

**Independent auditor's review report
To the Directors of Dialog Axiata PLC**

We have reviewed the accompanying balance sheets of Dialog Axiata PLC and its subsidiaries at 31 December 2011, and the related statements of income and cash flows for the year / 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 Standard on Review Engagements 2400 applicable to review engagements. This Standard requires that we plan and perform the review to obtain moderate assurance 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.

17 February 2012
COLOMBO

PricewaterhouseCoopers
CHARTERED ACCOUNTANTS

DIALOG AXIATA PLC AND ITS SUBSIDIARIES

Balance sheet

(all amounts in Sri Lanka Rupees thousands)

	As at 31 December 2011		As at 31 December 2010	
	Group	Company	Group	Company
ASSETS				
Non-current assets				
Property, plant and equipment	51,100,953	41,212,795	53,014,351	44,348,523
Intangible assets	3,869,456	1,619,582	3,757,193	1,397,140
Investments in subsidiaries	Nil	10,326,010	Nil	10,326,010
Investment in associate	37,100	27,742	Nil	Nil
Other investment	30,596	30,596	30,596	30,596
Amount due from subsidiaries	Nil	13,995,890	Nil	8,771,992
	55,038,105	67,212,615	56,802,140	64,874,261
Current assets				
Inventories	435,743	395,515	271,184	266,159
Trade and other receivables	10,274,922	9,016,826	9,628,718	8,071,307
Cash and cash equivalents	10,452,379	6,900,163	5,433,770	5,079,135
	21,163,044	16,312,504	15,333,672	13,416,601
Total assets	76,201,149	83,525,119	72,135,812	78,290,862
EQUITY				
Capital and reserves attributable to equity holders				
Stated capital	29,306,113	29,306,113	30,556,113	30,556,113
ESOS Trust shares	(1,990,921)	(1,990,921)	(1,990,921)	(1,990,921)
Dividend reserve - ESOS	291,781	291,781	260,067	260,067
Revaluation reserve	128,469	93,798	131,713	96,820
Retained earnings	6,233,535	15,281,789	2,656,318	10,744,469
	33,968,977	42,982,560	31,613,290	39,666,548
Total equity	33,968,977	42,982,560	31,613,290	39,666,548
LIABILITIES				
Non - current liabilities				
Borrowings	17,488,097	17,488,097	20,122,753	20,122,753
Deferred income tax liabilities	2,013,771	2,013,771	1,612,510	1,612,510
Retirement benefit obligations	443,731	403,482	390,635	358,854
Provision for other liabilities	586,660	574,054	619,876	607,794
Deferred revenue	1,056,654	1,055,174	285,766	285,766
	21,588,913	21,534,578	23,031,540	22,987,677
Current liabilities				
Trade and other payables	13,267,684	11,710,841	12,094,208	10,443,631
Current income tax liabilities	63,825	60,667	14,151	10,898
Borrowings	7,311,750	7,236,473	5,382,623	5,182,108
	20,643,259	19,007,981	17,490,982	15,636,637
Total liabilities	42,232,172	40,542,559	40,522,522	38,624,314
Total equity and liabilities	76,201,149	83,525,119	72,135,812	78,290,862
Net Asset per Share (Rs)	4.02	5.12	3.57	4.56

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

Signed

.....
Group Chief Financial Officer
Date : 17 February 2012

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

Approved and signed for and on behalf of the Board of Directors:

Signed
.....
Director
Date : 17 February 2012

Signed
.....
Director
Date : 17 February 2012

The notes on pages 8 to 12 form an integral part of these financial statements.

DIALOG AXIATA PLC AND ITS SUBSIDIARIES

Income statement

(all amounts in Sri Lanka Rupees thousands)

	Year ended 31 December 2011		Year ended 31 December 2010	
	Group	Company	Group	Company
Revenue	45,637,211	41,776,308	41,422,783	37,954,236
Direct costs	(25,114,415)	(22,494,294)	(23,114,521)	(20,558,465)
Gross margin	20,522,796	19,282,014	18,308,262	17,395,771
Other operating income	75,068	69,961	94,450	81,525
Administrative costs	(8,054,621)	(6,260,281)	(7,574,992)	(5,727,544)
Distribution costs	(6,325,231)	(5,906,107)	(5,414,418)	(4,949,144)
Operating profit	6,218,012	7,185,587	5,413,302	6,800,608
Finance (costs) / income - net	(295,414)	(305,402)	124,512	242,667
Share of profit from associate	9,681	Nil	Nil	Nil
Profit before tax	5,932,279	6,880,185	5,537,814	7,043,275
Taxation	(578,657)	(566,238)	(490,373)	(491,322)
Profit for the year	5,353,622	6,313,947	5,047,441	6,551,953
Attributable to:				
Equity holders of the Company	5,353,622	6,313,947	5,047,441	6,551,953
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in Rupees per share)				
- Basic	0.651	0.772	0.595	0.784
- Diluted	0.651	0.772	0.595	0.784

