Business and Financial Review

GROUP
The financial year 2018 was fraught with many challenges stemming from multiple fronts, including intense competition, enforcement of regulatory changes and unfavourable macro environment conditions, which had a negative impact on the telecommunications industry as a whole. Despite the multifaceted challenges, the Dialog Group continued to consolidate its market leadership position as Sri Lanka’s premier connectivity provider while delivering strong financial performance across all key performance indicators.

Continuing its strong performance trajectory, the Group delivered a consolidated revenue of Rs. 109.2Bn for FY 2018, a growth of 16% Year-on-Year (“YoY”), on the back of strong performance across all key business segments.

The Group continued its organisation transformation journey, which commenced in FY 2017, to accelerate simplification and digitisation of business activities, processes and competencies to fully leverage on capabilities of digital platforms and technologies. One-off costs related to this program is estimated to be Rs. 2.5Bn which has been provided for in the financial statements for FY 2018. A significant one-off gain was also recorded in FY 2018. The Supreme Court of Sri Lanka ruled in favour of the Company’s fully owned subsidiary DBN on 14th December 2018, leading to a reversal of provision to the value of Rs. 3.7Bn in December 2018. The provision was made as a matter of prudence in FY 2012 for a possible claim of the said amount consequent to a judgement delivered by the Commercial High Court of Sri Lanka against SunTel Limited on 9th March 2012.

Group Revenue

Group EBITDA

- Group Revenue growth continued upward trajectory increasing 16% YoY
- FY 2018 Group Revenue excluding international termination revenue grew 18% YoY
- DBN revenue up 39% YoY led by Fixed Home Broadband revenue
- DTV revenue up 25% YoY driven by expanding its subscriber base

- Improvement in Group EBITDA driven by growth in revenue and cost optimisation
- Group EBITDA margin improved by 3.8pp to 40%
- DBN EBITDA (normalised for one-off gain of Rs. 3.7Bn) grew by 19% YoY driven by growth in Fixed Home Broadband revenue
- DTV EBITDA up >+100% YoY
Group total operating cost grew by 11% YoY driven by rise in revenue driven cost and increase in network related costs. Ongoing operational and structural cost transformation initiatives carried out during the year resulted in significant realisation of cost savings exceeding Rs. 3.4Bn.

Underpinned by strong revenue growth and cost optimisation, Group EBITDA for FY 2018 delivered a strong growth of 28% YoY to reach Rs. 43.5Bn. The Group EBITDA margin for FY 2018 was accordingly improved to 39.8% from 36.0% in FY 2017.

Group NPAT*  
\[\text{Rs. Bn} \quad +9\% \quad \%\]  
\[\begin{array}{c|c|c|c|c|c|c|c|c|c|c} \hline & 2016 & 2017 & 2018 \\ \hline Group NPAT & 9.8 & 11.2 & 12.2 \\ Group NPAT Margin & 11.3 & 11.8 & 12.2 \\ \hline \end{array}\]  
* NPAT normalised for non-cash translational foreign exchange losses

Notwithstanding the strong EBITDA performance, the Group was significantly impacted by the continued depreciation of the Sri Lankan Rupee (“LKR”) against the United States Dollar (“USD”) at 19.2% for FY 2018 resulting in a non-cash translational foreign exchange loss of Rs. 4.7Bn for the year. Consequently, the Group NPAT declined 30% YoY to be recorded at Rs. 7.5Bn for FY 2018. Post normalisation for the non-cash translational foreign exchange losses Group NPAT was recorded at Rs. 12.2Bn for FY 2018, representing an increase of 9% YoY.

Dialog Group continued to be a significant contributor to state revenues, remitting a total of Rs. 34.1Bn to the Government of Sri Lanka (“GoSL”) during the financial year ended 31st December 2018. Total remittances included Rs. 8.5Bn in Direct Taxes and Levies as well as Rs. 25.6Bn in Consumption Taxes collected on behalf of the GoSL.

