

DIALOG AXIATA PLC AND ITS SUBSIDIARIES

**CONSOLIDATED INTERIM FINANCIAL
INFORMATION FOR THE SIX MONTHS ENDED
30 JUNE 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 June 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.

3 August 2011
COLOMBO

PricewaterhouseCoopers
CHARTERED ACCOUNTANTS



Balance sheet

(all amounts in Sri Lanka Rupees thousands)

	30 June 2011		31 December 2010	
	Group	Company	Group	Company
ASSETS				
Non-current assets				
Property, plant and equipment	53,158,079	44,236,133	53,014,351	44,348,523
Intangible assets	4,022,407	1,721,170	3,757,193	1,397,140
Investments in subsidiaries	Nil	10,326,010	Nil	10,326,010
Investments in associate	29,728	27,742	Nil	Nil
Other investments	30,596	30,596	30,596	30,596
Amount due from subsidiaries	Nil	9,117,907	Nil	8,771,992
	57,240,810	65,459,558	56,802,140	64,874,261
Current assets				
Inventories	456,966	449,153	271,184	266,159
Trade and other receivables	10,476,439	8,937,679	9,628,718	8,071,307
Cash and cash equivalents	8,392,287	7,727,050	5,433,770	5,079,135
	19,325,692	17,113,882	15,333,672	13,416,601
Total assets	76,566,502	82,573,440	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	291,782	291,782	260,067	260,067
Revaluation reserve	129,994	95,211	131,713	96,820
Retained earnings	3,467,912	11,999,701	2,656,318	10,744,469
	31,204,880	39,701,886	31,613,290	39,666,548
Total equity	31,204,880	39,701,886	31,613,290	39,666,548
LIABILITIES				
Non - current liabilities				
Borrowings	18,748,613	18,748,613	20,122,753	20,122,753
Deferred income tax liabilities	1,705,171	1,705,171	1,612,510	1,612,510
Retirement benefit obligations	429,965	393,368	390,635	358,854
Provision for other liabilities	623,591	611,024	619,876	607,794
Deferred revenue	253,403	253,403	285,766	285,766
	21,760,743	21,711,579	23,031,540	22,987,677
Current liabilities				
Trade and other payables	14,981,155	12,741,459	12,094,208	10,443,631
Income tax liabilities	29,349	25,432	14,151	10,898
Borrowings	8,590,375	8,393,084	5,382,623	5,182,108
	23,600,879	21,159,975	17,490,982	15,636,637
Total liabilities	45,361,622	42,871,554	40,522,522	38,624,314
Total equity and liabilities	76,566,502	82,573,440	72,135,812	78,290,862
Net Assets per Share	3.68	4.72	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 : 03 August 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 : 03 August 2011

Signed

Director

Date : 03 August 2011

The notes on pages 8 to 11 form an integral part of these financial statements.

Income statement

(all amounts in Sri Lanka Rupees thousands)

	Six months ended 30 June 2011		Six months ended 30 June 2010	
	Group	Company	Group	Company
Revenue	22,015,886	20,176,810	20,111,291	18,397,130
Direct costs	(12,493,090)	(11,124,187)	(11,439,676)	(9,998,173)
Gross margin	9,522,796	9,052,623	8,671,615	8,398,957
Other operating income	44,186	41,987	84,037	69,575
Administrative costs	(3,998,851)	(3,287,819)	(3,395,983)	(2,583,313)
Distribution costs	(3,119,562)	(2,914,295)	(2,888,510)	(2,522,613)
Operating profit	2,448,569	2,892,496	2,471,159	3,362,606
Finance Income / (costs) - net	241,196	240,880	(155,584)	(34,260)
Share of profit of associate	2,309	Nil	Nil	Nil
Profit before tax	2,692,074	3,133,376	2,315,575	3,328,346
Tax	(149,102)	(146,656)	(236,368)	(238,549)
Profit for the period	2,542,972	2,986,720	2,079,207	3,089,797
Attributable to:				
Equity holders of the Company	2,542,972	2,986,720	2,079,207	3,089,797
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in Rs per share)				
- Basic	0.31	0.36	0.24	0.36
- Diluted	0.31	0.36	0.24	0.36

The notes on pages 8 to 11 form an integral part of these financial statements.

