

DIALOG AXIATA PLC

**CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS FOR THE FIRST QUARTER ENDED
31 MARCH 2013**



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

1 We have reviewed the accompanying statements of financial position of Dialog Axiata PLC and its subsidiaries at 31 March 2013, and the related statements of comprehensive 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 Standard LKAS 34, Interim Financial Reporting.

8 May 2013
COLOMBO

PricewaterhouseCoopers
CHARTERED ACCOUNTANTS

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**Partners Y. Kanagasabai FCA, D.T.S.H. Mudalige FCA, C.S. Manoharan FCA, N.R. Gunasekera FCA,
S. Gajendran FCA, Ms. S. Hadgie FCA, Ms. S. Perera ACA**

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DIALOG AXIATA PLC

Statements of financial position

(all amounts in Sri Lankan Rupees thousands)

	Group		Company	
	31 Mar 2013	31 Dec 2012	31 Mar 2013	31 Dec 2012
ASSETS				
Non-current assets				
Property, plant and equipment	59,684,973	59,063,675	45,094,638	44,744,236
Intangible assets	10,595,043	10,385,652	1,388,055	1,485,313
Investment in subsidiaries	Nil	Nil	17,826,010	17,826,010
Investment in associates	237,038	242,173	240,078	233,346
Available-for-sale financial asset	30,596	30,596	30,596	30,596
Amount due from related companies	3,818	5,091	9,962,443	9,559,729
	70,551,468	69,727,187	74,541,820	73,879,230
Current assets				
Inventories	460,083	284,048	394,252	213,178
Trade and other receivables	12,696,909	12,021,976	9,886,298	9,378,161
Cash and cash equivalents	8,602,001	8,647,069	7,677,615	7,767,439
	21,758,993	20,953,093	17,958,165	17,358,778
Total assets	92,310,461	90,680,280	92,499,985	91,238,008
EQUITY				
Capital and reserves attributable to equity holders				
Stated capital	28,103,913	28,103,913	28,103,913	28,103,913
Shares in ESOS Trust	(1,990,921)	(1,990,921)	(1,990,921)	(1,990,921)
Dividend reserve - ESOS Trust	331,425	331,425	331,425	331,425
Retained earnings	12,331,648	10,737,128	21,642,756	19,948,823
Total equity	38,776,065	37,181,545	48,087,173	46,393,240
LIABILITIES				
Non - current liabilities				
Borrowings	10,167,856	12,094,321	10,167,856	12,094,321
Retirement benefit obligation	627,917	587,030	516,993	481,385
Provision for other liabilities	1,200,638	813,874	1,017,873	663,367
Deferred revenue	1,728,893	983,273	1,619,181	863,001
	13,725,304	14,478,498	13,321,903	14,102,074
Current liabilities				
Trade and other payables	26,420,422	26,163,610	17,967,101	18,187,872
Current income tax liabilities	300,977	24,052	292,201	15,535
Borrowings	13,087,693	12,832,575	12,831,607	12,539,287
	39,809,092	39,020,237	31,090,909	30,742,694
Total liabilities	53,534,396	53,498,735	44,412,812	44,844,768
Total equity and liabilities	92,310,461	90,680,280	92,499,985	91,238,008
Net asset per share (Rs.)	4.76	4.57	5.90	5.70

The notes on pages 7 to 11 form an integral part of these financial statements.

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 : 08 May 2013

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

Signed

.....
Director
Date : 08 May 2013

Signed

.....
Director
Date : 08 May 2013

DIALOG AXIATA PLC**Statements of comprehensive income**

(all amounts in Sri Lankan Rupees thousands)

