

Income statement

(all amounts in Sri Lanka Rupees thousands)

	Three months ended 31 March 2008		Three months ended 31 March 2007	
	Group	Company	Group	Company
Turnover	8,977,240	8,220,210	7,912,136	7,645,404
Direct costs	<u>(4,351,788)</u>	<u>(3,848,260)</u>	<u>(2,925,768)</u>	<u>(2,660,617)</u>
Gross margin	4,625,452	4,371,950	4,986,368	4,984,787
Other operating income	56,826	60,551	66,344	50,495
Administrative expenses	(1,960,662)	(1,697,327)	(1,163,233)	(1,049,155)
Distribution costs	<u>(1,449,599)</u>	<u>(1,269,574)</u>	<u>(1,165,683)</u>	<u>(1,153,098)</u>
Operating profit	1,272,017	1,465,600	2,723,796	2,833,029
Finance costs	<u>(101,564)</u>	<u>(45,933)</u>	<u>(270,383)</u>	<u>(248,417)</u>
Profit before tax	1,170,453	1,419,667	2,453,413	2,584,612
Tax	(65,329)	(61,811)	(27,170)	(19,583)
Profit for the period	<u>1,105,124</u>	<u>1,357,856</u>	<u>2,426,243</u>	<u>2,565,029</u>

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

- Basic	0.14	0.17	0.30	0.32
- Diluted	0.14	0.17	0.30	0.32

The above figures are subject to audit.

The notes on page 6 form an integral part of these financial statements.

Balance sheet

(all amounts in Sri Lanka Rupees thousands)

	31 March 2008		31 December 2007	
	Group	Company	Group	Company
ASSETS				
Non-current assets				
Property, plant and equipment	56,027,387	50,493,854	50,418,567	45,955,975
Intangible assets	3,915,789	1,267,722	3,919,177	1,236,106
Investments in subsidiaries	Nil	2,335,510	Nil	2,335,510
	59,943,176	54,097,086	54,337,744	49,527,591
Current assets				
Inventories	785,460	633,751	954,385	704,194
Trade and other receivables	12,420,276	16,863,638	10,090,263	13,612,888
Cash and cash equivalents	3,042,159	2,924,797	6,343,121	6,062,156
	16,247,895	20,422,186	17,387,769	20,379,238
Total assets	76,191,071	74,519,272	71,725,513	69,906,829
EQUITY				
Capital and reserves attributable to equity holders of the company				
Stated capital	33,056,113	33,056,113	33,056,413	33,056,413
ESOS Trust shares	(1,995,202)	(1,995,202)	(2,000,439)	(2,000,439)
Dividend reserve - ESOS	172,722	172,722	172,722	172,722
Revaluation reserve	20,261	20,261	20,377	20,377
Retained earnings	20,201,828	21,488,653	19,096,588	20,130,681
	51,455,722	52,742,547	50,345,661	51,379,754
Non-current liabilities				
Subscription in advance	1,242	1,242	306	306
Borrowings	6,479,942	6,084,867	5,172,921	4,751,593
Deferred tax liability	203,701	179,940	140,084	119,823
Retirement benefit obligations	237,479	226,518	211,916	201,554
Provision for other liabilities	163,704	163,704	142,979	142,979
	7,086,068	6,656,271	5,668,206	5,216,255
Current liabilities				
Trade and other payables	11,198,110	9,556,580	10,869,386	9,175,605
Current income tax liabilities	21,605	21,017	19,913	19,344
Borrowings	6,429,566	5,542,857	4,822,347	4,115,871
	17,649,281	15,120,454	15,711,646	13,310,820
Total liabilities	24,735,349	21,776,725	21,379,852	18,527,075
Total equity and liabilities	76,191,071	74,519,272	71,725,513	69,906,829
Net Asset per Share				
	6.32	6.48	6.17	6.30

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 21 May 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
Wan Zaidan Wan Mahyudin
Group Chief Financial Officer