Income statement

(all amounts in Sri Lanka Rupees thousands)

	Three months ended 30 June 2011		Three months ended 30 June 2010	
	Group	Company	Group	Company
Revenue	11,062,547	10,147,517	10,160,387	9,296,074
Direct costs	(6,173,814)	(5,493,218)	(5,618,027)	(4,884,839)
Gross margin	4,888,733	4,654,299	4,542,360	4,411,235
Other operating income	22,490	21,357	59,283	56,674
Administrative costs	(1,969,263)	(1,626,986)	(1,693,987)	(1,342,982)
Distribution costs	(1,618,407)	(1,493,094)	(1,404,152)	(1,229,864)
Operating profit	1,323,553	1,555,576	1,503,504	1,895,063
Finance Income / (costs) - net	150,463	150,310	(12,310)	35,309
Share of profit of associate	2,309	Nil	Nil	Nil
Profit before tax	1,476,325	1,705,886	1,491,194	1,930,372
Tax	(92,136)	(89,973)	(117,043)	(116,905)
Profit for the period	1,384,189	1,615,913	1,374,151	1,813,467
Attributable to:				
Equity holders of the Company	1,384,189	1,615,913	1,374,151	1,813,467
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in Rs per share)				
- Basic	0.17	0.20	0.16	0.21
- Diluted	0.17	0.20	0.16	0.21

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Statement of changes in equity

(all amounts in Sri Lanka Rupees Thousands)

Group

	Stated capital	ESOS Trust shares	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	2,079,207	2,079,207
Redemption of rated cumulative redeemable preference shares	(1,250,000)	Nil	Nil	Nil	Nil	(1,250,000)
Dividend to rated cumulative redeemable preference shares	Nil	Nil	Nil	Nil	(198,926)	(198,926)
Deferred tax attributable to revaluation surplus	Nil	Nil	Nil	(2,047)	Nil	(2,047)
Depreciation transfer	Nil	Nil	Nil	(1,978)	1,978	Nil
Balance at 30 June 2010	30,556,113	(1,990,921)	260,067	132,446	(220,142)	28,737,563
Balance at 1 July 2010	30,556,113	(1,990,921)	260,067	132,446	(220,142)	28,737,563
Net profit	Nil	Nil	Nil	Nil	2,968,234	2,968,234
Dividend to rated cumulative redeemable preference shares	Nil	Nil	Nil	Nil	(93,848)	(93,848)
Deferred tax attributable to revaluation surplus	Nil	Nil	Nil	1,341	Nil	1,341
Depreciation transfer	Nil	Nil	Nil	(2,074)	2,074	Nil
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	2,542,972	2,542,972
Redemption of rated cumulative redeemable preference shares	(1,250,000)	Nil	Nil	Nil	Nil	(1,250,000)
Dividend to rated cumulative redeemable preference shares	Nil	Nil	Nil	Nil	(104,613)	(104,613)
Dividend received ESOS	Nil	Nil	31,715	Nil	Nil	31,715
Depreciation transfer	Nil	Nil	Nil	(1,991)	1,991	Nil
Dividend on ordinary shares	Nil	Nil	Nil	Nil	(1,628,756)	(1,628,756)
Deferred tax attributable to revaluation surplus	Nil	Nil	Nil	272	Nil	272
Balance at 30 June 2011	29,306,113	(1,990,921)	291,782	129,994	3,467,912	31,204,880

The notes on pages 8 to 11 form an integral part of these financial statements.

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Statement of changes in equity

(all amounts in Sri Lanka Rupees Thousands)

