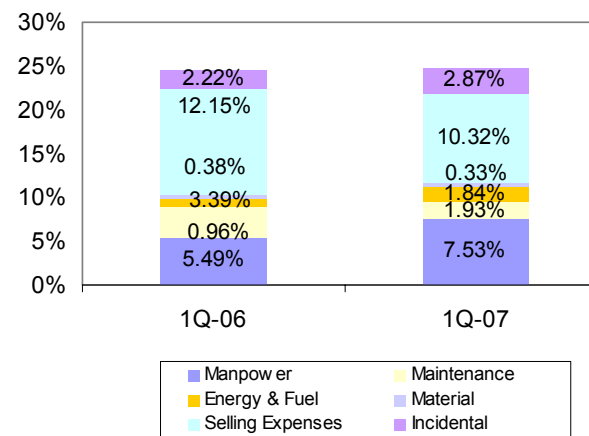
International Telecommunication Levy claim process

- In March 2007, TRCSL issued the procedure for disbursements from Telecommunications Development Fund (TDF).
- Accordingly Dialog would be entitle for 2/3 of VGF contribution (US 3.80 cents) amounting to US 2.54 cents per each international minute terminated on Dialog's mobile network since March 2003.
- The total value of Dialog's entitlement is estimated at Rs. 1.70 Bn for the period from March 2003 to 31 March 2007.
- Any such refund would be reflected as a cost reversal at a future date

Operating Costs - Company

- Opex as a percentage of revenue **maintained** on **sequential quarters**, however has increased by 2 percentage points 1Q07 vis-à-vis 1Q06.

(all figures in Rs. Mn.)	1Q-06	%	1Q-07	%	Change %
Selling Expenses	708	54	747	42	6
As a % of Revenue	12.15		10.32		
Manpower	320	24	545	30	70
As a % of Revenue	5.49		7.53		
Maintenance	113	9	140	8	24
As a % of Revenue	1.94		1.93		
Energy & Fuel	45	3	133	7	196
As a % of Revenue	0.77		1.84		
Material	10	1	24	1	138
As a % of Revenue	0.17		0.33		
Incidental	122	9	208	12	70
As a % of Revenue	2.09		2.87		
Total Expenses	1,318	100	1,797	100	36
As a % of Revenue	23		25		



Selling Expenses - Company

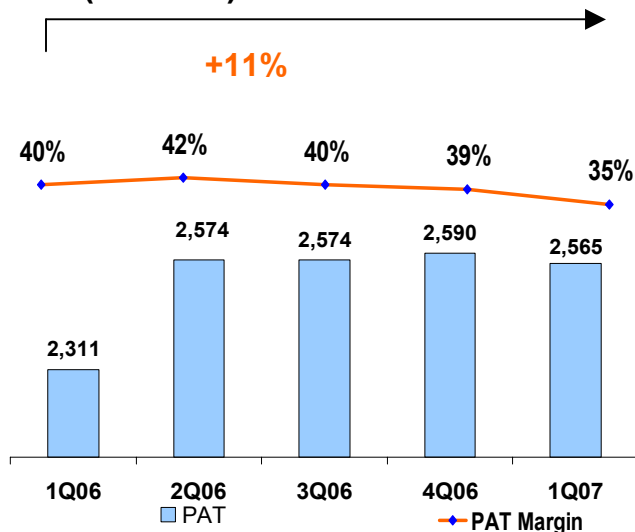
- Selling Expenses as a percentage of revenue has **improved by 2** percentage points QoQ
- Selling Expenses maintained close to 10 per cent of Revenue despite **46** per cent growth in subscribers YoY.

