

**Income statement**

(all amounts in Sri Lanka Rupees thousands)

	<b>Six months ended 30 June 2008</b>		<b>Six months ended 30 June 2007</b>	
	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
Turnover	18,269,030	16,566,100	16,136,860	15,606,859
Direct costs	(8,819,711)	(7,836,533)	(5,934,849)	(5,304,695)
Gross margin	9,449,319	8,729,567	10,202,011	10,302,164
Other operating income	135,493	137,981	230,999	178,609
Administrative expenses	(4,243,777)	(3,502,811)	(2,460,675)	(2,272,415)
Distribution costs	(3,094,186)	(2,740,475)	(2,384,182)	(2,315,184)
Operating profit	2,246,849	2,624,262	5,588,153	5,893,174
Finance costs	(404,688)	(282,341)	(656,282)	(585,653)
Profit before tax	1,842,161	2,341,921	4,931,871	5,307,521
Tax	(199,186)	(186,334)	(63,404)	(54,039)
<b>Profit for the period</b>	<b>1,642,975</b>	<b>2,155,587</b>	<b>4,868,467</b>	<b>5,253,482</b>
<b>Attributable to:</b>				
Equity holders of the Company	1,642,975	2,155,587	4,868,467	5,253,482
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in Rs per share)				
- Basic	0.20	0.27	0.65	0.70
- Diluted	0.20	0.27	0.65	0.70

The above figures are subject to audit.

**Income statement****(all amounts in Sri Lanka Rupees thousands)**

	<b>Three months ended 30 June 2008</b>		<b>Three months ended 30 June 2007</b>	
	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
Turnover	9,291,790	8,345,890	8,224,724	7,961,455
Direct costs	<u>(4,467,922)</u>	<u>(3,988,273)</u>	<u>(3,009,081)</u>	<u>(2,644,078)</u>
Gross margin	4,823,868	4,357,617	5,215,643	5,317,377
Other operating income	78,667	77,430	164,655	128,114
Administrative expenses	(2,283,115)	(1,805,484)	(1,297,442)	(1,223,260)
Distribution costs	<u>(1,644,588)</u>	<u>(1,470,901)</u>	<u>(1,218,499)</u>	<u>(1,162,086)</u>
Operating profit	974,832	1,158,662	2,864,357	3,060,145
Finance costs	<u>(303,124)</u>	<u>(236,408)</u>	<u>(385,899)</u>	<u>(337,236)</u>
Profit before tax	671,708	922,254	2,478,458	2,722,909
Tax	(133,857)	(124,523)	(36,234)	(34,456)
<b>Profit for the period</b>	<b><u>537,851</u></b>	<b><u>797,731</u></b>	<b><u>2,442,224</u></b>	<b><u>2,688,453</u></b>
<b>Attributable to:</b>				
Equity holders of the Company	537,851	797,731	2,442,224	2,688,453
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in Rs per share)				
- Basic	0.07	0.10	0.32	0.35
- Diluted	0.07	0.10	0.33	0.36

The above figures are subject to audit.

**Balance sheet**

(all amounts in Sri Lanka Rupees thousands)