The notes on pages 8 to 12 form an integral part of these financial statements.

DIALOG AXIATA PLC AND ITS SUBSIDIARIES

Income statement

(all amounts in Sri Lanka Rupees Thousands)

	Three months ended 31 December 2011		Three months ended 31 December 2010	
	Group	company	Group	company
Revenue	11,973,297	10,922,573	10,754,039	9,885,815
Direct costs	(6,521,638)	(5,801,186)	(5,763,838)	(5,337,334)
Gross margin	5,451,659	5,121,387	4,990,201	4,548,481
Other operating income	19,093	16,547	14,847	18,192
Administrative costs	(1,967,323)	(1,448,477)	(2,581,169)	(1,852,279)
Distribution costs	(1,467,386)	(1,402,192)	(1,141,031)	(1,137,740)
Operating profit	2,036,043	2,287,265	1,282,848	1,576,654
Finance (costs) / income - net	(451,037)	(459,748)	159,559	151,073
Share of profit from associate	3,043	Nil	Nil	Nil
Profit before tax	1,588,049	1,827,517	1,442,407	1,727,727
Taxation	(169,854)	(162,904)	(167,111)	(166,221)
Profit for the period	1,418,195	1,664,613	1,275,296	1,561,506
Attributable to:				
Equity holders of the Company	1,418,194	1,664,613	1,275,296	1,561,506
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in Rupees per share)				
- Basic	0.175	0.206	0.160	0.190
- Diluted	0.175	0.206	0.160	0.190

The notes on pages 8 to 12 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 Group					Total
	Stated capital	Shares in ESOS trust	Dividend reserve	Revaluation reserve	Retained earnings / (accumulated losses)	
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	5,047,441	5,047,441
Deferred tax attributable to revaluation surplus	Nil	Nil	Nil	(706)	Nil	(706)
Depreciation transfer	Nil	Nil	Nil	(4,052)	4,052	Nil
Redemption of rated cumulative redeemable preference shares	(1,250,000)	Nil	Nil	Nil	Nil	(1,250,000)
Dividend to rated cumulative redeemable preference shareholders	Nil	Nil	Nil	Nil	(292,774)	(292,774)
Balance as at 31 December 2010	30,556,113	(1,990,921)	260,067	131,713	2,656,318	31,613,290
Balance at 1 January 2011	30,556,113	(1,990,921)	260,067	131,713	2,656,318	31,613,290
Net Profit	Nil	Nil	Nil	Nil	5,353,622	5,353,622
Dividend to rated cumulative redeemable preference shareholders	Nil	Nil	Nil	Nil	(151,715)	(151,715)
Depreciation transfer	Nil	Nil	Nil	(4,066)	4,066	Nil
Dividend received ESOS	Nil	Nil	31,714	Nil	Nil	31,714
Deferred tax attributable to revaluation surplus	Nil	Nil	Nil	822	Nil	822
Dividend to ordinary shareholders	Nil	Nil	Nil	Nil	(1,628,756)	(1,628,756)
Redemption of rated cumulative redeemable preference shares	(1,250,000)	Nil	Nil	Nil	Nil	(1,250,000)
Balance as at 31 December 2011	29,306,113	(1,990,921)	291,781	128,469	6,233,535	33,968,977

