

DIALOG AXIATA PLC AND ITS SUBSIDIARIES

**CONSOLIDATED INTERIM FINANCIAL
INFORMATION FOR THE NINE MONTHS ENDED
30 SEPTEMBER 2011**



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

1 We have reviewed the accompanying balance sheets of Dialog Axiata PLC and its subsidiaries at 30 September 2011, 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.

2 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.

3 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.

28 October 2011

COLOMBO

PricewaterhouseCoopers
CHARTERED ACCOUNTANTS

DIALOG AXIATA PLC AND ITS SUBSIDIARIES

Balance sheet

(all amounts in Sri Lanka Rupees Thousands)

	30 September 2011		31 December 2010	
	Group	Company	Group	Company
ASSETS				
Non-current assets				
Property, plant and equipment	51,584,001	43,131,481	53,014,351	44,348,523
Intangible assets	3,993,255	1,719,631	3,757,193	1,397,140
Investments in subsidiaries	Nil	10,326,010	Nil	10,326,010
Investment in associate	34,057	27,742	Nil	Nil
Other investment	30,596	30,596	30,596	30,596
Amount due from subsidiaries	Nil	9,254,822	Nil	8,771,992
	55,641,909	64,490,282	56,802,140	64,874,261
Current assets				
Inventories	389,904	385,202	271,184	266,159
Trade and other receivables	10,060,682	8,721,685	9,628,718	8,071,307
Cash and cash equivalents	10,010,208	9,494,357	5,433,770	5,079,135
	20,460,794	18,601,244	15,333,672	13,416,601
Total assets	76,102,703	83,091,526	72,135,812	78,290,862
EQUITY				
Capital and reserves attributable to equity holders of the Company				
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	291,782	291,782	260,067	260,067
Revaluation reserve	129,225	94,503	131,713	96,820
Retained earnings	4,834,680	13,636,567	2,656,318	10,744,469
	32,570,879	41,338,044	31,613,290	39,666,548
Total equity	32,570,879	41,338,044	31,613,290	39,666,548
LIABILITIES				
Non-current liabilities				
Borrowings	17,932,680	17,932,680	20,122,753	20,122,753
Deferred income tax liabilities	1,923,985	1,923,985	1,612,510	1,612,510
Retirement benefit obligations	450,229	411,134	390,635	358,854
Provision for other liabilities	642,520	629,710	619,876	607,794
Deferred revenue	1,103,522	1,103,522	285,766	285,766
	22,052,936	22,001,031	23,031,540	22,987,677
Current liabilities				
Trade and other payables	13,364,527	11,879,111	12,094,208	10,443,631
Current income tax liabilities	54,440	50,820	14,151	10,898
Borrowings	8,059,921	7,822,520	5,382,623	5,182,108
	21,478,888	19,752,451	17,490,982	15,636,637
Total liabilities	43,531,824	41,753,482	40,522,522	38,624,314
Total equity and liabilities	76,102,703	83,091,526	72,135,812	78,290,862
Net assets per share (Rs.)	3.85	4.92	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 : 28 October 2011

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 : 28 October 2011

Signed

Director

Date : 28 October 2011

The notes on page 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)

	Nine months ended 30 September 2011		Nine months ended 30 September 2010	
	Group	Company	Group	Company
Revenue	33,663,914	30,853,735	30,668,744	28,068,421
Direct costs	(18,592,777)	(16,693,108)	(17,350,683)	(15,221,131)
Gross margin	15,071,137	14,160,627	13,318,061	12,847,290
Other operating income	55,975	53,414	79,603	63,333
Administrative costs	(6,087,298)	(4,811,804)	(4,993,823)	(3,875,265)
Distribution costs	(4,857,845)	(4,503,915)	(4,273,387)	(3,811,404)
Operating profit	4,181,969	4,898,322	4,130,454	5,223,954
Finance income/ (costs) - net	155,623	154,346	(35,047)	91,594
Share of profit of associate	6,638	Nil	Nil	Nil
Profit before tax	4,344,230	5,052,668	4,095,407	5,315,548
Tax	(408,803)	(403,334)	(323,262)	(325,101)
Profit for the period	3,935,427	4,649,334	3,772,145	4,990,447
Attributable to:				
Equity holders of the Company	3,935,427	4,649,334	3,772,145	4,990,447
Earnings per share on profit attributable to the equity holders of the Company during the period (expressed in Rs per share)				
- Basic	0.72	0.85	0.44	0.59
- Diluted	0.72	0.85	0.44	0.59

