“Dialog remains committed to being a catalyst in Sri Lanka’s digitisation journey, continuously making cutting-edge communication technology available to Sri Lankans.”
“Dialog invested Rs. 30.6Bn in network related investments with mobile 4G coverage reaching 91% of the population while our 4G fixed broadband reached 67% of Sri Lankan homes.”

I am pleased to inform you that 2018 was another successful year for Dialog Axiata, which delivered revenue growth of 16% crossing the Rs.100Bn milestone with EBITDA growing at 28%. It took seventeen years for your Company to attain the first Rs. 50Bn revenue mark, and only six years to achieve the next Rs. 50Bn, indicating the success of our data leadership and convergence strategy. We were awarded Telecom Service Provider and Internet Service Provider of the Year at the SLIM-Nielsen Peoples Awards for the 7th and 6th consecutive years respectively, reflecting the strength of our brand. We retained our #1 ranking for Corporate Accountability for the 8th consecutive cycle, awarded by Sting Consultants and ranked #5 in LMD’s list of Most Respected Entities, confirming our commitment towards stakeholder interests and upholding high standards of conduct. Being titled Sri Lanka’s Fastest Mobile Network in the Speedtest Award by Ookla affirmed our commitment to ensuring that Sri Lankans are connected to global opportunities, keeping pace with the developed world, with investments in state of the art communication technology.

It gives me great pride to report that all strategic business units of the Dialog Group demonstrated commendable growth in FY 2018. A consolidated revenue of Rs. 109.2Bn was achieved through growth in consumption and expansion in our subscriber base. While local voice revenues remained stable, the emerging segments of Mobile Broadband, Fixed and Digital Services contributed significantly to the overall profile, delivering a growth of 32%, 29% and 14% respectively. Revenue growth combined with our continued focus on operational improvements led to Group EBITDA, growing 28% YoY to be recorded at Rs. 43.5Bn for FY 2018. The Group EBITDA margin was recorded at 39.8%, which represents an improvement of 3.8pp relative to the previous year. Strong growth dynamics in operational performance assisted in delivering an NPAT (Non-cash Translational Forex Normalised) of Rs. 12.2Bn, a 9% improvement YoY while the reported NPAT was Rs. 7.5Bn. I am pleased to report that your Company grew stronger as reflected in our Statement of Financial Position and confirmed a AAA (lka) rating with a stable outlook by Fitch Ratings.

GEARING FOR GROWTH

Dialog remains committed to being a catalyst in Sri Lanka’s digitisation journey, continuously making cutting-edge communication technology available to Sri Lankans, integrating them to a digitally mobile workforce that is future ready. Accordingly, we focused on data leadership, convergence, and digital transformation as our strategic thrusts, while service from the heart and transformation of our culture was aimed at driving brand equity.

Dialog’s vision of leading in the convergence era to drive Sri Lanka’s ICT sector was a key growth driver which strengthened our customer value proposition, making us more relevant in the lives of our customers. In line with our strategy to offer mobile, broadband and digital television services under one brand, we were able to grow wallet share and enhance retention...
Group Chief Executive’s Review of Operations

“We are focused on sharpening the positioning of our brand to deliver sustainable long-term value and are grateful for the unwavering support, trust, and confidence placed in us.”

across products. This was strongly supported by our customer care, IT, network, infrastructure, retail and brand convergence, driving long term growth, and sustainable returns to all stakeholders.

Keeping in line with our brand’s commitment to providing users with the widest coverage, Dialog invested Rs. 30.6Bn in network related investments. With the view of strengthening our 4G leadership journey and catering to the exponential growth in data traffic, Dialog has increased Mobile 4G base stations by 78% along with a 48% increase in Fixed 4G base stations focused towards providing island wide coverage in 2018. As of end 2018 our mobile 4G coverage reached 91% of the population while our 4G fixed broadband reached 67% of Sri Lankan homes.

