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**Investor Forum**  
**First - Half 2007**  
31 July 2007

# Agenda

**Financials**

**Subsidiary / SBU Performance**

**Recent Developments**

# 1H 07 Highlights

- Growth in subscribers YoY **43%**  
(net adds of **1.095 Mn**)
- Churn down to **6.9%** from 12.3%
- Dialog Telekom PAT : **Rs. 5.25 Bn.**
- Dialog Telekom Group PAT : **Rs. 4.87 Bn.**
- Equity Investment of **Rs. 15.54 Bn.** to Fuel Growth

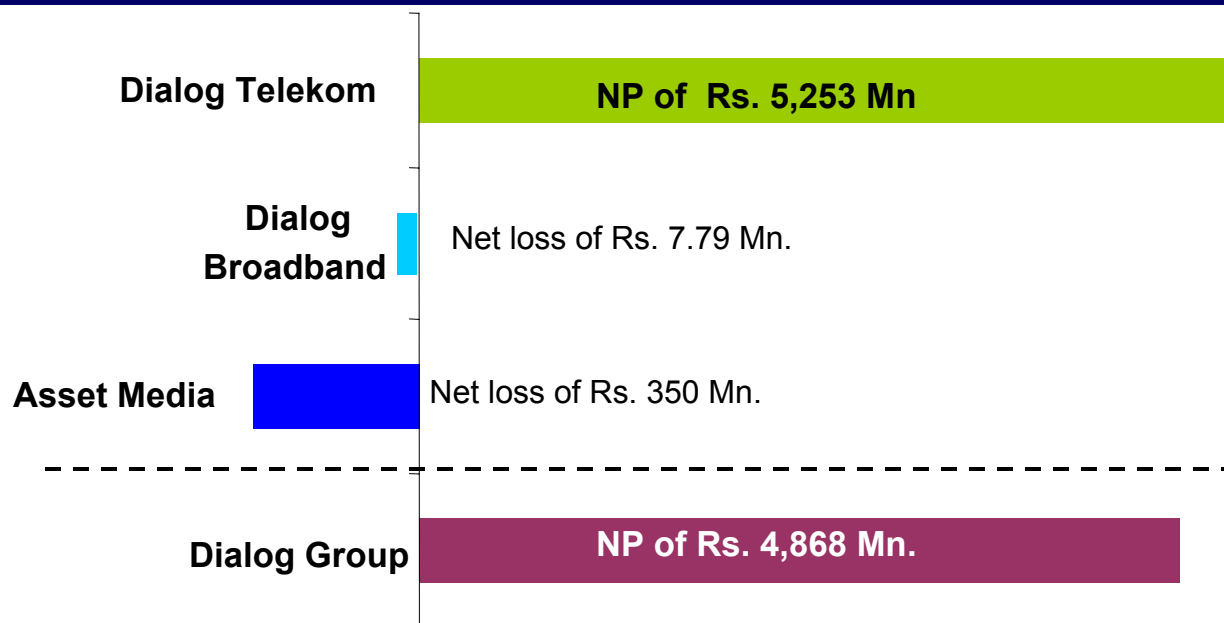
# Snapshot –1H 2007 – Company

		Change YoY	Growth
Cellular subscribers	3.66 Mn.	1.09 Mn.	 43%

Key Financials	USD Mn	Rs Bn.	Change (1H06 vs. 1H07)	Growth (1H06 vs. 1H07)
Revenue	135	14.83	Rs. 2,796 Mn.	 23%
EBITDA	68	7.46	Rs. 1,062 Mn.	 17%
PAT	48	5.25	Rs.368 Mn.	 8%

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

# Snapshot –1H 2007 – Group



Key Financials	USD Mn	Rs Bn.	Change	Growth (1H06 Vs 1H07)
Revenue	140	15.36	Rs. 3,077 Mn.	↑ 25%
EBITDA	66	7.24	Rs. 641 Mn.	↑ 10%
PAT	44	4.87	(Rs. 64 Mn.)	↓ -1%