The notes on page 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 30 September 2011		Three months ended 30 September 2010	
	Group	Company	Group	Company
Revenue	11,648,028	10,676,925	10,557,453	9,671,291
Direct costs	(6,074,750)	(5,511,966)	(5,913,567)	(5,222,958)
Gross margin	5,573,278	5,164,959	4,643,886	4,448,333
Other operating income	2,657	2,295	19,248	17,440
Administrative costs	(2,113,384)	(1,580,940)	(1,595,280)	(1,291,952)
Distribution costs	(1,729,151)	(1,580,488)	(1,408,559)	(1,312,473)
Operating profit	1,733,400	2,005,826	1,659,295	1,861,348
Finance (costs)/income - net	(85,573)	(86,534)	120,537	125,854
Share of profit of associate	4,329	Nil	Nil	Nil
Profit before tax	1,652,156	1,919,292	1,779,832	1,987,202
Tax	(259,701)	(256,678)	(86,894)	(86,552)
Profit for the period	1,392,455	1,662,614	1,692,938	1,900,650
Attributable to:				
Equity holders of the Company	1,392,455	1,662,614	1,692,938	1,900,650
Earnings per share on profit attributable to the equity holders of the Company during the period (expressed in Rs per share)				
- Basic	0.26	0.31	0.20	0.23
- Diluted	0.26	0.31	0.20	0.23

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

DIALOG AXIATA PLC AND ITS SUBSIDIARIES

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Statement of changes in equity

(all amounts in Sri Lanka Rupees Thousands)

Group

	Stated capital	Shares in ESOS trust	Dividend reserve - ESOS	Revaluation reserve	Retained earnings	Total
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	3,772,145	3,772,145
Dividend to rated cumulative redeemable preference shares	Nil	Nil	Nil	Nil	(257,025)	(257,025)
Redemption of rated cumulative redeemable preference shares	(1,250,000)	Nil	Nil	Nil	Nil	(1,250,000)
Deferred tax attributable to revaluation surplus	Nil	Nil	Nil	(1,050)	Nil	(1,050)
Depreciation transfer	Nil	Nil	Nil	(3,015)	3,015	Nil
Balance as at 30 September 2010	30,556,113	(1,990,921)	260,067	132,406	1,415,734	30,373,399
Balance at 1 October 2010	30,556,113	(1,990,921)	260,067	132,406	1,415,734	30,373,399
Net profit	Nil	Nil	Nil	Nil	1,275,296	1,275,296
Dividend to rated cumulative redeemable preference shares	Nil	Nil	Nil	Nil	(35,749)	(35,749)
Depreciation transfer	Nil	Nil	Nil	(1,037)	1,037	Nil
Deferred tax attributable to revaluation surplus	Nil	Nil	Nil	344	Nil	344
Balance 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	3,935,427	3,935,427
Dividend to rated cumulative redeemable preference shares	Nil	Nil	Nil	Nil	(131,344)	(131,344)
Depreciation transfer	Nil	Nil	Nil	(3,035)	3,035	Nil
Dividend received ESOS	Nil	Nil	31,715	Nil	Nil	31,715
Deferred tax attributable to revaluation surplus	Nil	Nil	Nil	547	Nil	547
Dividend to ordinary shares	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 30 September 2011	29,306,113	(1,990,921)	291,782	129,225	4,834,680	32,570,879

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

Statement of changes in equity

(all amounts in Sri Lanka Rupees Thousands)

