

**Income statement**

(all amounts in Sri Lanka Rupees Thousands)	Nine months ended 30 September 2008		Nine months ended 30 September 2007	
	Group	Company	Group	Company
Turnover	27,386,272	25,155,619	25,127,450	24,241,814
Direct costs	(14,043,536)	(12,483,348)	(9,380,347)	(8,390,802)
Gross margin	13,342,736	12,672,271	15,747,103	15,851,012
Other operating income	217,800	222,282	213,467	138,017
Administrative expenses	(6,674,838)	(5,249,259)	(4,142,533)	(3,720,780)
Distribution costs	(4,742,766)	(4,223,469)	(3,673,969)	(3,544,528)
Operating profit	2,142,932	3,421,825	8,144,068	8,723,721
Finance costs	(744,953)	(542,536)	(766,923)	(650,621)
Profit before tax	1,397,979	2,879,289	7,377,145	8,073,100
Tax	(366,978)	(346,926)	(73,279)	(89,838)
<b>Profit for the period</b>	<b>1,031,001</b>	<b>2,532,363</b>	<b>7,303,866</b>	<b>7,983,262</b>
<b>Attributable to:</b>				
Equity holders of the Company	1,031,001	2,532,363	7,303,866	7,983,262
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in Rs per share)				
- Basic	0.13	0.32	0.95	1.03
- Diluted	0.13	0.32	0.94	1.03

The above figures are subject to audit.

**Income Statement**

(all amounts in Sri Lanka Rupees Thousands)	Three months ended 30 September 2008		Three months ended 30 September 2007	
	Group	Company	Group	Company
Turnover	9,340,778	8,589,519	8,990,590	8,634,955
Direct costs	<u>(5,223,825)</u>	<u>(4,646,815)</u>	<u>(3,445,498)</u>	<u>(3,086,107)</u>
Gross margin	4,116,953	3,942,704	5,545,092	5,548,848
Other operating income	82,307	84,301	(17,532)	(40,592)
Administrative expenses	(2,235,081)	(1,746,448)	(1,681,858)	(1,448,365)
Distribution costs	<u>(1,648,580)</u>	<u>(1,482,994)</u>	<u>(1,289,787)</u>	<u>(1,229,344)</u>
Operating profit	315,599	797,563	2,555,915	2,830,547
Finance costs	<u>(340,265)</u>	<u>(260,195)</u>	<u>(110,641)</u>	<u>(64,968)</u>
Profit before tax	(24,666)	537,368	2,445,274	2,765,579
Tax	(167,792)	(160,592)	(9,875)	(35,799)
<b>Profit / (Loss) for the period</b>	<b><u>(192,458)</u></b>	<b><u>376,776</u></b>	<b><u>2,435,399</u></b>	<b><u>2,729,780</u></b>
<b>Attributable to:</b>				
Equity holders of the Company	(192,458)	376,776	2,435,399	2,729,780
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in Rs per share)				
- Basic	(0.02)	0.05	0.32	0.35
- Diluted	(0.02)	0.05	0.31	0.35

The above figures are subject to audit.

**Balance sheet**

(all amounts in Sri Lanka Rupees Thousands)

