

**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 2010, 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.

10 February 2011
COLOMBO

PricewaterhouseCoopers
CHARTERED ACCOUNTANTS

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DIALOG AXIATA PLC AND ITS SUBSIDIARIES

Balance sheet

(all amounts in Sri Lanka Rupees thousands)

	As at 31 December 2010		As at 31 December 2009	
	Group	Company	Group	Company
ASSETS				
Non-current assets				
Property, plant and equipment	53,014,351	44,348,523	55,979,991	48,200,679
Intangible assets	3,757,193	1,397,140	3,847,177	1,387,335
Investments in subsidiaries	Nil	10,326,010	Nil	10,326,010
Other investment	30,596	30,596	29,000	29,000
Amount due from subsidiaries	Nil	8,771,992	Nil	5,823,958
	56,802,140	64,874,261	59,856,168	65,766,982
Current assets				
Inventories	271,184	266,159	211,360	207,588
Trade and other receivables	9,628,718	8,071,307	9,629,275	7,084,355
Current income tax assets	Nil	Nil	70	70
Cash and cash equivalents	5,433,770	5,079,135	5,295,363	5,114,826
	15,333,672	13,416,601	15,136,068	12,406,839
Total assets	72,135,812	78,290,862	74,992,236	78,173,821
EQUITY				
Capital and reserves attributable to equity holders				
Stated capital	30,556,113	30,556,113	31,806,113	31,806,113
ESOS Trust shares	(1,990,921)	(1,990,921)	(1,990,921)	(1,990,921)
Dividend reserve - ESOS	260,067	260,067	260,067	260,067
Revaluation reserve	131,713	96,820	136,471	101,358
Retained earnings /(accumulated losses)	2,656,318	10,744,469	(2,102,401)	4,481,458
	31,613,290	39,666,548	28,109,329	34,658,075
Total equity	31,613,290	39,666,548	28,109,329	34,658,075
LIABILITIES				
Non - current liabilities				
Borrowings	20,122,753	20,122,753	24,728,797	23,989,375
Deferred income tax liabilities	1,612,510	1,612,510	1,133,676	1,131,288
Retirement benefit obligations	390,635	358,854	394,540	362,324
Provision for other liabilities	619,876	607,794	534,859	520,555
Deferred revenue	285,766	285,766	215,145	215,145
	23,031,540	22,987,677	27,007,017	26,218,687
Current liabilities				
Trade and other payables	12,094,208	10,443,631	12,636,629	11,140,123
Current income tax liabilities	14,151	10,898	2,658	Nil
Borrowings	5,382,623	5,182,108	7,236,603	6,156,936
	17,490,982	15,636,637	19,875,890	17,297,059
Total liabilities	40,522,522	38,624,314	46,882,907	43,515,746
Total equity and liabilities	72,135,812	78,290,862	74,992,236	78,173,821
Net Asset per Share				
	3.57	4.56	2.99	3.80

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 : 10 February 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 : 10 February 2011

Signed

.....
Director
Date : 10 February 2011

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 2010		Year ended 31 December 2009	
	Group	Company	Group	Company
Revenue	41,422,783	37,954,236	36,246,014	33,189,175
Direct costs	(23,600,325)	(20,972,057)	(22,301,461)	(19,360,548)
Gross margin	17,822,458	16,982,179	13,944,553	13,828,627
Other operating income	134,160	121,235	248,127	228,431
Administrative costs	(7,111,741)	(5,313,952)	(18,071,407)	(16,109,822)
Distribution costs	(5,431,575)	(4,988,854)	(6,153,831)	(5,486,267)
Operating profit / (loss)	5,413,302	6,800,608	(10,032,558)	(7,539,031)
Finance Income /(costs) - net	124,512	242,667	(1,747,583)	(1,246,078)
Profit / (loss) before tax	5,537,814	7,043,275	(11,780,141)	(8,785,109)
Taxation	(490,373)	(491,322)	(428,082)	(425,053)
Profit / (loss) for the year	5,047,441	6,551,953	(12,208,223)	(9,210,162)
Attributable to:				
Equity holders of the Company	5,047,441	6,551,953	(12,208,223)	(9,210,162)
Earnings / (loss) per share for profit / (loss) attributable to the equity holders of the Company during the year (expressed in Rupees per share)				
- Basic	0.60	0.78	(1.64)	(1.26)
- Diluted	0.59	0.78	(1.65)	(1.27)