<sup>^</sup>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		
	Six Months ended 30 June			Six Months ended 30 June		
	2007	2006	Change(%)	2007	2006	Change(%)
Net Revenue*	15,357	12,280	25	14,827	12,031	23
Direct Costs	5,935	4,271	39	5,305	4,151	28
Gross Profit	9,422	8,009	18	9,522	7,879	21
Gross Margin (%)	61	65		64	65	
OPEX	4,065	2,777	46	3,807	2,747	39
EBITDA	7,237	6,596	10	7,457	6,395	17
EBITDA Margin (%)	47	54		50	53	
PBT	4,932	4,998	(1)	5,308	4,950	7
PAT	4,868	4,933	(1)	5,253	4,885	8
PAT Margin (%)	32	40		35	41	
EPS (Rs.)	0.65	0.68	(4)	0.70	0.67	5

\* excluding turnover tax.

## Financials

### Company Performance Overview

# Highlights –1H 2007 - Company

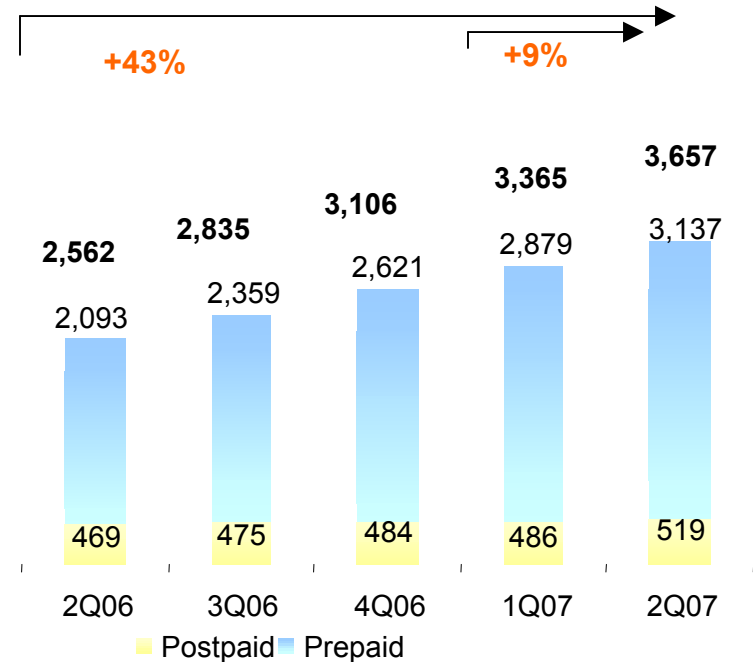
Subscriber Base		Units	1H-07	1H-06
■ Postpaid		Thousands	519	469
■ Pre-paid		Thousands	3,137	2,093
■ Total active subscriber base		Thousands	3,657	2,562
■ Total Net Additions		Thousands	550	438
Operational Results		Units	1H-07	1H-06
■ Blended ARPU		Rs.	601	683
Pre-paid ARPU		Rs.	414	432
Postpaid ARPU		Rs.	1,709	1,712
■ Annualised Churn		%	6.91	12.38



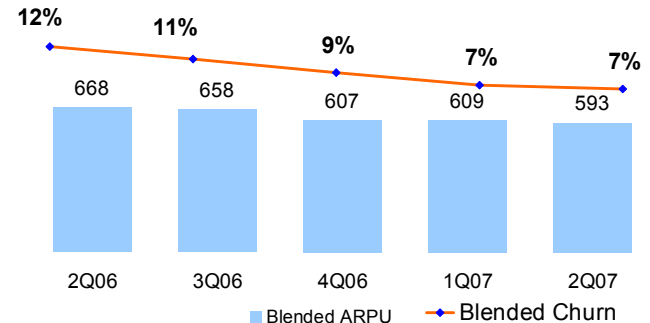
# Revenue Drivers

- Market leadership with sustained growth in subscribers ( **43 per cent YoY** )
- Pre/post mix: **86:14**
- **Coverage** and **Quality of Service** Improvements coupled with Introduction of **innovative Value added Services**
- Improvement in churn from 12 per cent in 2Q06 to 7 per cent in 2Q07

Subscriber (Thousands)



Blended ARPU (Rs.)