Group capital expenditure for FY 2018 was recorded at Rs. 30.6Bn representing a Capex to Revenue ratio of 28%. In line with the Group’s strategic aspiration to further strengthen its leadership in Sri Lanka’s Broadband sector, the spending was directed primarily towards investments in High-Speed Broadband infrastructure focusing on the expansion of the 4G Network alongside the extension of the Group’s Optical Fibre Network to support robust and seamless connectivity. The strengthening of the network will cater to the burgeoning demand for data consumption driven by growing affordability of smartphones, increased adoption of 4G enabled handsets along with increased usage supported by vast availability of content.

Notwithstanding the increase in capital investments, the Group recorded a positive Operating Free Cash Flow (“OFCF”) for FY 2018 of Rs. 5.2Bn as a result of improved profitability, calibrated capex expenditure and focused working capital management initiatives carried out throughout the year. The Group continued to exhibit a low geared balance sheet with the Net Debt to EBITDA ratio being maintained at a healthy 0.91x as at end December 2018.
Business and Financial Review

Capex

- Capex mainly directed towards Group’s strategic aspiration to further strengthen its leadership position in the Broadband sector
- Capex intensity of 28%

Dividend Payout & Dividend Yield

- Dividend Payout Ratio of 40% translating to a Dividend per Share of 37 cents
- Dividend Yield at an attractive 3.7%
- Proposed dividend for FY 2018 of Rs. 3.0Bn

Operating Free Cash Flow (OFCF)

- OFCF turned significantly positive in FY 2018 due to improved profitability, calibrated capex spend and working capital management

Group Gross Debt to EBITDA

- Group continued to maintain a low geared balance sheet
- Net Debt to EBITDA at 0.91x by end 2018
ROIC maintained at double digits to record 14.7% despite increase in asset base amid aggressive investments.
Business and Financial Review

DIALOG AXIATA PLC

Financial Review

The Company’s key businesses, Mobile, International, Tele-infrastructure and Digital Services contributed to 77% of the Group revenue in FY 2018. Notwithstanding intense competition, the revenue was recorded at Rs. 84.5Bn for FY 2018, up 9% YoY, driven by growth in mobile data, international business and digital services. The Company continued to maintain its market leadership position with the 8% YoY growth in mobile subscriber base to reach 13.8 Million subscribers by end 2018.

Despite the continued threat from OTT (“Over-the-Top”) services, voice revenue recorded only a moderate decline of 1% YoY. New customer acquisitions via aggressive regional campaigns and positive traction gained from new product launches supported the sustenance of voice revenue.

Data revenue continued its strong growth momentum during the year to record a growth of 32% YoY driven by continued increase in smartphone penetration, 4G device penetration supported by rapid 4G conversion, coverage expansion and upgrades to data related infrastructure.

During the year, the TRCSL announced the abolition of the floor rate (Rs. 1.50 per minute) applicable on mobile voice services. However, all tariff plans require the approval of TRCSL and such tariff approvals shall be based on a cost-based approach, similar to that followed for data pricing.

The Minutes of Use (“MOU”) declined YoY as a result of shift in usage pattern from voice to data. The Average Revenue per User (“ARPU”) however increased on a YoY basis supported by accelerated growth in data revenue.

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### Mobile Subscribers

<table>
<thead>
<tr>
<th>Mn’s</th>
<th>2016</th>
<th>2017</th>
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<tbody>
<tr>
<td>11.8</td>
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**+8%**

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### Blended MOUs

<table>
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<tr>
<th>Minutes</th>
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<td>133</td>
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**-3%**

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### Blended ARPUs

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<td>396</td>
<td>387</td>
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</table>

**+4%**

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Downstream of strong revenue performance, EBITDA was negatively impacted by organisation transformation related one-off provision to the value of Rs. 2.2Bn. Post normalisation for the said provision, Company EBITDA increased 20% YoY to reach Rs. 32.4Bn for FY 2018 translating to an EBITDA margin of 38.3%, up 3.5pp YoY.

The depreciation of the LKR, as alluded to earlier, impacted the Company as the NPAT declined 58% YoY to reach Rs. 4.4Bn for FY 2018. On normalising for the non-cash translational foreign exchange losses and one-off organisation transformation provision, Company NPAT was recorded at Rs. 10.9Bn for FY 2018, up 1% YoY.
Industry Outlook

Sri Lanka continues to see a rapid transformation in the telecommunication space ranging from high speed data connectivity, cloud service, emerging digital services and digitisation. The strong focus in the market for high speed internet is evident via the 4G adoption rates and the requirement of 5G expansion strategies. With the focus of the future moving towards digital, the telecommunications industry too would continue to shift its business model from delivering organic telecommunication services, to advancing digital services. The Industry is expected to witness an increase in demand for content and move further towards digital services.

