

25th October 2007

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

Dear Sirs

Dialog Telekom PLC

Limited review report for the three months ended 30 September 2007

We have reviewed the accompanying condensed consolidated interim balance sheet of Dialog Telekom PLC as at 30 September 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".

SIGNED
CHARTERED ACCOUNTANTS

COLOMBO

Income statement

(all amounts in Sri Lanka Rupees thousands)

	Nine months ended 30 September 2007		Nine months ended 30 September 2006	
	Group	Company	Group	Company
Turnover	23,915,962	23,030,326	18,890,373	18,500,085
Direct costs	(9,431,868)	(8,390,802)	(6,525,977)	(6,331,894)
Gross margin	14,484,094	14,639,524	12,364,396	12,168,191
Other operating income	213,467	138,017	82,817	62,454
Administrative expenses	(4,091,012)	(3,720,780)	(2,097,106)	(2,073,890)
Distribution costs	(2,462,481)	(2,333,040)	(2,301,551)	(2,292,178)
Operating profit	8,144,068	8,723,721	8,048,556	7,864,577
Finance costs	(766,923)	(650,621)	(416,349)	(334,846)
Profit before tax	7,377,145	8,073,100	7,632,207	7,529,731
Tax	(73,279)	(89,838)	(83,263)	(70,737)
Net profit	7,303,866	7,983,262	7,548,944	7,458,994
Attributable to:				
Equity holders of the company	7,303,866	7,983,262	7,548,944	7,458,994
Minority interest	Nil	Nil	Nil	Nil
Basic earnings per share attributable to the equity holders of the company (Rs)	0.939	1.027	1.031	1.019

The notes on page 8 form an integral part of these condensed consolidated interim financial statements.

Income statement

(all amounts in Sri Lanka Rupees thousands)

	Three months ended 30 September 2007		Three months ended 30 September 2006	
	Group	Company	Group	Company
Turnover	8,559,406	8,203,771	6,610,639	6,469,385
Direct costs	(3,497,019)	(3,086,107)	(2,255,179)	(2,180,636)
Gross margin	5,062,387	5,117,664	4,355,460	4,288,749
Other operating income	(17,532)	44,395	36,947	24,454
Administrative expenses	(1,630,337)	(1,448,365)	(829,683)	(832,622)
Distribution costs	(858,603)	(798,160)	(791,604)	(786,591)
Operating profit	2,555,915	2,915,534	2,771,120	2,693,990
Finance costs	(110,641)	(64,968)	(136,816)	(113,931)
Profit before tax	2,445,274	2,850,566	2,634,304	2,580,059
Tax	(9,875)	(35,799)	(18,175)	(6,339)
Net profit	2,435,399	2,814,767	2,616,129	2,573,720
Attributable to:				
Equity holders of the company	2,435,399	2,814,767	2,616,129	2,573,720
Minority interest	Nil	Nil	Nil	Nil
Basic earnings per share attributable to the equity holders of the company (Rs)	0.313	0.362	0.357	0.351

The notes on page 8 form an integral part of these condensed consolidated interim financial statements.

Balance sheet

(all amounts in Sri Lanka Rupees thousands)

	30 September 2007		31 December 2006	
	Group	Company	Group	Company
ASSETS				
Non - Current Assets				
Property, plant and equipment	38,310,767	34,572,031	30,031,500	28,029,423
Intangible assets	3,881,682	1,200,141	3,602,737	1,004,362
Investments in subsidiaries	Nil	2,335,510	Nil	2,295,844
	42,192,449	38,107,682	33,634,237	31,329,629
Current Assets				
Inventories	787,318	621,140	580,215	519,063
Receivables and prepayments	8,531,709	11,347,687	6,910,094	7,709,931
Cash and cash equivalents	4,588,229	4,472,633	2,301,422	2,237,455
	13,907,256	16,441,460	9,791,731	10,466,449
Total Assets	56,099,705	54,549,142	43,425,968	41,796,078
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Stated capital	28,104,198	28,104,198	12,680,378	12,680,378
ESOS trust shares	(2,029,227)	(2,029,227)	(1,925,226)	(1,925,226)
Dividend reserve - ESOS	155,296	155,296	70,309	70,309
Revaluation reserve	20,492	20,492	20,840	20,840
Retained earnings	17,494,166	18,048,302	14,206,808	14,136,581
	43,744,925	44,299,061	25,053,109	24,982,882
Minority interest in Equity	Nil	Nil	(72)	Nil
Total Equity	43,744,925	44,299,061	25,053,037	24,982,882
LIABILITIES				
Non - Current Liabilities				
Subscription in advance	5,485	5,485	1,235	1,235
Borrowings	2,508,302	2,129,889	8,057,847	7,338,450
Deferred tax liability	121,276	117,433	39,717	39,717
Retirement benefit obligations	137,642	125,154	111,997	102,635
Provision for other liabilities	121,710	121,710	86,666	86,666
	2,894,415	2,499,671	8,297,462	7,568,703
Current Liabilities				
Trade and other payables	8,563,562	7,391,113	8,795,818	8,142,897
Current tax liabilities	58,116	56,690	63,491	44,624
Borrowings	838,687	302,607	1,216,160	1,056,972
	9,460,365	7,750,410	10,075,469	9,244,493
Total Liabilities	12,354,780	10,250,081	18,372,931	16,813,196
Total Equity and Liabilities	56,099,705	54,549,142	43,425,968	41,796,078