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 2010		Three months ended 31 December 2009	
	Group	company	Group	company
Revenue	10,754,039	9,885,815	9,712,838	8,905,548
Direct costs	(5,885,817)	(5,461,844)	(5,967,973)	(5,001,253)
Gross margin	4,868,222	4,423,971	3,744,865	3,904,295
Other operating income	14,847	18,192	140,535	137,513
Administrative costs	(2,465,335)	(1,727,769)	(4,482,332)	(3,817,118)
Distribution costs	(1,134,886)	(1,137,740)	(1,348,618)	(1,188,670)
Operating profit /(loss)	1,282,848	1,576,654	(1,945,550)	(963,980)
Finance Income /(costs) - net	159,559	151,073	(252,549)	(161,192)
Profit / (Loss) before tax	1,442,407	1,727,727	(2,198,099)	(1,125,172)
Taxation	(167,111)	(166,221)	(34,895)	(34,662)
Profit/ (loss) for the period	1,275,296	1,561,506	(2,232,994)	(1,159,834)
Attributable to:				
Equity holders of the Company	1,275,296	1,561,506	(2,232,994)	(1,159,834)
Earnings/(loss) per share for profit /(loss) attributable to the equity holders of the Company during the year (expressed in Rupees per share)				
- Basic	0.16	0.19	(0.28)	(0.15)
- Diluted	0.16	0.19	(0.28)	(0.15)

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 2009	32,556,113	(1,990,921)	260,067	19,913	10,964,118	41,809,290
Net loss	Nil	Nil	Nil	Nil	(12,208,223)	(12,208,223)
Revaluation of land and building	Nil	Nil	Nil	157,975	Nil	157,975
Deferred tax attributable to revaluation surplus	Nil	Nil	Nil	(40,954)	Nil	(40,954)
Redemption of rated cumulative redeemable preference shares	(750,000)	Nil	Nil	Nil	Nil	(750,000)
Dividend to rated cumulative redeemable preference shareholders	Nil	Nil	Nil	0	(858,759)	(858,759)
Depreciation transfer	Nil	Nil	Nil	(463)	463	Nil
Balance as at 31 December 2009	31,806,113	(1,990,921)	260,067	136,471	(2,102,401)	28,109,329
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)
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)
Depreciation transfer	Nil	Nil	Nil	(4,052)	4,052	Nil
Balance as at 31 December 2010	30,556,113	(1,990,921)	260,067	131,713	2,656,318	31,613,290

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					
	Stated capital	Shares in ESOS trust	Dividend reserve	Revaluation reserve	Retained earnings	Total
Balance at 1 January 2009	32,556,113	(1,990,921)	260,067	19,913	14,549,916	45,395,088
Net loss	Nil	Nil	Nil	Nil	(9,210,162)	(9,210,162)
Revaluation of land and building	Nil	Nil	Nil	122,862	Nil	122,862
Deferred tax attributable to revaluation surplus	Nil	Nil	Nil	(40,954)	Nil	(40,954)
Redemption of rated cumulative redeemable preference shares	(750,000)	Nil	Nil	Nil	Nil	(750,000)
Dividend to rated cumulative redeemable preference shareholders	Nil	Nil	Nil	Nil	(858,759)	(858,759)
Depreciation transfer	Nil	Nil	Nil	(463)	463	Nil
Balance as at 31 December 2009	31,806,113	(1,990,921)	260,067	101,358	4,481,458	34,658,075
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)
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)
Depreciation transfer	Nil	Nil	Nil	(3,832)	3,832	Nil
Balance as at 31 December 2010	30,556,113	(1,990,921)	260,067	96,820	10,744,469	39,666,548

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 2010		Year ended 31 December 2009	
	Group	Company	Group	Company
Cash flows from operating activities				
Cash generated from operations	14,788,709	14,017,349	11,936,655	12,933,939
Interest received	86,470	83,425	99,357	97,059
Interest paid	(664,914)	(523,829)	(1,667,539)	(1,196,577)
Tax / ESC paid	(94,935)	(94,090)	(75,848)	(75,504)
TDC Refund	210,260	210,260	566,455	566,455
Retirement benefit obligations paid	(43,012)	(38,014)	(44,028)	(40,591)
Net cash generated from operating activities	14,282,578	13,655,101	10,815,052	12,284,781
Cash flows from investing activities				
Purchases of property, plant and equipment	(78,489)	(73,186)	(106,826)	(101,962)
Purchases of intangible assets	(23,301)	(13,547)	(14,864)	(14,865)
Amount advanced to subsidiaries	Nil	(2,998,624)	Nil	(4,347,175)
Investment installment to SLINTEC	(13,000)	(13,000)	(13,000)	(13,000)
Expenditure incurred on capital work-in-progress	(6,688,695)	(4,861,553)	(9,609,992)	(7,445,131)
Proceeds from sale of property, plant and equipment	55,268	44,857	41,052	28,336
Net cash used in investing activities	(6,748,217)	(7,915,053)	(9,703,630)	(11,893,797)
Cash flows from financing activities				
Repayment of finance leases	(25,701)	(6,495)	(47,141)	(19,015)
Repayment of borrowings	(7,898,567)	(6,409,972)	(20,638,239)	(19,567,850)
Proceeds from borrowings	3,492,233	3,461,553	25,038,875	24,620,260
Redemption of rated cumulative redeemable preference shares	(1,250,000)	(1,250,000)	(750,000)	(750,000)
Dividend paid to rated cumulative redeemable preference shareholders	(342,746)	(342,746)	(754,948)	(754,948)
Net cash (used in) /generated from financing activities	(6,024,781)	(4,547,660)	2,848,547	3,528,447
Net increase in cash and cash equivalents	1,509,580	1,192,388	3,959,969	3,919,431
Movement in cash and cash equivalents				
At start of year	3,019,403	3,175,077	(1,048,285)	(852,073)
Increase	1,509,580	1,192,388	3,959,969	3,919,431
Exchange (losses) / gains on cash and bank overdrafts	(53,245)	(53,246)	107,719	107,719
At end of year	4,475,738	4,314,219	3,019,403	3,175,077