4G Adoption

In view of the accelerated digitisation and advancement of lifestyles of the Sri Lankan consumer, Dialog launched the affordable Dialog branded 4G and VoLTE (Voice over Wi-Fi) enabled smartphones. Additionally, Dialog introduced portable mobile Wi-Fi routers (4G Wingle, 4G MiFi) at an attractive starting price of Rs. 4,990/-. Dialog also introduced a device cash back offer for the first time in Sri Lanka, where Dialog partnered with leading brands to promote 4G smartphone conversion programmes, with device cash back offers to further drive 4G device penetration. This resulted in almost 40,000 customers converting to 4G smartphones, contributing to the 4G adoption acceleration programme, with the focus of moving users from 3G to 4G. 40% of data subscribers have been attached to the 4G network by end 2018.

Key to Guide Coverage Maps

<table>
<thead>
<tr>
<th>4G Coverage</th>
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<tbody>
<tr>
<td>Low Coverage</td>
<td>(Between - 100 dBm to - 103 dBm)</td>
</tr>
<tr>
<td>Moderate Coverage</td>
<td>(Between - 85 dBm &amp; - 100 dBm)</td>
</tr>
<tr>
<td>Good Coverage</td>
<td>(Better than - 85 dBm)</td>
</tr>
</tbody>
</table>

Figure 1: 2G Coverage

Figure 2: 3G Coverage

Figure 3: 4G Coverage

Figure 4: Network Leadership
Continuing Dialog’s commitment to providing users with island wide coverage, the company invested Rs. 30.6Bn in network related investments with focus on 4G coverage. To cater to this exponential growth in data traffic, Dialog increased its Mobile 4G-LTE base stations by 78% during the year.

In 2018, Dialog was conferred the 2018 Speedtest® Award by Ookla®, the global leader in mobile network testing applications, data and analysis. The Speedtest reflects network speed figures tested by Sri Lankans across the country, and further reiterates Dialog’s distinction as being selected as the Internet Service Provider of the Year at the Peoples Choice Awards for six consecutive years.

Dialog also marked an important milestone in 2018, where the company enabled South Asia’s 1st fully-functional 5G pilot transmission - a major step forward in Sri Lanka’s 5G journey.

Usage Drive
Dialog Mega Wasana, the flagship consumer rewarding programme, has generated over 700,000 winners during the year, and distributed a total prize value of Rs. 195Mn amongst Dialog mobile subscribers. Dialog Mega Run introduced the Augmented Reality (AR) feature adding further excitement to the game. Mega Run has recorded 1.6Mn app downloads and 25% penetration of the smartphones subscribed to the Dialog network, within a year, to become the fastest growing mobile app in Sri Lanka. Growth in consumer affordability, better quality network and wider coverage, along with usage drive has helped to improve customer Average Data Revenue Per User by 20% YoY. Despite the increase in OTT services such as WhatsApp, Viber, Skype, the Company has managed to mitigate IDD revenue reduction by continuing the ‘IDD Triple Bonus’ product.

Dialog Prashansa, which offers a special mobile package to retired government sector employees in partnership with the Department of Pensions, continued in 2018 with the objective of servicing the retired government sector. The programme has successfully run for the 2nd consecutive year; with 1 in every 5 pensioners being a Dialog customer.

Market and Product Innovations
In April 2018, Dialog became the 1st operator in South Asia to launch eSIM technology for devices, by partnering with Huawei to launch the 1st ever eSIM enabled smart watch. Further, Dialog became the 1st operator in Sri Lanka to partner with Apple to launch eSIM enabled smartphones in Sri Lanka for the latest iPhones XR, iPhone XS and iPhone XS Max devices.

Dialog launched Voice over Wi-Fi (VoWiFi or WiFi Calling) services, an internet-based telephony feature that will enable users to make voice and video calls on minimal or no cellular connectivity. The 1st to launch the technology in Sri Lanka, Dialog allows subscribers to connect to a public Wi-Fi hotspot or any standard Wi-Fi network, and make calls to mobile numbers and landlines. The technology is immensely useful in...
locations with limited connectivity and permeates lifts, basements, thick walls and stations to address loss of cellular signal.