	As at		As at	
	30 September 2008		31 December 2007	
	Group	Company	Group	Company
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	63,382,580	56,548,373	50,665,921	45,955,975
Intangible assets	3,958,857	1,365,734	3,919,177	1,236,106
Investments in subsidiaries	Nil	2,335,510	Nil	2,335,510
Other investments	16,000	16,000	Nil	Nil
	67,357,437	60,265,617	54,585,098	49,527,591
<b>Current assets</b>				
Inventories	739,785	729,981	707,031	704,194
Trade and other receivables	11,809,372	17,577,464	10,090,263	13,612,888
Cash and cash equivalents	900,290	735,358	6,343,121	6,062,156
	13,449,447	19,042,803	17,140,415	20,379,238
<b>Total assets</b>	<b>80,806,884</b>	<b>79,308,420</b>	<b>71,725,513</b>	<b>69,906,829</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Stated capital	32,556,113	32,556,113	33,056,413	33,056,413
ESOS Trust shares	(1,990,921)	(1,990,921)	(2,000,439)	(2,000,439)
Dividend reserve - ESOS	260,067	260,067	172,722	172,722
Revaluation reserve	20,029	20,029	20,377	20,377
Retained earnings	15,284,836	17,880,597	19,036,282	20,130,681
	46,130,124	48,725,885	50,285,355	51,379,754
<b>Total equity</b>	<b>46,130,124</b>	<b>48,725,885</b>	<b>50,285,355</b>	<b>51,379,754</b>
<b>Non-current liabilities</b>				
Subscription in advance	Nil	Nil	306	306
Borrowings	9,812,517	9,505,931	5,172,921	4,751,593
Deferred tax liability	524,192	483,908	140,084	119,823
Retirement benefit obligations	288,266	274,581	211,916	201,554
Provision for other liabilities	178,620	178,620	142,978	142,979
	10,803,595	10,443,040	5,668,205	5,216,255
<b>Current liabilities</b>				
Trade and other payables	9,025,761	7,067,014	10,929,692	9,175,605
Current income tax liabilities	2,644	2,048	19,914	19,344
Borrowings	14,844,760	13,070,433	4,822,347	4,115,871
	23,873,165	20,139,495	15,771,953	13,310,820
<b>Total liabilities</b>	<b>34,676,760</b>	<b>30,582,535</b>	<b>21,440,158</b>	<b>18,527,075</b>
<b>Total equity and liabilities</b>	<b>80,806,884</b>	<b>79,308,420</b>	<b>71,725,513</b>	<b>69,906,829</b>
Net assets per share (Rs.)	5.66	5.98	6.17	6.31

The Board of Directors is responsible for the preparation and presentation of these financial statements. These financial statements were approved by the Board of Directors on 11 November 2008

Signed  
.....  
Dr. S.S.H.Wijayasuriya  
Director/Group Chief Executive

Signed  
.....  
M.R.Prelis  
Director

I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

Signed  
.....  
Vipula M. Gunatilleka  
Group Chief Financial Officer

Third quarter 2008 figures are subject to audit.  
The notes on page 7 form an integral part of these financial statements.

Statement of changes in equity

(all amounts in Sri Lanka Rupees Thousands)

