Dialog GSM

Dialog tv

Dialog Broadband

Dialog Global

Dialog iNTERNET

Dialog 3G

Dialog TELEKOM

A TM Company

Investor Forum

Financial year ended 31 December 2006

Agenda

Financials

Subsidiary / SBU Performance

Future

Snapshot -FY 2006

Key Financials		YoY Growth
PAT	Rs. 10.12 Bn	↑ 44%
EBITDA	Rs. 13.74 Bn	↑ 46%
Revenue	Rs. 25.69 Bn	↑ 42%
Cellular subscribers	3.11 Mn	↑ 46%

Infrastructure investments/commitments	Rs. 16.12 Bn
Proposed dividends	55 cents per share (40% payout of earnings)
Subsidiary performance	2% PAT contribution from Dialog Broadband

Highlights

Key Financials	Units	Year ended 31 December		
		2006 Group	2006 Company	2005 Company
Revenue	Rs.Mn	**25,679**	25,149	18,034
EBITDA	Rs.Mn	**13,744**	13,362	9,416
Profit after Tax	Rs.Mn	**10,119**	10,049	7,012
EPS	Rs.	**1.40**	1.39	1.15

Key Financials	Units	Year ended 31 December		
		2006 Group	2006 Company	2005 Company
Revenue	US$ Mn	**247**	242	179
EBITDA	US$ Mn	**132**	129	94
Profit after Tax	US$ Mn	**97**	97	70
EPS	US$	**0.0135**	0.0134	0.0114

^*Exchange rates for Rupee Conversion are monthly averages as announced by Central Bank of SL.*

Highlights

Subscriber Base	Units	Year ended 31 December 2006	2005
Postpaid	Thousands	**484**	441
Pre-paid	Thousands	**2,621**	1,682
Total active subscriber base	Thousands	**3,106**	2,124
Total Net Additions	Thousands	**982**	765

Operational Results	Units	Year ended 31 December 2006	2005
Blended ARPU	Rs.	**661**	**697**
Pre-paid ARPU	Rs.	**432**	426
Postpaid ARPU	Rs.	**1682**	1,635
Annualised Churn	%	**9.12**	9.51

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

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Dialog TELEKOM

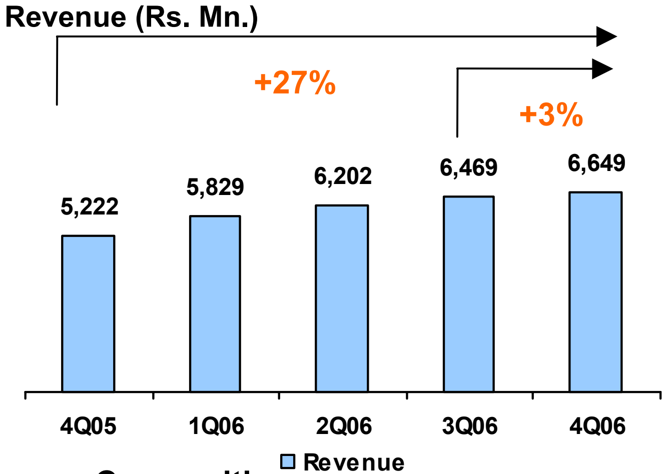
P&L Highlights

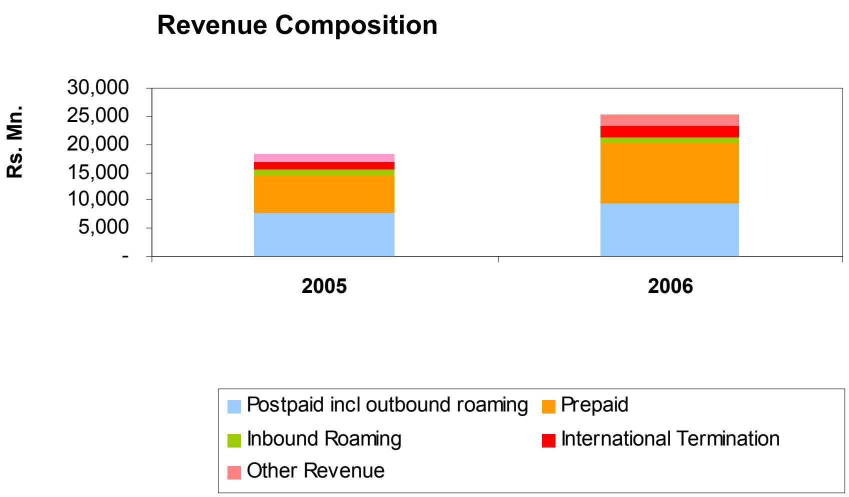
(all figures in Rs. Mn. except for ratios)	Three Months Ended 31 December			Year Ended 31 December		
	2006 Group	2006 Company	2005 Company	2006 Group	2006 Company	2005 Company
Net Revenue*	6,789	6,649	5,222	25,679	25,149	18,034
Growth (%)	30	27		42	39	
Direct Costs	2,296	2,204	1,968	8,822	8,536	6,214
Growth (%)	17	12		42	37	
Gross Profit	4,493	4,445	3,254	16,858	16,613	11,821
Growth (%)	38	37		43	41	
Gross Margin (%)	66	67		66	66	66
OPEX	1,731	1,673	1,299	6,130	6,039	4,557
Growth (%)	33	29		35	33	
EBITDA	3,685	3,565	2,584	13,744	13,362	9,416
Growth (%)	43	38		46	42	
EBITDA Margin (%)	54	54	49	54	53	52
PBT	2,561	2,575	1,877	10,193	10,105	7,054
Growth (%)	36	37		45	43	
PAT	2,570	2,590	1,865	10,119	10,049	7,012
Growth (%)	38	39		44	43	
PAT Margin (%)	38	39	36	39	40	39
EPS(Rs.)	0.36	0.36	0.26	1.40	1.39	1.15
Growth (%)	37	38		22	21	

* *excluding turnover tax.*

Revenue Growth

- Steady growth in revenue– 39 per cent increase over FY 2005.
- Prepaid revenue- the dominant contributor to revenue with 43 per cent share.
- Termination revenue increased by 62 per cent.
- Value added services accounts for approx. 9 per cent of total revenue for FY2006.





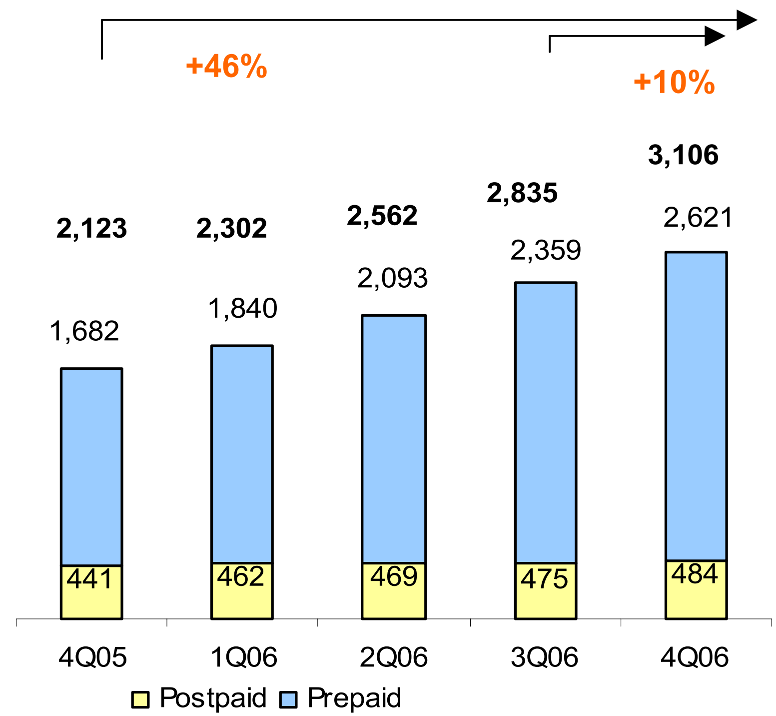
Revenue Composition

(all figures in Rs. Mn.)	2005	%	2006	%	Change %
Postpaid incl outbound roaming	7,737	43	9,410	37	22
Prepaid	6,603	37	10,760	43	63
Inbound Roaming	1,119	6	983	4	-12
International Termination	1,373	8	2,221	9	62
Other Revenue	1,202	7	1,775	7	48
Net Revenue	**18,034**	**100**	**25,149**	**100**	**39**

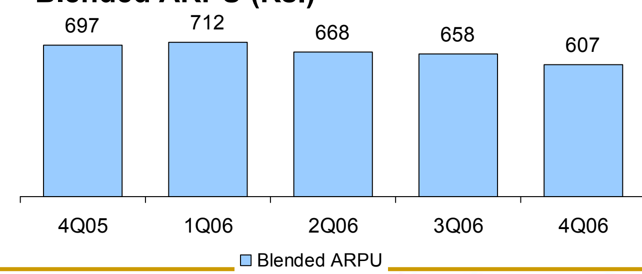
Revenue Drivers

- Market leadership with sustained growth in subscribers (46 per cent YoY)
- Pre/post mix: 84:16
- Coverage and Quality of Service Improvements.
- Dilution of Blended ARPU contained at 5 per cent YoY despite a subscriber base increasingly skewed towards prepaid.

