Business and 
Financial Review

GROUP
The financial year 2019 was marked by many challenges that included Easter Sunday terrorist attack, subpar economic growth and intense competition. These challenges along with impeding election cycle resulted in the overall consumer and business confidence reaching low levels. However, the consumer and business confidence has shown signs of improvement post presidential election in November. Albeit the challenging environment, Dialog Group continued to consolidate its market leadership position as Sri Lanka’s premier connectivity provider whilst delivering strong financial performance across all key performance indicators.

The consolidated financial performance of Dialog Group comprises Dialog Axiata PLC (“the Company”) and of the Dialog Axiata Group (the “Group”) post-consolidation with subsidiaries and associates.

Continuing its strong performance trajectory over the years, the Group delivered a consolidated revenue of Rs. 116.8Bn for FY 2019, a growth of 7% YoY, on the back of strong performance across all key business segments.

At year-end, the Government of Sri Lanka (“GoSL”) introduced a relief package in the form of eliminating and amending many types of taxes which included both direct as well as indirect taxes. Consumers of telecommunications services benefited from the lowering of Value Added Tax (“VAT”) and Telecommunication Levy (“TL”) along with the removal of Nation Building Tax (“NBT”). Accordingly, the indirect tax on Voice services was revised down to 22.60% whilst on Data services the tax was revised down to 10.20%. These changes which were made effective from 1st December 2019, resulted in an increase in disposable income in the hands of the consumers.

Group 
EBITDA

<table>
<thead>
<tr>
<th>Rs. Bn</th>
<th>+7%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>33.9</td>
</tr>
<tr>
<td>2018</td>
<td>39.8</td>
</tr>
<tr>
<td>2019</td>
<td>40.0</td>
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</tbody>
</table>

- Group Revenue growth continued in an upward trajectory increasing 7% YoY
- FY 2019 Group Revenue excluding International Termination revenue grew 7% YoY
- DBN revenue up 64% YoY led by wholesale and Fixed Home Broadband revenue
- DTV revenue up 17% YoY driven by expanding subscriber base
- Improvement in Group EBITDA driven by growth in revenue and cost optimisation
- Group EBITDA margin improves 0.2pp to 40%
- DBN EBITDA (Norm for one-off gain of Rs. 3.7Bn in FY 2018) grew by 11% YoY driven by growth in Fixed Home Broadband revenue
- DTV EBITDA up 31% YoY driven by an increase in subscriber base
Group total operating cost grew by 5% YoY driven by a rise in revenue driven cost and increase in network related costs. On-going operational and structural cost transformation initiatives carried out during the year resulted in lower operating cost growth as compared to revenue growth, on account of significant realisation of cost savings reaching Rs. 5.4Bn.

Underpinned by strong revenue growth and cost optimisation, Group EBITDA for FY 2019 delivered a growth of 7% YoY to reach Rs. 46.7Bn. The Group EBITDA margin for FY 2019 accordingly improved to 40.0% from 39.8% in FY 2018.

The Group NPAT demonstrated a growth of 44% YTD to record at Rs. 10.8Bn for FY 2019 underpinned by strong EBITDA performance and favourable currency impact. The Sri Lankan Rupee (“LKR”) appreciated against the United States Dollar (“USD”) by 0.7% for FY 2019 resulting in a non-cash translational foreign exchange gain of Rs. 0.3Bn as opposed to the loss of Rs. 4.7Bn in FY 2018.

Dialog Group continued to be a significant contributor to state revenues, remitting a total of Rs. 33.3Bn to the GoSL during the financial year ended 31st December 2019. Total remittances included Direct Taxes and Levies amounting to Rs. 11.0Bn and Rs. 22.3Bn in Consumption Taxes collected on behalf of the GoSL.

Group Capital Expenditure (‘Capex’) for FY 2019 was recorded at Rs. 28.6Bn, down 6% YoY, resulting in a Capex to Revenue ratio of 24%. In line with the Group’s strategic aspiration to further strengthen its leadership in Sri Lanka’s Broadband sector, the spending was directed towards transforming Dialog into a digital telco, by digitising all spheres of the organisation, capacity upgrades with a strong focus on the 4G Network, along with the extension of the Group’s Optical Fibre Network to support robust and seamless mobile and fixed broadband 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 digital mobile content.

The Group recorded significant growth in its Operating Free Cash Flow (“OFCF”) for FY 2019 reaching Rs. 12.2Bn as a result of improved profitability and calibrated Capex during the year. The Group continued to exhibit a low geared balance sheet with the Net Debt to EBITDA ratio being maintained at a healthy 0.86x as at end December 2019.