Group

Note	Attributable to equity holders of the Company							Total
	Stated capital	Cumulative Redeemable Preference Share Capital	Shares in ESOS trust	Dividend reserve	Revaluation reserve	Retained earnings	Minority interest	
<b>Balance at 1 January 2007</b>	12,680,378	Nil	(1,925,226)	70,309	20,840	14,206,808	(72)	25,053,037
Net profit	Nil	Nil	Nil	Nil	Nil	7,303,866	Nil	7,303,866
Issue of shares	15,423,820	Nil	Nil	Nil	Nil	Nil	Nil	15,423,820
Dividend paid to ordinary shareholders	Nil	Nil	Nil	Nil	Nil	(4,071,889)	Nil	(4,071,889)
Dividend received ESOS	Nil	Nil	Nil	84,987	Nil	Nil	Nil	84,987
Depreciation transfer	Nil	Nil	Nil	Nil	(348)	348	Nil	Nil
Purchase shares - ESOS	Nil	Nil	(205,452)	Nil	Nil	Nil	Nil	(205,452)
Shares exercised - ESOS	Nil	Nil	106,936	Nil	Nil	Nil	Nil	106,936
Subscription in advance	Nil	Nil	(5,485)	Nil	Nil	Nil	Nil	(5,485)
Transfer of minority interest	Nil	Nil	Nil	Nil	Nil	55,035	72	55,107
<b>Balance as at 30 September 2007</b>	<b>28,104,198</b>	<b>Nil</b>	<b>(2,029,227)</b>	<b>155,296</b>	<b>20,492</b>	<b>17,494,168</b>	<b>Nil</b>	<b>43,744,927</b>
Balance at 1 October 2007	28,104,198	Nil	(2,029,227)	155,296	20,492	17,494,168	Nil	43,744,927
Net profit	Nil	Nil	Nil	Nil	Nil	1,663,293	Nil	1,663,293
Issue of rated cumulative redeemable preference shares	Nil	5,000,000	Nil	Nil	Nil	Nil	Nil	5,000,000
Expenses related to issuance of preference shares	(47,785)	Nil	Nil	Nil	Nil	Nil	Nil	(47,785)
Dividend paid to rated cumulative redeemable preference shares	Nil	Nil	Nil	Nil	Nil	(60,988)	Nil	(60,988)
Dividend received ESOS	Nil	Nil	Nil	17,426	Nil	Nil	Nil	17,426
Depreciation transfer	Nil	Nil	Nil	Nil	(115)	115	Nil	Nil
Shares exercised - ESOS	Nil	Nil	29,094	Nil	Nil	Nil	Nil	29,094
Subscription in advance	Nil	Nil	(306)	Nil	Nil	Nil	Nil	(306)
<b>Balance at 31 December 2007</b>	<b>28,056,413</b>	<b>5,000,000</b>	<b>(2,000,439)</b>	<b>172,722</b>	<b>20,377</b>	<b>19,096,588</b>	<b>Nil</b>	<b>50,345,661</b>
Balance at 1 January 2008								
As previously reported	28,056,413	5,000,000	(2,000,439)	172,722	20,377	19,096,588	Nil	50,345,661
Prior year adjustment	Nil	Nil	Nil	Nil	Nil	(60,306)	Nil	(60,306)
<b>As restated</b>	<b>28,056,413</b>	<b>5,000,000</b>	<b>(2,000,439)</b>	<b>172,722</b>	<b>20,377</b>	<b>19,036,282</b>	<b>Nil</b>	<b>50,285,355</b>
Net profit	Nil	Nil	Nil	Nil	Nil	1,031,001	Nil	1,031,001
Legal fee on Issue of shares	(300)	Nil	Nil	Nil	Nil	Nil	Nil	(300)
Redemption of preference shares	Nil	(500,000)	Nil	Nil	Nil	Nil	Nil	(500,000)
Dividend paid to ordinary shareholders	Nil	Nil	Nil	Nil	Nil	(4,479,078)	Nil	(4,479,078)
Dividend paid to rated cumulative redeemable preference shares	Nil	Nil	Nil	Nil	Nil	(303,717)	Nil	(303,717)
Dividend received ESOS	Nil	Nil	Nil	87,345	Nil	Nil	Nil	87,345
Depreciation transfer	Nil	Nil	Nil	Nil	(348)	348	Nil	Nil
Shares exercised - ESOS	Nil	Nil	9,518	Nil	Nil	Nil	Nil	9,518
<b>Balance as at 30 September 2008</b>	<b>28,056,113</b>	<b>4,500,000</b>	<b>(1,990,921)</b>	<b>260,067</b>	<b>20,029</b>	<b>15,284,836</b>	<b>Nil</b>	<b>46,130,124</b>

The notes on page 7 form an integral part of these financial statements.

## Statement of changes in equity

(all amounts in Sri Lanka Rupees Thousands)