The notes on pages 8 to 12 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	Shares in ESOS trust	Dividend reserve	Revaluation reserve	Retained earnings	
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	6,551,953	6,551,953
Deferred tax attributable to revaluation surplus	Nil	Nil	Nil	(706)	Nil	(706)
Depreciation transfer	Nil	Nil	Nil	(3,832)	3,832	Nil
Redemption of rated cumulative redeemable preference shares	(1,250,000)	Nil	Nil	Nil	Nil	(1,250,000)
Dividend to rated cumulative redeemable preference shareholders	Nil	Nil	Nil	Nil	(292,774)	(292,774)
Balance as at 31 December 2010	30,556,113	(1,990,921)	260,067	96,820	10,744,469	39,666,548
Balance at 1 January 2011	30,556,113	(1,990,921)	260,067	96,820	10,744,469	39,666,548
Net Profit	Nil	Nil	Nil	Nil	6,313,947	6,313,947
Dividend to rated cumulative redeemable preference shareholders	Nil	Nil	Nil	Nil	(151,715)	(151,715)
Depreciation transfer	Nil	Nil	Nil	(3,844)	3,844	Nil
Dividend received ESOS	Nil	Nil	31,714	Nil	Nil	31,714
Deferred tax attributable to revaluation surplus	Nil	Nil	Nil	822	Nil	822
Dividend to ordinary shareholders	Nil	Nil	Nil	Nil	(1,628,756)	(1,628,756)
Redemption of rated cumulative redeemable preference shares	(1,250,000)	Nil	Nil	Nil	Nil	(1,250,000)
Balance as at 31 December 2011	29,306,113	(1,990,921)	291,781	93,798	15,281,789	42,982,560

The notes on pages 8 to 12 form an integral part of these financial statements.

DIALOG AXIATA PLC AND ITS SUBSIDIARIES

Cash flow statement

(all amounts in Sri Lanka Rupees thousands)

	Year ended 31 December 2011		Year ended 31 December 2010	
	Group	Company	Group	Company
Cash flows from operating activities				
Cash generated from operations	16,300,424	15,244,315	14,788,709	14,017,349
Interest received	383,683	369,157	86,470	83,425
Interest paid	(354,552)	(354,488)	(664,914)	(523,829)
TDC refund	1,650,244	1,646,941	210,260	210,260
Tax / SRL/ ESC paid	(106,404)	(101,035)	(94,935)	(94,090)
Retirement benefit obligations paid	(20,064)	(19,471)	(43,012)	(38,014)
Net cash generated from operating activities	17,853,331	16,785,419	14,282,578	13,655,101
Cash flows from investing activities				
Purchases of property, plant and equipment (PPE)	(9,976)	(7,154)	(78,489)	(73,186)
Purchases of intangible assets	(384,614)	(384,614)	(23,301)	(13,547)
Amount advanced to subsidiaries	Nil	(4,208,813)	Nil	(2,998,624)
Investment in associate	(11,440)	(11,440)	Nil	Nil
Investment installment to NANCO (Formerly known as SLINTEC)	Nil	Nil	(13,000)	(13,000)
Proceeds from sale of DBS 74% stake	69,190	69,190	Nil	Nil
Expenditure incurred on capital work-in-progress	(8,324,730)	(6,370,659)	(6,688,695)	(4,861,553)
Proceeds from sale of property, plant and equipment	10,205	8,862	55,268	44,857
Net cash used in investing activities	(8,651,365)	(10,904,628)	(6,748,217)	(7,915,053)
Cash flows from financing activities				
Repayment of finance leases	(5,755)	Nil	(25,701)	(6,495)
Repayment of borrowings	(6,069,611)	(6,069,611)	(7,898,567)	(6,409,972)
Proceeds from borrowings	4,791,206	4,791,206	3,492,233	3,461,553
Redemption of rated cumulative redeemable preference shares	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)
Dividend paid to ordinary shareholders	(1,628,756)	(1,628,756)	Nil	Nil
Dividend received -ESOS	31,714	31,714	Nil	Nil
Dividend paid to rated cumulative redeemable preference shareholders	(177,399)	(177,399)	(342,746)	(342,746)
Net cash used in financing activities	(4,308,601)	(4,302,846)	(6,024,781)	(4,547,660)
Net increase in cash and cash equivalents	4,893,365	1,577,945	1,509,580	1,192,388
Movement in cash and cash equivalents				
At start of year	4,475,738	4,314,219	3,019,403	3,175,077
Increase	4,893,365	1,577,945	1,509,580	1,192,388
Foreign exchange adjustment	36,971	36,971	(53,245)	(53,246)
At end of year	9,406,074	5,929,135	4,475,738	4,314,219

The notes on pages 8 to 12 form an integral part of these financial statements.