Subscriber (Thousands)



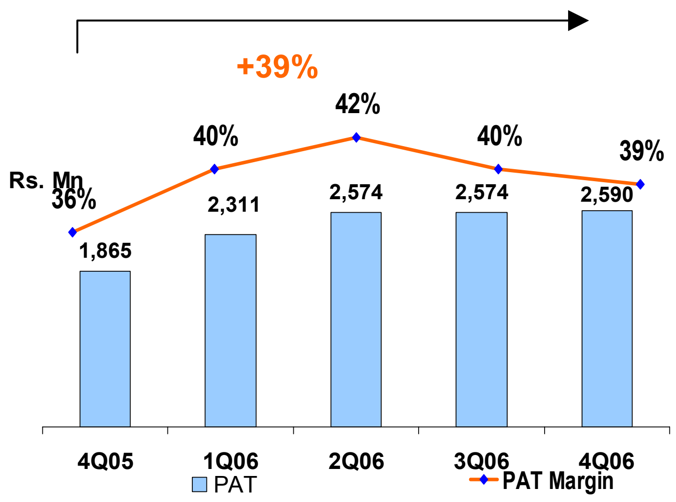
Blended ARPU (Rs.)



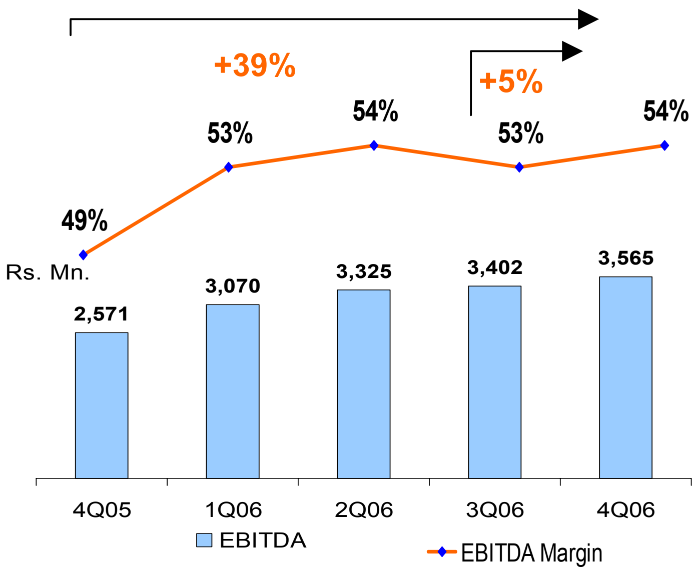
Healthy EBITDA and PAT Margins

- **PAT and EBITDA margins up 3 and 5 points each in 4Q06 compared to 4Q05.**

PAT (Rs. Mn.)

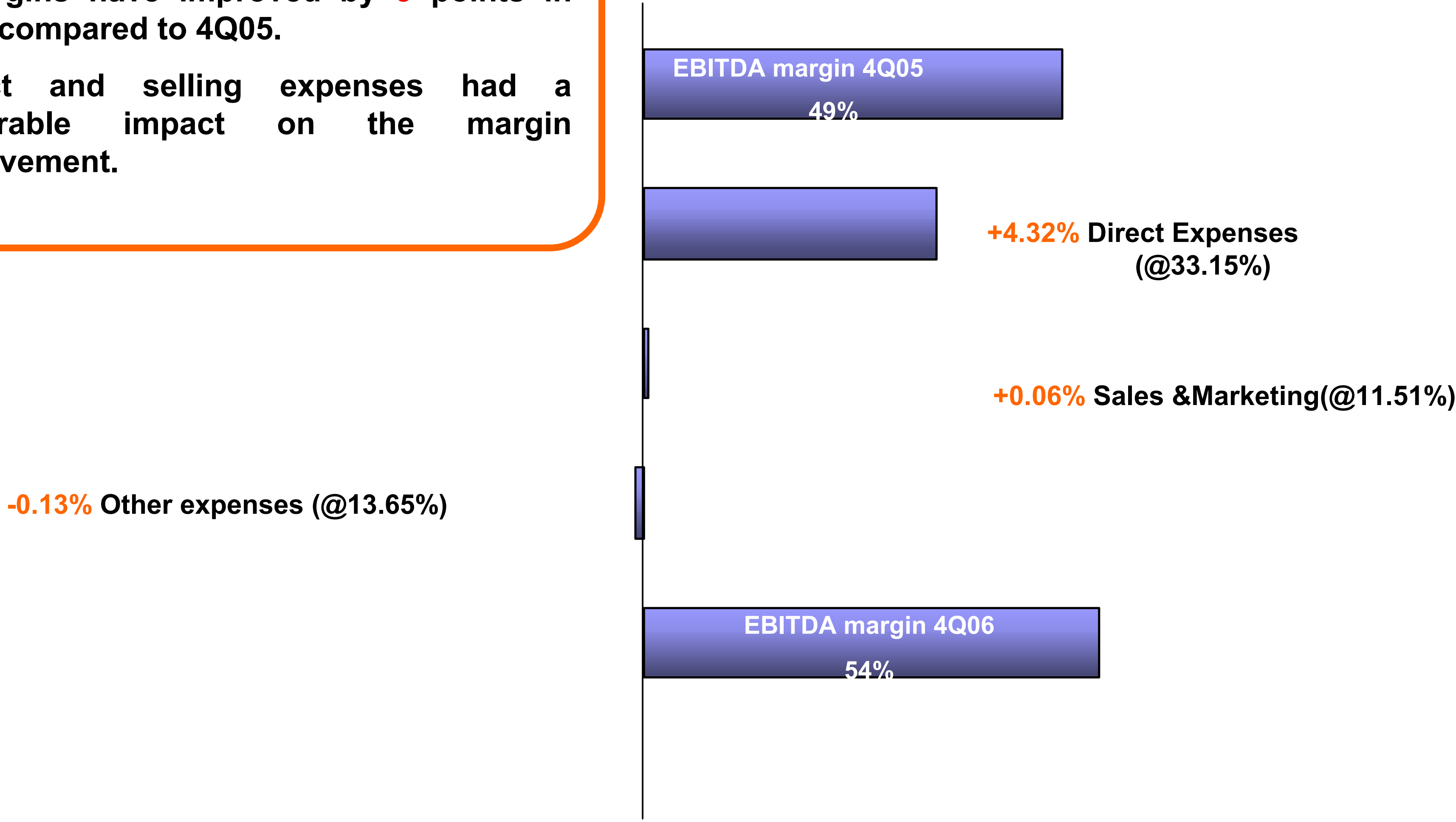


EBITDA (Rs. Mn.)



EBITDA Margin analysis

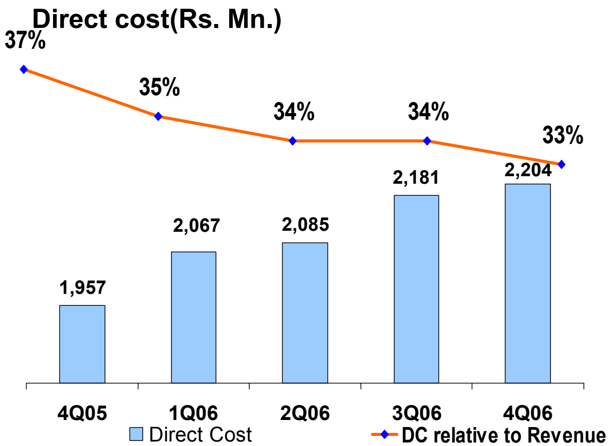
- Margins have improved by 5 points in 4Q06 compared to 4Q05.
- Direct and selling expenses had a favourable impact on the margin improvement.