Our transformation was focused on digitising consumer touchpoints from awareness through acquisition, billing and collection via the MyDialog app. Transformation from retail to a digital store, and Point of Sale (PoS) was implemented using the Dialog Retail Hub application. Robotic Process Automation (RPA) was also deployed in digitising internal processes, supporting service excellence, and cost efficiencies.

‘Service from the Heart’ (SFH) moved centre stage in 2018 as we rolled out training to reinforce key aspects of SFH, and to reinforce our service culture in a digital era. SFH through the ‘Train the Trainer’ initiative facilitated island wide coverage. Team members who demonstrated the spirit of delivering service from the heart were recognised at the Yes We Can awards, inspiring our colleagues to go the extra mile in delivering service to internal and external customers alike.

The Dialog brand’s success stems from its capabilities of translating its brand strength to brand value across all segments in Sri Lanka, resulting in your Company being one of the most valued and trusted brands in the country with an attributed value of Rs. 38.2Bn and a AAA- rating as evaluated by BrandFinance of UK, in 2018.

As we relentlessly extend into new sectors, we are focused on sharpening the positioning of our brand to deliver sustainable long-term value. We are grateful for the unwavering support, trust, and confidence placed in us, and we pledge to strengthen our brand to provide world class services that deliver innovative and creative solutions and deliver the very best of value to our stakeholders.

FUTURE TODAY
Dialog Axiata continues to be the trendsetter for the telecommunications industry not only in Sri Lanka but also for the region. As espoused in our tagline The Future.Today, we launched many firsts in the region, by introducing the very latest technology in 2018, aimed at driving network capability and digital enablement on par with developed markets.
5G
The launch of our pre-commercial 5G transmission in December 2018 marked a major step forward in Sri Lanka’s 5G journey with the commissioning of South Asia’s 1st fully functional and standards compliant 5G transmission using commercial grade base stations and end user devices. Dialog’s 5G transmission delivered speeds in excess of 3Gbps in a real-world setting, which can deliver 5G throughput to a host of wireless devices and applications across spheres of video, gaming and automation. Designed to deliver an era of ‘Intelligent Connectivity’, 5G technology brings together the power of Gigabit transmission speeds at millisecond latency that would power the 4th industrial revolution.

In 2018, we upgraded over 20% of our fixed 4G base stations to ‘5G Ready Status’ by deploying Massive MIMO (Multiple Input Multiple Output) technology enabling transmission at 5G speeds upon the licensing of commercial 5G services. We plan to upgrade the remaining base stations over the upcoming years by investing in the technology and working together with the Telecommunications Regulatory Commission of Sri Lanka (TRCSL) and the Ministry of Digital Infrastructure to empower Sri Lanka’s socio-economic transformation.

Voice over Wi-Fi
The Voice over Wi-Fi service enabling users to make calls using a Wi-Fi network was launched in October 2018, marking another 1st for Dialog and South Asia. All customers with a VoWiFi Calling enabled smartphone can take advantage of this technology. We started this journey by enhancing the infrastructure in our network and migrated to a new state-of-the-art core network to provide a better experience for customers through greater agility and flexibility.

“The Dialog brand’s success stems from its capabilities of translating its brand strength to brand value across all segments in Sri Lanka, resulting in your Company being one of the most valued and trusted brands in the country.”

eSIM
Dialog was the 1st operator in South Asia to commercially launch eSIM technology, enabling the use of two mobile numbers with separate voice and data plans on compatible devices. eSIMs are a key component of cellular powered Internet of Things (IoT) applications, giving devices an out-of-the-box network connectivity without having to purchase a SIM card separately.