Dialog launched the Voice Unlimited Pack for both prepaid and postpaid customers. Dialog also launched 4G Bonus packages in October 2018, another 1st in the market, introducing innovative data tariff plans with anytime quota, night time quota and 50% anytime 4G bonus for subscribers.

**Roaming and IDD Services**

Dialog continued to strengthen its presence beyond borders by successfully expanding its international roaming coverage. Dialog’s overall voice roaming collaboration reached 676 operators and 230 destination countries around the globe. The Company signed new roaming agreements with 6 GSM operators and added to its roaming footprint during the year. The Company also expanded its roaming footprint on GPRS, 3G, and CAMEL to 218, 184 and 196 destinations respectively, with the effort to meet the needs of the customers to be connected at all times. During the year, the Company also expanded its LTE roaming footprint and coverage to 288 operators and 122 destinations, while being the pioneers of launching VoLTE Roaming with 7 operators in 5 countries.

With the commissioning of the Bay of Bengal Gateway in 2016, Dialog can currently provide international capacity and internet uplink services to almost all other operators in Sri Lanka. Additionally, Dialog was able to monetise the investment not only in Sri Lanka, but also in international bandwidth corridors such as Middle East - Singapore and India - Singapore.

**Content**

The ViU app, the central hub for content disbursement, currently has 850,000 app downloads and contains over 500 movie titles. MyTV continues to attract customers and currently boasts a download base of 2Mn, and is the 1st Dialog app to reach this milestone. Iflix currently has a registered base of 98k in Sri Lanka.

Dialog released the 1st film production ‘Eka Dawasaka Api’ under the Vinode Production banner released in February 2018, which ran in theatres for 100 days. The film was shortlisted and screened at the 40th edition of the Moscow International Film Festival. Further, Dialog worked with veteran artists and directors in 2018, to produce 4 web dramas (Roomassala, Apuru Bodima, Ilakkaya and Drift) in the Sinhala language, as well as the web drama series “Phone phobia” in the Tamil language.

Dialog Play Expo, Sri Lanka’s largest video-game and eSports championship, and the Colombo Comic Expo concluded successfully on 9th December 2018, which was powered exclusively by Dialog. Dialog Play Expo showcased the latest technology and experiences available for digital entertainment enthusiasts and opened opportunities for anyone interested in audio, video, music, movies, gaming and their related technologies. This event hosted the biggest prize pool ever announced in Sri Lanka, worth Rs. 5Mn, spanning a wide range of eSports titles, providing the opportunity to showcase their talent at a national level. Further, Dialog Game Hero Season 1 was concluded in December 2018, the 1st gaming competition in the country to offer a prize pool of Rs. 3Mn.

Continuing with its objective of providing an unparalleled mobile entertainment experience to its customers, Dialog launched the Hungama Music application in September 2018. With the launch of the application, users received a superior customer experience with access to an extensive catalogue of over 3 Million international, local and regional music and music videos on-the-go. The music service provides the lowest rates in the market for an international streaming service, whilst providing a host of features including curated playlists, free downloads, HD quality music, offline listening and gamification. Further, the application provides local artists a platform to distribute their content to the international arena and an opportunity to monetise their creations via legal channels.
ThePapare.com has firmly entrenched itself as Sri Lanka’s No. 1 Sports Hub, leading sports media in the country through the web portal and continues to grow its customer base exponentially. A customer base of 2.3 Million visited in 2018 and almost another 1 Million accessed the hub through multiple social media platforms, reaching an island wide and diaspora audience. Also, ThePapare.com in partnership with Dialog Television and MyTV, further reached local television and mobile app audiences, bringing local sports fans closer to the games.

**Dialog Tele-infrastructure Arm – DTI**

The Company’s infrastructure services arm continues to be the frontrunner in provision of active and passive telecommunication infrastructure services in Sri Lanka. It serves all licensed operators and broadcasters on their passive infrastructure and transmission requirements through modern and cost-effective technical solutions. In view of providing high capacity, scalable and reliable transmission services at access and aggregation layers, Dialog had modernised its transport network with the expansion of the Optical Fibre Network across the country, connecting all main cities and metropolitan areas improving the service reachability to the customers.