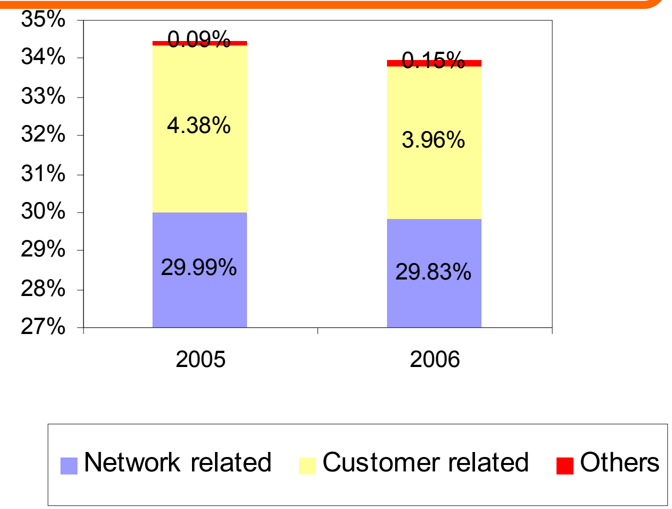


@ denotes percentage of revenue

Direct Costs

- Direct costs relative to revenue has improved by 4 percentage points in 4Q06 compared to performance in the 4Q05 .





(all figures in Rs. Mn.)	2005	%	2006	%	Change %
Network Related Costs	5,408	*87.03*	7,503	*87.89*	39
As a % of Revenue	29.99		29.83		
Customer Related Costs	790	*12.71*	995	*11.65*	26
As a % of Revenue	4.38		3.96		
Others	16	*0.26*	39	*0.45*	143
As a % of Revenue	0.09		0.15		
Total Direct Cost	6,214	*100*	8,536	*100*	37
As a % of Revenue	34		34		

Network Costs

(all figures in Rs. Mn.)	2005	% of Revenue	2006	% of Revenue
Net Revenue	**18,034**		**25,149**	
Network Related Costs				
Lease Circuit Rental	234	1.30	**329**	**1.31**
International Telecommunication Levy	503	2.79	**861**	**3.42**
Telecom equipment depreciation	1,657	9.19	**2,431**	**9.67**
International Origination Cost	472	2.62	**761**	**3.03**
Roaming expenditure	105	0.58	**631**	**2.51**
Other network costs	2,436	13.51	**2,490**	**9.90**
Total	**5,408**	**30**	**7,503**	**30**

*International Telecommunication Levy

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

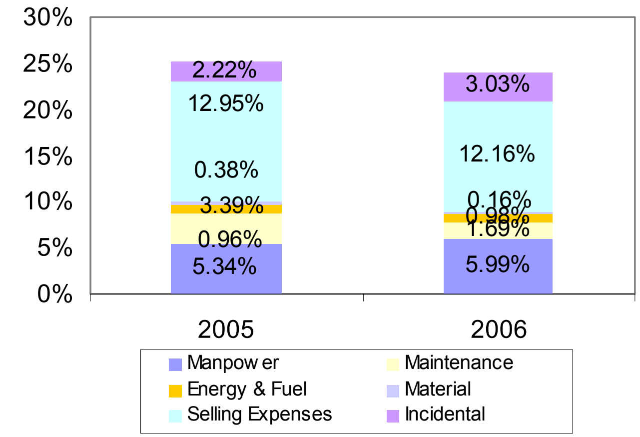
Figures in US Cents	From 04/2004
Incoming Local Access Fee	5.20
Contribution to Vishva Grama Fund	3.80
Total Network Contribution	**9.00**

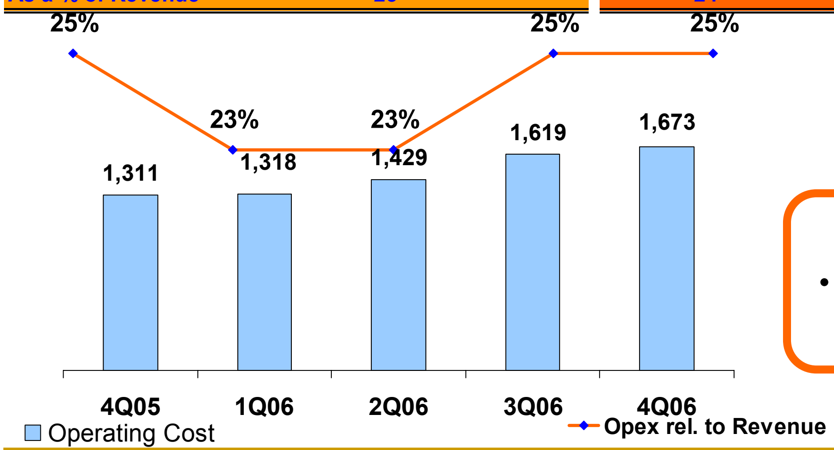
- Regulator to determine a refund of a part of this levy as compensation for rural network development.
- Any such refund would be reflected as a cost reversal at a future date -has not been taken in to account at this stage.
- **PAT for the year ended 31 December 2006 is stated after provisioning for ITL –Rs. 861 Mn.**
  - of this, Rs.711 Mn. has been settled as of date.

Operating Costs

- Opex as a percentage of revenue **improved by 1 percentage** point for the year ended 31 December 2006 compared to 2005.
- The improvement in cost efficiency is attributed to relative cost reductions with respect to administration and selling expenses

(all figures in Rs. Mn.)	2005	%	2006	%	Change %
Selling Expenses	2,335	51	3,057	51	31
As a % of Revenue	12.95		12.16		
Manpower	962	21	1,507	25	57
As a % of Revenue	5.34		5.99		
Maintenance	765	17	425	7	(44)
As a % of Revenue	4.24		1.69		
Energy & Fuel	208	5	247	4	19
As a % of Revenue	1.16		0.98		
Material	64	1	41	1	(35)
As a % of Revenue	0.35		0.16		
Incidental	223	5	761	13	242
As a % of Revenue	1.24		3.03		
Total Expenses	4,557	100	6,039	100	33
As a % of Revenue	25		24		





- Manpower maintained at **6** per cent of revenue.

Selling Expenses

- Selling Expenses maintained below 13 per cent of Revenue despite **46** per cent growth in subscribers YoY.

(all figures in Rs. Mn.)	2005	% of Revenue	2006	% of Revenue	Change %
Net Revenue	18,034		25,149		
Selling expenses:					
Sales Commission	1,235	6.85	1,361	5.41	10.16
Advertising	401	2.22	480	1.91	19.73
Sales promotion	213	1.18	379	1.51	77.88
Others	486	2.69	838	3.33	72.39
Total	**2,335**	13	**3,057**	**12**	**31**

Balance Sheet

- Balance Sheet remains healthy.
- The Goodwill resulting from the acquisition of CBN and CBN SAT has been reflected in the Consolidated Financial Statements of the Group. The intangibles of Asset Media as at the 31 December 2006 have been tested for impairment.
- Net Asset per share has improved by 46%.

(all figures in Rs Thousands)	Group		Company	
	31 December		31 December	
	2006	2005	2006	2005
Non - current assets	33,634,237	22,430,141	31,329,629	21,918,170
Current assets	9,791,731	10,766,494	10,466,449	10,468,905
Total assets	**43,425,968**	**33,196,635**	**41,796,078**	**32,387,075**
Capital and reserves attributable to equity holders of the				
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	(1,925,226)	(2,385,320)	(1,925,226)	(2,385,320)
Revaluation reserve	20,840	4,896	20,840	4,896
Retained earnings	14,206,808	6,900,917	14,136,581	6,900,917
	24,982,800	17,200,871	24,912,573	17,200,871
Minority interest	**(72)**	**Nil**	**Nil**	**Nil**
Total equity	**24,982,728**	**17,200,871**	**24,912,573**	**17,200,871**
Non - current liabilities	8,297,462	9,130,582	7,568,703	8,988,660
Current liabilities	10,145,778	6,865,182	9,314,802	6,197,544
Total liabilities	**18,443,240**	**15,995,764**	**16,883,505**	**15,186,204**
Total equity and liabilities	**43,425,968**	**33,196,635**	**41,796,078**	**32,387,075**
Net asset per share (Rs.)	**3.38**	**2.32**	**3.37**	**2.32**

Cash Flow Highlights

- **Strong cash flows. Net Cash flows from operating activities up 34 per cent compared to FY2005.**