Net asset per share (Rs) 5.37 5.44 3.37 3.36

The Board of Directors is responsible for the preparation and presentation of these financial statements. These financial statements were approved by the Board on 25th October 2007

SIGNED

Dr S S H Wijayasuriya
Director/ Group Chief Executive

SIGNED

M R Prelis
Director

The notes on page 8 form an integral part of these condensed consolidated interim financial statements.

Statement of changes in equity

(all amounts in Sri Lanka Rupees Thousands)

Group	Stated Capital*	Shares in ESOS Trust	Revaluation Reserve	Retained Earnings	Dividend Reserve	Minority Interest	Total
Balance as at 1 January 2006	12,680,378	(2,385,320)	4,896	6,900,917	Nil	Nil	17,200,871
Net profit	Nil	Nil	Nil	7,548,944	Nil	Nil	7,548,944
Shares exercised -ESOS	Nil	344,217	Nil	Nil	Nil	Nil	344,217
Dividend Paid	Nil	Nil	Nil	(2,813,305)	Nil	Nil	(2,813,305)
Dividend received ESOS	Nil	Nil	Nil	Nil	70,309	Nil	70,309
Subscription in advance	Nil	(6,335)	Nil	Nil	Nil	Nil	(6,335)
Minority interest arising on Business acquisition	Nil	Nil	Nil	Nil	Nil	(72)	(72)
Balance as at 30 September 2006	12,680,378	(2,047,438)	4,896	11,636,556	70,309	(72)	22,344,629
Balance at 1 October 2006	12,680,378	(2,047,438)	4,896	11,636,556	70,309	(72)	22,344,629
Net Profit	Nil	Nil	Nil	2,569,949	Nil	Nil	2,569,949
Shares exercised -ESOS	Nil	123,447	Nil	Nil	Nil	Nil	123,447
Revaluation of building	Nil	Nil	16,247	Nil	Nil	Nil	16,247
Depreciation transfer	Nil	Nil	(303)	303	Nil	Nil	Nil
Subscription in advance	Nil	(1,235)	Nil	Nil	Nil	Nil	(1,235)
Balance as at 31 December 2006	12,680,378	(1,925,226)	20,840	14,206,808	70,309	(72)	25,053,037
Balance as at 1 January 2007	12,680,378	(1,925,226)	20,840	14,206,808	70,309	(72)	25,053,037
Net profit	Nil	Nil	Nil	7,303,866	Nil	Nil	7,303,866
Transfer of minority interest	Nil	Nil	Nil	55,033	Nil	72	55,105
Issue of shares	15,423,820	(205,452)	Nil	Nil	Nil	Nil	15,218,368
Shares exercised -ESOS	Nil	106,936	Nil	Nil	Nil	Nil	106,936
Dividend paid	Nil	Nil	Nil	(4,071,889)	Nil	Nil	(4,071,889)
Dividend received ESOS	Nil	Nil	Nil	Nil	84,987	Nil	84,987
Depreciation transfer	Nil	Nil	(348)	348	Nil	Nil	Nil
Subscription in advance	Nil	(5,485)	Nil	Nil	Nil	Nil	(5,485)
Balance as at 30 September 2007	28,104,198	(2,029,227)	20,492	17,494,166	155,296	Nil	43,744,925

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

The notes on page 8 form an integral part of these condensed consolidated interim financial statements.

Statement of changes in equity

(all amounts in Sri Lanka Rupees Thousands)