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") (formerly known as "Dialog Telekom PLC") and its subsidiaries (together "the Group") provide Communication (Mobile, Internet, International gateway, Data and Backbone, fixed wireless and Transmission infrastructure) and Media related services.

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 (formerly known as "Dialog Telekom PLC") for the year / period ended 31 December 2010 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 2009.

3 Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2009.

Notes to the financial statements (Contd)

4 Segment information

Primary reporting format - business segments

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

	Cellular Operations	Global Operations	Fixed Telephony Data & ISP	Transmission & Infrastructure	Entertainment & Media		Group
Total segmental revenue	36,495,454	13,510,713	1,844,312	516,122	2,022,759		54,389,360
Inter-segment revenue	(8,315,590)	(4,270,965)	(167,096)	(192,209)	(20,717)		(12,966,577)
Revenue from external customers	28,179,864	9,239,748	1,677,216	323,913	2,002,042		41,422,783
Operating profit / (loss) segment results	3,604,096	3,196,583	(925,532)	(317,404)	(144,441)		5,413,302
Finance income							100,115
Finance costs							24,397
Finance income - net							124,512
Profit before income tax							5,537,814
Income tax expense							(490,373)
Profit for the year							5,047,441

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

	Cellular Operations	Global Operations	Fixed Telephony Data & ISP	Transmission & Infrastructure	Entertainment & Media	Unallocated	Group
Depreciation	7,445,772	125,756	960,144	261,879	487,220	Nil	9,280,771
Impairment (reversal) / charge of PPE	(331,240)	18,880	133,940	48,359	(41,494)	Nil	(171,555)
Impairment of investment	11,404	Nil	Nil	Nil	Nil	Nil	11,404
Provision for trading inventory	39,259	54	Nil	Nil	2,506	Nil	41,819
Amortization	393,594	112,078	111,182	Nil	14,826	Nil	631,680
Voluntary Retirement Scheme - (Reversal)/Charge	(333,138)	3,710	28,064	4,100	2,200	Nil	(295,064)

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

	Cellular Operations	Global Operations	Fixed Telephony Data & ISP	Transmission & Infrastructure	Entertainment & Media	Unallocated	Group
Assets	44,708,060	14,486,800	2,573,903	4,769,768	3,408,150	2,189,131	72,135,812
Liabilities	7,402,392	4,270,506	236,809	336,596	1,013,125	27,263,093	40,522,521
Capital expenditure	4,734,436	295,381	126,096	967,670	701,490	1,107,349	7,932,422

Notes to the financial statements (Contd)

4 Segment information

- o The segment results for the year ended 31 December 2009 are as follows:

	Cellular Operations	Global Operations	Fixed Telephony Data & ISP	Transmission & Infrastructure	Entertainment & Media		Group
Total segmental revenue	32,713,589	11,148,012	1,720,748	627,464	1,641,286		47,851,099
Inter-segment revenue	(7,294,029)	(3,954,491)	(148,651)	(195,252)	(12,662)		(11,605,085)
Revenue from external customers	25,419,560	7,193,521	1,572,097	432,212	1,628,624		36,246,014
Operating (loss) / profit / segment results	(9,371,532)	2,242,775	(1,496,354)	(708,395)	(699,052)		(10,032,558)
Finance income							101,941
Finance costs							(1,849,524)
Finance costs - net							(1,747,583)
Loss before income tax							(11,780,141)
Income tax expense							(428,082)
Loss for the year							(12,208,223)