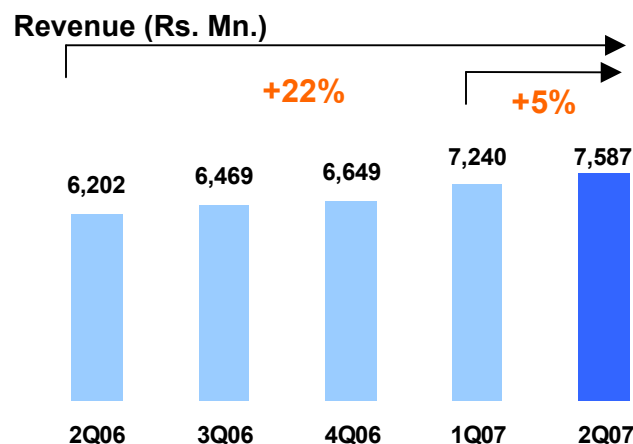


# Revenue Environment

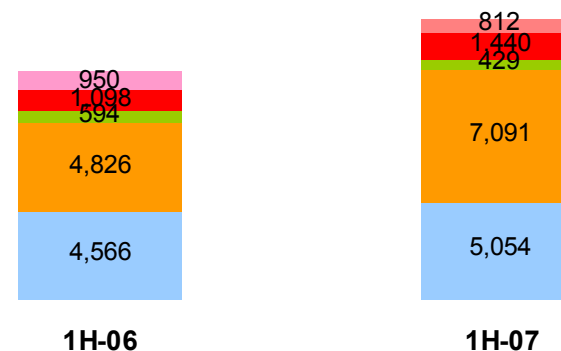
- **Revenue growth of 23% recorded despite certain revenue flows being suppressed due to Macro-Environmental Factors:**
  - Intermittent disruptions of the company's services in the Northern and Eastern Provinces of Sri Lanka
  - Decline in inbound roaming revenue, in line with the drop in inbound tourist arrivals
- The upturn in macro-economic indices together with the recently concluded clearing operations in the Eastern Province of Sri Lanka is expected to reinforce revenue momentum
- **Strong Market Performance Despite Externalities**
  - **43% Growth in Subscribers**
  - **Improvement in churn rate** – annualized churn falling to **6.91%** from over 12% in 1H06.

# Revenue - Company

- Steady growth in revenue– **22** per cent increase over 2Q06
- Prepaid revenue- the dominant contributor to revenue with **48** per cent share – ( **growth of 47 per cent 1H06 vs. 1H07** )
- Termination revenue increased by **31** per cent.
- Reduction in inbound roaming revenue following a drop in tourist arrivals
- Value Added Services account for approx. **11** per cent of total revenue for 1H07.



Revenue Composition (Rs. Mn.)



■ Postpaid incl outbound roaming 
 ■ Prepaid 
 ■ Inbound Roaming 
 ■ International Termination 
 ■ Other Revenue

