

The Board of Directors
Dialog Telekom Limited
475 Union Place
Colombo 2

Dear Sirs

Dialog Telekom Limited

Limited review report for the three months ended 31 March 2007

We have reviewed the accompanying condensed consolidated interim balance sheet of Dialog Telekom Limited as at 31 March 2007, and the related condensed consolidated interim statements of income, changes in equity and cash flows for the three months then ended. This condensed consolidated interim financial information is the responsibility of the Company's management. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

We conducted our review in accordance with the Sri Lanka Auditing Practice Statement applicable to review engagements. This guidance requires that we plan and perform the review to obtain moderate assurance as to whether the condensed consolidated interim financial information is 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 condensed consolidated interim financial information has not been prepared, in all material respects, in accordance with Sri Lanka Accounting Standard 35 "Interim Financial Reporting".

COLOMBO

CHARTERED ACCOUNTANTS

Income statement

(all amounts in Sri Lanka Rupees Thousands)

	Three months ended 31 March 2007		Three months ended 31 March 2006	
	Group	Company	Group	Company
Turnover	7,506,418	7,239,687	5,952,555	5,828,983
Direct costs	(2,925,768)	(2,660,617)	(2,080,685)	(2,066,685)
Gross margin	4,580,650	4,579,070	3,871,870	3,762,298
Other operating income	66,344	50,495	16,558	16,325
Administrative expenses	(1,163,233)	(1,049,155)	(618,341)	(609,977)
Distribution costs	(759,965)	(747,381)	(709,214)	(708,276)
Operating profit	2,723,796	2,833,029	2,560,873	2,460,370
Finance costs	(270,383)	(248,417)	(134,438)	(119,094)
Profit before tax	2,453,413	2,584,612	2,426,435	2,341,276
Tax	(27,170)	(19,583)	(29,886)	(29,886)
Net profit	2,426,243	2,565,029	2,396,549	2,311,390
Attributable to:				
Equity holders of the company	2,426,243	2,565,029	2,396,549	2,311,390
Minority interest	-	Nil	Nil	Nil
Basic earnings per share attributable to the equity holders of the company (Rs)	0.34	0.35	0.33	0.32
Par value per Ordinary share (Rs)	1.00	1.00	1.00	1.00

The notes on page 6 form an integral part of these condensed consolidated interim financial information.

Balance sheet

(all amounts in Sri Lanka Rupees Thousands)

	31 March 2007		31 December 2006	
	Group	Company	Group	Company
ASSETS				
Non - current assets				
Property, plant and equipment	35,526,659	32,953,801	30,031,500	28,029,423
Intangible assets	3,666,531	1,088,587	3,602,737	1,004,362
Investment in subsidiary	Nil	2,295,844	Nil	2,295,844
	39,193,190	36,338,232	33,634,237	31,329,629
Current assets				
Inventories	595,787	476,168	580,215	519,063
Receivables and prepayments	7,255,408	8,356,949	6,910,094	7,709,931
Cash and cash equivalents	1,983,335	2,068,824	2,301,422	2,237,455
	9,834,530	10,901,941	9,791,731	10,466,449
Total assets	49,027,720	47,240,173	43,425,968	41,796,078
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Ordinary shares	7,403,435	7,403,435	7,403,435	7,403,435
Share premium	5,276,943	5,276,943	5,276,943	5,276,943
ESOS Trust shares	(1,878,084)	(1,878,084)	(1,925,226)	(1,925,226)
Revaluation reserve	20,724	20,724	20,840	20,840
Retained earnings	16,633,167	16,701,726	14,206,808	14,136,581
	27,456,185	27,524,744	24,982,800	24,912,573
Minority interest In Equity	(72)	Nil	(72)	Nil
Total equity	27,456,113	27,524,744	24,982,728	24,912,573
LIABILITIES				
Non - current liabilities				
Subscription in advance	931	931	1,235	1,235
Borrowings	8,698,521	7,848,860	8,057,847	7,338,450
Deferred tax liability	62,689	58,846	39,717	39,717
Retirement benefit obligations	119,367	110,358	111,997	102,635
Provision for other liabilities	103,988	103,988	86,666	86,666
	8,985,496	8,122,983	8,297,462	7,568,703
Current liabilities				
Trade and other payables	11,388,130	10,485,520	8,866,127	8,213,206
Current tax liabilities	67,691	45,084	63,491	44,624
Borrowings	1,130,290	1,061,842	1,216,160	1,056,972
	12,586,111	11,592,446	10,145,778	9,314,802
Total liabilities	21,571,607	19,715,429	18,443,240	16,883,505
Total equity and liabilities	49,027,720	47,240,173	43,425,968	41,796,078
Net Asset per share (Rs)	3.71	3.72	3.37	3.36

The Board of Directors are responsible for the preparation and presentation of these financial statements.

