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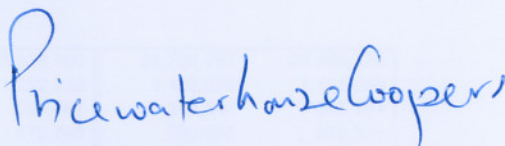
**Independent auditor's review report
To the Directors of Dialog Telekom Plc**

We have reviewed the accompanying balance sheets of Dialog Telekom Plc and its subsidiaries as at 31 March 2010, and the related statements of income and cash flows for the period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the Sri Lanka Auditing Practice Statement on Audit applicable to review engagements. This guidance requires that we plan and perform the review to obtain moderate assurances as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements are not presented fairly, in all material respects in accordance with Sri Lanka Accounting Standards.

6 May 2010
COLOMBO


CHARTERED ACCOUNTANTS

DIALOG TELEKOM PLC AND ITS SUBSIDIARIES

Balance sheet

(all amounts in Sri Lanka Rupees thousands)

	31 March 2010		31 December 2009	
	Group	Company	Group	Company
ASSETS				
Non-current assets				
Property, plant and equipment	55,091,721	47,212,030	55,979,991	48,200,679
Intangible assets	4,008,179	1,576,756	3,847,177	1,387,335
Investments in subsidiaries	Nil	10,326,010	Nil	10,326,010
Other investment	29,000	29,000	29,000	29,000
Amount due from subsidiaries	Nil	7,091,971	Nil	5,823,958
	59,128,900	66,235,767	59,856,168	65,766,982
Current assets				
Inventories	238,095	234,450	211,360	207,588
Trade and other receivables	10,086,630	7,593,008	9,646,493	7,101,573
Current income tax assets	Nil	Nil	70	70
Cash and cash equivalents	3,279,328	3,121,913	5,295,363	5,114,826
	13,604,053	10,949,371	15,153,286	12,424,057
Total assets	72,732,953	77,185,138	75,009,454	78,191,039
EQUITY				
Capital and reserves attributable to equity holders				
Stated capital	31,806,113	31,806,113	31,806,113	31,806,113
ESOS Trust shares	(1,990,921)	(1,990,921)	(1,990,921)	(1,990,921)
Dividend reserve - ESOS	260,067	260,067	260,067	260,067
Revaluation reserve	133,472	98,414	136,471	101,358
(Accumulated losses) / Retained earnings	(1,487,753)	5,667,325	(2,102,401)	4,481,458
	28,720,978	35,840,998	28,109,329	34,658,075
Total equity	28,720,978	35,840,998	28,109,329	34,658,075
LIABILITIES				
Non - current liabilities				
Borrowings	24,623,609	23,938,900	24,728,797	23,989,375
Deferred income tax liabilities	1,252,432	1,252,432	1,133,676	1,131,288
Retirement benefit obligations	383,066	354,487	394,540	362,324
Provision for other liabilities	572,769	572,769	520,555	520,555
Deferred revenue	202,497	202,497	215,145	215,145
	27,034,373	26,321,085	26,992,713	26,218,687
Current liabilities				
Trade and other payables	12,901,668	11,506,151	12,668,151	11,157,341
Current income tax liabilities	5,240	2,515	2,658	Nil
Borrowings	4,070,694	3,514,389	7,236,603	6,156,936
	16,977,602	15,023,055	19,907,412	17,314,277
Total liabilities	44,011,975	41,344,140	46,900,125	43,532,964
Total equity and liabilities	72,732,953	77,185,138	75,009,454	78,191,039
Net Asset per Share	3.53	4.40	3.45	4.26

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 6 May 2010.

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

.....
Lalith Fernando
 Group Financial Controller

The notes on pages 6 to 10 form an integral part of these financial statements.

DIALOG TELEKOM PLC AND ITS SUBSIDIARIES**Income statement**

(all amounts in Sri Lanka Rupees thousands)

	Three months ended 31 March 2010		Three months ended 31 March 2009	
	Group	Company	Group	Company
Revenue	9,791,137	8,890,613	8,474,419	7,708,805
Direct costs	(5,947,596)	(5,195,281)	(5,464,787)	(4,803,859)
Gross margin	3,843,541	3,695,332	3,009,632	2,904,946
Other operating income	176,296	224,319	102,609	147,301
Administrative expenses	(1,567,824)	(1,159,359)	(2,352,417)	(1,897,633)
Distribution costs	(1,484,358)	(1,292,749)	(1,690,307)	(1,498,765)
Operating profit / (loss)	967,655	1,467,543	(930,483)	(344,151)
Finance costs - net	(143,274)	(69,569)	(799,403)	(639,090)
Profit / (loss) before tax	824,381	1,397,974	(1,729,886)	(983,241)
Tax	(119,325)	(121,644)	(138,678)	(133,766)
Profit / (loss) for the period	705,056	1,276,330	(1,868,564)	(1,117,007)