(all figures in Rs. Mn.)	1Q-06	% of Revenue	1Q-07	% of Revenue
Net Revenue	5,829		7,240	
Selling expenses:				
Sales Commission	315	5.40	221	3.05
Advertising	93	1.60	188	2.60
Sales promotion	71	1.22	149	2.05
Others	230	3.94	190	2.62
Total	708	12	747	10

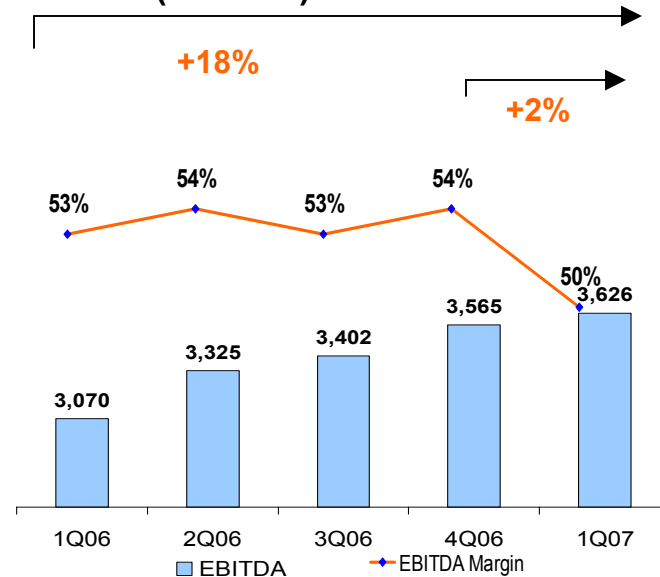
PAT and EBITDA Margins - Company

- PAT and EBITDA margins declined **5 and 3** points each respectively in 1Q07 compared to 1Q06 due mainly to the impacts from:
 - Temporary closure of **North East** operations and
 - **Higher finance costs** on floating rate loans owing to the increase in the **benchmark interest rates** by around 300-800 bps over the comparable period last year

PAT (Rs. Mn.)



EBITDA (Rs. Mn.)

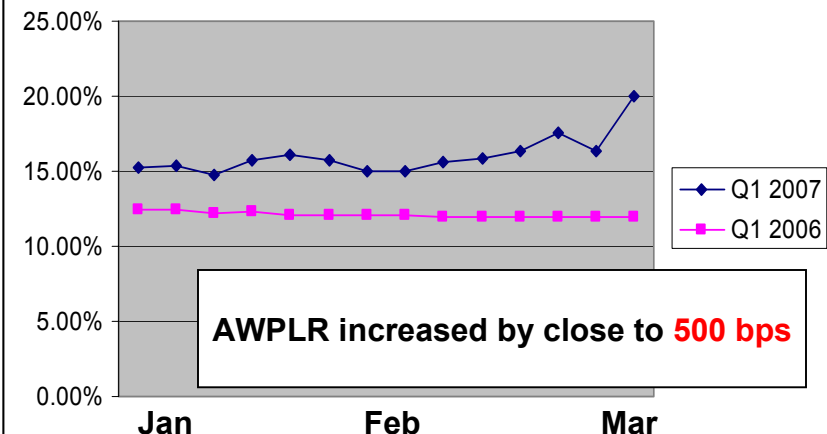


Profitability Drivers – Financing Related

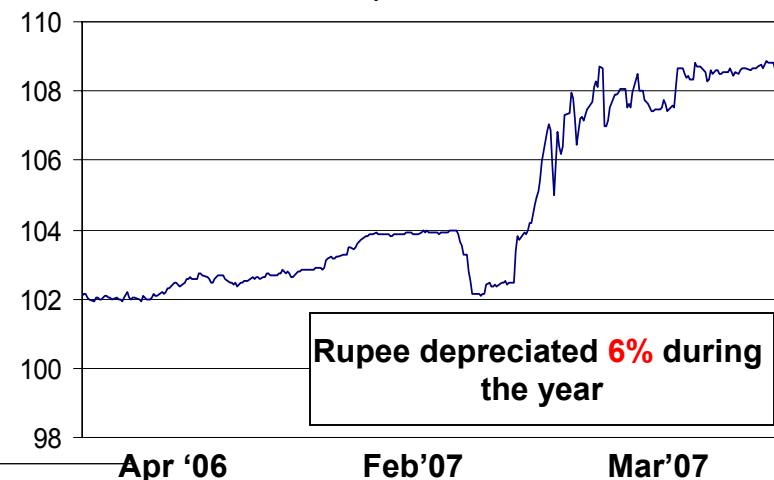
- Adverse escalations in benchmark rates impacting the cost of floating rate borrowings in the short term.
- Negative impacts arising from weakening of the SLR

Borrowing structure/profiles and Forex exposure levels to be optimized with the new capital infusions – insulating Dialog from macroeconomic developments

Movement in AWPLR



Spot rate



Balance Sheet

- Net Asset per share has improved by 11%.
- Approximately Rs. 3 bn of CL will move to LTL in 2Q07 based on a Export Credit Agency backed refinancing of vendor credit to be executed in 2Q07.