(all figures in Rs.Mn.)	Year ended 31 December	
	2006	2005
	Company	
Net cash from operating activities	**12,046**	9,012
Net cash used in investing activities	**(13,004)**	(10,139)
Net cash used in financing activities	**(3,429)**	4,581
Increase/(decrease) in cash and cash equivalents	**(4,387)**	3,454
Movement in cash and cash equivalents		
At start of year	**6,624**	3,170
Increase/(decrease)	**(4,387)**	3,454
At end of year	**2,237**	**6,624**

Reconciliation of Cash generated from Operations

(all figures in Rs. Mn.)	Year ended 31 December 2006	2005
	Company	
Profit before Tax	**10,105**	7,054
Adjustments for:		
Interest Expenses	**387**	195
Depreciation	**2,597**	1,940
Amortisation	**190**	213
Retirement Benefit Obligation	**30**	28
Other Adjustments*	**(862)**	(140)
(incl. Changes in WC, exchange diff,Profit on sale of FA)		
Cash Generated from Operations	**12,448**	**9,290**

KPIs

- **Leverage ratios have improved indicating increased financial flexibility.**

Ratio	Units	31 December 2005 Company	31 December 2006 Company
Net tangible assets per share	Rs.	2.32	3.37
Gearing Ratio	Times	0.37	0.33
Net Debt to EBITDA ratio	Times	0.36	0.74
Total Debt to equity	Times	0.58	0.49
Return on Equity	%	40.76	40.34
Return on Capital Employed	%	26.85	31.07
Earnings per Share	Rs.	1.15	1.39
Current Ratio	Times	1.79	1.12

Earnings per Share

- **EPS increased 21 per cent to Rs. 1.39 per share.**

Description	Units	Year ended 31 December 2006	2005
		Company	
Net Income Applicable to ordinary shares	Rs. Mn.	10,049	7,012
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	370
Bonus Shares	Mn.		3,686
Retained Profits Capitalised	Mn.		634
Conversion of preference shares on 20 May 2005	Mn.		740
Capitalisation of subscription in advance on 20 May 2005	Mn.		557
New shares issued	Mn.		204
Shares exercised and issued to employees	Mn.	17	
Less: ESOS Shares issued	Mn.	(199)	(83)
Weighted average number of shares, end of period	**Mn.**	**7,221**	**6,108**
EPS	**Rs.**	**1.39**	**1.15**

Lenders

(all figures in US $ Mn.)	Facility Type			Period		Outstanding as at 31 December 2006
	USD	SLR	Total	<12 months	> 12 months	
Citi/Commercial Syndicated loan	4.2	16.8	21	2.52	5.64	8.16
Standard Chartered Bank	-	25	25	-	23.23	23.23
International Finance Corporation	15	-	15	2.50	10.00	12.50
HSBC	-	25	25	4.64	11.40	16.04
Total	19.2	66.8	86	9.65	50.28	59.93

Proposed Dividend to Shareholders

- In view of the Group's strong financial performance, the Board of Directors of Dialog Telekom, has resolved to propose a first and final Dividend amounting to 40% (payout) of 2006 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. 50% growth in Base Stations over 2005

- The Group invested / committed a total of **Rs16.12Bn** in infrastructure during 2006 resulting in :
  - large scale expansion of service coverage in rural areas of Sri Lanka,
  - the establishment of a CDMA network in 8 Districts outside the western province, and
  - the first phase of a fibre optic network in the City of Colombo.

- The company also became the first operator to commence commercial 3G services in August 2006.

- Dialog's mobile network provides coverage to approximately 90% of Sri Lanka's population and 70% of the country's landmass. The Company targets to achieve 100% population coverage by end 2007

Affordability Enhancement – Connecting 3 Million Sri Lankans

- Aggressive tariff reductions combined with rapid expansion of coverage areas across all provinces of Sri Lanka resulted in the company reaching the milestone subscriber base of 3 Million in the month of November 2006, and reaching an Year-End subscriber base of 3.11Mn.
- The company accounts for approximately 60% of Sri Lanka's cellular subscribers and 45% of the total telecommunications market.
- Dialog also represents a 73%* share of the total mobile industry revenues

Based on TRC statistics for the period ended 30th Sep 06

Financials

Subsidiary / SBU Performance

Future

Dialog Broadband Networks (Pvt) Ltd.(DBN)

Revenue, EBITDA and PAT

- DBN recorded a PAT of Rs. 152.92 Mn. For FY2006 representing a contribution of approximately 2 per cent to group PAT (after fair value adjustments).
- For the year ended 31 December 2006, DBN recorded a revenue of Rs.774.62 Mn up 42 per cent relative to FY2005.
- The GP margin and NP margin recorded at 41 per cent and 20 per cent respectively.

International Business

- Contribution to DTL group bottom line - **10** per cent.
- 62% growth in International termination revenue with a **63%** growth in traffic volumes
- Widest International Fibre backbone through SMW3 and SMW4
- Best in Class International Gateway infrastructure with Soft switching to handle growth in traffic volumes

Internet Business

- Introduced 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. Increased adoption of mobile email and connectivity solutions (such as Blackberry) has also contributed to increased data usage.

Asset Media (Pvt) Ltd.

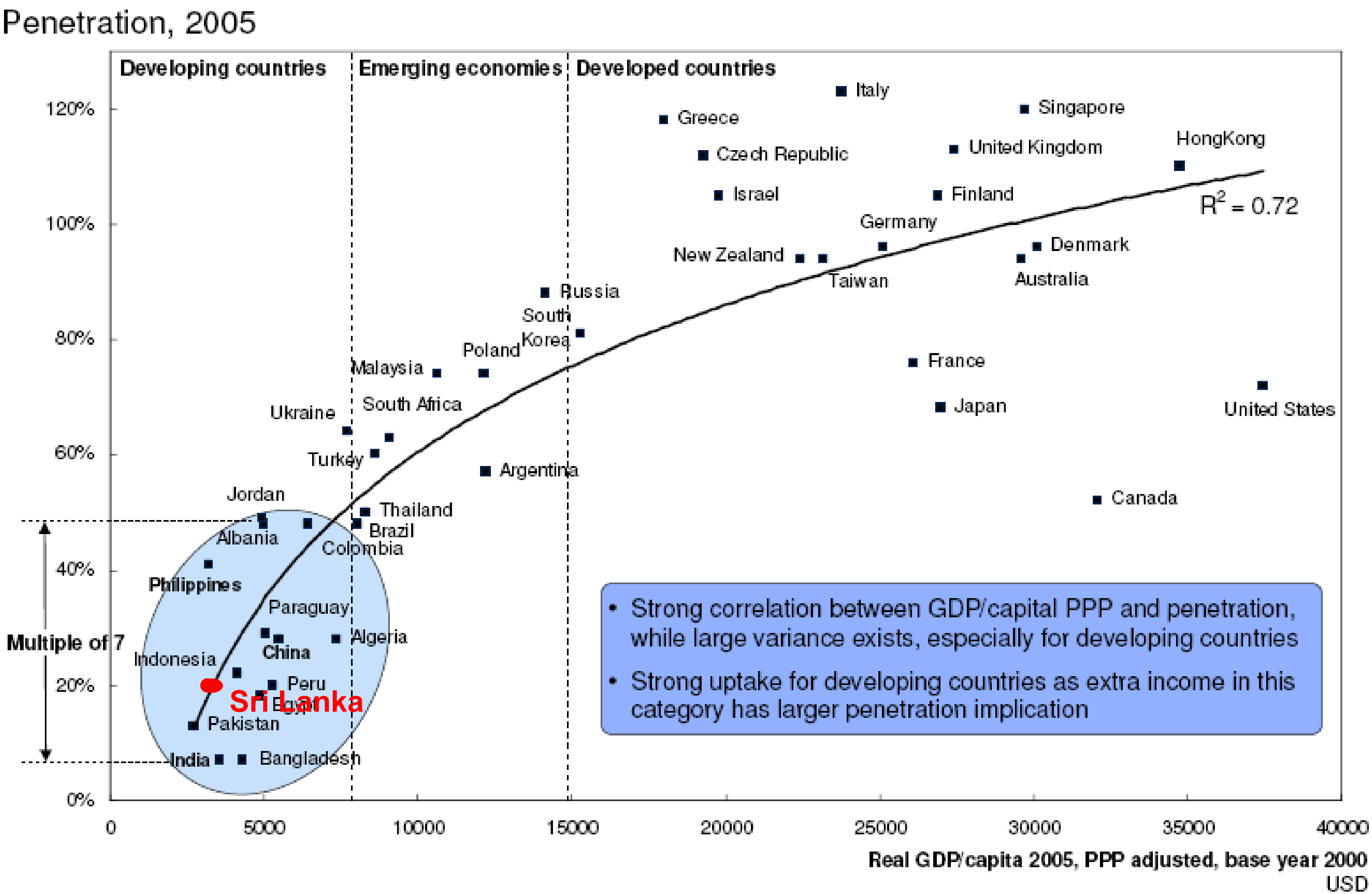
- The Goodwill resulting from the acquisition of CBN and CBN SAT has been reflected in the Consolidated Financial Statements of the Group.
- The intangibles of Asset Media as at the 31 December 2006 have been tested for impairment.
- Launched Commercial Operations under Dialog TV Brand and offered through Island wide Dialog outlet network & Singer Lanka
- Channel line up Includes majority of Local TV and Premium Channels