Company

	Stated capital	Shares in ESOS trust	Dividend reserve - ESOS	Revaluation reserve	Retained earnings	Total
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	4,990,447	4,990,447
Deferred tax attributable to revaluation surplus	Nil	Nil	Nil	(1,050)	Nil	(1,050)
Redemption of rated cumulative redeemable preference shares	(1,250,000)	Nil	Nil	Nil	Nil	(1,250,000)
Depreciation transfer	Nil	Nil	Nil	(2,850)	2,850	Nil
Dividend to rated cumulative redeemable preference shares	Nil	Nil	Nil	Nil	(257,025)	(257,025)
Balance as at 30 September 2010	30,556,113	(1,990,921)	260,067	97,458	9,217,730	38,140,447
Balance at 1 October 2010	30,556,113	(1,990,921)	260,067	97,458	9,217,730	38,140,447
Net profit	Nil	Nil	Nil	Nil	1,561,506	1,561,506
Deferred tax attributable to revaluation surplus	Nil	Nil	Nil	344	Nil	344
Depreciation transfer	Nil	Nil	Nil	(982)	982	Nil
Dividend to rated cumulative redeemable preference shares	Nil	Nil	Nil	Nil	(35,749)	(35,749)
Balance 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	4,649,334	4,649,334
Redemption of rated cumulative redeemable preference shares	(1,250,000)	Nil	Nil	Nil	Nil	(1,250,000)
Dividend to ordinary shares	Nil	Nil	Nil	Nil	(1,628,756)	(1,628,756)
Dividend to rated cumulative redeemable preference shares	Nil	Nil	Nil	Nil	(131,344)	(131,344)
Dividend received ESOS	Nil	Nil	31,715	Nil	Nil	31,715
Depreciation transfer	Nil	Nil	Nil	(2,864)	2,864	Nil
Deferred tax attributable to revaluation surplus	Nil	Nil	Nil	547	Nil	547
Balance as at 30 September 2011	29,306,113	(1,990,921)	291,782	94,503	13,636,567	41,338,044

The notes on page 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)

	Nine months ended 30 September 2011		Nine months ended 30 September 2010	
	Group	Company	Group	Company
Cash flows from operating activities				
Cash generated from operations	11,988,747	11,338,084	10,470,862	9,891,928
Interest received	152,454	146,198	45,207	43,758
TDC refund received	1,646,941	1,646,941	210,260	210,260
Interest paid	(166,199)	(166,135)	(575,788)	(434,048)
Tax / SRL/ ESC paid	(86,693)	(82,112)	(69,268)	(69,255)
Retirement benefit obligations paid	(10,180)	(9,998)	(36,076)	(31,078)
Net cash generated from operating activities	13,525,070	12,872,978	10,045,197	9,611,565
Cash flows from investing activities				
Purchases of property, plant and equipment (PPE)	(4,957)	(4,969)	(65,549)	(62,938)
Purchases of intangible assets	(384,614)	(384,614)	(28,134)	(12,642)
Amount given to subsidiaries	Nil	(847,456)	Nil	(2,712,424)
Investment in associate	(11,440)	(11,440)	Nil	Nil
Proceeds from sale of investment	69,190	69,190	Nil	Nil
Expenditure incurred on capital work-in-progress	(6,278,733)	(4,901,320)	(3,880,934)	(2,548,872)
Proceeds from sale of PPE	2,781	2,363	46,785	36,409
Net cash used in investing activities	(6,607,773)	(6,078,246)	(3,927,832)	(5,300,467)
Cash flows from financing activities				
Repayment of finance leases	(5,755)	Nil	(19,638)	(5,247)
Repayment of borrowings	(3,401,222)	(3,401,222)	(6,609,526)	(5,125,892)
Proceeds from borrowings	4,276,441	4,276,441	2,112,243	2,081,563
Redemption of rated cumulative redeemable preference shares	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)
Dividend - Ordinary shares	(1,628,756)	(1,628,756)	Nil	Nil
Dividend - rated cumulative redeemable preference shares	(124,023)	(124,023)	(222,185)	(222,185)
Dividend received -ESOS	31,714	31,714	Nil	Nil
Net cash used in financing activities	(2,101,601)	(2,095,846)	(5,989,106)	(4,521,761)
Net increase/(decrease) in cash and cash equivalents	4,815,696	4,698,886	128,259	(210,663)
Movement in cash and cash equivalents				
At start of year	4,475,861	4,314,219	3,019,449	3,175,076
Increase/(decrease)	4,815,696	4,698,886	128,259	(210,663)
Exchange losses on cash and bank overdrafts	(4,585)	(4,585)	(32,571)	(32,571)
At end of period	9,286,972	9,008,520	3,115,137	2,931,842

The notes on page 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 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 period ended 30 September 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.