First quarter 2008 figures are subject to audit.
The notes on page 6 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	Revaluation reserve	Retained earnings	Dividend reserve	
Balance at 1 January 2007	12,680,378	(1,925,226)	20,840	14,206,808	70,309	25,053,109
Net profit	Nil	Nil	Nil	2,426,243	Nil	2,426,243
Depreciation transfer	Nil	Nil	(116)	116	Nil	Nil
Shares exercised - ESOS	Nil	48,073	Nil	Nil	Nil	48,073
Subscription in advance	Nil	(931)	Nil	Nil	Nil	(931)
Balance at 31 March 2007	12,680,378	(1,878,084)	20,724	16,633,167	70,309	27,526,494
Balance at 1 April 2007	12,680,378	(1,878,084)	20,724	16,633,167	70,309	27,526,494
Net profit	Nil	Nil	Nil	6,540,916	Nil	6,540,916
Issue of shares	15,376,035	Nil	Nil	Nil	Nil	15,376,035
Dividend paid - ordinary shares	Nil	Nil	Nil	(4,071,889)	Nil	(4,071,889)
Dividend paid - preference shares	Nil	Nil	Nil	(60,988)	Nil	(60,988)
Dividend received ESOS	Nil	Nil	Nil	Nil	102,413	102,413
Issue of preference shares	5,000,000	Nil	Nil	Nil	Nil	5,000,000
Depreciation transfer	Nil	Nil	(347)	347	Nil	Nil
Purchase shares - ESOS	Nil	(205,452)	Nil	Nil	Nil	(205,452)
Shares exercised - ESOS	Nil	83,403	Nil	Nil	Nil	83,403
Subscription in advance	Nil	(306)	Nil	Nil	Nil	(306)
Transfer of minority interest	Nil	Nil	Nil	55,035	Nil	55,035
Balance at 31 December 2007	33,056,413	(2,000,439)	20,377	19,096,588	172,722	50,345,661
Balance at 1 January 2008	33,056,413	(2,000,439)	20,377	19,096,588	172,722	50,345,661
Net profit	Nil	Nil	Nil	1,105,124	Nil	1,105,124
Legal fee on Issue of shares	(300)	Nil	Nil	Nil	Nil	(300)
Depreciation transfer	Nil	Nil	(116)	116	Nil	Nil
Shares exercised - ESOS	Nil	6,479	Nil	Nil	Nil	6,479
Subscription in advance	Nil	(1,242)	Nil	Nil	Nil	(1,242)
Balance at 31 March 2008	33,056,113	(1,995,202)	20,261	20,201,828	172,722	51,455,722

* stated capital includes amounts previously reported under ordinary share capital and share premium as required by the Companies Act No. 7 of 2007.

Statement of changes in equity

(all amounts in Sri Lanka Rupees thousands)