These financial statements were approved by the Board on 02 May 2007

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

Signed
M. R. Prelis
Director

The notes on page 6 form an integral part of these condensed consolidated interim financial information.

Statement of changes in equity

(all amounts in Sri Lanka Rupees Thousands)

Group	Attributable to equity holders of the Company					Minority Interest	Total
	Ordinary share capital	Share Premium	Shares in ESOS trust	Revaluation reserve	Retained earnings		
Balance at 1 January 2006	7,403,435	5,276,943	(2,385,320)	4,896	6,900,917	Nil	17,200,871
Net Profit	Nil	Nil	Nil	Nil	2,396,549	Nil	2,396,549
Shares exercised - ESOS	Nil	Nil	77,973	Nil	Nil	Nil	77,973
Balance at 31 March 2006	7,403,435	5,276,943	(2,307,347)	4,896	9,297,466	Nil	19,675,393
Balance at 1 April 2006	7,403,435	5,276,943	(2,307,347)	4,896	9,297,466	Nil	19,675,393
Net Profit	Nil	Nil	Nil	Nil	7,722,344	Nil	7,722,344
Dividend paid	Nil	Nil	Nil	Nil	(2,813,305)	Nil	(2,813,305)
Revaluation of building	Nil	Nil	Nil	16,247	Nil	Nil	16,247
Depreciation transfer	Nil	Nil	Nil	(303)	303	Nil	Nil
Shares exercised - ESOS	Nil	Nil	383,356	Nil	Nil	Nil	383,356
Subscription in advance	Nil	Nil	(1,235)	Nil	Nil	Nil	(1,235)
Minority interest arising on business acquisition	Nil	Nil	Nil	Nil	Nil	(72)	(72)
Balance at 31 December 2006	7,403,435	5,276,943	(1,925,226)	20,840	14,206,808	(72)	24,982,728
Balance at 1 January 2007	7,403,435	5,276,943	(1,925,226)	20,840	14,206,808	(72)	24,982,728
Net profit	Nil	Nil	Nil	Nil	2,426,243	Nil	2,426,243
Shares exercised	Nil	Nil	48,073	Nil	Nil	Nil	48,073
Depreciation transfer	Nil	Nil	Nil	(116)	116	Nil	Nil
Subscription in advance	Nil	Nil	(931)	Nil	Nil	Nil	(931)
Balance as at 31 March 2007	7,403,435	5,276,943	(1,878,084)	20,724	16,633,167	(72)	27,456,113

Company	Attributable to equity holders of the Company					Total
	Ordinary share capital	Share Premium	Shares in trust	Revaluation reserve	Retained earnings	
Balance at 1 January 2006	7,403,435	5,276,943	(2,385,320)	4,896	6,900,917	17,200,871
Net profit	Nil	Nil	Nil	Nil	2,311,390	2,311,390
Shares exercised	Nil	Nil	108,991	Nil	Nil	108,991
Subscription in advance	Nil	Nil	(31,018)	Nil	Nil	(31,018)
Balance at 31 March 2006	7,403,435	5,276,943	(2,307,347)	4,896	9,212,307	19,590,234
Balance at 1 April 2006	7,403,435	5,276,943	(2,307,347)	4,896	9,212,307	19,590,234
Net Profit	Nil	Nil	Nil	Nil	7,737,276	7,737,276
Dividend paid	Nil	Nil	Nil	Nil	(2,813,305)	(2,813,305)
Revaluation of building	Nil	Nil	Nil	16,247	Nil	16,247
Depreciation transfer	Nil	Nil	Nil	(303)	303	Nil
Shares exercised	Nil	Nil	382,121	Nil	Nil	382,121
Balance at 31 December 2006	7,403,435	5,276,943	(1,925,226)	20,840	14,136,581	24,912,573
Balance at 1 January 2006	7,403,435	5,276,943	(1,925,226)	20,840	14,136,581	24,912,573
Net profit	Nil	Nil	Nil	Nil	2,565,029	2,565,029
Depreciation transfer	Nil	Nil	Nil	(116)	116	Nil
Shares exercised	Nil	Nil	48,073	Nil	Nil	48,073
Subscription in advance	Nil	Nil	(931)	Nil	Nil	(931)
Balance at 31 March 2007	7,403,435	5,276,943	(1,878,084)	20,724	16,701,726	27,524,744