	Cellular Operations	Global Operations	Fixed Telephony Data & ISP	Transmission & Infrastructure	Entertainment & Media	Unallocated	Group
Depreciation	7,230,206	135,875	925,143	271,120	419,465	Nil	8,981,809
Impairment of PPE	8,394,105	5,677	278,768	226,101	33,983	Nil	8,938,634
Provision for trading inventory	81,318	Nil	Nil	Nil	2,054	Nil	83,372
Amortization	449,609	75,207	116,479	5,183	8,586	Nil	655,064
Voluntary Retirement Scheme - Charge	873,562	7,175	17,802	3,330	3,075	Nil	904,944

- o The segment assets and liabilities at 31 December 2009 and capital expenditure for the year/period then ended are as follows:

	Cellular Operations	Global Operations	Fixed Telephony Data & ISP	Transmission & Infrastructure	Entertainment & Media	Unallocated	Group
Assets	51,557,464	10,472,966	3,152,877	4,229,064	2,946,537	2,633,328	74,992,236
Liabilities	7,072,807	5,071,075	284,703	342,279	810,848	33,301,195	46,882,907
Capital expenditure	7,237,699	480,452	715,146	1,004,955	433,691	13,392	9,885,335

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 2,500,000,000 rated cumulative redeemable preference shares at balance sheet date.

6 Loan repayment to Axiata Investments (Labuan) Limited (formerly known as TM International (L) Limited)

The Company repaid USD 10Mn to Axiata Investments (Labuan) Limited (formerly known as TM International (L) Limited) in December 2010.

7 Comparatives

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

8 Market price per share

For the three months ended 31 December

	2010 Rs.	2009 Rs.
- Highest	13.80	9.50
- Lowest	11.00	6.25
- Last traded	11.80	7.25

9 20 largest shareholders of the Company

Name of Shareholder	No. of Shares	% Holding
1 Axiata Investments (Labuan) Limited (Formerly Tm International (L) 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	95,316,289	1.17%
5 Sri Lanka Insurance Corporation Ltd-Life Fund	74,585,920	0.92%
6 HSBC-SSBT- South Asia Portfolio	71,161,980	0.87%
7 HSBC-International Finance Corporation	64,086,800	0.79%
8 HSBC-BBH-Genesis Emerging Markets Opportunities Fund	55,345,900	0.68%
9 Northern Trust Co s/a Northern Trust Fiduciary Services (Ireland) as Trustee to Baring Asean Frontiers Fund	44,620,900	0.55%
10 HSBC-JPMLU-Morgan Stanley Asset Management	38,330,452	0.47%
11 BNY-CF Ruffer Investment Funds	28,214,300	0.35%
12 Sri Lanka Insurance Corporation Ltd-General Fund	22,320,360	0.27%
13 HSBC-JPMCB-Scottish Ori Sml TR GTI 6018	22,207,500	0.27%
14 HSBC- FS-LG India Fund Ltd	21,900,510	0.27%
15 Associated Electrical Corporation Ltd	17,500,000	0.21%
16 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%
17 Taprobane Holdings Ltd	16,200,000	0.20%
18 Commercial Bank of Ceylon Plc / A. L. Devasurendra	15,940,100	0.20%
19 HSBC-SSBT-Morgan Stanley Frontier Emerging Markets Fund Inc	15,083,907	0.19%
20 Seylan Bank PLC. - A/C No. 3	14,703,100	0.18%

10 Public shareholding

The percentage of public shareholding as at 31st December 2010 was 14.73% (14.73% as at 31 December 2009), calculated as per the listing rules of the Colombo Stock Exchange.

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 Directors' Shareholdings

The details of shares held by the Directors and their spouses as at 31 December 2010 are as follows:

	<u>Number of shares</u>
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.

12 Contingencies

There has not been a significant change in the nature of the contingent liabilities except for note 13 (b), which were disclosed in the Annual Report for the year ended 31 December 2009.

13 Events after the Balance sheet date

- (a) A new company, wholly owned subsidiary of Dialog Axiata PLC, was incorporated on 21 January 2011 under the name of Dialog Business Services (Private) Limited (DBS) for the purpose of carrying out IT enabled services. Currently, DBS is non-operational and yet to start its commercial operation.
- (b) Value Added Tax (VAT) assessments issued by Department of Inland Revenue in respect of financial year 2006 has been determined by the Commissioner General on 28 January 2011. Accordingly an additional VAT liability of LKR 131.5Mn has been imposed for which provision has been made in full in the financial statements for the year ended 31 December 2010.
- (c) The Board of Directors of Dialog Axiata, resolved on 10 February 2011, to propose for consideration by the Shareholders of the Company, a cash dividend to ordinary shareholders amounting to Rs. 1.6Bn of consolidated group profits after preference dividend for the financial year ended 31 December 2010, which translates to 20 cents per share. The said dividend would be exempt from tax in the hands of the shareholders. The dividend so proposed is subject to the approval of the shareholders at the Annual General Meeting (AGM) of the Company.