Notes to the financial statements (Contd)

4 Segment information (Contd)

Primary reporting format - business segments

- The segment results for the period ended 30 September 2011 are as follows:

	Mobile operations	Fixed broadband operations	Television operations	Other	Elimination /adjustment	Group
Total segmental revenue	30,853,735	1,771,983	1,722,348	39,784	Nil	34,387,850
Inter-segment revenue	(333,915)	(338,372)	(12,263)	(39,386)	Nil	(723,936)
Revenue from external customers	30,519,820	1,433,611	1,710,085	398	Nil	33,663,914
Operating profit/(loss) / segment results	4,898,322	(657,175)	(19,563)	(1,242)	(38,373)	4,181,969
Finance income - net						155,623
Share of profit of associate						6,638
Profit before income tax						4,344,230
Income tax expense						(408,803)
Profit for the period						3,935,427

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

	Mobile operations	Fixed broadband operation	Television operations	Other	Elimination /adjustment	Group
Depreciation, amortisation and impairment	6,037,107	1,115,199	396,549	1,758	37,715	7,588,328

- The segment assets and liabilities at 30 September 2011 and capital expenditure for the period then ended are as follows:

	Mobile operations	Fixed broadband operations	Television operations	Elimination /adjustment	Group
Assets	83,091,526	8,314,114	3,269,939	(9,310,322)	85,365,257
Inter -segment assets	(9,246,646)	(14,848)	(1,060)	Nil	(9,262,554)
Total assets					76,102,703
Liabilities	41,753,482	8,913,856	2,542,161	Nil	53,209,499
Inter- segment liabilities	(114,157)	(8,093,421)	(1,470,097)	Nil	(9,677,675)
Total liability					43,531,824
Capital expenditure	5,290,903	1,094,126	283,275	Nil	6,668,304

Notes to the financial statements (Contd)

4 Segment information (Contd)

- o The segment results for the period ended 30 September 2010 are as follows:

	Mobile operations	Fixed broadband operations	Television operations	Elimination /adjustment	Group
Total segmental revenue	28,068,421	1,770,947	1,520,109	Nil	31,359,477
Inter-segment revenue	(414,613)	(267,424)	(8,696)	Nil	(690,733)
Revenue from external customers	27,653,808	1,503,523	1,511,413	Nil	30,668,744
Operating profit / (loss) / segment results	5,223,954	(838,853)	(216,230)	(38,417)	4,130,454
Finance costs - net					(35,047)
Share of profit of associate					Nil
Profit before income tax					4,095,407
Income tax expense					(323,262)
Profit for the period					3,772,145

	Mobile operations	Fixed broadband operations	Television operations	Elimination /adjustment	Group
Depreciation, amortisation and impairment	5,730,576	1,016,982	354,269	37,715	7,139,542

- 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	Elimination /adjustment	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)

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.

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 30 September	2011	2010
- Highest	11.00	12.70
- Lowest	7.80	9.25
- Last traded	8.40	12.60

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	Dialog Telekom Employees ESOS Trust	158,572,462	1.95%
4	Employees Provident Fund	124,461,289	1.53%
5	Sri Lanka Insurance Corporation Ltd-Life Fund	74,585,920	0.92%
6	HSBC-SSBT- South Asia Portfolio	68,161,980	0.84%
7	HSBC-International Finance Corporation	64,086,800	0.79%
8	HSBC-BBH-Genesis Emerging Markets Opportunities Fund	55,345,900	0.68%
9	HSBC-JPMLU-Morgan Stanley Asset Management	54,985,167	0.68%
10	Browns Investments (Pvt) Ltd	44,990,600	0.55%
11	BNY-CF Ruffer Investment Funds	44,314,300	0.54%
12	Northern Trust Co s/a Northern Trust Fiduciary Services (Ireland) as Trustee to Baring Asean Frontiers Fund	38,938,000	0.48%
13	HSBC-JPMCB-Scottish Orl Sml TR GTI 6018	32,207,500	0.40%
14	Pemberton Asian Opportunities Fund	23,000,000	0.28%
15	Sri Lanka Insurance Corporation Ltd-General Fund	22,320,360	0.27%
16	Associated Electrical Corporation Ltd	18,450,600	0.23%
17	HSBC-SSBT-Morgan Stanley Frontier Emerging Markets Fund Inc	18,347,188	0.23%
18	Seylan Bank PLC. - A/C No. 3	17,459,100	0.21%
19	CB London s/a RBS as DEP of FS India Sub/Cont FD Aa s/f of First State Invest ICVC	17,240,000	0.21%
20	Mercantile Investments Limited	11,000,000	0.14%

9 Public shareholding

The percentage of public shareholding as at 30 September 2011 was 14.73% (14.73% as at 31 December 2010), calculated as per the listing rules of the Colombo Stock Exchange.

DIALOG AXIATA PLC AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

10 Directors' shareholdings

The details of shares held by the Directors and their spouses as at 30 September 2011 are as follows:

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.

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 2010.

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.