During the year, Fitch Ratings re-affirmed the National Long-Term Rating of ‘AAA(lka)’ for the Group. This rating of ‘AAA(lka)’ with a stable outlook, denotes the highest rating assigned by the agency in its National Rating scale for Sri Lanka.
Business and Financial Review

Capex

- Capex mainly directed towards Group’s strategic aspiration to digitise the business and further strengthen its leadership position in the Broadband sector
- Capex as a percentage of revenue of 24.5%

Operating Free Cash Flow

- OFCF significantly grew in FY 2019 amid improved profitability and calibrated Capex spend

Dividend Payout and Dividend Yield

- Dividend Payout Ratio of 40% translating to a Dividend per Share of 53 cents
- Dividend Yield at an attractive 4.3%
- Total payment of proposed dividend to shareholders for FY 2019 of Rs. 4.3Bn

Group Net Debt to EBITDA

- Group continued to maintain a low geared balance sheet
- Net Debt to EBITDA at 0.86x by end 2019
Return on Invested Capital (‘ROIC’) maintained at double digits to record 12.0% despite an increase in asset base amid continued investments.
Business and Financial Review

DIALOG AXIATA PLC

Financial Review

The Company’s key businesses, Mobile, International, Tele-infrastructure and Digital Services contributed to 71% of the Group revenue in FY 2019. The Company revenue declined 2% YoY to record at Rs. 82.6Bn mainly due to the transfer of the wholesale business to DBN. Normalised for the said transfer of business, the Company recorded a revenue growth 9% to reach Rs. 95.1Bn. The Company continued to maintain its market leadership position with the 8% YoY growth in mobile subscriber base to reach 14.9 million subscribers by end 2019.

The competitive pressures in the voice space intensified during the year which culminated in voice rates being revised down by approximately 1/3. Despite the sharp price revision, the voice revenue decline was curtailed to 4% YoY as bundled packs and new product launches stimulated usage.

Data revenue growth witnessed deceleration to record at 16% YoY as competitive pressure and regulatory intervention resulted in data prices being slashed by approximately 36% during the year. However, usage stimulation induced by lower prices, increasing smartphone penetration and 4G conversion continued to support growth in data revenues.

The usage stimulation resulted in both Minutes of Use (“MOU”) and Data usage per subscriber increasing by 4% YoY and 43% YoY respectively. The Average Revenue per User (“ARPU”) however decreased by 5% on a YoY basis due to the sharp drop in price points.

The Company EBITDA was recorded at Rs. 35.5Bn for FY 2019 representing an increase of 17% YoY as the adoption of SLFRS 16 had a positive impact resulting in an upliftment of Rs. 2.4Bn for the year ending 2019. Normalised for the said upliftment, EBITDA was recorded at Rs. 33.1Bn, increasing 9% YoY, translating to an EBITDA margin of 40.0%, up 4.2pp YoY.

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**Mobile Subscribers**

<table>
<thead>
<tr>
<th>Mn's</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12.8</td>
<td>13.8</td>
<td>14.9</td>
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**Blended MOUs**

<table>
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<tr>
<th>Minutes</th>
<th>2017</th>
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<th>2019</th>
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<tr>
<td></td>
<td>121</td>
<td>117</td>
<td>123</td>
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**Blended ARPUs**

<table>
<thead>
<tr>
<th>Rs.</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>387</td>
<td>403</td>
<td>382</td>
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</tbody>
</table>
Downstream of EBITDA performance, the Company NPAT was recorded at Rs. 11.6Bn for FY 2019 up over 100% YoY. As alluded to earlier, the favourable forex movement supported the improvement in Company NPAT.

Revenue\(^1\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Rs. Bn</th>
</tr>
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<tbody>
<tr>
<td>2017</td>
<td>77.6</td>
</tr>
<tr>
<td>2018</td>
<td>87.1</td>
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<tr>
<td>2019</td>
<td>95.1</td>
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</table>

\(\text{+9%}\)

EBITDA

<table>
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</tr>
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<tbody>
<tr>
<td>2017</td>
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</tr>
<tr>
<td>2018</td>
<td>30.2</td>
</tr>
<tr>
<td>2019</td>
<td>35.5</td>
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</tbody>
</table>

\(\text{+17%}\)

NPAT

<table>
<thead>
<tr>
<th>Year</th>
<th>Rs. Bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>10.5</td>
</tr>
<tr>
<td>2018</td>
<td>4.4</td>
</tr>
<tr>
<td>2019</td>
<td>11.6</td>
</tr>
</tbody>
</table>

\(\text{+100%}\)

\(^1\) FY 2018 & FY 2019 revenue normalised for transfer of the wholesale business to DBN
Business and Financial Review

**Industry Outlook**

Sri Lanka is currently witnessing a rapid transformation in the telecommunication space with wider data connectivity, variety of digital entertainment, smart device adoptions, cloud services, digital services and growing digitalization. In 2019, the mobile industry in Sri Lanka went through a significant price reset post-floor-rate removal announcement towards the end of 2018. The industry reported a growth in excess of 4% in mobile subscribers and usage despite a challenging macro environment. The strong focus on data is evident via 4G adoption rates, data price re-sets, and innovative bundled pricing strategies by operators. The telecommunications industry will play a pivotal role in driving the digital transformation in Sri Lanka and shift gears from delivering traditional telecommunication services, to advancing digital services. The Dialog Mobile Subscriber base as at the end of 2019 was recorded at 14.9 Million, resulting in an overall 2.3pp improvement in terms of market share.