Financials

Subsidiary / SBU Performance

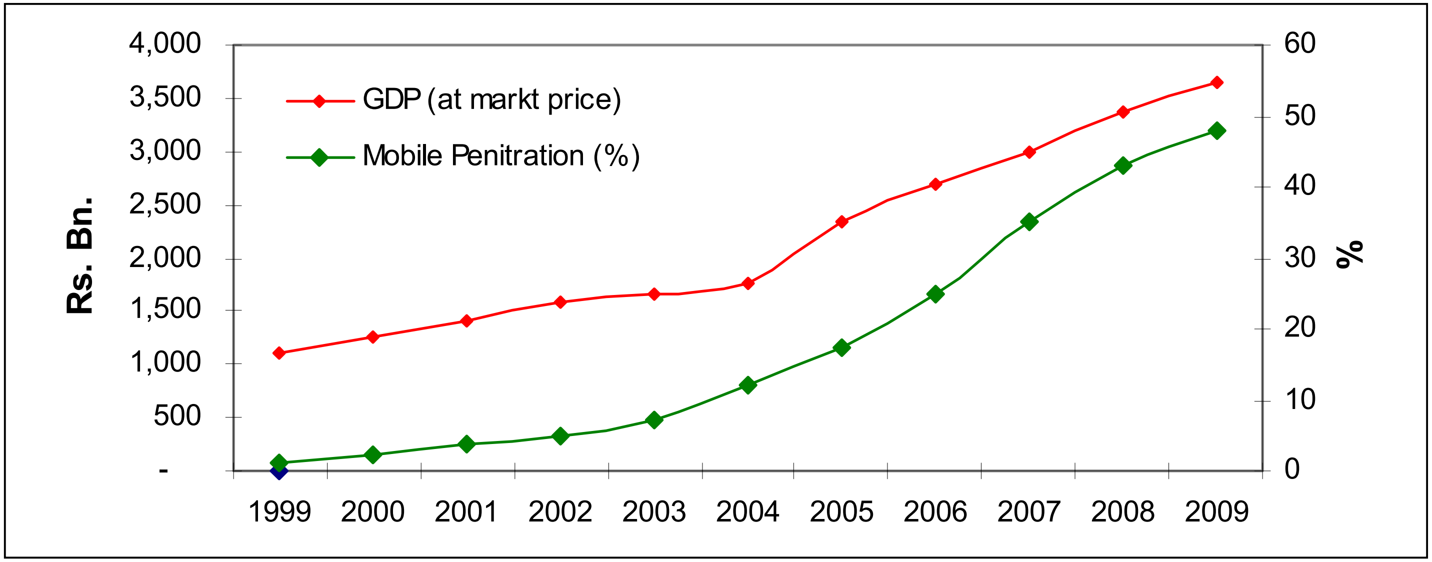
Future

Wireless Development Is Correlated With Income Level



The Mobile Market

Market expected to grow in line with economic growth.

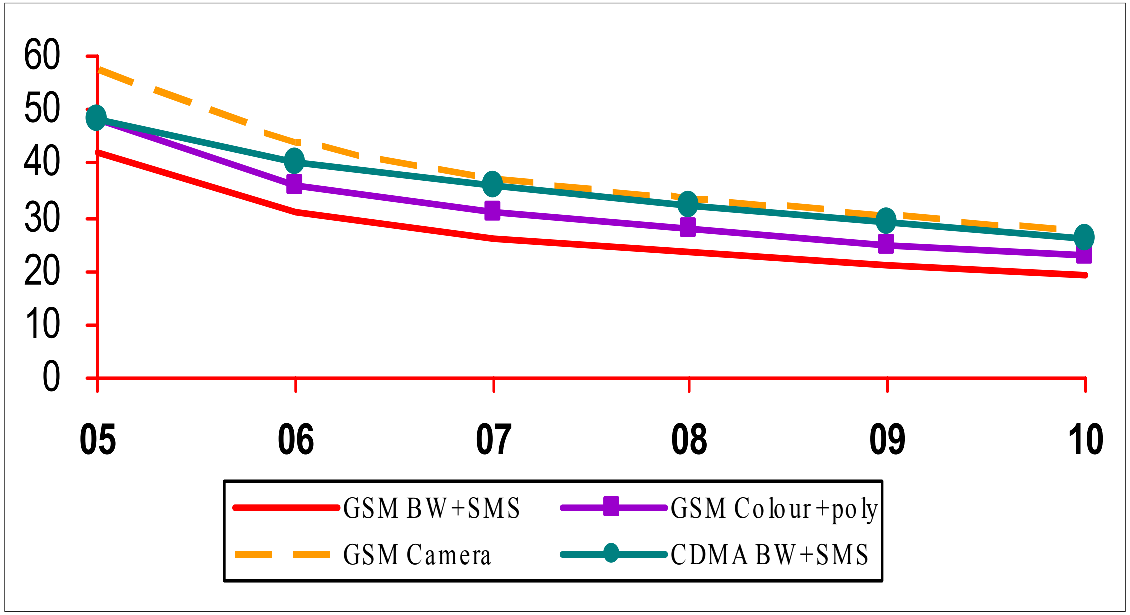


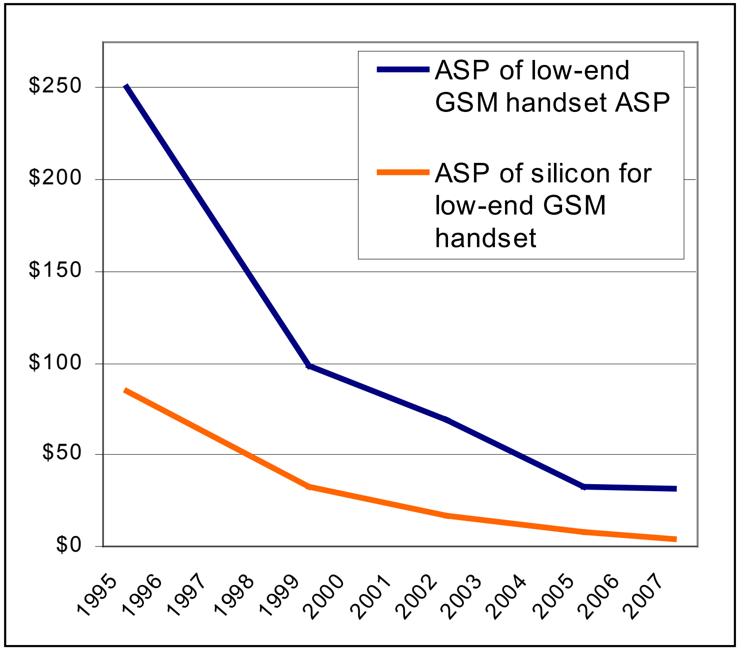
- **Mobile penetration in Sri Lanka to reach minimum 50% by end 2009 driven by industry competition, positive market momentum, increase in Per Capita GDP and the decrease in handset prices.**