	Group Three months ended 31 March		Company Three months ended 31 March	
	2013	2012	2013	2012
Revenue	15,242,134	12,854,247	13,338,004	11,842,523
Direct costs	(8,392,919)	(7,166,731)	(7,200,321)	(6,440,062)
Gross profit	6,849,215	5,687,516	6,137,683	5,402,461
Distribution costs	(2,182,347)	(1,633,789)	(1,902,496)	(1,516,076)
Administrative costs	(2,694,400)	(2,240,731)	(2,192,018)	(1,952,895)
Other income	34,385	27,053	25,316	20,783
Operating profit	2,006,853	1,840,049	2,068,485	1,954,273
Finance income	86,993	127,582	85,552	96,597
Finance costs	(210,443)	(2,358,790)	(183,347)	(2,322,646)
Finance costs - net	(123,450)	(2,231,208)	(97,795)	(2,226,049)
Share of (loss)/profit from associates - net of tax	(11,868)	730	Nil	Nil
Profit /(loss) before income tax	1,871,535	(390,429)	1,970,690	(271,776)
Income tax	(277,015)	(140,476)	(276,757)	(134,819)
Profit/ (loss) for the period	1,594,520	(530,905)	1,693,933	(406,595)
Total comprehensive income/(expenses) for the period	1,594,520	(530,905)	1,693,933	(406,595)
Attributable to:				
Equity holders of the Company	1,594,520	(530,905)	1,693,933	(406,595)
Earnings/(losses) per share attributable to the ordinary shareholders of the Company (expressed in Rs per share)				
- Basic	0.20	(0.07)	0.21	(0.05)
- Diluted	0.20	(0.07)	0.21	(0.05)

The notes on pages 7 to 11 form an integral part of these financial statements.

DIALOG AXIATA PLC**Consolidated statement of changes in equity**

(all amounts in Sri Lanka Rupees Thousands)

	Attributable to equity holders of the Company				
	Stated capital	Shares in ESOS Trust	Dividend reserve ESOS Trust	Retained earnings	Total
Balance at 1 January 2012	28,103,913	(1,990,921)	291,781	6,789,148	33,193,921
Loss for the period	Nil	Nil	Nil	(530,905)	(530,905)
Other comprehensive income	Nil	Nil	Nil	Nil	Nil
Total comprehensive expense for the period	Nil	Nil	Nil	(530,905)	(530,905)
Balance at 31 March 2012	28,103,913	(1,990,921)	291,781	6,258,243	32,663,016
Balance at 1 April 2012	28,103,913	(1,990,921)	291,781	6,258,243	32,663,016
Profit for the period	Nil	Nil	Nil	6,561,092	6,561,092
Other comprehensive expense	Nil	Nil	Nil	(8,762)	(8,762)
Total comprehensive income for the period	Nil	Nil	Nil	6,552,330	6,552,330
Transactions with owners recognised directly in equity					
Dividend received by ESOS Trust	Nil	Nil	39,644	Nil	39,644
Direct cost on share issue	Nil	Nil	Nil	(37,500)	(37,500)
Dividend to equity shareholders	Nil	Nil	Nil	(2,035,945)	(2,035,945)
Balance at 31 December 2012	28,103,913	(1,990,921)	331,425	10,737,128	37,181,545
Balance at 1 January 2013	28,103,913	(1,990,921)	331,425	10,737,128	37,181,545
Profit for the period	Nil	Nil	Nil	1,594,520	1,594,520
Other comprehensive income	Nil	Nil	Nil	Nil	Nil
Total comprehensive income for the period	Nil	Nil	Nil	1,594,520	1,594,520
Balance at 31 March 2013	28,103,913	(1,990,921)	331,425	12,331,648	38,776,065

The notes on pages 7 to 11 form an integral part of these financial statements.

DIALOG AXIATA PLC**Company statement of changes in equity**

(all amounts in Sri Lanka Rupees Thousands)