**4G Drive**

In today’s fast-paced and demanding lifestyle, maintaining uninterrupted and hassle-free mobile connectivity is a necessity for individuals who are always on-the-go, be it students, young professionals, entrepreneurs, or corporate executives. Dialog, charting the future of the country, was the first to present to the Sri Lankan market with free 4G bonus data via tariff innovations accessed through high-speed 4G networks available 24/7. This helped accelerate the 4G adoption, with the focus of moving users from 3G to 4G for network optimization and customer experience. Dialog partnered with leading brands to promote 4G smartphones with device cashback offers, data bonus, and limited period unlimited video to further drive 4G device penetration.

The partnership with Huawei for the Device cashback programme helped gain over 100,000 4G smartphone activations with one-third of activations being new customers, whilst offering unlimited YouTube for 3 months on all Samsung A devices helped to garner over 75% network latch share. Overall, the 4G accelerated adoption programme resulted in a 32% growth in 4G devices, 70% growth in 4G attached customers and 2.7x growth in 4G traffic.

4G bonus introduced in 2018 incentivizes the use of the 4G network, passing on improved production cost to the customer and free up the 3G network in preparation for the planned phase-out. This was reflected in production cost per GB, which dropped by 35% YoY.

**Mobile Network Leadership**

**Key to Guide Coverage Maps**

<table>
<thead>
<tr>
<th>Coverage</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Coverage</td>
<td>Between -100 dBm to -103 dBm</td>
</tr>
<tr>
<td>Moderate Coverage</td>
<td>Between -85 dBm to -100 dBm</td>
</tr>
<tr>
<td>Good Coverage</td>
<td>Better than -85 dBm</td>
</tr>
</tbody>
</table>

Figure 1: 2G Coverage

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34 Dialog Axiata PLC
Continuing Dialog’s commitment to providing users with the widest island-wide coverage, the company invested Rs. 28.6Bn in Network related investments with a focus on the 4G Coverage to cater to this exponential growth in data traffic and subscribers.

Product and Market Innovation

Our efforts in delivering world-class product/market innovations continued during FY 2019. In March 2019, Dialog launched Triple Blaster product with 1,000 minutes of voice, 1,000 SMS and 1,250 MBs of data. This product reached over 1Mn activations during the year 2019. Further, the company launched Daily Blaster packs to provide higher flexibility for customers. Dialog Power Plan was also launched during the year, redefining Sri Lanka’s mobile postpaid experience and empowering the busy and demanding user with a worry-free experience combined with six key value propositions: unlimited voice, abundant data, exclusive smartphone offers, extra value on unlimited data roaming abroad, exclusive add-to-bill services such as Netflix, and complete transparency and control.

In October 2019, Dialog also launched the ‘Sri Lanka Pensions App’ in partnership with the Department of Pensions. This marks the first mobile application in Sri Lanka for retired state sector employees, digitally empowering them to access services from the Department of Pensions. The Sri Lanka Pensions app follows Dialog’s successful Dialog Prashansa mobile postpaid plan for Government pensioners and underscores the Company’s continuous efforts to enrich and empower all segments of Sri Lankan society using digitally inclusive initiatives.
For the first time in South Asia, Dialog successfully demonstrated a fully standards-based 5G mobile service, integrating 5G network infrastructure with a 5G mobile device. The live 5G Showcase featured a holographic video call together with holographic remote music production, 360° 8K video calling, and 360° 8K Live Virtual Reality enabled video streaming, as well as an ‘AI powered Digital Twins’ mechanism and the ‘Robotic Arm’ amongst other 5G offerings. Mobile 5G services were demonstrated on the 3.6Ghz trial spectrum that the Telecommunications Regulatory Commission of Sri Lanka (TRCSL) allocated for 5G pre-commercial trial.

Usage and engagement
Dialog Mega Wasana, the flagship consumer rewarding programme, has generated over 800,000 winners during the year and distributed a total prize value of Rs. 200Mn amongst Dialog mobile subscribers. Dialog Mega Run has reached 2.1Mn app downloads and more than 30% penetration of the smartphones subscribed to the Dialog network by end of 2019. Dialog continued to provide better network experience with the expansion of 4G coverage by adding over 300 4G sites during the year. Growth in consumer affordability, better quality network and wider coverage, effective pricing strategies along with usage drive has helped to improve Average Data Usage Per customer in excess of 45% YoY and data users by 23% YoY. This is further re-iterated in Dialog being voted by the people of Sri Lanka as the Internet Service Provider of the Year at the SLIM-Nielsen Peoples Awards for the seventh consecutive year.

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 681 operators in 230 destination countries around the globe. The company signed new roaming agreements with 4 GSM operators and added to its roaming footprint during the year. The company also expanded its roaming footprint on GPRS, 3G, and CAMEL (Online charging system) to 221, 187 and 197 destinations respectively, with the effort to meet the needs of the customers to be connected always. During the year, the Company also expanded its LTE roaming footprint and coverage to 347 operators in 142 destinations while pioneering the launch of VoLTE Roaming with 9 operators in 9 counties.