## Company

Company	Attributable to equity holders of the Company						
	Stated capital	Cumulative Redeemable Preference Share Capital	Shares in ESOS trust	Dividend reserve	Revaluation reserve	Retained earnings	Total
Balance at 1 January 2007	12,680,378	Nil	(1,925,226)	70,309	20,840	14,136,581	24,982,882
Net profit	Nil	Nil	Nil	Nil	Nil	7,983,262	7,983,262
Issue of shares	15,423,820	Nil	Nil	Nil	Nil	Nil	15,423,820
Dividend paid to ordinary shareholders	Nil	Nil	Nil	Nil	Nil	(4,071,889)	(4,071,889)
Dividend received ESOS	Nil	Nil	Nil	84,987	Nil	Nil	84,987
Depreciation transfer	Nil	Nil	Nil	Nil	(348)	348	Nil
Share purchased - ESOS	Nil	Nil	(205,452)	Nil	Nil	Nil	(205,452)
Shares exercised	Nil	Nil	106,936	Nil	Nil	Nil	106,936
Subscription in advance	Nil	Nil	(5,485)	Nil	Nil	Nil	(5,485)
<b>Balance as at 30 September 2007</b>	<b>28,104,198</b>	<b>Nil</b>	<b>(2,029,227)</b>	<b>155,296</b>	<b>20,492</b>	<b>18,048,302</b>	<b>44,299,061</b>
Balance at 1 October 2007	28,104,198	Nil	(2,029,227)	155,296	20,492	18,048,302	44,299,061
Net profit	Nil	Nil	Nil	Nil	Nil	2,143,252	2,143,252
Issue of rated cumulative redeemable preference shares	Nil	5,000,000	Nil	Nil	Nil	Nil	5,000,000
Expenses related to insurance of preference shares	(47,785)	Nil	Nil	Nil	Nil	Nil	(47,785)
Dividend paid to rated cumulative redeemable preference shares	Nil	Nil	Nil	Nil	Nil	(60,988)	(60,988)
Dividend received ESOS	Nil	Nil	Nil	17,426	Nil	Nil	17,426
Depreciation transfer	Nil	Nil	Nil	Nil	(115)	115	Nil
Shares exercised - ESOS	Nil	Nil	29,094	Nil	Nil	Nil	29,094
Subscription in advance	Nil	Nil	(306)	Nil	Nil	Nil	(306)
<b>Balance at 31 December 2007</b>	<b>28,056,413</b>	<b>5,000,000</b>	<b>(2,000,439)</b>	<b>172,722</b>	<b>20,377</b>	<b>20,130,681</b>	<b>51,379,754</b>
Balance at 1 January 2008	28,056,413	5,000,000	(2,000,439)	172,722	20,377	20,130,681	51,379,754
Net profit	Nil	Nil	Nil	Nil	Nil	2,532,363	2,532,363
Legal fee on Issue of shares	(300)	Nil	Nil	Nil	Nil	Nil	(300)
Redemption of preference shares	Nil	(500,000)	Nil	Nil	Nil	Nil	(500,000)
Dividend paid to ordinary shareholders	Nil	Nil	Nil	Nil	Nil	(4,479,078)	(4,479,078)
Dividend paid to rated cumulative redeemable preference shares	Nil	Nil	Nil	Nil	Nil	(303,717)	(303,717)
Dividend received ESOS	Nil	Nil	Nil	87,345	Nil	Nil	87,345
Depreciation transfer	Nil	Nil	Nil	Nil	(348)	348	Nil
Shares exercised - ESOS	Nil	Nil	9,518	Nil	Nil	Nil	9,518
<b>Balance as at 30 September 2008</b>	<b>28,056,113</b>	<b>4,500,000</b>	<b>(1,990,921)</b>	<b>260,067</b>	<b>20,029</b>	<b>17,880,597</b>	<b>48,725,885</b>

The notes on page 7 form an integral part of these financial statements.

**Cash Flow Statement**

(all amounts in Sri Lanka Rupees Thousands)