Earnings / (loss) per share for profit / (loss) attributable to the equity holders of the Company during the period (expressed in Rs per share)

-	Basic	0.08	0.15	(0.29)	(0.19)
-	Diluted	0.08	0.15	(0.29)	(0.19)

The notes on pages 6 to 10 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	Shares in ESOS trust	Dividend reserve	Revaluation reserve	Retained earnings / (Accumulated losses)	
Balance at 1 January 2009	32,556,113	(1,990,921)	260,067	19,913	10,964,118	41,809,290
Net loss	Nil	Nil	Nil	Nil	(1,868,564)	(1,868,564)
Dividend to rated cumulative redeemable preference shareholders	Nil	Nil	Nil	Nil	(420,618)	(420,618)
Depreciation transfer	Nil	Nil	Nil	(115)	115	Nil
Balance as at 31 March 2009	32,556,113	(1,990,921)	260,067	19,798	8,675,051	39,520,108
Balance at 1 April 2009	32,556,113	(1,990,921)	260,067	19,798	8,675,051	39,520,108
Net loss	Nil	Nil	Nil	Nil	(10,339,659)	(10,339,659)
Revaluation of land and building	Nil	Nil	Nil	157,975	Nil	157,975
Deferred tax attributable to revaluation surplus	Nil	Nil	Nil	(40,954)	Nil	(40,954)
Redemption of cumulative redeemable preference shares	(750,000)	Nil	Nil	Nil	Nil	(750,000)
Dividend to rated cumulative redeemable preference shareholders	Nil	Nil	Nil	Nil	(438,141)	(438,141)
Depreciation transfer	Nil	Nil	Nil	(348)	348	Nil
Balance as at 31 December 2009	31,806,113	(1,990,921)	260,067	136,471	(2,102,401)	28,109,329
Balance at 1 January 2010	31,806,113	(1,990,921)	260,067	136,471	(2,102,401)	28,109,329
Net profit	Nil	Nil	Nil	Nil	705,056	705,056
Deferred tax attributable to revaluation surplus	Nil	Nil	Nil	(2,047)	Nil	(2,047)
Dividend to rated cumulative redeemable preference shares	Nil	Nil	Nil	Nil	(91,360)	(91,360)
Depreciation transfer	Nil	Nil	Nil	(952)	952	Nil
Balance as at 31 March 2010	31,806,113	(1,990,921)	260,067	133,472	(1,487,753)	28,720,978

The notes on pages 6 to 10 form an integral part of these financial statements.

DIALOG TELEKOM PLC AND ITS SUBSIDIARIES**Statement of changes in equity**

(all amounts in Sri Lanka Rupees Thousands)

Company

	Attributable to equity holders of the Company					
	Stated capital	Shares in ESOS trust	Dividend reserve	Revaluation reserve	Retained earnings	Total
Balance at 1 January 2009	32,556,113	(1,990,921)	260,067	19,913	14,549,916	45,395,088
Net loss	Nil	Nil	Nil	Nil	(1,117,007)	(1,117,007)
Dividend to rated cumulative redeemable preference shares	Nil	Nil	Nil	Nil	(420,618)	(420,618)
Depreciation transfer	Nil	Nil	Nil	(115)	115	Nil
Balance as at 31 March 2009	32,556,113	(1,990,921)	260,067	19,798	13,012,406	43,857,463
Balance at 1 April 2009	32,556,113	(1,990,921)	260,067	19,798	13,012,406	43,857,463
Net loss	Nil	Nil	Nil	Nil	(8,093,155)	(8,093,155)
Revaluation of land and building	Nil	Nil	Nil	122,862	Nil	122,862
Deferred tax attributable to revaluation surplus	Nil	Nil	Nil	(40,954)	Nil	(40,954)
Redemption of cumulative redeemable preference shares	(750,000)	Nil	Nil	Nil	Nil	(750,000)
Dividend to rated cumulative redeemable preference shareholders	Nil	Nil	Nil	Nil	(438,141)	(438,141)
Depreciation transfer	Nil	Nil	Nil	(348)	348	Nil
Balance at 31 December 2009	31,806,113	(1,990,921)	260,067	101,358	4,481,458	34,658,075
Balance at 1 January 2010	31,806,113	(1,990,921)	260,067	101,358	4,481,458	34,658,075
Net Profit	Nil	Nil	Nil	Nil	1,276,330	1,276,330
Deferred tax attributable to revaluation surplus	Nil	Nil	Nil	(2,047)	Nil	(2,047)
Dividend to rated cumulative redeemable preference shares	Nil	Nil	Nil	Nil	(91,360)	(91,360)
Depreciation transfer	Nil	Nil	Nil	(897)	897	Nil
Balance as at 31 March 2010	31,806,113	(1,990,921)	260,067	98,414	5,667,325	35,840,998

The notes on pages 6 to 10 form an integral part of these financial statements.