Company	Attributable to equity holders of the Company					Total
	Stated* capital	Shares in ESOS trust	Revaluation reserve	Retained earnings	Dividend reserve	
Balance at 1 January 2007	12,680,378	(1,925,226)	20,840	14,136,581	70,309	24,982,882
Net profit	Nil	Nil	Nil	2,565,029	Nil	2,565,029
Depreciation transfer	Nil	Nil	(116)	116	Nil	Nil
Shares exercised - ESOS	Nil	48,073	Nil	Nil	Nil	48,073
Subscription in advance	Nil	(931)	Nil	Nil	Nil	(931)
Balance at 31 March 2007	12,680,378	(1,878,084)	20,724	16,701,726	70,309	27,595,053
Balance at 1 April 2007	12,680,378	(1,878,084)	20,724	16,701,726	70,309	27,595,053
Net profit	Nil	Nil	Nil	7,561,485	Nil	7,561,485
Issue of shares	15,376,035	Nil	Nil	Nil	Nil	15,376,035
Dividend paid - ordinary shares	Nil	Nil	Nil	(4,071,889)	Nil	(4,071,889)
Dividend paid - preference shares	Nil	Nil	Nil	(60,988)	Nil	(60,988)
Dividend received ESOS	Nil	Nil	Nil	Nil	102,413	102,413
Issue of preference shares	5,000,000	Nil	Nil	Nil	Nil	5,000,000
Depreciation transfer	Nil	Nil	(347)	347	Nil	Nil
Purchase shares - ESOS	Nil	(205,452)	Nil	Nil	Nil	(205,452)
Shares exercised - ESOS	Nil	83,403	Nil	Nil	Nil	83,403
Subscription in advance	Nil	(306)	Nil	Nil	Nil	(306)
Balance at 31 December 2007	33,056,413	(2,000,439)	20,377	20,130,681	172,722	51,379,754
Balance at 1 January 2008	33,056,413	(2,000,439)	20,377	20,130,681	172,722	51,379,754
Net profit	Nil	Nil	Nil	1,357,856	Nil	1,357,856
Legal fee on issue of shares	(300)	Nil	Nil	Nil	Nil	(300)
Depreciation transfer	Nil	Nil	(116)	116	Nil	Nil
Shares exercised - ESOS	Nil	6,479	Nil	Nil	Nil	6,479
Subscription in advance	Nil	(1,242)	Nil	Nil	Nil	(1,242)
Balance at 31 March 2008	33,056,113	(1,995,202)	20,261	21,488,653	172,722	52,742,547

* stated capital includes amounts previously reported under ordinary share capital and share premium as required by the Companies Act No. 7 of 2007.

Cash flow statement

(all amounts in Sri Lanka Rupees thousands)

	Three months ended 31 March 2008		Three months ended 31 March 2007	
	Group	Company	Group	Company
Cash flows from operating activities				
Cash generated from operations	951,188	583,644	5,789,382	5,330,208
Interest received	32,182	32,131	374	291
Interest paid	(134,997)	(79,708)	(217,299)	(191,385)
Tax / ESC paid	(15,021)	(15,021)	(15,001)	(15,000)
Retirement benefit obligations paid	(401)	(401)	(280)	(280)
Net cash (used in) / generated from operating activities	832,951	520,645	5,557,176	5,123,834
Cash flows from investing activities				
Purchases of property, plant and equipment	(47,929)	(28,451)	(164,766)	(148,087)
Purchases of intangible assets	(43,718)	(38,305)	(2,500)	Nil
Expenditure incurred on capital work-in-progress	(7,027,864)	(5,843,558)	(6,357,182)	(5,700,569)
Amount given / receipt of subsidiaries	Nil	(575,000)	Nil	Nil
Proceeds from sale of property, plant and equipment	18,150	11,167	62,729	17,683
Net cash used in investing activities	(7,101,361)	(6,474,147)	(6,461,719)	(5,830,973)
Cash flows from financing activities				
Legal fee on issuing of preference shares	(300)	(300)	Nil	Nil
Proceeds from treasury shares - ESOS	6,173	6,173	46,838	46,838
Repayment of finance leases	(13,244)	(4,009)	(8,171)	(5,339)
Repayment of borrowings	(2,724,371)	(1,283,839)	(128,697)	(68,011)
Proceeds from borrowings	5,497,086	4,098,118	754,795	565,020
Net cash generated from financing activities	2,765,344	2,816,143	664,765	538,508
Net decrease in cash and cash equivalents	(3,503,066)	(3,137,359)	(239,778)	(168,631)
Movement in cash and cash equivalents				
At start of period	6,092,069	6,062,156	2,184,665	2,237,455
Decrease	(3,503,066)	(3,137,359)	(239,778)	(168,631)
At end of period	2,589,003	2,924,797	1,944,887	2,068,824

The above figures are subject to audit.

The notes on page 6 form an integral part of these financial statements.

Notes to the financial statements**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 31 March 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 5,000,000,000 rated cumulative redeemable preference shares.

5 Comparatives

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

6 Market price per share

For the three months ended 31 March:		2008 Rs	2007 Rs
-	Highest	20.00	29.75
-	Lowest	16.50	25.25
-	Last traded	16.75	25.50