The notes on page 7 form an integral part of these condensed consolidated interim financial information.

Cash Flow Statement

(all amounts in Sri Lanka Rupees Thousands)

	Three months ended 31 March 2007		Three months ended 31 March 2006	
	Group	Company	Group	Company
Operating activities				
Cash generated from operations	5,789,382	5,330,208	2,415,275	2,306,298
Interest received	374	291	48,926	47,888
Interest paid	(217,299)	(191,385)	(99,576)	(90,370)
Tax/ESC paid	(15,001)	(15,000)	(5,677)	(5,677)
Retirement benefit obligations paid	(280)	(280)	(374)	(374)
Net cash from operating activities	5,557,176	5,123,834	2,358,574	2,257,765
Investing activities				
Purchase of property, plant and equipment	(164,766)	(148,087)	(465,654)	(447,256)
Purchase of intangible assets	(2,500)	Nil	(37,517)	(37,517)
Expenditure incurred on capital work-in-progress	(6,357,182)	(5,700,569)	(1,519,362)	(1,519,362)
Proceeds from sale of property, plant and equipment	62,729	17,683	11,244	11,199
Net cash used in investing activities	(6,461,719)	(5,830,973)	(2,011,289)	(1,992,936)
Financing activities				
Proceeds from ESOS shares	46,838	46,838	108,992	108,992
Repayment of finance leases	(8,171)	(5,339)	(10,463)	(10,463)
Repayment of long term borrowings	(128,697)	(68,011)	(92,030)	(79,621)
Proceeds from long term borrowings	754,795	565,020	2,034	Nil
Net cash used in financing activities	664,765	538,508	8,533	18,908
(Decrease)/increase in cash and cash equivalents	(239,778)	(168,631)	355,818	283,737
Movement in cash and cash equivalents				
At start of period	2,184,665	2,237,455	6,689,671	6,624,188
(Decrease)/increase	(239,778)	(168,631)	355,818	283,737
At end of period	1,944,887	2,068,824	7,045,489	6,907,925

The notes on page 6 form an integral part of these condensed consolidated interim financial information.

Notes to the Financial Statements

1 General information

Dialog Telekom Limited (the "Company") and its subsidiaries (together "the Group") provides Communication (Mobile, Internet, International, Data and backbone and Transmission infrastructure) and Media related services.

Dialog Telekom Limited 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 Limited for the three months ended 31 March 2007 have been prepared in accordance 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 2006.

3 Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2006, as described in the annual financial statements for the year ended 31 December 2006.

4 Market Price per Share

For the three months ended 31 March;

	2007 Rs	2006 Rs
- Highest	29.75	20.25
- Lowest	25.25	16.00
- Last traded	25.50	20.00

5 Earnings per Ordinary Shares (EPS)

For the purpose of calculating the basic earnings per ordinary shares for the period ended 31 March 2007, the weighted average number of ordinary shares has been determined as follows:

Description	Number of shares
Ordinary shares as at 01/01/07	7,403,434,913
Less: ESOS Shares	(160,435,462)
Weighted average number of shares exercised & issued to the employees for the period January'07 to March'07 (Weighted based on the month in which the shares were exercised)	1,473,420
Weighted average number of shares	7,244,472,871

For the year ended 31 March 2006, the weighted average number of ordinary shares has been determined as follows:

Description	Number of shares
Ordinary shares as at 01/01/06	7,403,434,913
Less: ESOS Shares	(198,776,691)
Weighted average number of shares exercised & issued to the employees for the period January'06 to March'06 (Weighted based on the month in which the shares were exercised)	994,500
Weighted average number of shares	7,205,652,722