Company

	Stated capital	ESOS Trust shares	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	3,089,797	3,089,797
Redemption of rated cumulative redeemable preference shares	(1,250,000)	Nil	Nil	Nil	Nil	(1,250,000)
Dividend to rated cumulative redeemable preference shares	Nil	Nil	Nil	Nil	(198,926)	(198,926)
Depreciation transfer	Nil	Nil	Nil	(1,868)	1,868	Nil
Deferred tax attributable to revaluation surplus	Nil	Nil	Nil	(2,047)	Nil	(2,047)
Balance at 30 June 2010	30,556,113	(1,990,921)	260,067	97,443	7,374,197	36,296,899
Balance at 1 July 2010	30,556,113	(1,990,921)	260,067	97,443	7,374,197	36,296,899
Net profit	Nil	Nil	Nil	Nil	3,462,156	3,462,156
Dividend to rated cumulative redeemable preference shares	Nil	Nil	Nil	Nil	(93,848)	(93,848)
Depreciation transfer	Nil	Nil	Nil	(1,964)	1,964	Nil
Deferred tax attributable to revaluation surplus	Nil	Nil	Nil	1,341	Nil	1,341
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	2,986,720	2,986,720
Redemption of rated cumulative redeemable preference shares	(1,250,000)	Nil	Nil	Nil	Nil	(1,250,000)
Dividend to rated cumulative redeemable preference shares	Nil	Nil	Nil	Nil	(104,613)	(104,613)
Dividend received ESOS	Nil	Nil	31,715	Nil	Nil	31,715
Depreciation transfer	Nil	Nil	Nil	(1,881)	1,881	Nil
Dividend on ordinary shares	Nil	Nil	Nil	Nil	(1,628,756)	(1,628,756)
Deferred tax attributable to revaluation surplus	Nil	Nil	Nil	272	Nil	272
Balance at 30 June 2011	29,306,113	(1,990,921)	291,782	95,211	11,999,701	39,701,886

The notes on pages 8 to 11 form an integral part of these financial statements.

Cash flow statement

(all amounts in Sri Lanka Rupees thousands)

	Six months ended 30 June 2011		Six months ended 30 June 2010	
	Group	Company	Group	Company
Cash flows from operating activities				
Cash generated from operations	9,325,469	8,407,846	7,320,048	7,167,856
Interest received	144,177	141,411	33,718	32,986
Interest paid	(101,327)	(102,738)	(435,819)	(323,008)
Tax / SRL / ESC paid	(58,467)	(56,685)	(45,331)	(45,325)
TDC disbursement received	Nil	Nil	210,260	210,260
Retirement benefit obligations paid	(4,793)	(4,611)	(34,674)	(29,676)
Net cash generated from operating activities	9,305,059	8,385,223	7,048,202	7,013,093
Cash flows from investing activities				
Purchases of property, plant and equipment	(15,357)	(15,369)	(42,021)	(41,702)
Purchases of intangible assets	(204,082)	(204,082)	(12,342)	(12,342)
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	(5,285,940)	(4,113,659)	(2,885,492)	(1,958,449)
Amounts given to subsidiaries	Nil	(564,456)	Nil	(2,414,851)
Proceeds from sale of property, plant and equipment	1,130	1,094	32,087	22,112
Net cash used in investing activities	(5,446,499)	(4,838,722)	(2,907,768)	(4,405,232)
Cash flows from financing activities				
Repayment of finance leases	(5,755)	Nil	(14,636)	(3,490)
Repayment of borrowings	(2,243,100)	(2,243,100)	(5,486,501)	(4,170,523)
Proceeds from borrowings	3,538,132	3,538,132	1,932,685	1,904,421
Redemption of rated cumulative redeemable preference shares	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)
Dividend Payment - rated cumulative redeemable preference shares	(124,023)	(124,023)	(222,185)	(222,185)
Dividend Payment - ordinary shares	(1,628,756)	(1,628,756)	Nil	Nil
Dividend Received - ESOS	31,715	31,715	Nil	Nil
Net cash used in financing activities	(1,681,787)	(1,676,032)	(5,040,637)	(3,741,777)
Net increase / (decrease) in cash and cash equivalents	2,176,773	1,870,469	(900,203)	(1,133,916)
Movement in cash and cash equivalents				
At beginning of period	4,475,861	4,314,219	3,019,449	3,175,076
Increase / (decrease)	2,176,773	1,870,469	(900,203)	(1,133,916)
Exchange (losses) / gains on cash and bank overdrafts	(15,723)	(15,723)	192	192
At end of period	6,636,911	6,168,965	2,119,438	2,041,352

The notes on pages 8 to 11 form an integral part of these financial statements.

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 June 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.