	Nine months ended 30 September 2008		Nine months ended 30 September 2007	
	Group	Company	Group	Company
<b>Cash flows from operating activities</b>				
Cash generated from operations	3,841,288	4,089,376	9,169,379	10,066,947
Interest received	67,171	67,076	67,158	66,780
Interest paid	(601,979)	(418,621)	(617,156)	(499,650)
Tax / ESC paid	(45,139)	(45,138)	(45,225)	(45,178)
Retirement benefit obligations paid	(3,600)	(3,473)	(1,886)	(1,491)
<b>Net cash generated from operating activities</b>	<b>3,257,741</b>	<b>3,689,220</b>	<b>8,572,270</b>	<b>9,587,408</b>
<b>Cash flows from investing activities</b>				
Purchases of property, plant and equipment (PPE)	(400,656)	(156,976)	(1,559,621)	(1,493,671)
Purchases of intangible assets	(67,709)	(52,159)	(188,443)	(147,799)
Amount given / receipt of subsidiaries	Nil	(2,446,427)	Nil	(3,164,073)
Expenditure incurred on capital work-in-progress	(17,754,816)	(14,930,247)	(9,796,430)	(7,794,184)
Acquisition of subsidiary, net of cash acquired	Nil	Nil	(39,666)	(39,666)
Investment in SLINTEC	(16,000)	(16,000)	Nil	Nil
Proceeds from sale of PPE	18,150	11,167	69,578	22,632
<b>Net cash used in investing activities</b>	<b>(18,221,031)</b>	<b>(17,590,642)</b>	<b>(11,514,582)</b>	<b>(12,616,761)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of shares	Nil	Nil	15,423,820	15,423,820
Proceeds from treasury shares - ESOS	9,212	9,212	105,701	105,701
Payment for purchase of ESOS shares	Nil	Nil	(205,452)	(205,452)
Redemption of preference shares	(500,000)	(500,000)	Nil	Nil
Legal fee on issuing of preference shares	(300)	(300)	Nil	Nil
Repayment of finance leases	(40,739)	(13,039)	(30,195)	(14,805)
Repayment of borrowings	(6,689,534)	(5,165,384)	(9,215,964)	(8,526,083)
Proceeds from borrowings	20,337,063	18,420,537	3,193,991	2,468,251
Dividend paid	(4,479,078)	(4,479,078)	(3,986,903)	(3,986,903)
Dividend reserved - ESOS	87,345	87,345	Nil	Nil
Preference share dividend	(303,717)	(303,717)	Nil	Nil
<b>Net cash generated from financing activities</b>	<b>8,420,252</b>	<b>8,055,576</b>	<b>5,284,998</b>	<b>5,264,529</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(6,543,038)</b>	<b>(5,845,846)</b>	<b>2,342,686</b>	<b>2,235,176</b>
<b>Movement in cash and cash equivalents</b>				
At start of period	6,092,069	6,062,156	2,183,825	2,237,457
(Decrease) / increase	(6,543,038)	(5,845,846)	2,342,686	2,235,176
<b>At end of period</b>	<b>(450,969)</b>	<b>216,310</b>	<b>4,526,511</b>	<b>4,472,633</b>

The above figures are subject to audit.

The notes on page 7 form an integral part of these financial statements.

**Notes to the financial statements**

(in the notes all amounts in Sri Lanka Rupees thousands unless otherwise stated)

**1 General information**

Dialog Telekom PLC (the "Company") and its subsidiaries (together "the Group") provide Communication (Mobile, Internet, International, Data and Backbone, Fixed wireless and Transmission infrastructure) and Media related services.

Dialog Telekom PLC is a public limited liability company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office of the Company is located at 475, Union Place, Colombo 2.

Issued ordinary shares of the Company have been listed on the Colombo Stock Exchange since 28 July 2005.

**2 Basis of preparation**

The condensed interim consolidated financial information of Dialog Telekom PLC for the period ended 30 September 2008 has been prepared in accordance with Sri Lanka Accounting Standard 35 "Interim Financial Reporting". The interim consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2007.

**3 Accounting policies**

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in the annual financial statements for the year ended 31 December 2007.

**4 Stated capital**

Stated Capital of the Company consist of 8,143,778,405 ordinary shares and 4,500,000,000 rated cumulative redeemable preference shares.

**5 Short term loan from TM International Bhd**

Dialog Telekom PLC has obtained a short term loan amounting to Rs 3,724,346,816 as a bridging facility from the ultimate parent Company TM International Bhd.

**6 Prior year adjustment**

Dialog Television Private Limited, a fully owned subsidiary of the Company has changed its accounting policy with regard to the treatment of Connection Fee Revenue in relation to new connections which was previously recognized in full in the month of connection. This change in accounting policy has been accounted for as a prior year adjustment, in accordance with SLAS 10 – Accounting Policies, Changes in Accounting Estimates and Errors, by restating comparative figures and adjusting the opening balance of retained earnings

**7 Comparatives**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period.

**8 Market price per share**

For the three months ended 30 September

	2008	2007
- Highest	14.50	25.00
- Lowest	7.75	20.50
- Last traded	8.00	23.00