DIALOG TELEKOM PLC AND ITS SUBSIDIARIES

Cash flow statement

(all amounts in Sri Lanka Rupees thousands)

	Three months ended 31 March 2010		Three months ended 31 March 2009	
	Group	Company	Group	Company
Cash flows from operating activities				
Cash generated from operations	3,078,623	3,062,258	3,617,664	3,202,026
Interest received	13,035	12,565	8,634	7,962
Interest paid	(249,656)	(175,587)	(399,971)	(268,674)
Tax / ESC paid	(21,972)	(21,969)	(14,468)	(14,467)
Retirement benefit obligations paid	(17,090)	(12,092)	(4,348)	(3,065)
Net cash generated from operating activities	2,802,940	2,865,175	3,207,511	2,923,782
Cash flows from investing activities				
Purchases of property, plant and equipment	(26,439)	(26,140)	(97,841)	(97,167)
Purchases of intangible assets	(11,803)	(11,803)	(12,211)	(11,273)
Expenditure incurred on capital work-in-progress	(1,595,819)	(1,026,379)	(3,030,807)	(2,159,576)
Amount given to subsidiaries	Nil	(1,177,780)	Nil	(419,000)
Proceeds from sale of property, plant and equipment	18,098	8,123	4,297	700
Net cash used in investing activities	(1,615,963)	(2,233,979)	(3,136,562)	(2,686,316)
Cash flows from financing activities				
Repayment of finance leases	(7,736)	(1,965)	(10,561)	(5,333)
Repayment of borrowings	(2,558,038)	(2,025,457)	(3,511,038)	(3,322,863)
Proceeds from borrowings	649,155	623,437	16,864,522	16,563,186
Net cash (used in)/ generated from financing activities	(1,916,619)	(1,403,985)	13,342,923	13,234,990
Net (decrease)/increase in cash and cash equivalents	(729,642)	(772,789)	13,413,872	13,472,456
Movement in cash and cash equivalents				
At start of period	3,019,449	3,175,076	(1,048,285)	(852,073)
(Decrease)/Increase	(729,642)	(772,789)	13,413,872	13,472,456
Exchange gains on cash and bank overdrafts	4,746	4,746	118,406	118,406
At end of period	2,294,553	2,407,033	12,483,993	12,738,789

The notes on pages 6 to 10 form an integral part of these financial statements.

DIALOG TELEKOM PLC AND ITS SUBSIDIARIES

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 gateway, 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 31 March 2010 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 2009.

3 Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2009.

Notes to the financial statements (Contd)**4 Segment information****(a) Primary reporting format - business segments**

o The segment results for the Quarter ended 31 March 2010 are as follows:

	Cellular Operations	Global Operations	Fixed Telephony & Data	ISP	Transmission & infrastructure	Entertainment & Media	Group
Total segmental revenue	8,428,885	3,482,747	370,492	86,684	133,376	489,695	12,991,879
Inter-segment revenue	(1,989,091)	(1,120,551)	(36,939)	(3,531)	(48,242)	(2,388)	(3,200,742)
Revenue from external customers	6,439,794	2,362,196	333,553	83,153	85,134	487,307	9,791,137
Operating profit /(loss) segment results	820,328	648,383	(178,679)	(134,496)	(104,199)	(83,682)	967,655
Finance income							12,829
Finance costs							(156,103)
Finance costs - net							(143,274)
Loss before income tax							824,381
Income tax expense							(119,325)
Profit for the period							705,056

o Other segment items included in the income statement are as follows:

	Cellular Operations	Global Operations	Fixed Telephony & Data	ISP	Transmission & infrastructure	Entertainment & Media	Group
Depreciation	1,899,342	31,496	143,344	92,041	54,125	110,316	2,330,664
Impairment (reversal) / charge	(186,093)	Nil	862	Nil	65,409	(2,859)	(122,681)
Amortization	96,611	48,345	25,676	502	Nil	2,303	173,437
Voluntary Retirement Scheme	(34,107)	Nil	22,452	5,612	4,100	1,943	Nil
Trading Inventory (reversal) / provision	(14,240)	Nil	Nil	Nil	Nil	Nil	(14,240)