DIALOG AXIATA PLC AND ITS SUBSIDIARIES

Notes to the financial statements

(in the notes all amounts are shown in Sri Lanka Rupees thousands unless otherwise stated)

1 General information

Dialog Axiata 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 Axiata PLC (the "Company") 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 Axiata PLC (the "Company") for the year ended 31 December 2011 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 2010.

3 Accounting policies

Accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2010.

4 Segment information

The segmental reporting presentation is revised to represent more appropriate business segments of the group.

4 Segment information**Primary reporting format - business segments**

- o The segment results for the year ended 31 December 2011 are as follows:

	Mobile Operations	Fixed broadband Operations	Television Operations	Elimination /Adjustment	Group
Total segmental revenue	41,776,308	2,381,942	2,396,074	39,784	46,594,108
Inter-segment revenue	(447,081)	(453,716)	(16,715)	(39,385)	(956,897)
Revenue from external customers	41,329,227	1,928,226	2,379,359	399	45,637,211
Operating profit/(loss) segment results	7,185,587	(942,567)	26,165	(51,173)	6,218,012
Finance costs - net					(295,414)
Share of profit from associate					9,681
Profit before tax					5,932,279
Taxation					(578,657)
Profit for the year					5,353,622

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

	Mobile Operations	Fixed broadband Operations	Television Operations	Elimination /Adjustment	Group
Depreciation ,Amortization and Impairment	8,092,473	1,611,901	548,309	52,044	10,304,727

- o The segment assets and liabilities at 31 December 2011 and capital expenditure for the year then ended are as follows:

	Mobile Operations	Fixed broadband Operations	Television Operations	Elimination /Adjustment	Group
Assets	83,525,119	12,730,168	3,271,278	(9,322,888)	90,203,677
Inter -segment assets	(13,986,531)	(16,008)	11	Nil	(14,002,528)
Total assets					76,201,149
Liabilities	40,542,559	13,616,694	2,494,624	Nil	56,653,877
Inter- segment liabilities	(134,326)	(12,708,505)	(1,578,874)	Nil	(14,421,705)
Total liability					42,232,172
Capital expenditure	6,762,427	1,458,870	498,023	Nil	8,719,320

4 Segment information (Contd)

- o The segment results for the year ended 31 December 2010 are as follows:

	Mobile Operations	Fixed broadband Operations	Television Operations	Elimination /Adjustment	Group
Total segmental revenue	37,954,236	2,360,434	2,022,759	Nil	42,337,429
Inter-segment revenue	(534,624)	(359,305)	(20,717)	Nil	(914,646)
Revenue from external customers	37,419,612	2,001,129	2,002,042	Nil	41,422,783
Operating profit / (loss) segment results	6,800,608	(1,192,480)	(144,485)	(50,341)	5,413,302
Finance income - net					124,512
Profit before tax					5,537,814
Taxation					(490,373)
Profit for the year					5,047,441

	Mobile Operations	Fixed broadband Operations	Television Operations	Elimination /Adjustment	Group
Depreciation ,Amortization and Impairment	7,776,245	1,491,496	486,416	50,286	9,804,443

- o The segment assets and liabilities at 31 December 2010 and capital expenditure for the year then ended are as follows:

	Mobile Operations	Fixed broadband Operations	Television Operations	Unallocated	Group
Assets	78,290,862	8,487,674	3,408,441	(9,272,604)	80,914,373
Inter -segment assets	(8,769,992)	(8,278)	(291)	Nil	(8,778,561)
Total assets					72,135,812
Liabilities	38,624,314	8,429,555	2,657,593	Nil	49,711,462
Inter- segment liabilities	(23,146)	(7,583,078)	(1,582,716)	Nil	(9,188,940)
Total liability					40,522,522
Capital expenditure	5,029,817	2,201,115	701,490	Nil	7,932,422

DIALOG AXIATA PLC AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(in the notes all amounts in Sri Lanka Rupees thousands unless otherwise stated)

5 Stated capital

Stated Capital of the Company consist of 8,143,778,405 ordinary shares and 1,250,000,000 rated cumulative redeemable preference shares at balance sheet date.