**Digital Services**

Dialog continued investing in digital infrastructure and digital ecosystem throughout the year to strengthen its pathway towards becoming the leader in Sri Lanka’s digital service providers while digitally empowering all Sri Lankans.

eZ Cash, the country’s 1st mobile money solution successfully obtained the GSMA Mobile Money Certification during the year 2018. eZ Cash’s efforts were measured against global industry best practice, becoming the 7th mobile money deployment out of 276 mobile money operators globally to successfully obtain this certification. The revolutionary mobile money network accounts for over 3.4 Million subscribers across Dialog, Etisalat and Hutch, and over 20,000 merchant partners around the island.

eZ Cash partnered with Alipay, the Alibaba affiliated mobile payments arm of China’s Ant Financial Services Group, to extend the eZ Cash platform to Chinese tourists in Sri Lanka. eZ Cash recorded a 31% YoY growth in 2018.

During the year under review, Dialog launched ‘Genie’, Sri Lanka’s 1st ‘Payment Card Industry Data Security Standard’ (PCI-DSS) certified mobile payment app. Genie is an innovative digital wallet payment solution that securely holds credit and debit cards, current and savings accounts (CASA) and eZ Cash accounts on their smartphone. Post launch, within a short time frame, 105,000 app downloads were recorded with an average of Rs. 52Mn worth of transactions per month.

Dialog’s digital advertising arm which provides services such as display advertising, managed campaigns, and digital solutioning continued to grow during 2018 with a YoY revenue growth of 64%. Digital adverting executes highly targeted multichannel campaigns for Sri Lanka’s leading brands and agencies via an analytics based digital advertising platform.

The Touch Corporate Fuel Solution expanded to provide over 500 corporates with an automated mechanism to distribute and manage fuel benefits and allowances for staff. Dialog has an island wide network of 150 fuel stations with an addition of 25 new stations during the year.

The Doc990 platform owned by Digital Health Pvt Ltd is a joint venture partnership between Dialog Axiata PLC, Asiri Group of Hospitals, Nawaloka Group of Hospitals and Ceylon Hospitals (Durdans). This joint venture is the first cross-sector partnership of its kind in Sri Lanka’s healthcare industry. Whilst primarily catering to the doctor channeling customers in the country, Doc990 has expanded its offering to include several complementary services, such as the Tele Doctor Service, Medicine to Your Doorstep, Healthcare to Your Doorstep, My Health Records and Lab Reports to provide an integrated and comprehensive digital health service. Currently, Doc990 enables patients to
book appointments with over 100 hospitals and 2,500 doctors across 270 medical specialisations. Although Doc990 was a late entrant to the digital health sector, it has rapidly grown to capture over 40% of doctor channeling market share and over 195,000 customers. Further, Dialog, MyDoctor.lk and Avidhrt Inc. partnered to launch Avidhrt Sense, the country’s 1st and only portable vital monitor, available to the Sri Lankan public. Avidhrt Sense is the only commercial product that offers a complete physiological monitoring solution for patients and health-conscious individuals.

wOw.lk, which ranks among the largest e-commerce websites in Sri Lanka, operated by Digital Commerce Lanka (Pvt) Ltd, rebranded itself during the year under review, to reflect the modern and upward trends of consumer preferences and continued its voyage to offer a complete and convenient shopping experience for over 8,000 products in its portfolio. wOw.lk launched Sri Lanka’s first line of ‘Inspired Gifts’ in partnership with the United Nations Children’s Fund (UNICEF) to support and improve the lives of children and communities. In 2018, the Company underwent a product rationalisation and cost rescaling exercise to improve operational efficiency and margins.

444, Sri Lanka’s largest location-based booking platform, enables a multitude of bookings across a variety of industries and connects directly with local businesses in the area with a few simple clicks. 444 unveiled a new extension to its identity by enabling convenient access to over 150 stylists in partnership with Club Soirte during 2018. Bookings via 444 grew by 63% YoY recording over 179,000 bookings during the year under review.