(all figures in Rupees Thousands)	31 March 2007		31 December 2006	
	Group	Company	Group	Company
ASSETS				
Non - current assets	39,193,190	36,338,232	33,634,237	31,329,629
Current assets	9,834,530	10,901,941	9,791,731	10,466,449
Total assets	49,027,720	47,240,173	43,425,968	41,796,078
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Ordinary shares	7,403,435	7,403,435	7,403,435	7,403,435
Share premium	5,276,943	5,276,943	5,276,943	5,276,943
ESOS Trust shares	(1,878,084)	(1,878,084)	(1,925,226)	(1,925,226)
Revaluation reserve	20,724	20,724	20,840	20,840
Retained earnings	16,633,167	16,701,726	14,206,808	14,136,581
	27,456,185	27,524,744	24,982,800	24,912,573
Minority interest In Equity	(72)	Nil	(72)	Nil
Total equity	27,456,113	27,524,744	24,982,728	24,912,573
LIABILITIES				
Non - current liabilities	8,985,496	8,122,983	8,297,462	7,568,703
Current liabilities	12,586,111	11,592,446	10,145,778	9,314,802
Total liabilities	21,571,607	19,715,428	18,443,240	16,883,505
Total equity and liabilities	49,027,719	47,240,173	43,425,968	41,796,078

Net Asset per share (Rs)

3.71

3.72

3.37

3.36



Cash Flow Highlights - Company

- Strong cash flows. Net Cash flows from operating activities up **127** per cent compared to 1Q-06.

(all figures in Rs.Mn.)	1Q-07	1Q-06
Net cash from operating activities	5,124	2,258
Net cash used in investing activities	(5,831)	(1,993)
Net cash used in financing activities	539	19
Increase/(decrease) in cash and cash equivalents	(168)	284
Movement in cash and cash equivalents		
At start of year	2,237	6,624
Increase/(decrease)	(168)	284
At end of period	2,069	6,908

Reconciliation of Cash Generated from Operations

- Company

(all figures in Rs. Mn.)	1Q-07	1Q-06
Profit before Tax	2,585	2,341
Adjustments for:		
Interest Expenses	209	79
Depreciation	752	565
Amortisation	92	61
Retirement Benefit Obligation	8	7
Other Adjustments*	1,684	(748)
(incl. Changes in WC, exchange diff, Profit on sale of FA)		
Cash Generated from Operations	5,330	2,306

KPIs - Company

- Leverage ratios have improved indicating increased financial flexibility.

Ratio	Units	31-Mar 2007	31-Dec 2006
Net tangible assets per share	Rs.	3.72	3.37
Gearing Ratio	Times	0.31	0.33
Net Debt to EBITDA	Times	0.70	0.74
Total Debt to equity	Times	0.44	0.49
Return on Equity	%	37.28	40.34
Return on Capital Employed	%	25.81	31.07
Earnings per Share*	Rs.	0.35	1.39

**EPS for 1Q-07 is computed on quarterly earnings.*

Earnings per Share - Company

- EPS increased 9 per cent to 35 cents per share.

Description	Units	1Q-07	1Q-06
Net Income Applicable to ordinary shares	Rs. Mn.	2,565	2,311
Par Value	Rs.	1/-	1/-
Ordinary Shares at the beginning of period	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	7,403
Shares exercised and issued to employees	Mn.	1.47	0.99
Less: ESOS Shares issued	Mn.	(160)	(199)
Weighted average number of shares, end of period	Mn.	7,244	7,205
EPS	Rs.	0.35	0.32