Genie
The launch of ‘Genie’, Sri Lanka’s 1st ‘Payment Card Industry Data Security Standard’ (PCI-DSS) certified mobile payment app was another leap forward in the Sri Lankan Fintech Industry. ‘Genie’ transforms a conventional wallet to a truly digital wallet that securely holds credit and debit cards, current and savings accounts (CASA) and eZ Cash accounts on the mobile phone, enabling a seamless payment experience for in-app, Over the Counter (OTC via QR Code), web and remote payments.
Group Chief Executive’s Review of Operations

BUSINESS LINE REVIEW

DIALOG AXIATA PLC

Mobile Business

During the year 2018, Dialog Mobile continued to strengthen its market leading position in Sri Lanka’s mobile sector as it added approximately 1 Million subscribers to record a mobile subscriber base of 13.8 Million as at December 2018, an 8% YoY growth. Dialog Axiata PLC’s combined performance of key businesses, Mobile, International, Tele-Infrastructure, and Digital Services continued to account for the majority of Group revenue (77%) and of Group EBITDA (70%). Company revenue for FY 2018 was recorded at Rs. 84.5Bn, up 9% YoY compared to FY 2017. Revenue growth was driven by growth in mobile data, international business and digital services. Dynamic initiatives undertaken to increase the subscriber base along with cost optimisation initiatives resulted in Company EBITDA growing by 20% YoY to be recorded at Rs. 32.4Bn for FY 2018, post normalisation for one-off Organisation Transformation related provision to the value of Rs. 2.2Bn. Accordingly the EBITDA margin was recorded at 38.3%, up 3.5pp YoY. Company NPAT was impacted by depreciation of the LKR and one-off Organisation Transformation related provision. Normalised for aforementioned impacts NPAT was recorded at Rs. 10.9Bn for FY 2018, up 1% YoY.

Fixed Telephony & Broadband

DBN delivered strong revenue growth of 39% to record Rs. 17.2Bn for FY 2018, contributing 16% of Group revenue. Growth was primarily driven by the Fixed Home Broadband segment due to aggressive subscriber acquisition supported by expansion of LTE network coverage and the transfer of the Group’s international wholesale business to DBN during the year. Fixed Broadband revenue grew by 29% while revenue from Data and Leased Lines grew by 23%.

“During the year 2018, Dialog Mobile continued to strengthen its market leading position in Sri Lanka’s mobile sector as it added approximately 1 Million subscribers to record a mobile subscriber base of 13.8 Million as at December 2018, an 8% YoY growth.”

Normalised for one-off gain from litigation related provision reversal of Rs. 3.7Bn, NPAT declined 27% to record Rs. 1.3Bn, due to increase in depreciation resulting from aggressive investments into Fixed 4G LTE network.

Television

Dialog Television strengthened its market leadership position in the digital pay television space with a subscriber growth of 17%, increasing the subscriber base to 1.1 Million by the close of the year. Accordingly, revenue grew by 25% to reach Rs. 7.5Bn for FY 2018 contributing 7% to Group revenue. Subscription revenue growth of 11% reflected healthy subscriber acquisitions. However, DTV Net Loss increased to Rs. 915Mn for FY 2018 relative to a Net Loss of Rs. 736Mn in FY 2017 due to an increase in depreciation and forex losses.

CORPORATE SUSTAINABILITY

Dialog continues to promote digital inclusion for traditionally marginalised groups on a range of issues. I refer readers to our Sustainability Report for a more detailed description of our work in this area, but let me highlight a few initiatives in this section which are of significance, reflecting the impact that we can make as a corporate to our people.
A key project for us to support our youth subscribers was the launch of the website and Android app known as Yeheli.lk in Sinhala and English, and Thozhi.lk in Tamil to provide anonymous, professional advice to young people on a wide range of issues. Providing access to counselling, legal and medical advice provided by professionals, it supports the emotional well-being and even the physical well-being of Sri Lankans. Positioned as a service mainly for young women and girls, we observed that 40% of questions are from profiles self-identified as males reflecting the vacuum and potential need for such a service to assist our youth. Many visitors do not need to pose a fresh question as an answer bank is built up for commonly experienced issues and related questions.