Dialog provides international capacity and internet uplinks services using the Bay of Bengal Gateway submarine cable system to almost all other operators in Sri Lanka with a capacity provision of approximately 29 GBPS. Additionally, Dialog was able to monetize the investment not only in Sri Lanka but also in international bandwidth corridors such as Middle East-Singapore and India-Singapore.
Content
Dialog ViU was re-launched in July 2019 with the largest collection of Video and Live TV in Sri Lanka, providing consumers with a worry-free data experience and a content library containing more than 555 movie titles and over 1300 teledramas, web series, documentaries, events and sports covering over 20,000+ hrs watch time. Dialog customers can stream without data charges on the ViU app for offerings of Live TV, Video on Demand and partner providers covering movies, teledramas, ViU originals, exclusive local sports and documentaries. ViU offers customers the ability to rewind Live TV and Catch up on past programmes going back 72 hours and offers 95 channels for Dialog Television customers and 60 channels for non-Dialog Television Customers.

Dialog launched an exclusive partnership with Netflix in May 2019, the world’s leading internet entertainment service. This partnership enabled all Dialog postpaid mobile customers the convenience of adding their Netflix subscription fee to their monthly mobile bill. Dialog postpaid mobile customers are also entitled to free 5GB data every month, to watch their favourite Netflix shows.

Dialog continued its second year of partnership with Hungama Digital Media, one of South East Asia’s leading digital entertainment partners. Through Hungama Music app, users will receive access to an extensive catalogue of over 3Mn international, local and regional audio, exclusive music videos, and concerts on-the-go at the lowest rates in the market for just Rs. 3 per day, along with one of the largest, legally sourced and curated content catalogue on one digital platform. Furthermore, the launch of legal subscription services such as Hungama Music by Dialog Axiata has enabled the local music community to ensure that artist content is legally sourced and monetized and artists are compensated for their efforts while also reducing online piracy.

In 2019, Dialog awarded the largest cash giveaway for Sri Lankan gamers with a collective prize pool of Rs. 9Mn throughout the year with three seasons of “Game Hero” championships. Game Hero is a subscription service exclusively available for Dialog customers. Dialog also partnered with Google to bring hassle-free digital purchases via Direct Carrier Billing (DCB) for Android users through Google Play store. This is an enabler for gaming as well as other digital consumptions such as educational content, movies and other lifestyle contents to make in-App purchases with prepaid credit balance or postpaid add-to-bill without having to use a credit card.

ThePapare.com, Sri Lanka’s #1 sports website, continued its growth with 2.5Mn unique users from across the world coming to the sports site and on 12 social media platforms. Its live coverage of local sports is carried on Dialog Television and the ViU platform. ThePapare was recognised as The Most Outstanding Sports Social Media Network of the Year for 2018/2019 at the Presidential Sports Awards and was also awarded the coveted silver play button by YouTube for recording 100,000 subscribers.

Dialog Tele Infrastructure Arm – DTI
DTI continues to be the frontrunner in the 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 in access and aggregation layers, Dialog continues to expand the Optical Fibre Network across the country, connecting all main cities and metropolitan areas improving the service reachability to the customers.

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

eZ Cash, the country’s 1st and largest mobile money solution accounts for over 3.7Mn subscribers across Dialog, Etisalat and Hutch, and over 22,000 merchant partners across the island. eZ Cash became the country’s 1st mobile money solution and the 7th mobile money deployment out of 276 mobile money operators globally to successfully obtain the GSMA Mobile Money Certification, where eZ Cash’s efforts were measured against global industry best practices.

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 also partnered with HNB Finance to facilitate convenient repayment method for loans via eZ Cash merchant outlets island-wide with no additional payment charges to customers. eZ Cash partnered with UBER by opening up its payment merchant network across the country. Furthermore, it partnered with PickMe, the country’s most innovative and largest taxi-hailing service, in order to enable daily subscription payments where all PickMe Driver Partners can now make payments using the eZ Cash mobile app from anywhere, at any time, or by visiting merchant outlets. This partnership also enables customers to make PickMe payments via eZ Cash. eZ Cash initiated a social enabler program “eZ Bro” in order to uplift the merchant network across the island by creating a potential opportunity for individuals to cater to more eZ Cash customers and transactions.

Genie, Sri Lanka’s first and only PCI-DSS certified mobile payment app clinched two gold awards for ‘Most Popular Electronic Payment Product (Fintech)’ and ‘Best Mobile Application for Retailer Payments’ at the LankaPay Technnovation Awards 2019 and two awards for ‘Best Disruptor’ and ‘Best Start-up Product’ at the SLASSCOM Innovation Awards 2019. These awarding bodies aim to recognise the frontrunners of the payment technology innovation industry who remain steadfast in their vision of promoting electronic payments in the country, while consistently enhancing customer convenience.