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 December

	2011 Rs.	2010 Rs.
- Highest	8.60	13.80
- Lowest	7.50	11.00
- Last traded	7.80	11.80

8 20 largest shareholders of the Company

Name of Shareholder	No. of Shares	% Holding
1 Axiata Investments (Labuan) Limited	6,785,252,765	83.32%
2 HSBC - BBH - Genesis Smaller Companies	191,221,640	2.35%
3 Employees Provident Fund	165,411,989	2.03%
4 Dialog Telekom Employees ESOS Trust	158,572,462	1.95%
5 Sri Lanka Insurance Corporation Ltd-Life Fund	74,585,920	0.92%
6 HSBC-International Finance Corporation	64,086,800	0.79%
7 HSBC-BBH-Genesis Emerging Markets Opportunities Fund	55,345,900	0.68%
8 HSBC-JPMLU-Morgan Stanley Asset Management	54,985,167	0.68%
9 Browns Investments (Pvt) Ltd	44,990,600	0.55%
10 BNY-CF Ruffer Investment Funds	44,314,300	0.54%
11 HSBC-JPMCB-Scottish Ori Sml TR GTI 6018	32,207,500	0.40%
12 HSBC-SSBT-The RBS AS DEP of FS India Sub Cont	26,370,100	0.32%
13 Pemberton Asian Opportunities Fund	23,000,000	0.28%
14 Sri Lanka Insurance Corporation Ltd-General Fund	22,320,360	0.27%
15 Associated Electrical Corporation Ltd	18,450,600	0.23%
16 HSBC-SSBT-Morgan Stanley Frontier Emerging Markets Fund Inc	18,347,188	0.23%
17 Seylan Bank PLC. - A/C No. 3	17,459,100	0.21%
18 Mellon Bank N.A.- Florida Retirement System	14,472,600	0.18%
19 Northen Trust Co s/a Northern Trust Fiduciary Services (Ireland) as Trustee to	12,904,800	0.16%
20 Mercantile Investments Limited	11,000,000	0.14%

9 Public shareholding

The percentage of public shareholding as at 31 December 2011 was 14.73% (14.73% as at 31 December 2010), 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 December 2011 are as follows:

	Number of shares
Dr Shridhir Sariputta Hansa Wijayasuriya	42,570
Mr. Moksevi Rasingh Prelis	18,480
Mr. Mohamed Vazir Muhsin	18,040

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

DIALOG AXIATA PLC AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(in the notes all amounts in Sri Lanka Rupees thousands unless otherwise stated)

11 Contingencies

Assessment in respect of Value Added Tax (VAT)

Value Added Tax (VAT) assessments issued by Department of Inland Revenue (DIR) in respect of year of assessment 2006/2007 have been determined by the Commissioner General of Department of Inland Revenue (CGDIR) on 28th January 2011. Subsequent to the determination of CGDIR, on 31 January 2011, it was concluded that VAT refund of Rs 928,127,301/- is due to Dialog Axiata PLC which will be refunded in due cause.

Further, DIR has started full VAT audit for the years of assessment 2008 – 2010, based on the outcome so far, total VAT exposure on disallowable input credits is amounting to Rs 104,000,000/- which is fully provided in the financial statements as at 31 December 2011.

Value Added Tax (VAT) assessments has been issued by the Department of Inland Revenue in respect of year of assessment 2009/2010 for Dialog Television (Private) Limited for a value of Rs 6,850,290 on 20th December 2011 for which full provision has been made in the financial statements as at 31 December 2011.

There has not been a significant change in the nature of the contingent liabilities, which were disclosed in the Annual Report for the year 2010, other than those disclosed above.

12 Acquisition of interest in Suntel Limited

On 14 December 2011, Dialog Broadband Networks (Private) Limited (DBN) has entered into a Share Purchase Agreement with the share holders of Suntel Limited to purchase 100 percent equity shares of Suntel. Pursuant to the Signing of the Share Purchase Agreement, Dialog deposited a sum of USD 27,956,870 in Escrow accounts with Standard Chartered Bank (Sri Lankan Branch) who acted as the Escrow Agent in the arrangement as the preliminary purchase price, in exchange for 349,403,257 shares representing 100 percent equity interest in Suntel. The amount deposited in the Escrow accounts is included in cash and cash equivalents in the financial statements.

13 Events after the Balance sheet date

The Board of Directors have recommended a withholding tax-free final dividend of 0.25 cents per share amounting to Rs 2,035,944,601 for the financial year 2011, subject to the approval of the shareholders at the Annual General Meeting.

Except as disclosed above, no other circumstances have arisen since the balance sheet date which require adjustments to, or disclosure in the financial statements.