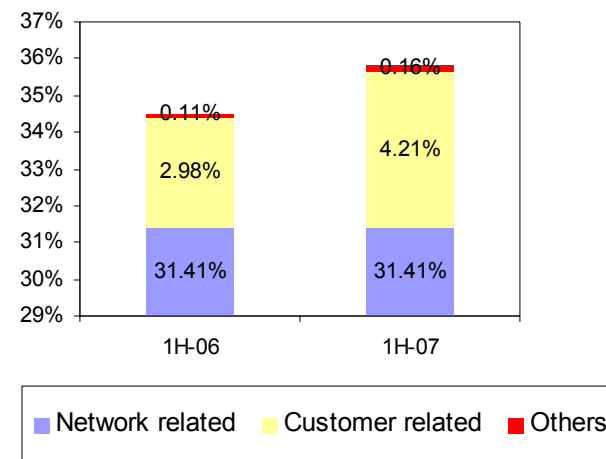
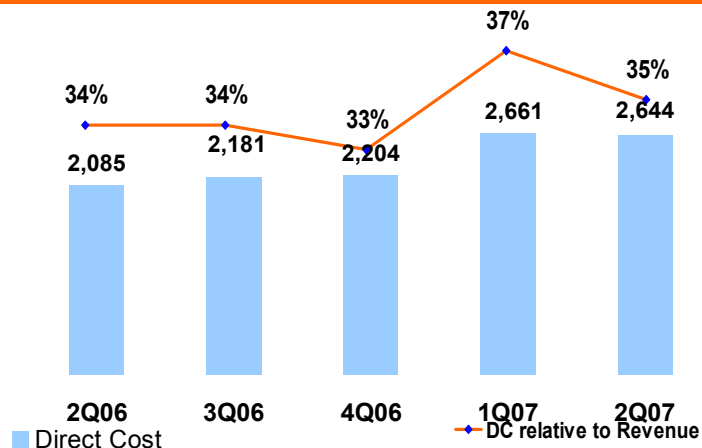
## Revenue Composition

(all figures in Rs. Mn.)

	1H-06	%	1H-07	%	Change %
Postpaid incl outbound roaming	4,566	38	5,054	34	11
Prepaid	4,826	40	7,091	48	47
Inbound Roaming	594	5	429	3	-28
International Termination	1,098	9	1,440	10	31
Other Revenue	950	8	812	5	-15
<b>Net Revenue</b>	<b>12,031</b>	<b>100</b>	<b>14,827</b>	<b>100</b>	<b>23</b>

# Direct Costs - Company

- On sequential quarters (1Q07 to 2Q07) direct cost as a percentage of operating revenue has improved by 2 percentage points.
- Direct Costs increased only marginally by **1** percentage point (relative to revenue) in 2Q07 compared to performance in the 2Q06.



(all figures in Rs. Mn.)	1H-06	%	1H-07	%	Change %
Network Related Costs As a % of Revenue	3,779 31.41	91.04	4,657 31.41	87.79	23
Customer Related Costs As a % of Revenue	358 2.98	8.62	624 4.21	11.76	74
Others As a % of Revenue	14 0.11	0.34	23 0.16	0.44	64
<b>Total Direct Cost As a % of Revenue</b>	<b>4,151 35</b>	<b>100</b>	<b>5,305 36</b>	<b>100</b>	<b>28</b>

## Network Costs - Company

(all figures in Rs. Mn.)	1H-06	% of Revenue	1H-07	% of Revenue
<b>Net Revenue</b>	<b>12,031</b>		<b>14,827</b>	
<b>Network Related Costs</b>				
Lease Circuit Rental	175	1.45	144	0.97
International Telecommunication Levy	423	3.52	561	3.78
Telecom equipment depreciation	1,113	9.25	1,488	10.04
International Origination Cost	299	2.49	542	3.65
Roaming expenditure	312	2.59	374	2.52
Other network costs	1,456	12.10	1,549	10.45
<b>Total</b>	<b>3,779</b>	<b>31</b>	<b>4,657</b>	<b>31</b>