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 account on the mobile phone and enables a seamless payment experience for in-app, Over the Counter (OTC via QR Code), web and remote payments at over 12,000 merchant points.

In 2019, Genie introduced tokenization which allows users to enter their card details one-time and save it as a token and pay via a single click thereafter. This solution was successfully implemented to the MyDialog App, and Genie aims to scale this solution by implementing this across its merchant network. Other key initiatives include digital vouchers, recurring payments, and a multi-bank IPG model to facilitate cost efficiencies and scalability of the merchant network.

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Overall, Genie aims to enhance the financial inclusion in the country to empower startups and SMEs to build a cashless society with its growing base of over 298,000 downloads, over 20,000 merchant touchpoints and Annual Transaction values of over Rs. 1.8Bn.

The Touch Corporate Fuel Solution extended its fuel station network to 100 Ceylon Petroleum Corporation stations. In 2019, the Company introduced an innovative Touch Corporate Transport Card for enterprises, with the aim to replace company fuel books, taxi, voucher books etc., along with eliminating the time spent collating and reconciling usage information, while ensuring security and providing real-time management information and reporting. The multi-purpose card facilitates payments for the usage of multiple transport modes, within an allocated quota, inclusive of services such as purchasing fuel at Lanka IOC, Laugfs and Ceylon Petroleum Corporation (CEYPETCO), using Kangaroo Cabs and electric vehicle charging facilities. Furthermore, Dialog partnered with Kangaroo and PickMe to enable customer payments. Dialog, became the exclusive Technological Partner for the launch of the Touch Parking Card, launched by Tenaga Car Parks Pvt Ltd in a Public-Private Partnership
with the Colombo Municipal Council. The Touch Parking Card provides NFC (Near-field Communication) technology as a payment solution for issuing parking tickets. Further, the service will allow patrons to make payments more securely via eZ Cash and add to bill facilities, ensuring increased convenience and an easily accessible cashless payment mechanism.

Dialog’s InsureTech vertical, which is the 1st of its kind in Sri Lanka partnered with the largest insurers in the Sri Lankan industry to offer an exclusive value-added service to customers. This value-added service is one of the largest value-added services in Dialog which surpasses the subscriber base over 4.5Mn. Dialog has facilitated over 50,000 families to process insurance claims with over Rs. 900Mn payouts since 2013. During the year under review, over Rs. 300Mn claims were paid out benefitting 18,000 families.

Dialog per day Insurance offers Accident, Hospitalization, Life and Home Protection covers which has been made affordable to all customers. Dialog’s Digital presence in the broker model via InsureMe has provided customers with the ease of buying an insurance policy by comparing with different underwriters. InsureMe offers special products for Senior Citizens, Pay As You Go, Major illness cover and OPD solutions to corporates. The InsureTech vertical also serves customers with the partnership of AIA to offer Life products to customers. AIA is an international brand which has been offering insurance services for over 100 years. With insurance penetration in Sri Lanka remaining low, Dialog’s mobile insurance products are considered the most viable and affordable option in terms of reaching the Sri Lankan masses.

IdeaMart has launched an innovative product, ‘APPMAKER’, an Android application creation solution which was recognised by the e-Swabhimani Digital Social Impact Awards, hosted by ICTA, for providing a platform for anyone, even those with zero programming knowledge, to create an android application within 5 minutes using few easy clicks and eliminating the need of creating native android development.

In 2019, in collaboration with Google Developer Group Sri Lanka, Ideamart successfully hosted the most anticipated tech event of the year, Google I/O Extended for the 4th consecutive year. A special feature of this year’s event was that it was produced live at the Dialog Iconic by ThePapare team and was live-streamed across mobile, web, Facebook and Dialog TV platforms. The live-stream was aimed at enabling the tech enthusiasts and the developer community across the country to take part in the I/O experience, drawing in over 50,000 viewers, and successfully engaging them with young tech talent in Sri Lanka.

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 Partnered with India’s No.1 online booking platform in Sri Lanka; BookMyShow catering to customers who wish to purchase movies and events tickets. This strategic partnership opens up Ceylon Theatres and PVR tickets to customers on the 444 mobile application.

IdeaMart for Women launched with a vision of empowering and enriching the Sri Lankan female community through effective usage of technology and pioneered as an enabler that created and supported the end-to-end journey through the IdeaMart ecosystem. This empowerment was done by various workshops, competitions, engagement sessions and focused forums by reaching out to different segments of women across Sri Lanka, to grow and nurture innovativeness, tech and non-tech skills. IdeaMart for Women initiative has been shortlisted under the category of Women4Tech Industry Leadership award at the GSMA Global Mobile Awards 2020.