- **Mobile market to add 5 Mn subscribers over the next 3 years.**

Handset Prices

Affordability of handsets will further increase the market penetration

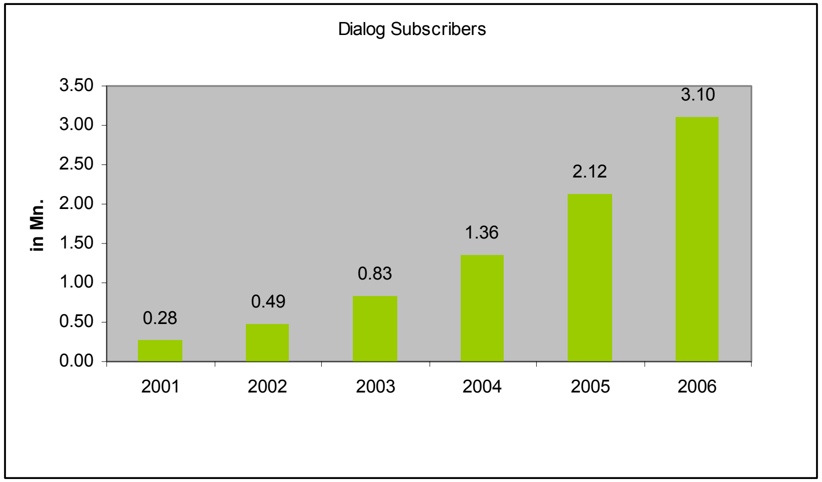




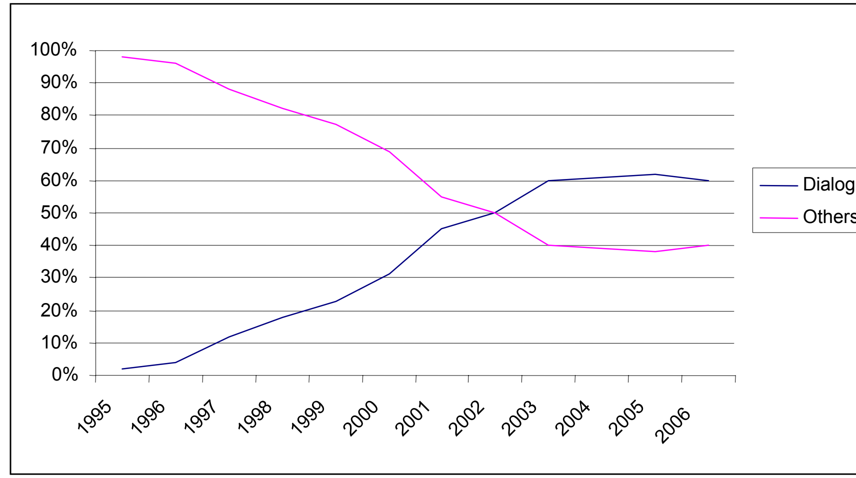
Source: ITU, GSM Association

Strongly placed to continue market leadership

Dialog – Subscriber Growth



Dialog – Market Share

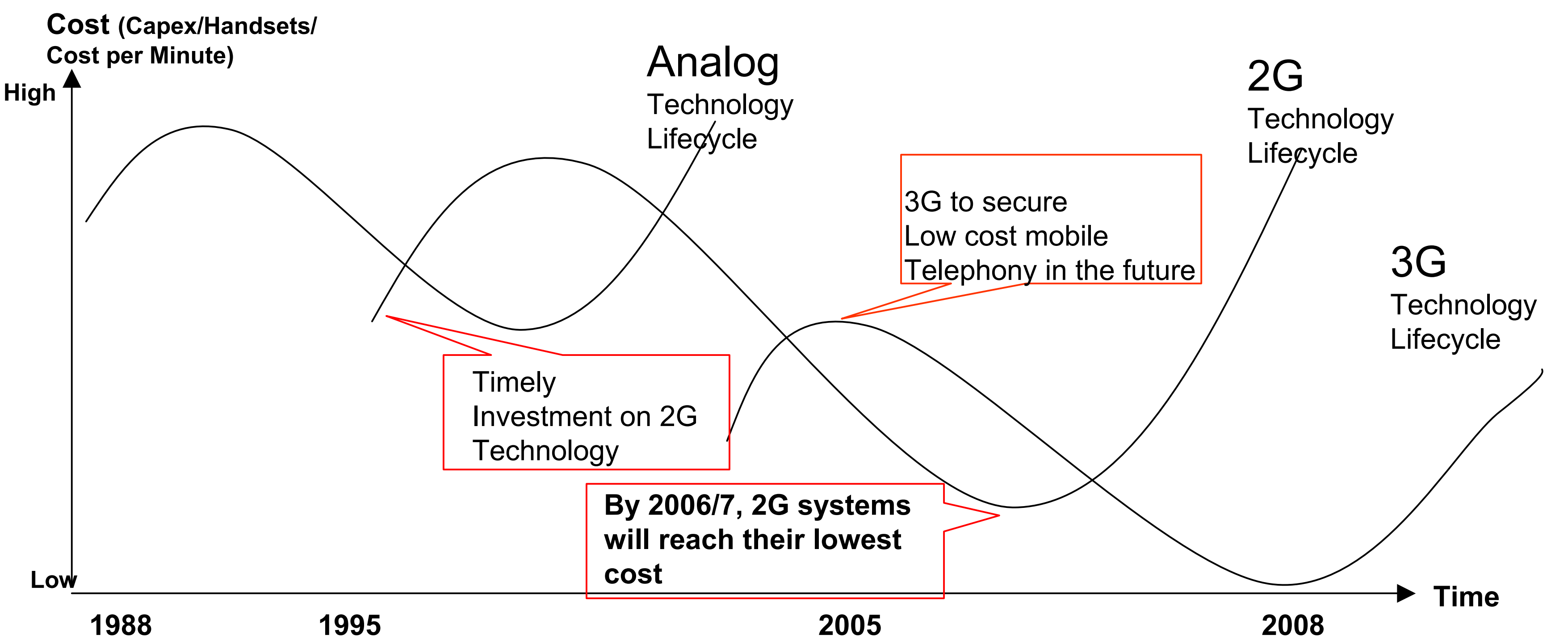


- **Aggressive** network roll-out. **100% population** coverage by end 2007
- Strong **brand equity**
- **Service delivery** excellence with a human touch –**24/7 contact centre**
- **Franchise** network would facilitate Dialog to expand to regions with **minimal investment** on service infrastructure
- Dealer Network operated by **10 exclusive business partners** & represents **all leading brands**
- Prepaid recharge distribution mechanism is underpinned by **exclusive distributors.**
- Largest **Electronic reload network**
- Largest ON LINE collection network

Technology Lifecycle and Cost Structures

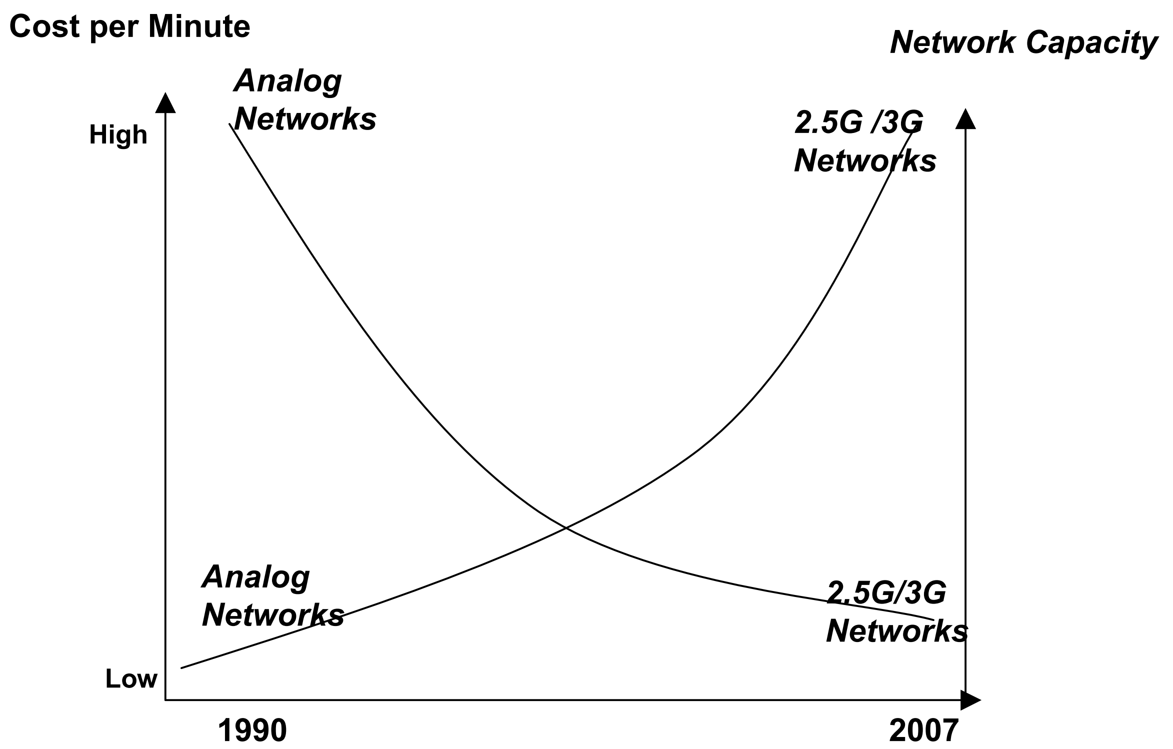
The Importance of Technology Choices

- If an operator/country does not move in to the next generation of technology at the right time, consumer/operator/country would suffer.
- This is due to high cost of service pertaining to obsolete Technology