- Network Related Costs maintained at **31** percent of Revenue

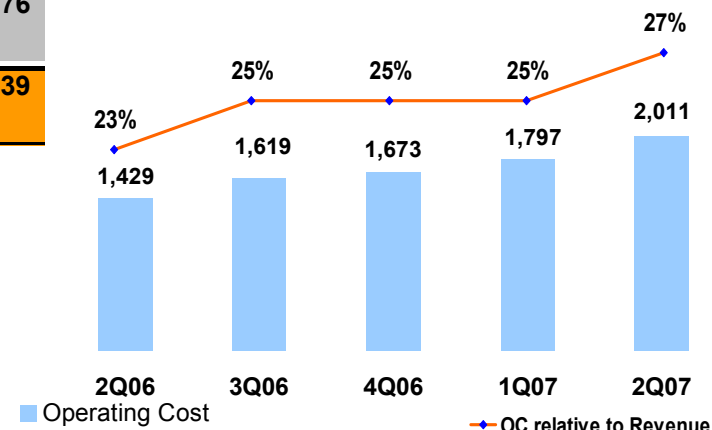
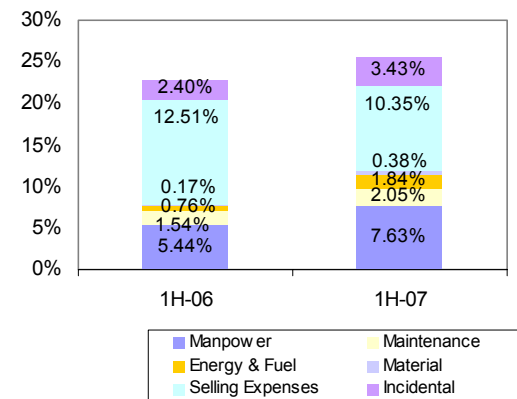
# International Telecommunication Levy claim process

- In March 2007, TRCSL issued the procedure for disbursements from Telecommunications Development Fund (TDF).
- Accordingly Dialog would be entitled 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. 1.92 Bn.** for the period from March 2003 to 30 June 2007.
- Based on the guidelines issued by the TRCSL for refunding claims, Dialog has submitted its refund claim for **2003 & 2004.**
- The refunds once **paid** will be reflected as a **cost reversal.**

# Operating Costs - Company

- Opex as a percentage of revenue **increased** by 4 percentage points in 2Q07 vis-à-vis 2Q06 . Performance relative to revenue is mitigated in the main due to the company not achieving its full revenue potential due to **uncontrollable macro conditions**.

(all figures in Rs. Mn.)	1H-06	%	1H-07	%	Change %
Selling Expenses	1,506	55	1,535	40	1.93
As a % of Revenue	12.51		10.35		
Manpower	655	24	1,131	30	73
As a % of Revenue	5.44		7.63		
Maintenance	185	7	303	8	64
As a % of Revenue	1.54		2.05		
Energy & Fuel	91	3	273	7	200
As a % of Revenue	0.76		1.84		
Material	21	1	56	1	167
As a % of Revenue	0.17		0.38		
Incidental	289	11	508	13	76
As a % of Revenue	2.40		3.43		
Total Expenses	2,747	100	3,807	100	39
As a % of Revenue	23		26		



# Selling Expenses - Company

- Selling Expenses as a percentage of revenue has **improved by 3** percentage points QoQ.
- Selling Expenses maintained close to 10 per cent of Revenue despite **43** per cent growth in subscribers YoY.

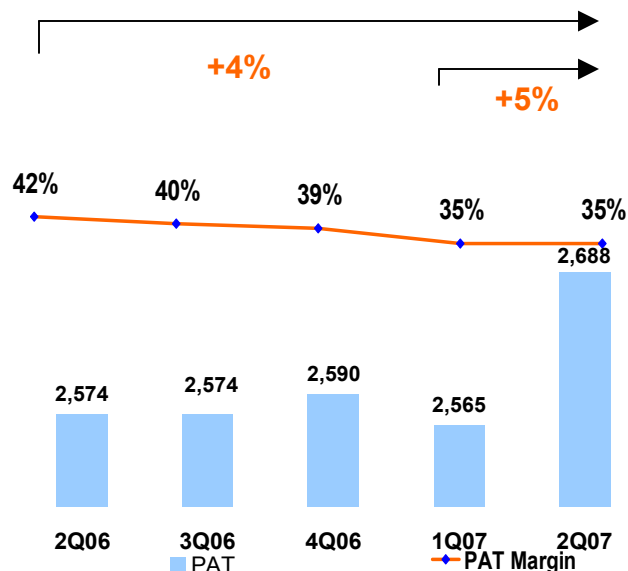
(all figures in Rs. Mn.)	1H-06	% of Revenue	1H-07	% of Revenue	Change %
<b>Net Revenue</b>	<b>12,031</b>		<b>14,827</b>		
<b>Selling expenses:</b>					
Sales Commission	739	6.14	481	3.25	-35
Advertising	204	1.70	328	2.21	61
Sales promotion	171	1.42	273	1.84	60
Others	392	3.26	452	3.05	15
<b>Total</b>	<b>1,506</b>	<b>13</b>	<b>1,535</b>	<b>10</b>	<b>2</b>