Dialog, Lanka Electricity Company (LECO) and the Ministry of Power and Renewable Energy launched an innovative Internet of Things (IoT) enabled smartgrid solution to introduce Prepaid Electricity Metering to Sri Lanka at the “GSMA Mobile for Development Utilities Asia Industry Forum 2019”. This is the first IoT enabled prepaid meter in the utility sector in Sri
Lanka, where consumers will be able to reload the electricity meter at their convenience, similar to how a prepaid mobile is reloaded, rather than having to pay a monthly bill. It is also the first IoT initiative in the utility sector where an IoT platform has the capacity to connect smart meters and Network Monitoring Devices (NMDs) to a single platform, thereby providing flexibility and scalability to LECO. Moreover, prepaid electricity metering will benefit low-income communities and will be initially available in the LECO Green Energy Zone in Kotte. This initiative won the "Best Client Delivery Award" at the SLASSCOM Innovation Awards 2019.

Dialog won the coveted ‘Industrial IoT Initiative of the Year’ award for its affordable and purpose-built IoT solutions for industries in emerging markets, at the 7th annual Global Telecoms Awards (GLOTEL Awards) held in London, recognising innovation and excellence from companies involved in advancing and transforming today’s global telecommunications industry.

Dialog partnered with Health Informatics Society of Sri Lanka (HISSL), to establish a ‘Digital Health Innovation Laboratory’, the first of its kind in the country, to incubate innovative digital solutions for the healthcare sector. The primary goal of the proposed laboratory is the development of new technology based “digital” products and services in healthcare to uplift the living standards across communities through research, development and commercialisation of its output.

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. Doc990 is Sri Lanka’s fastest growing online Doctor channelling platform with over 2Mn bookings annually and 126 leading hospitals along with 1,500 partner networks islandwide. The platform also lets patients select from over 2,500 doctors with 370 types of specializations across its partner hospitals. In 2019, Doc990 introduced the ongoing number solution to selected top hospitals providing the added convenience for patients to monitor the current ongoing number of the channelled doctor online. Doctor channelling is currently available via dialling 990, web and app (Android & iOS). Although Doc990 was a late entrant to the digital health sector, it has rapidly grown to capture over 40% of doctor channelling market share with over 295,000 customers. The Company also performed well to record a positive EBITDA, with a 30% YoY growth in transactions and the number of new hospitals increased by 24% YoY.

Headstart continues to be a Leading edutech solution provider in Sri Lanka. Enterprises such as Singer, Hemas Pharma & Asia Securities joined Headstart for their digital journeys in 2019. In the Government sector, Ministry of Health embarked on a project funded by WHO whilst many other projects were extended into the year 2020. The Company expanded its business with its key clients such as Commercial bank, Sampath Bank, CDB, AIA, Aitkenspense, Pan Asia and Dialog. Headstart is building on an unmatched track record on corporate eLearning with a special focus on Banks, Insurance and finance companies with knowledge workers and distributed branch network, which demands edutech for their operations.

Headstart’s B2C business - Guru.lk continues to be the largest digital education market place of its kind. Guru school is the new learning app which was developed to provide an interactive learning experience seamlessly across platforms with AI-powered learning analytics. A number of key features were added to the company’s software solution whilst the Company expanded its content portfolio with a special focus on grade 6 to 9 and primary education segment.
The e-commerce platform of Dialog, WoW.lk integrated its operations with Kaymu Lanka (Pvt) Ltd (Daraz.lk which is the number one e-commerce website in Sri Lanka - owned by Alibaba Group), in December 2019. Visitors to WoW.lk are re-directed to Daraz.lk commencing December 2019. The partnership with Daraz will further enhance access to affordable digital commerce to every Sri Lankan. The WoW brand will continue to remain with Dialog.

Star Points is the first-ever mobile-based loyalty program and the largest multi-merchant loyalty program in the country. Star Points serves over 13.5 million users with real-time, omnichannel loyalty experience across over 400 partner merchants islandwide. Star Points provides attractive and relevant offers to subscribers year-around from retailers. This year over 750 million loyalty points have been accrued by the users, while 267 million points have been redeemed to avail the offers across the partner merchants. Star Points also provides the facility to transfer loyalty points across other affiliated loyalty programmes, namely FlySmiles, HSBC Rewards and AMEX Membership Rewards. Donating loyalty points is one of the popular services of Star Points and this year over 18 Million Star Points have been donated to the associated charity organisations marking a total donation of 50 million Star Points to the “Little Hearts” programme over the past three years. Star Points is considered the most innovative & versatile loyalty program connecting Sri Lankan retailers and consumers.

The Sri Lankan startup ecosystem is making steady progress, with developments in areas such as communication and IT contributing to a rapid growth in the number and scale of startups. The local ecosystem benefits from a high rate of literacy, software and technical expertise, high-speed internet access, affordable working spaces and both public and private sector organisations facilitating networking and knowledge sharing platforms in the country. The Venture Capital fund; Dialog Axiata Digital Innovation Fund (DADIF) was set up in 2018 to invest in Digital Startups in Sri Lanka. Across the last two years the USD 15Mn fund screened approximately 100 startups and has invested in a total of 7 startups creating approximately 230 jobs. A key milestone in 2019 was the exit of nCinga to Zilingo (the technology & commerce platform that is re-imagining the fashion industry) which realised a capital gain of Rs. 87Mn.