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.		
IFC	Term Loan	USD	15.00	12.50	2.50	10.00
Citi / Commercial	Syndicated Loan	USD	4.20	1.74	0.58	1.16
Citi / Commercial	Syndicated Loan	LKR	16.80	5.74	1.91	3.83
SCB	Term Loan	LKR	25.00	22.88	-	22.88
HSBC	Term Loan	LKR	25.00	15.80	4.58	11.22
Total			86.00	58.66	9.57	49.09

Borrowings Configured with Comfortable Maturity Spread

Details of outstanding borrowings

Institutions	Interest Rate	Time Band of repayment	Maturity Date
IFC	LIBOR + 3.25%	Semi-annually	December 2011
Citi / Commercial	LIBOR + 1.625%	Quarterly	March 2010
Citi / Commercial	AWPLR + 1.25%	Quarterly	March 2010
SCB	AWPLR + 0.35%	Bullet repayment	December 2007
HSBC	Overnight SLIBOR + 1.0%	Semi-annually	December 2011

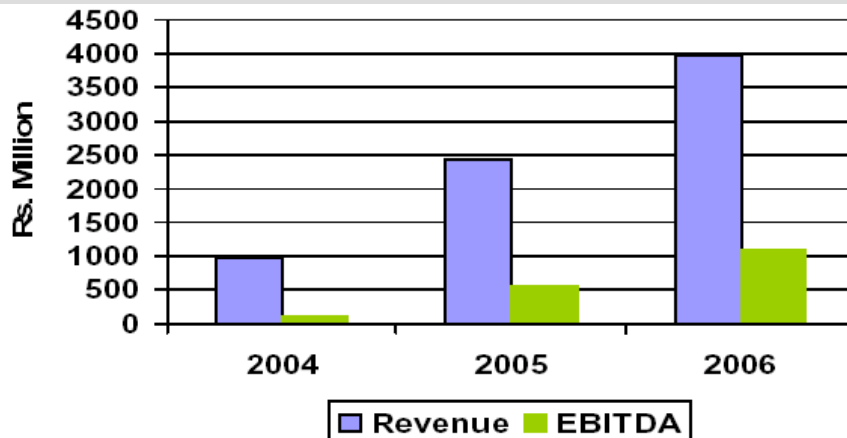
Financials

Subsidiary / SBU Performance

Rights and RCRPS

International Business

- Contribution to DTL group bottom line - **10** per cent.
- **34% growth** in International termination revenue
- International Fibre backbone through **SMW3** and **SMW4**
- Best in Class **International Gateway** infrastructure with **Soft switching** to handle growth in traffic volumes



Internet Business

- Introduction of **Kitnet** – A fast, convenient and affordable mode of Prepaid Internet access.
- Mobile internet access is exhibiting **significant growth** driven by the increasing penetration of **GPRS** and **EDGE & 3G** enabled handsets and devices. Increased adoption of mobile email and connectivity solutions (such as **Blackberry**) has also contributed to increased data usage.



Dialog Broadband Networks (Pvt) Ltd.(DBN)

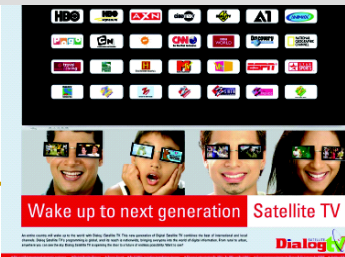
- DBN recorded a Revenue of Rs 207.61 Mn. up **12** per cent relative to Rs. 184.76 Mn. recorded for the first-quarter of 2006.
- On the backdrop of an aggressive network implementation programme, DBN recorded a Net profit of Rs. 10.39 Mn. for the first-quarter 2007, which is a decline in NP performance vis-à-vis the 1Q06, due mainly to the postponement of the launch of CDMA services due to delays in spectrum clearance and implementation of inter-operator inter-connections. The company currently incurs direct and operational costs pertaining to the network which is **ready for commercial operation**.
- The NP margins are expected to improve in the **second-quarter of 2007** with the projected growth in revenue following the rollout of CDMA and WiMax services.

high speed broadband Internet access
virtually anywhere in the Island



Asset Media (Pvt) Ltd.