	Six months ended 30 June 2008		Year ended 31 December 2007	
	Group	Company	Group	Company
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	59,291,546	52,844,345	50,418,567	45,955,975
Intangible assets	4,059,634	1,442,867	3,919,177	1,236,106
Investments in subsidiaries	Nil	2,335,510	Nil	2,335,510
	63,351,180	56,622,722	54,337,744	49,527,591
<b>Current assets</b>				
Inventories	1,084,643	695,597	954,385	704,194
Trade and other receivables	11,490,955	16,826,774	10,090,263	13,612,888
Cash and cash equivalents	2,807,436	2,521,734	6,343,121	6,062,156
	15,383,034	20,044,105	17,387,769	20,379,238
<b>Total assets</b>	<b>78,734,214</b>	<b>76,666,827</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	(1,991,791)	(1,991,791)	(2,000,439)	(2,000,439)
Dividend reserve - ESOS	260,067	260,067	172,722	172,722
Revaluation reserve	20,145	20,145	20,377	20,377
Retained earnings	15,957,000	17,503,705	19,096,588	20,130,681
	46,801,534	48,348,239	50,345,661	51,379,754
<b>Total equity</b>	<b>46,801,534</b>	<b>48,348,239</b>	<b>50,345,661</b>	<b>51,379,754</b>
<b>Non-current liabilities</b>				
Subscription in advance	331	331	306	306
Borrowings	9,339,495	8,991,417	5,172,921	4,751,593
Deferred tax liability	337,060	303,974	140,084	119,823
Retirement benefit obligations	263,600	251,289	211,916	201,554
Provision for other liabilities	171,162	171,162	142,979	142,979
	10,111,648	9,718,173	5,668,206	5,216,255
<b>Current liabilities</b>				
Trade and other payables	9,486,808	7,354,879	10,869,386	9,175,605
Current income tax liabilities	22,064	21,466	19,913	19,344
Borrowings	12,312,160	11,224,070	4,822,347	4,115,871
	21,821,032	18,600,415	15,711,646	13,310,820
<b>Total liabilities</b>	<b>31,932,680</b>	<b>28,318,588</b>	<b>21,379,852</b>	<b>18,527,075</b>
<b>Total equity and liabilities</b>	<b>78,734,214</b>	<b>76,666,827</b>	<b>71,725,513</b>	<b>69,906,829</b>
Net asset per share (Rs)	5.75	5.94	6.18	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 13 August 2008

