

# Media release



## Sri Lanka Telecom PLC – 1<sup>st</sup> half 2011 – financial performance

### 1st half 2011 SLT Group PBT Rs. 3.26 bn

Tuesday 9<sup>th</sup> August, 2011, Colombo: Sri Lanka Telecom PLC (SLT) announced its Company and Group financial results for the six months ended 30th June 2011. SLT group has posted strong financials for the half year ended 30th June 2011 with a 51% growth in its profit before tax of Rs. 3.26bn when compared to the corresponding period of previous year. The Group consist parent company Sri Lanka Telecom PLC (SLT) and seven subsidiaries including the company's mobile arm Mobitel (Pvt) Ltd. (Mobitel). During first six months, SLT group has recorded a net profit after tax of Rs.2.44 bn which is a growth of 77% over the same period of prior year. The Group's KPIs such as EBITDA, PBT and PAT margins have improved over the prior year, displaying SLT Group's quest for continuous improvement in financial returns.

The Group reported revenue of Rs. 24.85 bn for the half year ended 30th June 2011 with impressive revenue growth in Broadband and PEO TV.

Meanwhile, the parent company SLT has recorded a profit before tax of Rs. 2.35 bn for first six months, which is a 70% growth, compared to same period in the prior year. Net profit after tax of the company for the same period has increased by 106% to Rs.1.76 bn. The company net profit margin has improved to 11% from 5% of the corresponding period of the previous year.

Cost optimization initiatives together with reduction in volume driven costs have resulted in a significant reduction in operating cost by 8% compared with the same period of last year at company level. In terms of revenue, the company is currently engaged in expanding its non-traditional revenue streams such as Broadband, PEO TV and wholesale, while focusing on sustaining traditional revenue streams such as fixed voice. Strategic initiatives taken to improve the non-traditional revenue by promoting double play and triple play have shown encouraging results. Despite the pricing pressures, the fixed wired line customer base continued to grow by 4% to 918,200 year on year.



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Commenting on the company's financial performance, the Chairman of SLT Group Mr.Nimal Welgama stated that SLT has strengthened its position as the country's leading Integrated Telecommunication Service Provider with strong market positions in Fixed, Mobile, International, Data, Wholesale and Broadband. He said, "Sri

Lanka is now strongly positioned on a platform of fast tracked development. The national vision is to make every citizen ICT empowered. Therefore, in line with the Government's objectives of ensuring that ICT is accessible to all, Sri Lanka Telecom has already taken many initiatives to take the ICT in the country to the next level including playing a pro active role in enabling ICT empowerment in remote villages of the country.

Mobitel, the mobile arm of SLT group recorded a profit before tax of Rs. 1 bn and a net profit after tax of Rs 778mn during the 1st half of 2011 recording growth rates of 36% and 44% respectively compared to corresponding period of the previous year. Moreover, Mobitel recorded revenue growth of 12%, mainly contributed by the increase in subscriber base by 650,000 to exceed 4.4mn. The growth in turnover was achieved amidst an increase in competition extending beyond domestic voice services into international services resulting in significant price reduction in IDD and Roaming services. Mobile Broadband has also grown rapidly and its contribution to overall revenue is increasing steadily.

Further, Mobitel managed to grow EBITDA marginally to 3.27bn for the 1st half of 2011, despite an increase in costs as a result of the implementation of the interconnection regime and inability of claiming input VAT on cost items from January 2011 onwards. The favorable macroeconomic climate had a positive impact on interest rates and currency rates also resulting as a contributory factor in significant growth in profit.

Credit ratings of SLT are contained by the sovereign ratings. The recent upgrade of sovereign ratings by Standard and Poors (S&P) and Fitch Ratings (Fitch) credit agencies, have impacted to upgrade SLT ratings too. Accordingly Fitch upgraded SLT's long-term foreign currency rating to "BB-" from "B+" while affirming its long-term local currency rating at "BB-" and national long-term rating at "AAA (lka)". S&P revised the outlook on long-term foreign currency credit rating to positive from stable and affirmed this "B+" rating. It also affirmed the "BB-" long term local currency corporate rating.