Dialog Finance PLC (a subsidiary of Dialog Axiata PLC) is registered under the monetary board of Central Bank of Sri Lanka under the Finance Business Act No.42 of 2011. The Company offers an array of financial products which includes merchant loans, term loans, factoring, cheque discounting, revolving loans, margin trading facilities and fixed deposits. Fitch Ratings Lanka has rated Dialog Finance PLC at national long term rating of ’AA (lka)’ with a stable outlook; the highest rating thus far assigned in the industry. With the use of cutting edge technology, Dialog Finance PLC is focused on delivering convenient, accessible and affordable financial services to the underbanked and unbanked segments in Sri Lanka. Dialog Finance PLC aims to bring together the realms of advanced digital connectivity and cutting edge Financial Technology (FinTech) to deliver a suite of products and services which will expand the landscape of financial inclusion in Sri Lanka. Significant within the envisaged inclusion drive, will be a focus on financing solutions aimed at increasing the affordability and accelerating the adoption of digital devices and services by a wide spectrum of consumers and businesses. Dialog launched Finpal during Q3 2019 as a one-stop solution for all digital financial needs of the customers.
Business and Financial Review

DIALOG BROADBAND NETWORKS

Financial Review

DBN consolidated its position by delivering a strong revenue growth of 64% YoY to record Rs. 28.1Bn for FY 2019, contributing to 24% of the Group revenue. The strong revenue growth was primarily driven by an increase in wholesale business revenue, which was transferred under DBN during FY 2018, in tandem with the growth in Fixed Home Broadband segment. The wholesale revenue which contributed 44% to DBN revenue recorded YoY growth in excess of 100%, whilst Fixed Broadband revenue and Data & Leased Lines revenue grew by 11% YoY and 7% YoY respectively.

DBN EBITDA recorded a decline of 23% YTD to reach Rs. 9.2Bn resulting from the one-off gain of Rs. 3.7Bn recognised in Q4 2018. The normalised EBITDA for DBN recorded a growth of 11% YTD for the year ended 31st December 2019. However, NPAT declined 68% YoY to Rs. 411Mn for FY 2019 from Rs. 1.3Bn (normalized for one-off gain) recorded in FY 2018 due to an increase in depreciation.

Business Review

Dialog Broadband Networks (DBN) serves over 900,000 individuals and corporates, providing multiple services including broadband internet, fixed telephony, hosted PABX offerings, 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.

Albeit the gradual recovery in Core Revenue following the unfortunate Easter Sunday Incident, Fixed Business segment continued its growth trajectory to record a Revenue growth of 7% YoY predominantly driven by the Fixed Home Broadband segment. Aided by the expansion in LTE network coverage, aggressive subscriber acquisition and reconnection drive carried out during the year the Company was able to add over 100,000 customers during the year and sustain the subscriber market share at 37%. The prepaid product continued to showcase a strong growth trajectory in meeting its objective of catering to the mass market.
Dialog “SmartLife” solutions were introduced with affordability and accessibility in mind, to enable home automation that is personalised to fit the unique lifestyles of customers. Dialog “SmartLife” app, helps connect and control the user’s IoT smart devices at home. Features supported by Dialog “SmartLife” include home automation, covering light (smart switches), power (smart plugs), surveillance (Wi-Fi cameras), and environmental sensors (temperature sensor, motion sensor).

Dialog Enterprise serves over 35,000 enterprises and small & medium businesses. The diverse portfolio of products and services span Mobile, Fixed connectivity, TV and a range of ICT solutions including Data Center, Cloud, IoT, and security and digitisation services cementing Dialog’s position as one of the leading ICT players in the Enterprise market.

To explicitly focus on creating value for enterprise customers and meet increasingly intricate demands of the segment, a dedicated Business Unit was formed in September 2019, as an integral part of Dialog. The vision of the newly formed unit is to digitally enrich the enterprises and its workforce in pursuit of higher productivity and equip businesses with the digital tools to achieve their full potential. During the year of 2019, the footprint of the critical physical infrastructure such as fibre and enterprise-grade wireless access have strengthened while a solid foundation was laid for building innovative digital platforms, developing strategic alliances, synergistic partnerships and establishing a robust Customer Value Management function aimed at enhancing customer experience.

In 2019, Dialog’s TIER III Data Centre has expanded the company’s hosting and colocation services by adding 180 more standard and high-density racks alongside a suite of managed services. With this expansion, the complete Data Centre facility has been awarded Tier III Design and Constructed Facility certificates by Uptime Institute, which is the globally recognised standard for data centre reliability and overall performance.

Continuing its commitment to provide all households with a broadband coverage, the company invested in expanding in Fixed LTE network. In 2019, DBN further strengthened its network with over 2,400 sites while increasing its household coverage. To continuously deliver ‘The Future. Today’ while ensuring customers receive an unparalleled service experience with cutting-edge technology and innovation, Dialog upgraded over existing 100k CDMA consumers to the latest 4G LTE technology during the year.