We are encouraged by the reception to the free trilingual and customisable Athuru Mithuru Augmentative and Alternative Communication (AAC) app we developed for Android devices. The brainchild of our Digital Inclusion Team, this app provides the experience of a highly sophisticated software for free of charge to a segment where every Rupee saved can make a huge difference, changing lives of those with auditory impairments. Further, the app is device-independent, meaning every user’s configuration is stored on a secure external server accessible only to themselves, eliminating the need for the user to reconfigure the app every time they change their device. The Athuru Mithuru app also allows customisation of each of the user’s environments and preferences, such as phrases, names, objects – all backed up to the cloud.

Govi Mithuru – Dialog’s mobile advisory service for farmers aimed at ensuring crop health and addressing the information gap existing in the agriculture sector, further extended its reach and impact - providing key information on over 20 crops to 580,00 users across the island, with over 200,000 advisory messages sent daily. Understanding the existing risk to the agriculture sector due to factors such as water depletion, land degradation, and increasingly adverse climatic phenomena, Dialog invested towards developing environment-controlled or ‘climate smart’ protected agriculture systems.

‘Saru’ was developed through a partnership with Universities of Ruhuna and Moratuwa, and further showcased Dialog’s technological capabilities with respect to IoT-based technology – implementing a network of sensors and actuators allowing farmers to remotely control and monitor their activities, through their smart phone; thus, allowing for the agricultural ‘know-how’ on regular crop management (i.e. fertiliser application, water management, assessing growth, pest and disease-identification) to be available at the farmers’ fingertips. Real-time roll-outs of rapid updates or interventions through the service, enable farmers to respond to short-term phenomena which would have had potentially significant negative food-security implications across the country.

Other innovations designed for uplifting lives include our work with the Ratmalana Audiology Centre, a joint initiative with the Ceylon School for Deaf and Blind and the Nenasa Television distance education channels, in partnership with the Ministry of Education. To showcase the importance placed on Education, Dialog invested over Rs. 62Mn across the year, spread across the Nenasa TV channel programme, the Nenasa Smart Schools initiative, and the Merit Scholarships programme. Our collaboration on the

“Dialog continues to promote digital inclusion for traditionally marginalised groups on a range of issues.”
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“Dialog continued to be the country’s prolific promoter of sports through our unyielding support of the National teams for Cricket, Volleyball, Football, Rugby, and the Para Games. Dialog will continue to invest in Sri Lankan talent and empower the youth to excel on a national and international platform.”

Disaster and Emergency Warning Network (DEWN), with the Disaster Management Centre of the Ministry of Public Administration and Disaster Management, together with Microimage Mobile Media (Pvt) Ltd and the University of Moratuwa Mobile Communications Research Lab is another key ongoing project that serves to protect our people.

SUPPORTING NATIONAL SPORTS

Dialog continued to be the country’s prolific promoter of sports through our unyielding support of the National teams for Cricket, Volleyball, Football, Rugby, and the Para Games. We stayed true to our promise of greater inclusivity by becoming the official sponsors of the Sri Lankan National Netball Team, and became the main enabler of the digital future of sports by conducting Dialog Play Expo, Sri Lanka’s largest eSports convention of the year. Dialog will continue to invest in Sri Lankan talent and empower the youth to excel on a national and international platform.

NURTURING HUMAN CAPITAL

As a service organisation, our team of over 3,000 staff with an extremely diverse pool of skills is key to delivering our vision of being at the forefront of innovation in Sri Lanka. We give priority to nurturing and building this highly talented pool of individuals, building strong talent, and leadership pipelines for the future.

We continued our journey to transform our organisation into that of a mature digital telco, operating in an increasingly digitised workplace. We are in the process of digitising and automating, all our people related processes to give employees a seamless digital experience at work. We have over 500 people covering approximately 100 projects, where cross functional teams work in an agile structure from Information Technology to other business teams. We formed a Digital Army to ensure effective communication/ information dissemination and engagement with regard to digitisation initiatives to all staff which culminated in the successful completion of Dialog Digital Jam 2018.