Dialog continues to uplift digital education in Sri Lanka via Headstart, a key software partner on several national educational initiatives. During the year under review, Headstart added 100 new schools to its smart school programme while introducing a unique digital education transformation product for private schools, in collaboration with Microsoft. The B2C arm of Headstart, Guru.lk, increased its product portfolio and sales partner network during the course of 2018 and the Company won 3 awards for its solutions at the NBQSA and SLT ZeroOne awards.

Dialog’s per day insurance services continued its stellar growth trajectory surpassing a 4 Million subscriber base in accident, hospitalisation, life and home protection covers. The acquisition of InsureMe provided a space to operate in the digital sphere of insurance brokering model. Senior citizen product, Pay As You Go via the InsureMe app, was launched for the 1st time in Sri Lanka. In 2018 Dialog also partnered with AIA, an international brand offering insurance services for over 100 years. With insurance penetration in Sri Lanka remaining low, Dialog’s mobile penetration products are considered the most viable and affordable option in terms of reaching the masses.

The service offerings of API Business reached new heights by expanding the boundaries beyond Sri Lanka to Maldives, Cambodia, Myanmar and Malaysia. Services in Myanmar and Maldives were launched with Ooredoo via Ideamart partners Smart Axiata and Celcom Axiata of Cambodia and Malaysia respectively. This expansion not only allows Sri Lankan technology to be used outside Sri Lanka, but, also provides the Sri Lankan developer community to extend their services to new territories. Ideamart continued to conduct over 50 educational programmes in schools and universities around the country. Along with Google I/O 2018, Ideamart managed to organise and participate in over 10 exhibitions with a focus on showcasing the Dialog Internet of Things (IoT) Platform and use cases relevant to the country.

Dialog in partnership with University of Moratuwa Research Lab and Lanka Electricity Company (LECO) jointly developed Sri Lanka’s 1st smart grid solution with connected meters and network monitoring devices, which is planned to be launched in the year 2019, with the support of the Ministry of Power and Renewable Energy and the blessings of the subject minister. They also partnered with Earth Networks.
Limited to provide the Sri Lankan public with more accurate weather based information and predictions. The IoT arm initiated and installed more than 30 localised weather stations around the country for this purpose and built an environment monitor that senses impurities in the environment.

With the intent of igniting IoT innovation in the country, the team built several NB-IoT (Narrowband-Internet of Things) based development boards that enabled developers and industries to use Dialog’s IoT platform to build multiple IoT solutions on monitoring and automation leading to business efficiency. A notable achievement of a use case is a cloud based IoT roller gate solution for homes and industries where any traditional roller gate is able to be turned into a connected smart gate that can be controlled using any smartphone. In collaboration with the National Water Supply and Drainage Board, the team developed a water distribution monitoring solution using Dialog’s IoT platform and one of the development boards. In addition, the homegrown industrial monitoring solution for base station monitoring has now been elevated to commercial levels with applications in multiple verticals, namely building management system and smart energy monitoring for enterprises. The smart meter which started as a utility application was also turned into an enterprise solution for smart energy monitoring.

Dialog Axiata Digital Innovation Fund, Sri Lanka’s 1st venture fund of USD 15Mn (Rs. 2.3Bn) powered by Dialog and managed by BOV capital, was set up exclusively to support digital startups in 2017. The Fund will invest in startups that have strong business models, and proven product market fit, demonstrating the ability to expand in Sri Lanka and have the potential to become market shaping digital businesses in the country and beyond. The initial screening by BOV Capital considers several factors including revenues, user traction and scalability, and includes a comprehensive study of the business model. Subsequently, the startups are approved by the Investment Committee of the Digital Innovation Fund, for further evaluation prior to awarding the funding. Its 1st phase of investments in 2018 included Roar, a new media platform (Rs. 39Mn), InsureMe, an insurance broker (Rs. 50Mn) and MyDoctor.lk, an integrated healthcare platform (Rs. 55Mn).

In line with its continuous efforts to advance technology and consistently provide users with a world-class customer service experience, Dialog launched an Artificial Intelligence (AI) powered personal voice service skill to support its expansive product service framework. This service which is a first in Sri Lanka simplifies human interaction with voice and natural language by using Natural Language Processing (NLP), an emerging technology used by Amazon’s artificial intelligence. The service is set to revolutionise selfcare experience with the addition of a futuristic yet human centred technology platform. The skill will assist users with tasks such as checking bill related information and DTV channel related information. Along with the ability to assist users with numerous Dialog selfcare related tasks, the AI based skill is easily accessible by any customer with an Amazon Alexa enabled personal voice assistant device and can be accessed by simply saying “Alexa, open Dialog”.