	Attributable to equity holders of the Company				
	Stated capital	Shares in ESOS Trust	Dividend reserve ESOS Trust	Retained earnings	Total
Balance at 1 January 2012	28,103,913	(1,990,921)	291,781	15,794,723	42,199,496
Loss for the period	Nil	Nil	Nil	(406,595)	(406,595)
Other comprehensive income	Nil	Nil	Nil	Nil	Nil
Total comprehensive expense for the period	Nil	Nil	Nil	(406,595)	(406,595)
Balance at 31 March 2012	28,103,913	(1,990,921)	291,781	15,388,128	41,792,901
Balance at 1 April 2012	28,103,913	(1,990,921)	291,781	15,388,128	41,792,901
Profit for the period	Nil	Nil	Nil	6,596,859	6,596,859
Other comprehensive expense	Nil	Nil	Nil	(219)	(219)
Total comprehensive income for the period	Nil	Nil	Nil	6,596,640	6,596,640
Transactions with owners recognised directly in equity					
Dividend received by ESOS Trust	Nil	Nil	39,644	Nil	39,644
Dividend to equity shareholders	Nil	Nil	Nil	(2,035,945)	(2,035,945)
Balance at 31 December 2012	28,103,913	(1,990,921)	331,425	19,948,823	46,393,240
Balance at 1 January 2013	28,103,913	(1,990,921)	331,425	19,948,823	46,393,240
Profit for the period	Nil	Nil	Nil	1,693,933	1,693,933
Other comprehensive income	Nil	Nil	Nil	Nil	Nil
Total comprehensive income for the period	Nil	Nil	Nil	1,693,933	1,693,933
Balance at 31 March 2013	28,103,913	(1,990,921)	331,425	21,642,756	48,087,173

The notes on pages 7 to 11 form an integral part of these financial statements.

DIALOG AXIATA PLC**Cash flow statements**

(all amounts in Sri Lankan Rupees thousands)

	Group		Company	
	Three months ended		Three months ended	
	31 March		31 March	
	2013	2012	2013	2012
Cash flows from operating activities				
Cash generated from operations	3,702,287	3,385,628	3,676,814	3,525,794
Interest received	82,422	126,643	80,990	95,753
Telecommunication Development Charge refund received	1,248,397	Nil	1,223,734	Nil
Interest paid	(66,179)	(84,943)	(65,797)	(84,943)
Tax paid	(33,857)	(30,137)	(30,000)	(28,615)
Retirement benefit obligation paid	(6,182)	(6,586)	(5,697)	(6,347)
Net cash generated from operating activities	4,926,888	3,390,605	4,880,044	3,501,642
Cash flows from investing activities				
Purchases of property, plant and equipment	(3,307,577)	(1,695,425)	(2,363,153)	(1,320,382)
Acquisition of subsidiary, net of cash acquired	Nil	(2,789,073)	Nil	Nil
Amounts advanced to subsidiaries	Nil	Nil	(970,172)	(647,900)
Proceeds from sale of property, plant and equipment	30,862	21,698	21,594	14,640
Net cash used in investing activities	(3,276,715)	(4,462,800)	(3,311,731)	(1,953,642)
Cash flows from financing activities				
Repayment of borrowings	(1,674,668)	(2,353,271)	(1,674,668)	(2,353,271)
Repayment of finance leases	(3,176)	Nil	Nil	Nil
Net cash used in financing activities	(1,677,844)	(2,353,271)	(1,674,668)	(2,353,271)
Net decrease in cash and cash equivalents	(27,671)	(3,425,466)	(106,355)	(805,271)
Movement in cash and cash equivalents				
At start of period	7,368,122	9,406,074	6,776,913	5,929,136
Decrease	(27,671)	(3,425,466)	(106,355)	(805,271)
Exchange losses on cash and cash equivalents	(10,359)	(120,835)	(10,730)	(120,450)
At end of period	7,330,092	5,859,773	6,659,828	5,003,415

The notes on pages 7 to 11 form an integral part of these financial statements.

DIALOG AXIATA PLC

Notes to the interim financial statements

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

1 General information

Dialog Axiata PLC (the 'Company') and its subsidiaries (together 'the Group') provide communication services (mobile, fixed, broadband, international gateway services), telecommunication Infrastructure services (tower infrastructure and transmission services), media (digital television services based on multiple media – satellite, cable, terrestrial) and digital services (including but not limited to digital commerce (mobile and ecommerce), electronic payments (including mobile payment), digital health, education, navigation and enterprise services).

Dialog Axiata PLC is a public limited liability company incorporated and domiciled in Sri Lanka and is listed on the Colombo Stock Exchange since 28 July 2005. The registered office of the Company is located at 475, Union Place, Colombo 2.

2 Basis of preparation

The condensed interim financial statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standard - LKAS 34 *Interim Financial Reporting*. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012.