We extended Lynda, the Microsoft e-learning platform to all employees, to enable continuous learning at their time and pace - utilising today’s technology for tomorrow’s skills. Lynda offers more than 7,000+ structured online courses led by industry experts, facilities and tools for communal up-skilling, sharing of insights and constructive collaborations.

The Axiata Transition to General Management (TGM) programme was launched through INSEAD. This was to accelerate the development of functional leaders into transformational leaders and highly effective general managers, who are tech savvy and have the skills to lead teams in the digital age.
LOOKING AHEAD
As we move in to the new financial year, the forecasts for global and local growth reflect a moderating landscape with elevated levels of risk. I look to inspire and empower the Api Dialog team to reskill as we compete in a dynamic market, disrupting our own successful business models to stay ahead. Consolidation and regulatory changes in our business will present both opportunities and risks and we must be ready to seize opportunities while managing risks with foresight.

We are building a “MAD” organisation – Modern, Agile, Digital organisation that will be nimble as smaller units that will push boundaries, create new businesses and solve new problems for tomorrow’s digital citizens. Having been the industry leader in mobile sector for nearly two decades and leader in Sri Lanka’s telecommunications industry for more than five years, it is time to develop aggressive aspirations to become a leading digital champion.

We will continue to invest aggressively in emerging and even untested business models and technology applications to be future ready in every aspect of our operations over the next five years, where 5G technology will require another round of intense capital investment. We will need to transition our 2G and 3G subscribers to adopt the superior 4G technology to manage scarce radio spectrum resources.

Cybersecurity and data privacy will be key priorities that have to be driven at a frenzied pace to measure up to global threats which include money laundering and identity theft, and increasing expectation of civil society for the policing of communication networks.

“As we move in to the new financial year, the forecasts for global and local growth reflect a moderating landscape with elevated levels of risk. We will continue to invest aggressively in emerging and even untested business models and technology applications to be future ready in every aspect of our operations.”

We need to move our goal posts to benchmark those which are fit for our future, broadening our industry focus and scalability. Collaboration and cooperation with business partners of all sizes will propel growth at an intense pace as we give wing to our ambitions to realise our potential.

APPRECIATIONS
I thank our 13.8 Million customers for their continued patronage of our networks and for their confidence on our new offerings which in turn inspires us to deliver new technologies aimed at enhancing digital experiences. Our services are powered by a dedicated team of employees who are passionate about delivering service excellence as affirmed by the accolades received on diverse aspects of our performance. I am humbled and proud to have had the privilege of leading this amazing team who has delivered world class innovations and outstanding business results set out in this annual report for the year ending 31st December 2018.
Group Chief Executive’s Review of Operations

“I thank our 13.8 Million customers for their continued patronage of our networks and for their confidence, and our dedicated team of employees.”

I wish to thank our business partners who have worked with us to deliver The Future. Today to our subscribers and look to their continued support. I would also like to express my sincere gratitude for the support and encouragement extended to us by the Government of Sri Lanka and its agencies - in particular, the Telecommunications Regulatory Commission of Sri Lanka, the Board of Investment of Sri Lanka, the Central Bank of Sri Lanka, the Ministry of Telecommunication, Foreign Employment and Sports, Ministry of Digital Infrastructure and Information Technology, the Information and Communication Technology Agency and the Ministry of Mass Media and Information. To our Dialog Retailers who have grown with us and supported our growth, I extend my sincere appreciation of their continued commitment. I thank our shareholders for their continued confidence in us as we redefine the boundaries of the telecom industry.

In closing, I wish to extend my gratitude to our Chairman, Datuk Azzat Kamaludin and my fellow Board members for their strategic vision and encouragement to pursue our ambitions and their wise counsel.

Supun Weerasinghe
Group Chief Executive

30 April 2019