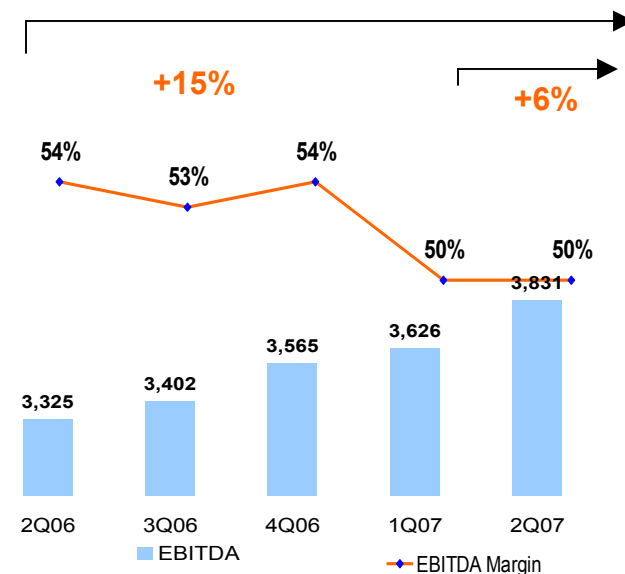
# PAT and EBITDA Margins - Company

- PAT has been negatively impacted by the escalation of benchmark interest rates (resulting in an escalation in the cost of funding) and foreign exchange translation losses arising due to negative movements in the foreign exchange conversion rate of the SLR.
- PAT performance has also been mitigated due to increase in administration expenses, which are sensitive to the escalation of general inflation in 1H07 vis-à-vis 1H06.
- An immediate QoQ (1Q07 vs. 2Q07) comparison reveals however that, **PAT margins** have been sustained at 35 per cent.

PAT (Rs. Mn.)



EBITDA (Rs. Mn.)



# Balance Sheet

- Net Asset per share of the Company has increased by 51% following the rights issue.

(all figures in Rupees Thousands)	30 June 2007		31 December 2006	
	Group	Company	Group	Company
<b>ASSETS</b>				
<b>Non - current assets</b>	39,665,081	36,454,267	33,634,237	31,329,629
<b>Current assets</b>	21,416,862	22,242,449	9,791,731	10,466,449
<b>Total assets</b>	<b>61,081,943</b>	<b>58,696,716</b>	<b>43,425,968</b>	<b>41,796,078</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
<b>Stated Capital</b>	28,116,282	28,116,282	12,680,378	12,680,378
ESOS Trust shares	(2,045,911)	(2,045,911)	(1,925,226)	(1,925,226)
Reserve	20,608	20,608	20,840	20,840
Retained Earnings	15,073,926	15,388,716	14,277,117	14,206,890
	41,164,905	41,479,695	25,053,109	24,982,882
Minority interest In Equity	(72)	Nil	(72)	Nil
<b>Total equity</b>	<b>41,164,833</b>	<b>41,479,695</b>	<b>25,053,037</b>	<b>24,982,882</b>
<b>LIABILITIES</b>				
<b>Non - current liabilities</b>	9,280,089	8,177,164	8,297,462	7,568,703
<b>Current liabilities</b>	10,637,020	9,039,858	10,075,469	9,244,493
<b>Total liabilities</b>	<b>19,917,109</b>	<b>17,217,021</b>	<b>18,372,931</b>	<b>16,813,196</b>
<b>Total equity and liabilities</b>	<b>61,081,943</b>	<b>58,696,716</b>	<b>43,425,968</b>	<b>41,796,078</b>
Net Asset per share (Rs)	5.05	5.09	3.37	3.36

# Cash Flow Highlights - Company

- Net Cash flows from operating activities up **18** per cent compared to 1H-06.