DIALOG TELEKOM PLC AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

4 Segment information (Contd)

- o Other segment items included in the income statement are as follows:

	Cellular Operations	Global Operations	Fixed Telephony & Data	ISP	Transmission & infrastructure	Entertainment & Media	Group
Depreciation	1,791,331	27,754	137,521	14,758	40,462	109,633	2,121,459
Impairment (reversal) / charge	(120,853)	Nil	Nil	9,484	Nil	Nil	(111,369)
Amortization	76,940	48,345	30,341	1,464	Nil	2,201	159,291
Voluntary Retirement Scheme	255,737	Nil	11,620	4,655	3,330	2,506	277,848
Trading Inventory provision	119,703	Nil	Nil	Nil	Nil	Nil	119,703

- o The segment assets and liabilities at 31 December 2009 and capital expenditure for the year then ended are as follows:

	Cellular Operations	Global Operations	Fixed Telephony & Data	ISP	Transmission & infrastructure	Entertainment & Media	Unallocated	Group
Assets	51,574,682	10,472,966	3,074,045	78,832	4,229,064	2,946,537	2,633,328	75,009,454
Liabilities	7,090,025	5,071,075	231,053	53,650	342,279	810,848	33,301,195	46,900,125
Capital expenditure	7,237,699	480,452	679,550	35,596	1,004,955	433,691	13,392	9,885,335

DIALOG TELEKOM PLC AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

5 Stated capital

Stated Capital of the Company consists of 8,143,778,405 ordinary shares and 3,750,000,000 rated cumulative redeemable preference shares.

6 Comparatives

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

7 Market price per share

For the three months ended 31 March

	2010 Rs.	2009 Rs.
- Highest	7.75	6.25
- Lowest	6.50	4.50
- Last traded	6.75	4.90

8 20 largest shareholders of the Company

Name of Shareholder	No. of Shares	% Holding
1 TM International (L) Limited	6,785,252,765	83.32%
2 HSBC - BBH - Genesis Smaller Companies	191,221,640	2.35%
3 Dialog Telekom Employees ESOS Trust	158,572,462	1.95%
4 HSBC - JPMCB - Emerging Markets Growth Fund	136,365,280	1.67%
5 HSBC - JPMLU - Capital International Emerging Markets Fund	70,318,460	0.86%
6 Sri Lanka Insurance Corporation Limited - Life Fund	68,242,720	0.84%
7 HSBC - SSBT - International Finance Corporation	64,086,800	0.79%
8 CitiBank London s/a RBS AS DEP for FS Asia Pacific	56,724,300	0.70%
9 HSBC - BBH - Genesis Emerging Markets Opportunities Fund	55,345,900	0.68%
10 Employees Provident Fund	44,638,189	0.55%
11 HSBC - JPMCB - Scottish ORL SML TR GTI	42,207,500	0.52%
12 CitiBank London s/a RBS AS DEP for FS Global Emerging	39,788,300	0.49%
13 Bank of Ceylon A/C Ceybank Unit Trust	37,691,200	0.46%
14 HSBC - SSBT - South Asia Portfolio	30,080,680	0.37%
15 BNY - CF Ruffer Investment Funds	28,214,300	0.35%
16 HSBC - JPMCB - Coal Staff Superannuation TR	22,559,900	0.28%
17 Sri Lanka Insurance Corporation Limited - General Fund	21,120,360	0.26%
18 Bank of New York - Stewart Ivory - Fifth Third Bank -OH	15,325,000	0.19%
19 HSBC - JPMCB - The Wellcome Trust Ltd.	11,811,700	0.15%
20 CB London s/a RBS AS DEP of FS India Sub/Cont FD AS	9,839,500	0.12%

9 Public shareholding

The percentage of public shareholding as at 31st March 2010 was 14.73% (14.73% as at 31 December 2009), calculated as per the listing rules of the Colombo Stock Exchange.

10 Directors' Shareholdings

The details of shares held by the Directors and their spouses as at 31 March 2010 are as follows:

	<u>Number of shares</u>
Dr Shridhir Sariputta Hansa Wijayasuriya	42,570
Mr. Moksevi Rasingh Prelis	18,840
Mr. Mohamed Vazir Muhsin	18,040

None of the Directors other than those disclosed above hold any shares in the Company.

11 Contingencies

There has not been a significant change in the nature of the contingent liabilities, which were disclosed in the Annual Report for the year ended 31 December 2009

12 Events after the Balance sheet date

No circumstances have arisen since the balance sheet date, which would require adjustments to or disclosure in the financial statements.