3 Segment information

Operating segments are presented in a manner consistent with the internal reporting provided to the chief operating decision maker.

Notes to the interim financial statements (Contd)

3 Segment information

- o The segment results for the period ended 31 March 2013 are as follows:

	Mobile operations	Fixed broadband operations	Television operations	Elimination /adjustment	Group
Total segmental revenue	13,338,004	1,462,378	848,146	Nil	15,648,528
Inter-segment revenue	(169,206)	(231,478)	(5,710)	Nil	(406,394)
Revenue from external customers	13,168,798	1,230,900	842,436	Nil	15,242,134
Segment operating profit /(loss) for the period	2,068,485	(42,890)	(7,865)	(10,877)	2,006,853
Finance costs - net					(123,450)
Share of loss from associates -net of tax					(11,868)
Profit before income tax					1,871,535
Taxation					(277,015)
Profit for the period					1,594,520

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

	Mobile operations	Fixed broadband operations	Television operations	Elimination /adjustment	Group
Depreciation ,amortisation and impairment	2,380,055	491,834	127,392	12,572	3,011,853

- o The segment assets and liabilities at 31 March 2013 and capital expenditure for the period then ended are as follows:

	Mobile operations	Fixed broadband operations	Television operations	Elimination /adjustment	Group
Assets	92,499,985	16,689,645	3,753,435	(10,150,489)	102,792,576
Inter -segment assets	(9,961,666)	(520,570)	121	Nil	(10,482,115)
Total assets					92,310,461
Liabilities	44,412,812	17,031,155	2,979,913	Nil	64,423,880
Inter- segment liabilities	(159,936)	(8,702,086)	(2,027,462)	Nil	(10,889,484)
Total liability					53,534,396
Capital expenditure	2,363,153	703,585	240,839		3,307,577

Notes to the interim financial statements (Contd)

3 Segment information (Contd)

- o The segment results for the period ended 31 March 2012 are as follows:

	Mobile operations	Fixed broadband operations	Television operations	Elimination /adjustment	Group
Total segmental revenue	11,842,523	568,435	676,753	Nil	13,087,711
Inter-segment revenue	(115,690)	(114,940)	(2,834)	Nil	(233,464)
Revenue from external customers	11,726,833	453,495	673,919	Nil	12,854,247
Segment operating profit /(loss) for the period	1,954,273	(170,333)	70,669	(14,560)	1,840,049
Finance costs - net					(2,231,208)
Share of profit from associate -net of tax					730
Loss before tax					(390,429)
Taxation					(140,476)
Loss for the period					(530,905)

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

	Mobile operations	Fixed broadband operations	Television operations	Elimination /adjustment	Group
Depreciation ,amortisation and impairment	1,923,946	324,730	113,420	12,572	2,374,668

- o The segment assets and liabilities at 31 December 2012 and capital expenditure for the year then ended are as follows:

	Mobile operations	Fixed broadband operations	Television operations	Elimination /adjustment	Group
Assets	91,238,008	16,165,163	3,580,638	(10,519,783)	100,464,026
Inter -segment assets	(9,545,524)	(238,222)	Nil	Nil	(9,783,746)
Total assets					90,680,280
Liabilities	44,844,768	16,062,391	2,792,863	Nil	63,700,022
Inter- segment liabilities	(356,817)	(7,934,481)	(1,909,989)	Nil	(10,201,287)
Total liability					53,498,735
Capital expenditure	12,356,597	4,115,481	936,593	Nil	17,408,671

DIALOG AXIATA PLC

Notes to the interim financial statements (Contd)

4 Stated capital

Stated capital of the Company consists of 8,143,778,405 ordinary shares.