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

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

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

Signed  
.....  
Wan Zaidan Wan Mahyudin  
Group Chief Financial Officer

Second 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

	Attributable to equity holders of the Company							Total
	Stated capital	Cumulative redeemable preference share capital	Shares in ESOS trust	Revaluation reserve	Retained earnings	Dividend reserve	Minority interest	
Balance at 1 January 2007	12,680,378	Nil	(1,925,226)	20,840	14,206,808	70,309	(72)	25,053,037
Net profit	Nil	Nil	Nil	Nil	4,868,467	Nil	Nil	4,868,467
Depreciation transfer	Nil	Nil	Nil	(232)	232	Nil	Nil	Nil
Issue of shares	15,435,904	Nil	Nil	Nil	Nil	Nil	Nil	15,435,904
Share purchased - ESOS	Nil	Nil	(205,452)	Nil	Nil	Nil	Nil	(205,452)
Shares exercised - ESOS	Nil	Nil	85,305	Nil	Nil	Nil	Nil	85,305
Dividend paid	Nil	Nil	Nil	Nil	(4,071,889)	Nil	Nil	(4,071,889)
Subscription in advance	Nil	Nil	(538)	Nil	Nil	Nil	Nil	(538)
<b>Balance as at 30 June 2007</b>	<b>28,116,282</b>	<b>Nil</b>	<b>(2,045,911)</b>	<b>20,608</b>	<b>15,003,618</b>	<b>70,309</b>	<b>(72)</b>	<b>41,164,834</b>
Balance at 1 July 2007	28,116,282	Nil	(2,045,911)	20,608	15,003,618	70,309	(72)	41,164,834
Net profit	Nil	Nil	Nil	Nil	4,098,692	Nil	Nil	4,098,692
Expenses related to issuance of preference shares	(59,869)	Nil	Nil	Nil	Nil	Nil	Nil	(59,869)
Dividend paid - preference shares	Nil	Nil	Nil	Nil	(60,988)	Nil	Nil	(60,988)
Dividend received ESOS	Nil	Nil	Nil	Nil	Nil	102,413	Nil	102,413
Issue of preference shares	Nil	5,000,000	Nil	Nil	Nil	Nil	Nil	5,000,000
Depreciation transfer	Nil	Nil	Nil	(231)	231	Nil	Nil	Nil
Shares exercised - ESOS	Nil	Nil	45,778	Nil	Nil	Nil	Nil	45,778
Subscription in advance	Nil	Nil	(306)	Nil	Nil	Nil	Nil	(306)
Transfer of minority interest	Nil	Nil	Nil	Nil	55,035	Nil	72	55,107
<b>Balance at 31 December 2007</b>	<b>28,056,413</b>	<b>5,000,000</b>	<b>(2,000,439)</b>	<b>20,377</b>	<b>19,096,588</b>	<b>172,722</b>	<b>Nil</b>	<b>50,345,661</b>
Balance at 1 January 2008	28,056,413	5,000,000	(2,000,439)	20,377	19,096,588	172,722	Nil	50,345,661
Net profit	Nil	Nil	Nil	Nil	1,642,975	Nil	Nil	1,642,975
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	Nil	Nil	Nil	Nil	(4,479,078)	Nil	Nil	(4,479,078)
Dividend paid - preference shares	Nil	Nil	Nil	Nil	(303,717)	Nil	Nil	(303,717)
Dividend received ESOS	Nil	Nil	Nil	Nil	Nil	87,345	Nil	87,345
Depreciation transfer	Nil	Nil	Nil	(232)	232	Nil	Nil	Nil
Shares exercised - ESOS	Nil	Nil	8,979	Nil	Nil	Nil	Nil	8,979
Subscription in advance	Nil	Nil	(331)	Nil	Nil	Nil	Nil	(331)
<b>Balance as at 30 June 2008</b>	<b>28,056,113</b>	<b>4,500,000</b>	<b>(1,991,791)</b>	<b>20,145</b>	<b>15,957,000</b>	<b>260,067</b>	<b>Nil</b>	<b>46,801,534</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	Attributable to equity holders of the Company						Total
	Stated capital	Cumulative redeemable preference share capital	Shares in ESOS trust	Revaluation reserve	Retained earnings	Dividend reserve	
Balance at 1 January 2007	12,680,378	Nil	(1,925,226)	20,840	14,136,581	70,309	24,982,882
Net profit	Nil	Nil	Nil	Nil	5,253,482	Nil	5,253,482
Dividend paid	Nil	Nil	Nil	Nil	(4,071,889)	Nil	(4,071,889)
Depreciation transfer	Nil	Nil	Nil	(232)	232	Nil	Nil
Share purchased - ESOS	Nil	Nil	(205,452)	Nil	Nil	Nil	(205,452)
Shares exercised	15,435,904	Nil	85,305	Nil	Nil	Nil	15,521,209
Subscription in advance	Nil	Nil	(538)	Nil	Nil	Nil	(538)
<b>Balance as at 30 June 2007</b>	<b>28,116,282</b>	<b>Nil</b>	<b>(2,045,911)</b>	<b>20,608</b>	<b>15,318,406</b>	<b>70,309</b>	<b>41,479,694</b>
Balance at 1 July 2007	28,116,282	Nil	(2,045,911)	20,608	15,318,406	70,309	41,479,694
Net profit	Nil	Nil	Nil	Nil	4,873,032	Nil	4,873,032
Dividend paid - preference shares	Nil	Nil	Nil	Nil	(60,988)	Nil	(60,988)
Dividend received ESOS	Nil	Nil	Nil	Nil	Nil	102,413	102,413
Issue of preference shares	Nil	5,000,000	Nil	Nil	Nil	Nil	5,000,000
Expenses related to issuance of preference shares	(59,869)	Nil	Nil	Nil	Nil	Nil	(59,869)
Depreciation transfer	Nil	Nil	Nil	(231)	231	Nil	Nil
Shares exercised - ESOS	Nil	Nil	45,778	Nil	Nil	Nil	45,778
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>20,377</b>	<b>20,130,681</b>	<b>172,722</b>	<b>51,379,754</b>
Balance at 1 January 2008	28,056,413	5,000,000	(2,000,439)	20,377	20,130,681	172,722	51,379,754
Net profit	Nil	Nil	Nil	Nil	2,155,587	Nil	2,155,587
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	Nil	Nil	Nil	Nil	(4,479,078)	Nil	(4,479,078)
Dividend paid - preference shares	Nil	Nil	Nil	Nil	(303,717)	Nil	(303,717)
Dividend received ESOS	Nil	Nil	Nil	Nil	Nil	87,345	87,345
Depreciation transfer	Nil	Nil	Nil	(232)	232	Nil	Nil
Shares exercised - ESOS	Nil	Nil	8,979	Nil	Nil	Nil	8,979
Subscription in advance	Nil	Nil	(331)	Nil	Nil	Nil	(331)
<b>Balance at 30 June 2008</b>	<b>28,056,113</b>	<b>4,500,000</b>	<b>(1,991,791)</b>	<b>20,145</b>	<b>17,503,705</b>	<b>260,067</b>	<b>48,348,239</b>