(all figures in Rs.Mn.)	1H-07	1H-06
Net cash from operating activities	5,426	4,602
Net cash used in investing activities	(6,843)	(3,749)
Net cash used in financing activities	11,724	(3,062)
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>10,307</b>	<b>(2,209)</b>
<b>Movement in cash and cash equivalents</b>		
At start of year	2,237	6,624
Increase/(decrease)	10,307	(2,209)
<b>At end of period</b>	<b>12,545</b>	<b>4,415</b>

# Reconciliation of Cash Generated from Operations

- Company

(all figures in Rs. Mn.)	1H-07	1H-06
Profit before Tax	5,308	4,950
<b>Adjustments for:</b>		
Interest Expenses	415	128
Depreciation	1,688	1,185
Amortisation	54	77
Retirement Benefit Obligation	16	15
Other Adjustments* (incl. Changes in WC, exchange diff, Profit on sale of FA )	(1,624)	(1,648)
<b>Cash Generated from Operations</b>	<b>5,857</b>	<b>4,707</b>

# KPIs - Company

- Net Debt/ EBITDA has reduced largely due to improved cash position after the rights issue in June 2007.
- RoE diluted due to increase in shareholders funds following the equity issue.

Ratio	Units	30-June 2007	31-Dec 2006
Net tangible assets per share	Rs.	5.09	3.36
Net Debt to EBITDA*	Times	-0.04	0.83
Long term Debt to equity	Times	0.19	0.29
Return on Equity**	%	32	48
Return on Capital Employed***	%	26	33
Earnings per Share****	Rs.	0.70	1.39

\*Net debt is inclusive of vendor financing

\*\*RoE has been computed as annualized PAT/ average shareholders funds

\*\*\*RoCE has been computed as annualized EBIT/ average capital employed

\*\*\*\*EPS for 1H07 is computed on half-yearly earnings.

# Earnings per Share - Company

- EPS increased 5 per cent to 70 cents per share.

Description	Units	1H-07	1H-06
Net Income Applicable to ordinary shares	Rs. Mn.	5,253	4,885
Weighted average number of shares, end of period <i>(adjusted for effects of rights issue &amp; ESOS shares exercised)</i>	Mn.	7,490	7,311
EPS	Rs.	0.70	0.67

# 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	11.25	2.50	8.75
Citi / Commercial	Syndicated Loan	USD	4.20	1.59	0.58	1.01
Citi / Commercial	Syndicated Loan	LKR	16.80	5.17	1.88	3.29
SCB	Term Loan	LKR	25.00	22.48	-	22.48
HSBC	Term Loan	LKR	25.00	8.78	4.50	4.28
Total			<b>86.00</b>	<b>49.27</b>	<b>9.46</b>	<b>39.81</b>

- Quarterly installment of the Citi/Commercial loan facility paid during the month of June 2007.
- Semi-annual installment of IFC facility - **USD 1.25 Mn.** paid during the month of June 2007.
- Semi-annual installment of HSBC term loan **Rs.250 Mn. + prepayment of 2 installments ( Rs. 500 Mn.)** paid during the month of June 2007

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**Financials**

**Subsidiary / SBU Performance**

**Recent Developments**



# International Business

- Contribution to DTL group bottom line - **10** per cent.
- **31% 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