DBN, in line with introducing differentiated tariff propositions for the retail fixed home broadband consumer segment, launched special prepaid LTE weekend packages providing higher usage quotas, Worry Free Video on ViU and new quota extension packages ensuring value for money. Additionally, new innovative fixed voice tariffs were also introduced. These tariff offerings are currently the best mass-market offering, adding to our advance and value add with SmartLife to augment the customer experience for a Smart Home.
The certification reiterates Dialog’s commitment to ensuring best-in-class Data Centre technologies are delivered for its enterprise customers as the only full DC facility in Sri Lanka, which is Uptime Tier III certified in design and construction.

Dialog adopted a multi-cloud strategy which offers enterprise customers critical capability in today’s new digital economy by adopting different cloud services or features from multiple service providers. The benefits include the avoidance of vendor lock-in, cost savings, performance optimisation, a lowered risk of DDoS attacks, as well as improved reliability. Stemming from this strategy, Dialog expanded its cloud service offerings by joining Microsoft’s Cloud Solution Provider (CSP) Program at the 1-Tier level. Being part of the Microsoft CSP program expands the Cloud choices for Local Enterprises to include Microsoft Azure, Office365, Enterprise Mobility Suite and Intune, and allows to deliver essential services such as planning, integration and ongoing management. Dialog also joined the Huawei Cloud Partner Network (HCPN) and the two companies will develop new cloud solutions leveraging Huawei Cloud and Dialog products and services to help customers securely adopt innovative cloud-based systems for their enterprise workloads.

The year 2019 also witnessed the launch of Sri Lanka’s first fully managed SD WAN Platform – FlexNet, offering customers an opportunity to achieve optimal user experience, consolidated connectivity & security via a single, flexible platform.

Currently, Dialog Enterprise has many notable IoT product offerings under its umbrella which provide tracking, workforce visibility & metering solutions. Dialog Smart Fleet is a GPS driven cost-effective industrial IoT solution that provides end-to-end visibility of the organisation’s entire transportation function. Smart Workforce is a cost-effective location-based solution that allows an organisation to locate the whereabouts of a distributed workforce, allowing better operational efficiency while ensuring the safety and security of their employees. Smart Metering is the latest addition to the IoT portfolio. A platform that allows an organisation to monitor and manage all their utility from a central platform empowering business with the necessary real-time data to make mission-critical decisions in a cost-effective manner.

**DIALOG TELEVISION**

**Financial Review**

DTV continued to consolidate its growth momentum during the year to record a revenue of Rs. 8.8Bn up 17% YoY, which constituted 8% of group revenue. The increase in revenue was underpinned by the strong expansion in subscriber base to exceed 1.4Mn by end 2019. Correspondingly the subscription revenue grew by 24% in FY2019.

On the back of top-line growth and cost initiatives carried out during the year, DTV EBITDA recorded a strong growth of 31% YoY at Rs. 2.4Bn for FY 2019. Consequently, DTV Net Loss declined to Rs. 541Mn for FY 2019 relative to a Net Loss of Rs. 915Mn recorded in FY 2018. The lowering of Net Loss resulted from slower growth in depreciation and impact from forex losses.

**Business Review**

During the year 2019, DTV recorded a robust subscriber growth of 25%, increasing its base to 1.4Mn by the close of the year. DTV continued to consolidate its undisputed leadership position with a market share of 72% established via the delivery of high-quality services, variety of channels and multiple affordability options, appealing to every home and business. This growth was harnessed through the continuous focus to gain and retain a higher base of revenue-generating customers, penetrating untapped market segments, new product innovations such as ViU Mini Android device, conversion of Post churned customers to Prepaid and activities to deliver higher loyalty-based rewards to minimise churn.
DTV continues to strengthen its market presence by catering to evolving customer needs, which is supported by a product strategy that keeps up with the latest innovations in home entertainment. 2019 marked the launch of ViU Mini Android devices which enable to convert your TV into a SMART TV. The offering provides access to a wide range of streaming apps, movies and TV series streamed directly to a big screen.

The company has continued to enrich the portfolio of value-added services such as, Rewind TV (95 channels), Catch Up TV (95 channels), Video On Demand (Over 1000 hours of TV series and movies), LIVE TV channel on mobile (60 channels) and has expanded its local and international channel bouquet in order to cater to a wider audience while capturing a wider audience through the expansion of its local and international channel bouquet with the introduction of channels such as Channel One, Pragna TV, B4U Music, BBC Earth, FYI TV18, Hits and Hits Movies. Accordingly, DTV now delivers an extensive assortment of more than 121 standard Definition and 10 High Definition channels as at end December 2019, of which 42 channels are exclusively available on DTV. Offering a blend of customer-centric value-added services and striking the precise balance of both local and international channels to satisfy the entertainment needs of Sri Lankans delivering Sri Lanka’s No.1 Television experience.