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

**Cash flow statement**

(all amounts in Sri Lanka Rupees thousands)

	Six months ended 30 June 2008		Six months ended 30 June 2007	
	Group	Company	Group	Company
<b>Cash flows from operating activities</b>				
Cash generated from operations	2,509,622	1,439,164	6,755,225	5,857,021
Interest received	52,571	52,489	16,080	15,899
Interest paid	(371,447)	(256,003)	(484,048)	(416,307)
Tax / ESC paid	(30,060)	(30,060)	(30,180)	(30,178)
Retirement benefit obligations paid	(1,129)	(1,129)	(819)	(819)
<b>Net cash generated from operating activities</b>	<b>2,159,557</b>	<b>1,204,461</b>	<b>6,256,258</b>	<b>5,425,616</b>
<b>Cash flows from investing activities</b>				
Purchases of property, plant and equipment (PPE)	(183,566)	(104,669)	(1,536,163)	(1,446,883)
Purchases of intangible assets	(57,590)	(51,788)	(148,179)	(141,729)
Expenditure incurred on capital work-in-progress	(11,991,615)	(9,751,705)	(6,454,192)	(5,258,985)
Amount (given) receipt of subsidiaries	Nil	(1,064,000)	Nil	Nil
Proceeds from sale of PPE	18,150	11,167	69,578	22,633
<b>Net cash used in investing activities</b>	<b>(12,214,621)</b>	<b>(10,960,995)</b>	<b>(8,068,956)</b>	<b>(6,824,964)</b>
<b>Cash flows from financing activities</b>				
Legal fee on issuing of preference shares	(300)	(300)	Nil	Nil
Redemption of preference shares	(500,000)	(500,000)	Nil	Nil
Proceeds from treasury shares - ESOS	8,672	8,672	(121,383)	(121,383)
Repayment of finance leases	(25,955)	(8,716)	(20,855)	(11,179)
Repayment of borrowings	(4,890,613)	(3,441,422)	(1,146,813)	(1,024,676)
Proceeds from borrowings	16,397,678	14,853,328	2,145,403	1,499,817
Proceeds from Issue of shares	Nil	Nil	15,435,903	15,435,903
Dividend received - ESOS	87,345	87,345	Nil	Nil
Dividend paid	(4,479,078)	(4,479,078)	(4,071,889)	(4,071,889)
Dividend paid - preference shares	(303,717)	(303,717)	Nil	Nil
<b>Net cash generated from financing activities</b>	<b>6,294,032</b>	<b>6,216,112</b>	<b>12,220,366</b>	<b>11,706,593</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(3,761,032)</b>	<b>(3,540,422)</b>	<b>10,407,668</b>	<b>10,307,245</b>
<b>Movement in cash and cash equivalents</b>				
At start of period	6,092,071	6,062,156	2,181,736	2,237,457
(decrease)/ increase	(3,761,032)	(3,540,422)	10,407,668	10,307,245
<b>At end of period</b>	<b>2,331,039</b>	<b>2,521,734</b>	<b>12,589,404</b>	<b>12,544,702</b>

The above figures are subject to audit.

**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 June 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 Post balance sheet events**

Subsequent to the Balance Sheet date, the Board of Directors approved the issue of shares amounting to Rs 2,000,000,000 by Dialog Television (Private) Limited to Dialog Telekom PLC. The shares will be issued in lieu of monies advanced by the latter to meet the subsidiary's capital and recurrent expenditure.

**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 June	2008	2007
- Highest	17.50	28.00
- Lowest	12.50	23.25
- Last traded	14.25	23.50