# Dialog Broadband Networks (Pvt) Ltd.(DBN)

- DBN recorded a revenue of Rs. 420.96 Mn up **14** per cent relative to the Rs. 368.76 Mn. recorded for the first-half of 2006.
- DBN recorded a net loss of Rs. 7.79 Mn. for the first half of 2007 vis-à-vis a profit of Rs. 80.07 Mn for recorded for first half of 2006.
- The adverse performance in profitability is largely due to delay in launch of CDMA services. However, on the backdrop of an aggressive network implementation programme, the preliminary operating expenses in relation to ramping up operations to launch the CDMA network have been incurred and provided in 1H 2007.
- The negative contribution is expected to be reversed with the successful launch of CDMA operations in 6 districts during July 07.DBN will expand its fixed wireless operation into four more districts including Colombo, during the second half of the year.

high speed broadband Internet access  
virtually anywhere in the Island



# 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. 285.42 Mn, on the backdrop of over a 100 per cent growth in subscribers within the first- half of operations.
- The company recorded a net loss of Rs 349.51 Mn during the first half of 2007, as characteristic of a Satellite Television operation in start up phase. The achievement of a break-even volume of subscribers and operating revenues will see the company in a position to override its fixed cost base, leading thereafter to positive bottom line contribution.
- Second- quarter 2007 witnessed
  - the revision in initial connection fee from Rs. 17,900 to Rs. 12,500 (30%drop).
  - Introduction of a monthly package for as low as US \$1.
- DTV increased its channel portfolio by 45 per cent in the second-quarter of 2007 thereby establishing a robust product offering for the highly under-penetrated Pay Television market in Sri Lanka.



**Financials**

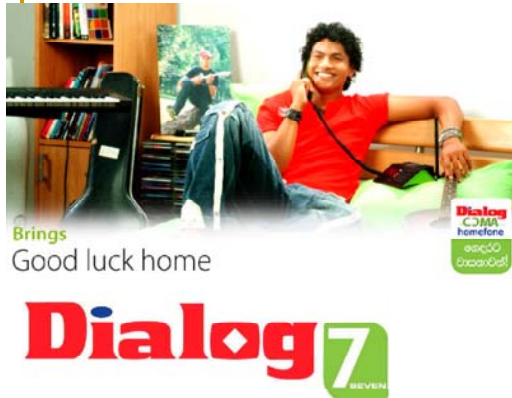
**Subsidiary / SBU Performance**

**Updates**

# Updates

- **Rs. 15.54 Billion Equity Infusion via Rights Issue** The Company's Rights issue was successfully subscribed for by over 100%, thereby making the issue the **largest ever equity raising to be executed in the Sri Lankan Capital market.**
- Dialog Telekom signed another **landmark investment agreement with the Board of Investment of Sri Lanka (BoI)** to invest a further Rs. 33 Bn (USD 300 Mn) in the country's Telecommunications and Media sectors within the next 2 years. This investment brings **Dialog's total commitment to the Telco sector in Sri Lanka to over USD 800 Mn.**
- **Investment in the Community** - Establishment of **Sri Lanka's First Digitally Equipped Audiology Centre**
  - The Ratmalana Audiology Centre, equipped with state-of-the-art diagnostic equipment is constructed on the premises of the Ceylon School for the Deaf and blind was operational with effect from 15th June 2007. The Centre features cutting edge diagnostic equipment to facilitate the early detection of hearing deficiencies in children.

# Key Product /service initiatives



- **Launched CDMA in 6 districts.** DBN will expand its **fixed wireless** operation into four more districts including **Colombo**, during the second half of the year.

- **Introduced eZ buddy service.** 'eZ buddy' acts as a mobile phone booth. 'eZ buddies' add convenience to the consumer, who also have the option of making both local and IDD calls.

- **First operator in South Asia to launch 3G roaming.**

- **Regional coverage of 3G - both Kandy and Kurunegala covered.**

- **VAS introduced:**

- **SMS divert** –for the **first time** in Sri Lanka incoming SMS could be diverted to another Dialog number while still being connected

- **SMS Home** -Dialog roamers and KIT instant roamers can send SMS to Sri Lanka from anywhere in the world for only Rs. 5/-

- **Launched 'Breaking News on Your Mobile'** (in partnership with Reuters)



KANDY NOW ON 3G



KURUNEGALA NOW ON 3G

**Thank you**