Dialog and Orange Electric launched the 1st IoT Wi-Fi socket manufactured in Sri Lanka, the ‘Orange Electric Smart Socket’. The smart socket is another product introduced under the Dialog Smartlife Connected Home portfolio, the latest innovation in digital lifestyle and the IoT platform from Dialog. This is a wireless Plug and Play device that allows users to control electrical appliances in their home remotely, via the Dialog Smartlife mobile app, available on the Google Play Store and Apple App Store. The app enables scheduling functions including switching a device on and off and triggering on/off events from other connected sensors or devices.
Dialog Axiata PLC, in collaboration with Arimac Lanka (Pvt) Ltd, announced the introduction of an intelligent humanoid robot as a Customer Assistant at the Dialog Iconic flagship store. The cloud-based humanoid robot, designed specifically for commercial use in the retail, hospitality, healthcare and education industries, is part of Dialog’s efforts to expand its Robotics and Artificial Intelligence (AI) product portfolio, along with introducing the next generation of robotics to Sri Lankan customers.

In a combined effort to provide Sri Lankan smallholder farmers with an affordable solution for protecting crop yields from adverse weather and other negative conditions, Dialog partnered with the University of Ruhuna and the University of Moratuwa to develop and go to market a localised, automated protected house agriculture automation system. This affordable, climate-smart, protected agriculture system optimises environmental control (humidity, temperature, soil moisture, pH level etc.) and is expected to increase yields by 130%-200%, while reducing labour requirements and management effort.

Dialog launched Sri Lanka’s 1st Augmented Reality (AR) calendar, a showcase of the Company’s commitment towards introducing cutting-edge technology. Further reiterating Dialog’s vision of enriching Sri Lankan lives and enterprises with the latest in innovation and technology, the revolutionary AR calendar will allow users to experience immersive AR features such as exciting and creative 3D graphics and interactive content for all 12 months, along with updates on Dialog events and yearly holidays.

**DIALOG BROADBAND NETWORKS**

**Financial Review**

DBN consolidated its position by delivering a revenue growth of 39% YoY to record Rs. 17.2Bn for FY 2018, contributing to 16% of the Group revenue. The strong revenue growth was primarily driven by Fixed Home Broadband segment on the back of expanding LTE network coverage and aggressive subscriber acquisition. The revenue growth was also supported by the transfer of the Group’s international wholesale business to DBN during the year. Fixed Broadband revenue grew by 29% YoY while revenue from Data and Leased lines grew by 23% YoY.

Downstream of strong revenue performance, EBITDA was favourably impacted by the one-off gain from litigation related provision reversal of Rs. 3.7Bn. Post normalisation for the said provision reversal, DBN EBITDA grew 19% YoY to reach Rs. 8.2Bn for FY 2018. Normalised NPAT surpassed Rs. 1Bn mark for the second consecutive year in FY 2018. However, normalised NPAT declined 27% YoY to record Rs. 1.3Bn, due to increase in depreciation resulting from aggressive investments into Fixed 4G LTE network.

![Figure 4: 4G-LTE TDD Network](image)

**Business and Financial Review**
Business Outlook

DBN serves over 800,000 individuals and corporates, providing multiple services including fixed telephony, hosted PABX offerings, broadband internet, Internet Data Centre (IDC), converged ICT solutions, telecommunication infrastructure, transmission and backbone services positioning itself as a strong contender in the fixed telecommunication market of Sri Lanka.

Fixed LTE broadband continued its growth momentum in 2018 with fierce competition. The Company was able to add over 140,000 customers during the year and sustain a subscriber market share over 30%. During the course of 2018, it continued to embark on penetration forays, where the subscriber base showed a noteworthy 45% growth. Continuing its commitment to provide all households with a broadband coverage, the company invested in expanding in Fixed LTE network. In 2018, DBN further strengthened its network with a total site count of over 2,200 sites whilst increasing its household coverage by 14pp.