Company	Stated Capital*	Shares in ESOS Trust	Revaluation Reserve	Retained Earnings	Dividend Reserve	Total
Balance as at 1 January 2006	12,680,378	(2,385,320)	4,896	6,900,917	Nil	17,200,871
Net profit	Nil	Nil	Nil	7,458,994	Nil	7,458,994
Shares exercised -ESOS	Nil	344,217	Nil	Nil	Nil	344,217
Dividend Paid	Nil	Nil	Nil	(2,813,305)	Nil	(2,813,305)
Dividend received ESOS	Nil	Nil	Nil	Nil	70,309	70,309
Subscription in advance	Nil	(6,335)	Nil	Nil	Nil	(6,335)
Balance as at 30 September 2006	12,680,378	(2,047,438)	4,896	11,546,606	70,309	22,254,751
Balance as at 1 October 2006	12,680,378	(2,047,438)	4,896	11,546,606	70,309	22,254,751
Net profit	Nil	Nil	Nil	2,589,672	Nil	2,589,672
Shares exercised - ESOS	Nil	123,447	Nil	Nil	Nil	123,447
Revaluation of building	Nil	Nil	16,247	Nil	Nil	16,247
Depreciation transfer	Nil	Nil	(303)	303	Nil	Nil
Subscription in advance	Nil	(1,235)	Nil	Nil	Nil	(1,235)
Balance as at 31 December 2006	12,680,378	(1,925,226)	20,840	14,136,581	70,309	24,982,882
Balance as 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	7,983,262	Nil	7,983,262
Issue of shares	15,423,820	(205,452)	Nil	Nil	Nil	15,218,368
Shares exercised - ESOS	Nil	106,936	Nil	Nil	Nil	106,936
Dividend paid	Nil	Nil	Nil	(4,071,889)	Nil	(4,071,889)
Dividend received ESOS	Nil	Nil	Nil	Nil	84,987	84,987
Depreciation transfer	Nil	Nil	(348)	348	Nil	Nil
Subscription in advance	Nil	(5,485)	Nil	Nil	Nil	(5,485)
Balance as at 30 September 2007	28,104,198	(2,029,227)	20,492	18,048,302	155,296	44,299,061

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

The notes on page 8 form an integral part of these condensed consolidated interim financial statements.

Cash flow statement

(all amounts in Sri Lanka Rupees thousands)

	Nine months ended 30 September 2007		Nine months ended 30 September 2006	
	Group	Company	Group	Company
Operating Activities				
Cash generated from operations	9,027,025	10,066,947	8,947,620	8,734,693
Interest received	67,158	66,780	198,471	194,238
Interest paid	(617,156)	(499,650)	(421,766)	(348,901)
Tax / ESC paid	(45,225)	(45,178)	(19,930)	(19,931)
Retirement benefit obligations paid	(1,886)	(1,491)	(2,872)	(2,090)
Net cash from operating activities	8,429,916	9,587,408	8,701,523	8,558,009
Investing Activities				
Purchase of property, plant and equipment	(1,559,621)	(1,493,671)	(579,610)	(465,688)
Purchase of intangible assets	(188,443)	(147,799)	(37,517)	(37,517)
Expenditure incurred on capital work-in-progress	(9,654,076)	(7,794,184)	(6,035,238)	(5,883,131)
Acquisition of subsidiary, net of cash acquired	(39,666)	(39,666)	(325,079)	(325,080)
Amounts advanced to subsidiaries	Nil	(3,164,073)	Nil	Nil
Proceeds from sale of property, plant and equipment	69,578	22,632	15,646	15,578
Net cash used in investing activities	(11,372,228)	(12,616,761)	(6,961,798)	(6,695,838)
Financing Activities				
Proceeds from ESOS shares	105,701	105,701	344,217	344,217
Payments for purchase of ESOS shares	(205,452)	(205,452)	Nil	Nil
Repayment of finance leases	(30,195)	(14,805)	(16,890)	(17,126)
Repayment of long term borrowings	(9,215,964)	(8,526,083)	(640,988)	(616,393)
Proceeds from long term borrowings	3,193,991	2,468,251	107,476	Nil
Proceeds from Issue of shares	15,423,820	15,423,820	Nil	Nil
Dividend paid	(3,986,903)	(3,986,903)	(2,742,996)	(2,742,996)
Net cash generated/(used) in financing activities	5,284,998	5,264,529	(2,949,181)	(3,032,298)
(Decrease) / increase in cash and cash equivalents	2,342,686	2,235,176	(1,209,456)	(1,170,127)
Movement in cash and cash equivalents				
At start of period	2,183,825	2,237,457	6,689,671	6,624,188
(Decrease) / increase	2,342,686	2,235,176	(1,209,456)	(1,170,127)
At end of period	4,526,511	4,472,633	5,480,215	5,454,061

The notes on page 8 form an integral part of these condensed consolidated interim financial statements.

Notes to the Financial Statements**1 General Information**

Dialog Telekom PLC (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 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 nine months ended 30 September 2007 have 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 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 Acquisition of balance 10% equity of Dialog Television (Private) Limited (formerly known as Asset Media (Private) Limited)

On 13 September 2007, the Company acquired the remaining 10% of the equity of Dialog Television (Private) Limited (DTV). Following this transaction DTV became a wholly owned subsidiary of Dialog Telekom PLC.

5 Market Price per Share

For the three months ended 30 September:

	2007	2006
	Rs	Rs
- Highest	25.00	22.00
- Lowest	20.50	19.50
- Last traded	23.00	21.75

6 Earnings per Ordinary Share (EPS)

The basic earnings per ordinary shares has been computed based on the following weighted average number of ordinary shares having adjusted the number of shares for effects of the Rights issue and ESOS shares exercised:

Description	Period ended 30 September 2007	Period ended 30 September 2006
Weighted average number of shares	7,775,118,491	7,322,279,600