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Notes to the financial statements (Contd)

4 Segment information (Contd)

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

	Mobile Operations	Fixed Broadband Operations	Television Operations	Other	Eliminations/ Adjustments	Group
Total segmental revenue	20,176,810	1,163,547	1,124,946	39,784	Nil	22,505,087
Inter-segment revenue	(223,592)	(218,421)	(7,802)	(39,386)	Nil	(489,201)
Revenue from external customers	19,953,218	945,126	1,117,144	398	Nil	22,015,886
Operating profit / (loss) / segment results	2,892,496	(401,543)	(12,155)	(1,242)	(28,987)	2,448,569
Finance income - net						241,196
Share of profit of associate						2,309
Profit before income tax						2,692,074
Income tax expense						(149,102)
Profit for the period						2,542,972

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

	Mobile Operations	Fixed Broadband Operations	Television Operations	Other	Eliminations/ Adjustments	Group
Depreciation, amortization and impairment	3,965,081	705,590	270,722	1,758	25,143	4,968,294

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

	Mobile Operations	Broadband Operations	Fixed Television Operations	Eliminations / Adjustments	Group
Assets	82,573,440	8,912,725	3,504,290	(9,295,759)	85,694,696
Inter-segment assets	(9,117,319)	(9,868)	(1,007)	Nil	(9,128,194)
Total assets					76,566,502
Liabilities	42,871,554	9,256,506	2,767,370	Nil	54,895,430
Inter-segment liabilities	(121,082)	(7,903,693)	(1,509,033)	Nil	(9,533,808)
Total liabilities					45,361,622
Capital expenditure	4,333,110	1,005,123	167,146	Nil	5,505,379

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Notes to the financial statements (Contd)

4 Segment information (Contd)

The segment results for the period ended 30 June 2010 are as follows:

	Mobile Operations	Fixed Broadband Operations	Television Operations	Eliminations / Adjustments	Group
Total segmental revenue	18,397,130	1,167,354	1,011,433	Nil	20,575,917
Inter-segment revenue	(280,450)	(177,752)	(6,424)	Nil	(464,626)
Revenue from external customers	18,116,680	989,602	1,005,009	Nil	20,111,291
Operating profit / (loss) / segment results	3,362,606	(697,162)	(172,380)	(21,905)	2,471,159
Finance costs - net					(155,584)
Share of profit of associate					Nil
Profit before income tax					2,315,575
Income tax expense					(236,368)
Profit for the period					2,079,207

	Mobile Operations	Fixed Broadband Operations	Television Operations	Eliminations / Adjustments	Group
Depreciation ,amortisation and impairment	3,808,295	722,373	229,990	25,143	4,760,658

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	Eliminations / Adjustments	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 liabilities					40,522,522
Capital expenditure	4,333,110	1,005,123	167,146	Nil	5,505,379

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 consists 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 June

	2011 Rs.	2010 Rs.
- Highest	11.00	10.25
- Lowest	8.90	6.75
- Last traded	8.90	9.75

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	94,468,589	1.16%
5 Sri Lanka Insurance Corporation Limited-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 HSBC-JPMLU-Morgan Stanley Asset Management	52,768,117	0.65%
10 Browns Investments (Private) Limited	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 Fronti	38,938,000	0.48%
13 HSBC-JPMCB-Scottish Orl Sml TR GTI 6018	32,207,500	0.40%
14 Sri Lanka Insurance Corporation Limited-General Fund	22,320,360	0.27%
15 Pemberton Asian Opportunities Fund	20,000,000	0.25%
16 Associated Electrical Corporation Limited	19,611,800	0.24%
17 HSBC-SSBT-Morgan Stanley Frontier Emerging Markets Fund Inc	18,347,188	0.23%
18 HSBC- FS-LG India Fund Limited	17,726,510	0.22%
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 Seylan Bank PLC. - A/C No. 3	14,703,100	0.18%

9 Directors' Shareholdings

The details of shares held by the Directors and their spouses as at 30 June 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.

10 Contingencies

There have not been any significant changes in the nature of the contingent liabilities which were disclosed in the annual report for the year ended 31 December 2010.

11 Investment in associate

The Company signed a business agreement with Firstsource Solutions Limited (FSL), a listed company in India, on 3 May 2011. This is in respect of Dialog Business Services (Private) Limited (DBS), incorporated on 21 January 2011 for the purpose of carrying out IT enabled services. DBS commenced its commercial operations from 1 April 2011 and it was a fully owned subsidiary of the Company. As per the agreement with FSL, the Company transferred 74% of its stake in DBS to FSL and holds 26% with effect from 13 May 2011. On 13 May 2011, DBS was named as Firstsource Dialog Solution (Private) Limited (FDS) and it is considered to be an associate of the Company and the Group with effect from 13 May 2011.

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.