In addition, DBN took a major step forward in Sri Lanka’s 5G journey with the commissioning of South Asia’s first fully functional and standards compliant 5G transmission using commercial grade base stations and end user devices. 5G technology is designed to deliver an era of ‘Intelligent Connectivity’, bringing together the power of 2GBps + transmission speeds alongside cutting-edge technologies such as augmented and virtual reality, robotics, autonomous vehicles, artificial intelligence and machine learning based applications and cloud-based enterprise networks. 5G networks will augment 4G services with fundamental advancements with respect to network speeds, throughput, traffic capacity and ultra-low latency.

DBN’s latest facility on cloud and colocation services “LEED Gold certified” contributes towards a low carbon footprint and supports the sustainability initiatives of the Axiata Group. IDC business recorded an accelerated growth of 61% during the year whilst maintaining a colocation utilisation rate of over 80%.

During 2018, Dialog under DBN, entered into a joint venture partnership with Orion City to build and manage the island’s first ever High-Density Data Centre (200 racks) at the Orion City IT Park in Colombo, providing a particularly valuable option for Sri Lankan enterprises seeking a convenient, cost-effective site for their primary data centres.
Dialog Axiata PLC

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Business and Financial Review

DIALOG TELEVISION

Financial Review
DTV continued to consolidate its market leadership position in the digital pay television space with a subscriber growth of 17% YoY to exceed 1.1 Million subscribers by end 2018. Driven by the strong subscriber base, DTV revenue grew by a significant 25% to reach Rs. 7.5Bn for FY 2018, resulting in a contribution of 7% to Group revenue. The subscription revenue grew by 11% YoY, driven by healthy subscriber acquisitions.

DTV has maintained a continuous growth momentum in the enterprise sector to secure 85% of the market share through the expansion of the IPTV Network and developing strategic partners in the leisure and condominium sectors.

DTV EBITDA was recorded at Rs. 1.8Bn for FY 2018, up 221% YoY, mainly driven by SLFRS 15 impact. Normalised for the SLFRS 15 impact, EBITDA declined 68% YoY to reach Rs. 0.2Bn for FY 2018. DTV Net Loss increased to Rs. 915Mn for FY 2018 relative to a Net Loss of Rs. 736Mn in FY 2017, resulting from increase in depreciation and forex losses.

Revenue

<table>
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+25%

EBITDA

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<tbody>
<tr>
<td>2016</td>
<td>-0.4</td>
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<tr>
<td>2017</td>
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<td>2018</td>
<td>1.8</td>
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>+100%

NPAT

<table>
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<tr>
<th>Year</th>
<th>NPAT (Rs. Bn)</th>
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<tbody>
<tr>
<td>2016</td>
<td>-0.6</td>
</tr>
<tr>
<td>2017</td>
<td>-0.7</td>
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<tr>
<td>2018</td>
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-24%

Business Review
DTV, the Group's Pay Television business continues to be in the forefront of the pay television industry in Sri Lanka. Year 2018 was a landmark year for DTV surpassing the 1 Million subscriber base during the year. DTV continued its growth momentum, recording a subscriber growth of 17% YoY.

DTV engaged in an aggressive service and product enhancement programme during 2018, featuring customer convenience, wider freedom of choice of services through a multiple product offering servicing different segments of users and network stay based cash back offers and affordability levers such as instalment schemes.

To drive higher network loyalty among existing postpaid customers, a new product termed ‘Home Bundle’ was launched in 2018 which enabled customers to enjoy an additional DTV connection at home for 50% of the rental. DTV also carried out a focused exercise to gain and retain a higher base of revenue generating customers through the introduction of the Prepaid Super 6 Package, conversion of postpaid churned customers to prepaid and activities to deliver higher loyalty-based rewards to minimise churn.

The Company has an array of value-added services such as Rewind TV, Catch Up TV, Video on Demand, DTV On the GO and has expanded its local channel offering in order to cater to the sensorial satisfaction of a wider audience. DTV now delivers an extensive assortment of more than 130 Standard Definition (SD) and 10 High Definition (HD) channels at the end of 2018 striking a precise balance of both local and international channels to satisfy the entertainment needs of Sri Lankans, to remain Sri Lanka’s No.1 Television Experience.