

2014 SECOND QUARTER REPORT

April – June



Dhivehi Raajjeyge Gulhun PLC

www.dhiraagu.com.mv

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1 Summary

Dhiraagu maintained its good start to 2014, despite posting a 4% revenue reduction compared to the previous quarter, which was mainly due to lower roaming revenues as a result of the seasonal drop in tourism similar to prior years. Revenue growth continued from ADSL broadband following the launch of new packages in Q1 2014 and from enterprise and data solutions to the corporate segment. Net profits and earnings per share were 8% lower than the previous quarter due to the revenue reduction and an increase in operating costs, which were partially offset by a reduction in finance expenses. There was a reduction in cash flow before financing due to lower operating cash flows and an increase in capital investment in the quarter. The Company returned a dividend of 434.9m MVR to shareholders during quarter following the announcement of the Company's full year results for the 2013 financial year.

2 Developments during the Quarter

2.1 Products and Services

Key products, services and & promotions introduced or conducted during the second Quarter includes:

- Prepaid Plus package revamp, offering reduced call rate and free night calls.
- Introduced 'live streaming' of World Cup Football on Dhiraagu mobile and ADSL network coinciding with the FIFA World Cup.
- Launched 'Dhiraagu Roadha Hadhiya' campaign comprising special IDD rate to call Saudi Arabia, Free Fridays promo for Prepaid, 150Mb bonus on new prepaid connections, Zakat via SMS and Dhiraagu Bodu Hadhiya promo with grand prizes.
- Launched Free ADSL connection promotion for active telephone lines and cables.

2.2 Corporate Social Responsibility

Dhiraagu Maldives Road Race 2014 was held on 6th June 2014, dedicated to help protect children. With 3,000 registered participants it is the largest run in the Maldives and this was the eighth consecutive year of the event. This year, the platform was opened to all interested NGOs in the country working in the area of child protection.

The race acted as a key platform for the NGOs to create awareness and related NGOs raised funds of over MVR 240k.

The company switched to paperless billing and stopped sending paper bills to all residential customers. With online services, launched in September 2012, as a more convenient way for customers to pay their bills, this green initiative is also part of the company's ongoing support for environmental sustainability whilst reducing operating costs.

The "Whistle blowing and Fraud Reporting Policy" was issued to further improve the company's governance. Dhiraagu believes in the conduct of its affairs in a fair and transparent manner by adopting the highest standards of professionalism, honesty, integrity and ethical behavior. The policy aims to protect employees who wish to raise concerns about irregularities within the company and provides a mechanism for employees and other stakeholders to report such concerns.

Volunteered by a group of Dhiraagu employees, around 50 children from the orphanage of Kuda Kudhinge Hiya were taken to the Magic Circus of Samoa which was volunteered by a group of Dhiraagu employees. This initiative ensured that the children of the orphanage were given a great opportunity to have a joyful evening whilst enabling Dhiraagu employees to enjoy taking part in a benevolent activity.

3 Board Administration

3.1 Board & Committee Composition

During the Quarter, Mr Imran Ali was elected as the director representing the public shareholders. He was elected by the public shareholders at the Company's Annual General Meeting 2013 which was held on the 8th of May 2014. The current composition of the Board and its subcommittees are as follows.

Position/Name	Representing	Committee	Representation
<u>Chairperson</u>			
Mr. Riluwan Shareef	Government	RNG Committee	Chairperson & Member
<u>Deputy Chairperson</u>			
Mr. AbdulRazzaq AlQassim	Batelco	RNG Committee	Deputy Chairperson & Member
<u>CEO & MD/Executive Director</u>			
Mr. Ismail Waheed	Batelco		
<u>Non-Executive Directors</u>			
Mr. Ihab Hinnawi	Batelco	Audit Committee	Member
Mr. AbdulRahman Fakhro	Batelco	RNG Committee	Member
Mr. Abdulla Ahmed	Government	Audit Committee	Member
Mr. Imran Ali	Public		

3.2 Board Activity

Frequency of Board Meetings held during the quarter are as follows:

	Number of Meetings
Board Meeting	2
Audit Committee	1
Remunerations, Nominations & Governance Committee	2