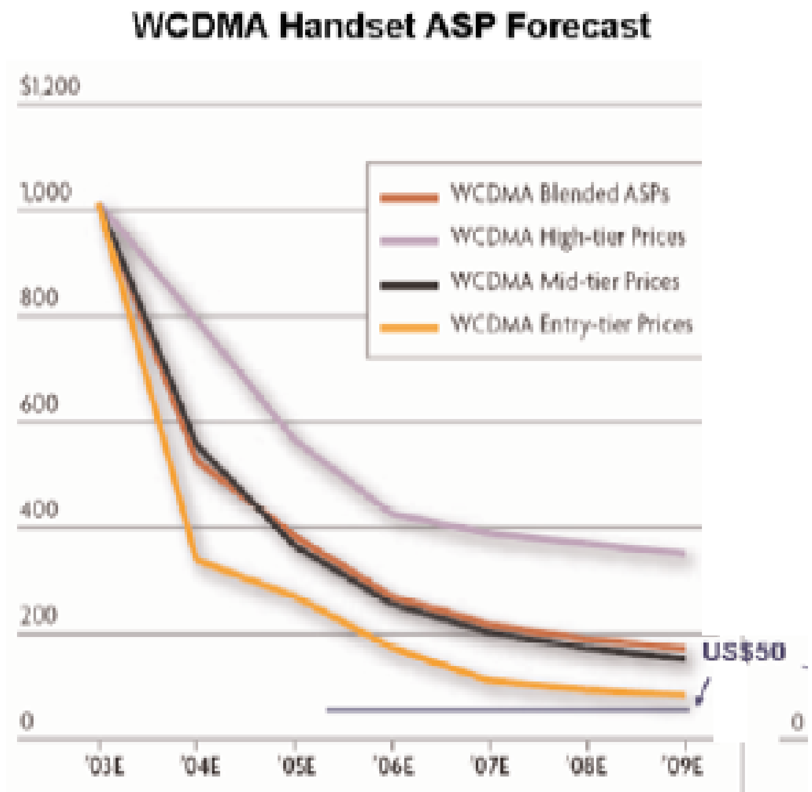
Wireless Economics – Technologies, Capacity and Costs

Example : Today's 2.5G/3G wireless networks can carry far more traffic capacity at a far lesser cost than Analog networks.



WCDMA handset prices

A similar trend for 3G handsets, linked to volume – 85 million WCDMA users world wide q3 06



Source: Signals Research Group, LLC, May 22, 2006

Dialog's NGN Evolution Roadmap

Dialog

Adopt New Technology

Technology Evolution

New Licenses

Acquisitions

Fill License Gaps

Dialog - Next Generation Network

- 3G Mobile
- Wireless Broadband
- Fixed Mobile Convergence
- Digital TV
- Quad Play (Voice, Video, Data with Mobility)

Consumer

TM

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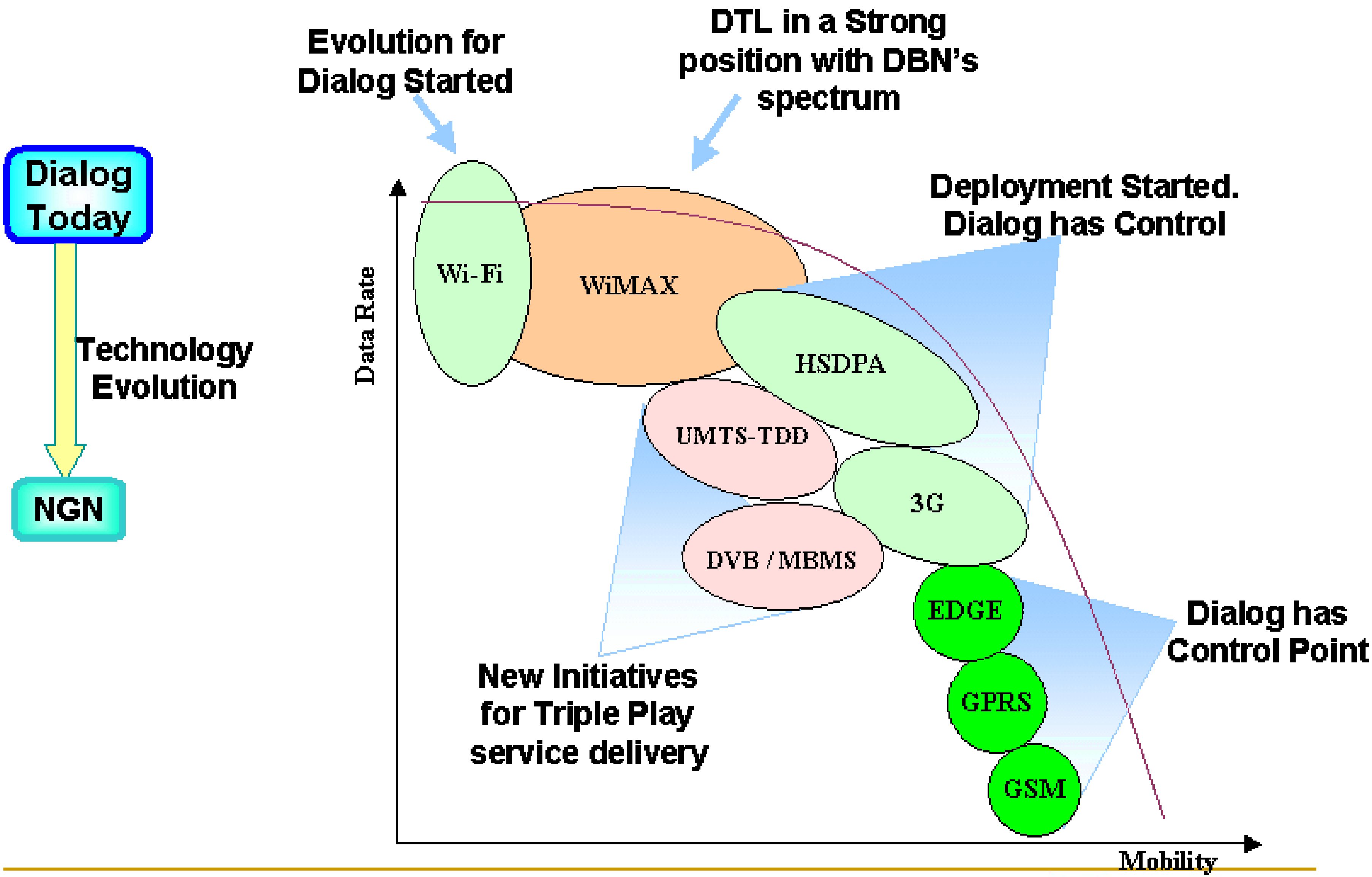
Technology Evolution towards NGN



Dialog in Quadruple play

- Quadruple Play (**Mobile** and **Fixed** Telephony, **Broadband** and **Media**) architecture to fuel future growth in keeping with technology evolution and consumer demand.
- Roadmap realised through related acquisitions:

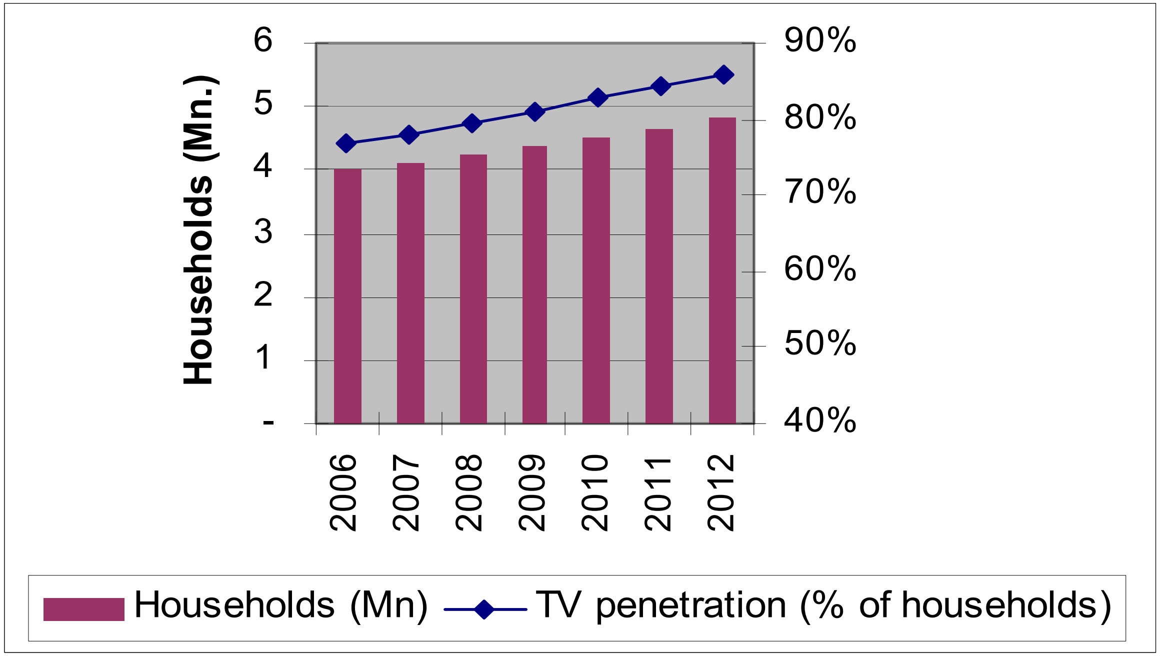
Acquisition	Stake	Segment
Dialog Broadband	100% in 2005	Fixed Telephony and broadband
Asset Media	90% in 2006	Media Licences
Communiq Broadband Networks and CBN SAT	100% stake by Asset Media in 2006	Media infrastructure and 20k subscriber base

- The Group's Digital Broadcast operations commenced February 2007 under the brand name of Dialog Satellite TV.

Rapid Progress in Convergent service roadmap with the addition of PayTV based on DVB technology and Broadband to supplement mobile growth with convergent opportunity

Pay TV in Sri Lanka

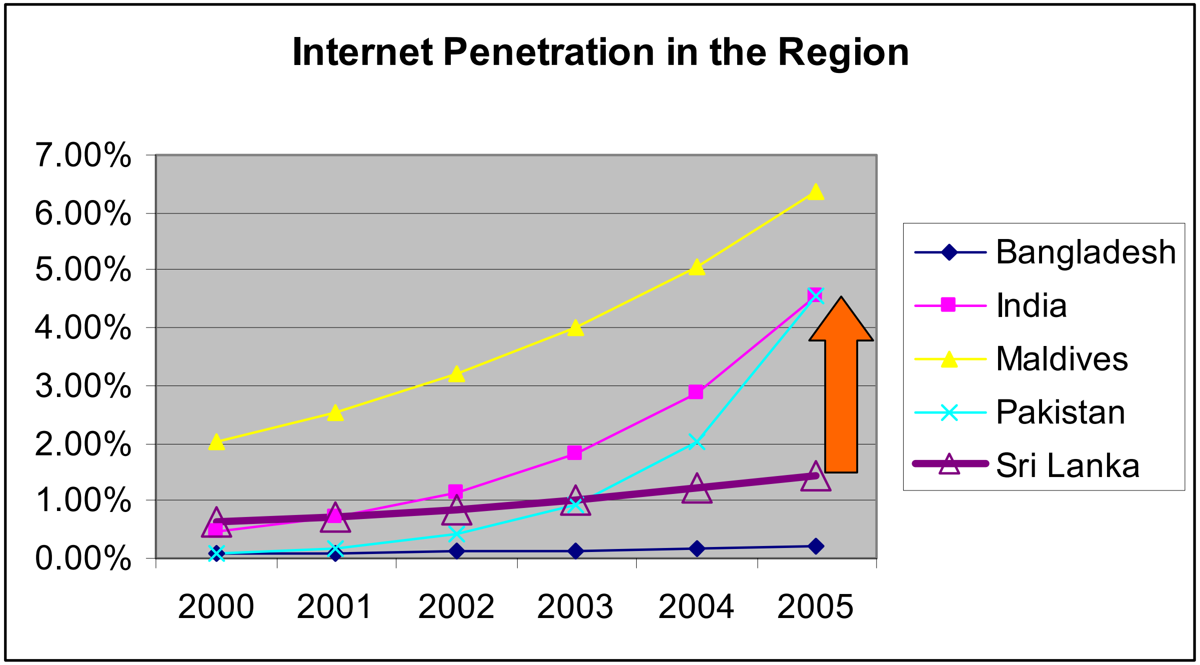
Current pay TV penetration at 1% of TV viewership – *a virgin market.*



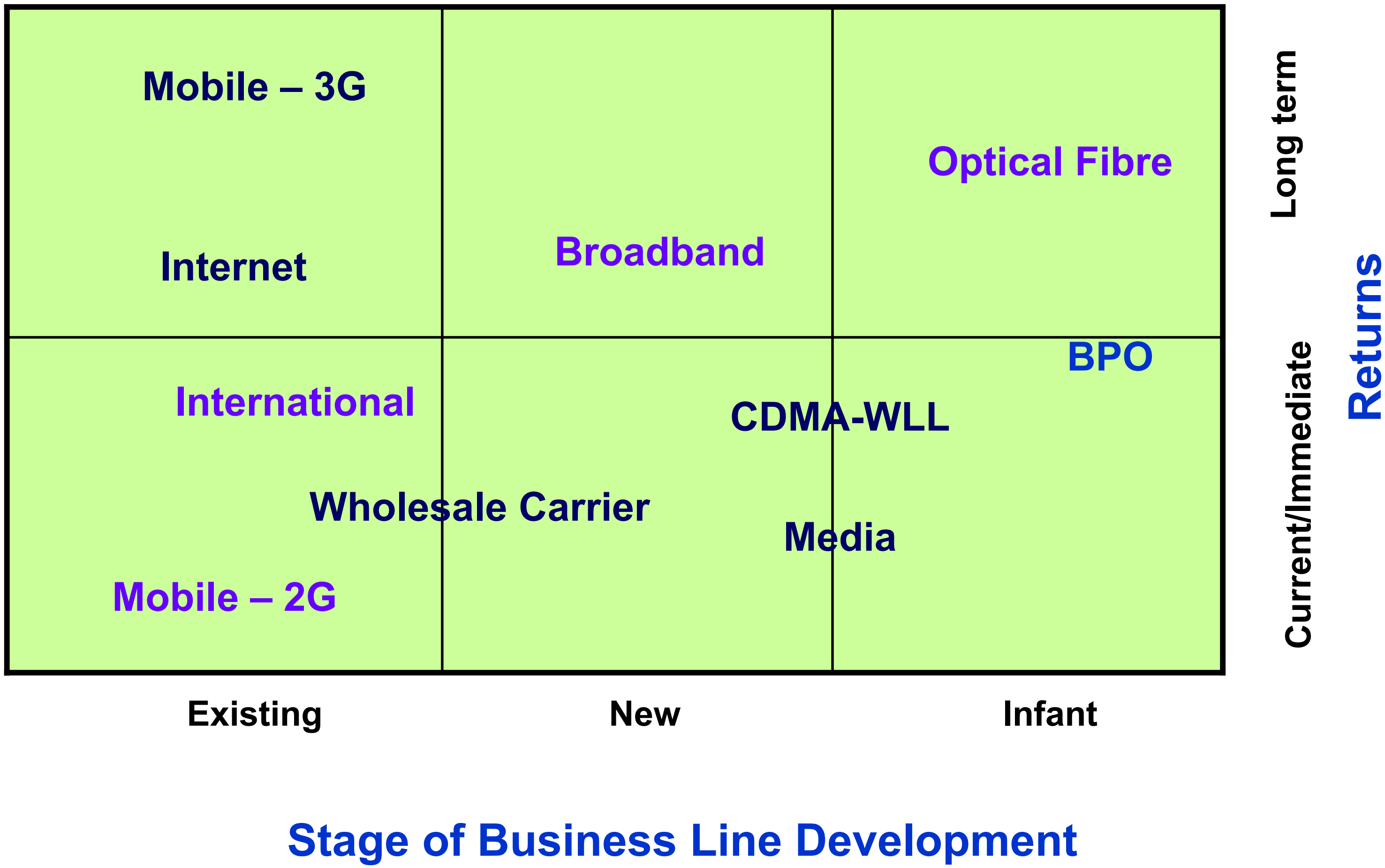
- **Dialog's Brand identity and strengths in retail distribution will be leveraged to accelerate pay TV and broadband adoption.**

Broadband – Untapped Market

Sri Lanka's internet penetration is below regional peers- Growth potential in the underserved retail broadband market in Sri Lanka.



Strategic Business Matrix



Thank you