- For the first-quarter of 2007, Asset Media Group recorded a revenue of Rs. 139.14 Mn., on the back of a 60% subscriber growth within the first quarter of operations.
- The Media operations is yet to breakeven and recorded an operating loss of Rs. 136Mn. for 1Q07, as characteristic of a Satellite Television operation in start up phase and is currently engaged in an **aggressive subscriber acquisition** campaign.
- Licensed to Provide Television Broadcasting, Pay Television, and Cable TV Services including the operation of a Broadcasting Station.
- Licensed to Utilise **UHF Spectrum** – suitable for DVB-T, DVB-H (or alternative Mobile TV standard) Broadcasting Applications.
- Launched **DTH Pay TV Operations** under Brand name of DialogTV. Channel line up Includes **majority of Local TV and Premium International Channels.**



Performance Synopsis

- Robust subscriber growth
- ARPU maintained/improved
- External Revenue mitigating factors impacting top line
- Some Uncontrollable Cost Dynamics
- Cost control measures required
- DBN – ready for commercial launch of CDMA based fixed WLL network.
- Asset Media in growth phase
- Optimised borrowings and Enhanced Control over forex exposure

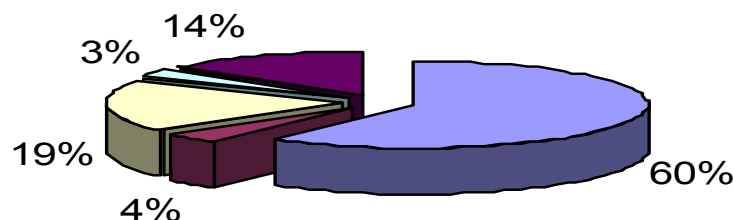
Financials

Subsidiary / SBU Performance

Rights and RCRPS

Rights Issue and Rated Cumulative Redeemable Preference Share (RCRPS) Issue

- As announced on 20th April 2007, the Directors of DTL, resolved to propose to the company's shareholders, the execution of a Rights Issue accompanied by a Rated Cumulative Redeemable Preference Shares (RCRPS) issue aimed at raising **Rs. 20.54 Bn.**
- The funds raised will partially finance the Dialog Group's capital expenditure planned for the next 3 years targeting accelerated **expansion of network capacity** and **coverage** and transformational investments in **convergent technologies** spanning the **multiple** businesses lines of the group as detailed below:



- Mobile
- Fixed Wireless
- Broadband, Data Communications and Carrier Business
- Media related investments
- Shared services and other

Rights issue

- Equity investors invited to join the company at the **growth phase** of the new convergent business lines with the opportunity to enjoy payouts in the cash generating periods in the future
 - The proposed rights issue will provide ordinary shareholders of the company with an entitlement to **one** ordinary share for every **ten** ordinary shares held, at a price of **Rs. 21** per share.
 - The Rights Issue and RCRPS will be submitted for approval by the shareholders of the company at an Extraordinary General Meeting (EGM) scheduled for the **21 May 2007**.
 - The **Ex-Rights** date is 22 May 2007

Preference Share Issue 2007

- Type of Share Rated Cumulative Redeemable Preference Shares (RCRPS)
 - Tenor Five Years
 - No.of shares to be issued Up to 5 Billion Shares
 - Issue Proceeds Up to Rupees Five Billion (Rs. 5,000,000,000/-)
 - Purpose To part finance Dialog Group's 3 year capex plan covering transformational investments in convergent technologies
 - Target Investors Banks and Financial Institutions, Unit Trusts, Insurance Funds, Employee Provident Funds, Fund Managers, High Network Individuals
- Rating AA+ (Ika)

Salient Features of RCRPS

- Dividend Rate
 - Floating Rate based on Average Weighted Prime Lending Rate
 - AWPLR less Discount \geq 65 bps
 - Discount determined via a Book build
- Dividend Payment Frequency- **Semi Annual**
- Annual Balloon Redemptions over Five Year Tenor

Year	Redemption Date	Redemption Value per RCRPS
1	31 May 2008	10%
2	31 May 2009	15%
3	31 May 2010	25%
4	31 May 2011	25%
5	31 May 2012	25%

- Investors would be provided with the option to defer the first three repayments to two equal redemptions during year 4 & 5.

Thank you