3.3 Board Decisions during the Quarter

During the quarter the following key decisions were made by the Board:

- Approved the Capital Expenditure of US\$ 5.8 million for the Upgrading of 3G services and implementation of LTE/4G services in the Maldives.
- Appointed Mr AbdulRazaq AlQassim as the Deputy Chairperson of the Board.
- Resolved to submit the following for shareholders' approval at the Company's Annual General Meeting 2013
 - Annual Report 2013;
 - Final dividend of MVR 5.73 per ordinary share amounting to a total dividend of MVR 434,901,344.49 (equivalent to USD 28.2 million) for the financial year 2013;
 - The names and biographical data of all five eligible candidates for election of one (1) candidate by the public shareholders;
 - Appoint KPMG (Chartered Accountants) as the Company's External Auditors to hold office until the conclusion of the Annual General Meeting 2014 and set the External Auditors' remuneration at a maximum cap of USD 35,000.00 during the appointed term to carry out the year-end statutory audit of the Company for the year ending 31st December 2014.
- Approved banks and limits for the Company.
- Appointed Mr AbdulRahman Fakhro to the Remunerations, Nominations and Governance Committee.

3.4 Annual General Meeting 2013

During the quarter the Company had its 25th Annual General meeting, which was held on the 8th of May 2014, at Traders Hotel, Male', Maldives, and the following resolutions were passed.

- Appointment of Mr. Imran Ali as the Independent Director for the Company Board of Directors until the conclusion of the next Annual General Meeting of the Company; being elected after receiving the necessary majority of votes from the Shareholders (excluding the Government of Maldives and Batelco Group).
- Approval of the Annual Report 2013 and the Audited Financial Statements for the period ended 31st December 2013.

- Declaration of a Final Dividend for the 9 months ending 31st December 2013 in the amount of MVR 5.73 per ordinary share, amounting a total of MVR 434,901,344 (Rufiyaa Four Hundred and Thirty Four million, nine hundred and one thousand three hundred and forty four).
- Granting the Board of Directors the authority to approve and declare any interim dividend in accordance with the Company's Dividend Policy during the financial year 2014 (i.e. Standing Resolution to Declare Interim Dividend for Financial Year 2014).
- Re-appointment of KPMG (Chartered Accountants) as the Company's External Auditors to hold office until the conclusion of the next Annual General Meeting, and to set the External Auditors' remuneration at US\$ 35,000 during the appointed term to carry out the year-end statutory audit of the Company for the year ending 31st December 2014.

4 Share Information

4.1 Shareholding

Dhiraagu PLC's shareholding as at 30th June 2014 is as follows:

Shareholding	%	Number of Shares
BTC Islands Limited (Batelco)	52.0%	39,520,000
Government of Maldives	41.8%	31,770,150
Public	6.1%	4,608,863
Dhiraagu Colleague Share Plan (on trust)	0.1%	100,987
	100%	76,000,000

4.2 Share Trading

	Q2 2014	Q1 2014
Highest Traded Price	MVR 80.00	MVR 89.00
Lowest Traded Price	MVR 65.00	MVR 70.00
Last Traded Price	MVR 78.00	MVR 80.00
Number of Shares Traded	1,064,216	500,511
Number of Trades	9	10
Weighted Average Traded Price	MVR 79.99	MVR 79.99
Market Capitalization as at Quarter End	MVR 5.93 billion	MVR 6.08 billion

4.3 Share Performance

	Q2 2014	Q1 2014
EPS (Annualized) MVR	8.64	9.40
P/E Ratio (Annualized)	9.03	8.51
Net Asset Per Share (MVR)	32.44	36.01
Dividend Yield	NA	NA

5 Financial Statements

The unaudited Balance Sheet, Income Statement and Cash Flow Statement for the second quarter of 2014 are set out below:

5.1 Balance Sheet

AS AT	30-Jun-14 (Q2 2014) MVR "000"	31-Mar-14 (Q1 2014) MVR "000"
ASSETS AND LIABILITIES		
Non-Current Assets		
Intangible Assets	56,248	62,445
Property, Plant and Equipment	1,975,925	1,992,111
Deferred Tax Asset	5,403	8,398
Total Non-Current Assets	<u>2,037,576</u>	<u>2,062,954</u>
Current Assets		
Inventories	24,467	21,291
Trade and Other Receivables	258,910	232,782
Cash and Cash Equivalents	845,990	1,038,571
Total Current Assets	<u>1,129,367</u>	<u>1,292,644</u>
Total Assets	<u>3,166,943</u>	<u>3,355,598</u>
Current Liabilities		
Loans and Borrowings	-	-
Trade and Other Payables	(527,612)	(458,778)
Current Tax Liabilities	(56,279)	(43,289)
Total Current Liabilities	<u>(583,891)</u>	<u>(502,067)</u>
Non-Current Liabilities		
Loans and Borrowings	-	-
Provisions	(120,660)	(120,526)
Total Non-current Liabilities	<u>(120,660)</u>	<u>(120,526)</u>
Total Liabilities	<u>(704,551)</u>	<u>(622,593)</u>
Net Assets	<u>2,462,392</u>	<u>2,733,005</u>
Equity		
Share Capital	190,000	190,000
Treasury Shares	(1,297)	(1,728)
Retained Earnings	2,273,689	2,544,733
Total Equity	<u>2,462,392</u>	<u>2,733,005</u>

5.2 Income Statement

FOR THE QUARTER ENDED	30-Jun-14 (Q2 2014) MVR "000"	31-Mar-14 (Q1 2014) MVR "000"
Revenue	522,005	545,572
Operating Costs	(245,954)	(229,768)
Depreciation and Amortization	(84,594)	(82,776)
Results from Operating Activities	191,457	233,028
Net Financing Expense	(910)	(24,417)
Profit Before Taxation	190,547	208,611
Income Tax Expense	(26,690)	(30,616)
Net Profit	163,857	177,995

Basic Earnings Per Share (Weighted Average Ordinary Shares Outstanding)

Basic Earnings Per Share (Annualized MVR)	8.64	9.40
Basic Earnings Per Share (MVR)	2.16	2.35

5.3 Cash Flow Statement

FOR THE QUARTER ENDED	30 Jun 14 (Q2 2014) MVR "000"	31 Mar 14 (Q1 2014) MVR "000"
Net Cash Inflow from Operating Activities	291,929	302,933
Net Cash Outflow from Investing Activities	(44,078)	(18,740)
Net Cash Outflow from Financing Activities	(440,432)	(30,667)
Net Increase / (Decrease) in Cash and Cash Equivalents	<u>(192,581)</u>	<u>253,526</u>
Cash and Cash Equivalents at beginning of the Period	1,038,571	785,045
Cash and Cash Equivalents at end of the Period	<u><u>845,990</u></u>	<u><u>1,038,571</u></u>

Avnish Jindal
Chief Financial Officer

Ismail Waheed
CEO & Managing Director

6 Legal and Regulatory Update

6.1 GST on Telecommunications Services

The First Amendment to the Goods and Services Tax Act was enacted on 6 February 2014, which required telecommunication service providers to charge GST on the goods and services they supply from 1 May 2014 onwards.

As a result, 6% GST on Telecommunications services was introduced during the Quarter.

6.2 National Broadband Policy

During the first quarter of 2014, the Government announced its plans to introduce a National Broadband Policy. The objective of the policy is to ensure broadband internet services are available to all the inhabited islands, and is expected to be implemented by within 18 months. The Communications Authority of Maldives will advise the details to the Operators.

6.3 Mobile Number Portability

Following the announcement of its plans to implement Mobile Number Portability by the 31st of July 2015, the Communications Authority of Maldives has set up a Steering Committee during late May 2014, comprising members of Mobile operators and the Communications Authority.

7 Corporate Governance

7.1 Compliance to CMDA Corporate Governance Code

The Company has been in compliance with the *Dhiraagu Corporate Governance Code* during the quarter. Highlights include ensuring regular, timely and effective disclosures as required by the *Code*.

The Company's *Corporate Governance Code* can be viewed in the investor relations section of the Dhiraagu website: <http://www.dhiraagu.com.mv/investor/>.

7.2 Reporting Compliance

This Report has been prepared in compliance with CMDA's Minimum Quarterly Reporting Requirements for Listed Companies.