5 Market price per share

For the three months ended 31 March

	2013 Rs.	2012 Rs.
- Highest	9.50	8.00
- Lowest	8.10	6.00
- Last traded	9.00	7.10

6 Twenty 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	177,463,109	2.18%
4	Dialog Axiata Employees ESOS Trust	158,572,462	1.95%
5	Sri Lanka Insurance Corporation Limited -Life Fund	74,585,920	0.92%
6	HSBC-SSBT-Morgan Stanley and Co International	74,129,958	0.91%
7	CB NY S/A -International Finance Corporation	64,086,800	0.79%
8	HSBC-JPMCB-Scottish ORL SML TR GTI 6018	56,292,400	0.69%
9	HSBC-BBH-Genesis Emerging Markets Opportunities Fund	55,345,900	0.68%
10	Browns Investments (Private) Limited	45,008,515	0.55%
11	BNY-CF Ruffer Investment Funds : CF Ruffer Pacific Fund	44,314,300	0.54%
12	Pemberton Asian Opportunities Fund	40,000,000	0.49%
13	Associated Electrical Corporation Limited	24,450,600	0.30%
14	Sri Lanka Insurance Corporation Limited -General Fund	22,320,360	0.27%
15	Mellon Bank N.A. - UPS Group Trust	18,880,000	0.23%
16	Seylan Bank PLC. - A/C No. 3	17,459,100	0.21%
17	Mercantile Investments Limited	11,000,000	0.14%
18	JB Cocoshell (Private) Limited	10,603,501	0.13%
19	Northern Trust Co S/A Edgbaston Asian Equity Trust	8,957,195	0.11%
20	MAS Capital (Private) Limited	8,450,977	0.10%

7 Public shareholding

The percentage of public shareholding as at 31 March 2013 was 14.73% (14.73% as at 31 December 2012), calculated as per the listing rules of the Colombo Stock Exchange.

8 Suntel acquisition

The resultant goodwill to the Group from the acquisition of Suntel Limited as at 31 March 2013 is Rs. 6,735,257,080. Changes to the amount of goodwill previously reported in the annual financial statements of the Group for the year ended 31 December 2012 are made in accordance with the relevant provisions of the SLFRS 3 - Business Combinations.

DIALOG AXIATA PLC

Notes to the interim financial statements (Contd)

9 Trade and other payables

This includes a provision, as a matter of prudence, for a possible claim amounting to a sum of Rs. 4,221,040,185 on account of a judgment delivered against Suntel Limited on 9 March 2012 in HC (Civil) 282/2001(1) in the Commercial High Court of the Western Province in favour of Electroteks Network Services (Private) Limited. Suntel Limited [now amalgamated with Dialog Broadband Networks (Private) Limited], on the basis of legal advice received, has appealed against this judgment to the Supreme Court of Sri Lanka, and is now awaiting the determination of its appeal.

Pending such appeal, Electroteks Network Services (Private) Limited has filed a writ pending appeal application in the Commercial High Court of the Western Province seeking to execute the judgment given in their favour. Dialog Broadband Networks (Private) Limited has filed its objections to this application where the inquiry on this matter is fixed for 16 May 2013.

10 Taxation

The Company is liable to pay 2% on revenue as income tax with effect from the year 2013 as a result of Company opted for an option given in the investment agreement entered into between the Company and the Board of Investment of Sri Lanka (BOI).

11 Directors' shareholdings

The details of shares held by the Directors and their spouses as at 31 March 2013 are as follows:

	<u>Number of shares</u>
Dr. Hansa Wijayasuriya	42,570
Mr. Moksevi Prelis	18,480
Mr. Mohamed Muhsin	18,040

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

12 Contingent liabilities

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 2012.

13 Events after the reporting period

- a) The Company was successful in securing 10MHz of radio frequency spectrum in the 1800MHz band at a closed auction process conducted by the Telecommunications Regulatory Commission of Sri Lanka (TRCSL) at a winning bid value of Rs 3,277,777,000. The spectrum was assigned to the Company after completion of the administrative formalities associated with the bid on 1 April 2013. This spectrum will be utilised for the deployment of a mobile 4th generation (4G) LTE (Long Term Evolution) network and the spectrum assignment will be valid for a period of 10 years.
- b) The Company has entered in to an agreement with the Bay of Bengal Gateway (BBG) Consortium to establish a Cable Landing Station in South Colombo to enable the landing of the BBG submarine cable. The Company will invest USD 30 Million in the new submarine cable, which in turn will deliver the single largest infusion of International Bandwidth to Sri Lanka. The project is expected to be fully commissioned by the end of 2014.