

Media release



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SLT Group 2014 PBT up by 12% to Rs. 8.2 bn

Sri Lanka Telecom PLC (SLT) released its Company and group financial performance for the 4th Quarter 2014, and the cumulative for the year 2014. The group comprises the Holding Company Sri Lanka Telecom PLC and seven other subsidiaries including the mobile arm Mobitel (Pvt) Ltd. (Mobitel).

The SLT group continued to maintain its overall growth momentum during the year 2014. Group revenue for the year was up by 8% to Rs. 65.0 bn. All the segments of the group comprising Fixed, Mobile and Others positively contributed to this increase. Owing largely to price escalations coupled with the impact of an out of court settlement on civil litigation in relation to the import of the IPTV system in 2007/2008, operating cost of the group increased by 12% to Rs. 46.3 bn during the year 2014, compared to the year before. The group Profit Before Tax of the year 2014 increased by 12% year on year to Rs.8.2 bn. Refund received from the Telecommunication Development Charge (TDC) of Rs. 1.2 bn during the year against Rs. 0.6 bn of the previous year that has also contributed to this bottom line growth. Group Profit After Tax of the year 2014 was Rs. 6.0 bn. up by 11% year on year. During the year the group invested Rs. 20.2 bn in its infrastructure.

The holding company, Sri Lanka Telecom PLC reported Rs. 38.9 bn revenue during the year 2014 with 6% year on year growth. Despite the threats on voice related revenue Whole sale, Enterprise, Data and IPTV related revenues have demonstrated positive upward trends. Continues investments in new technologies and infrastructure have largely contributed in revenue growth. During the year under review alone the company has invested Rs. 16.4 bn in infrastructure and technologies. Operational costs of the Company have increased by 10% during the year, resulting from the same reasons given above to Rs. 29.5 bn as compared to the year before. The Company Profit Before Tax dipped by 3% to Rs. 4.8 bn, from the year before. Impact of the above mentioned litigation, amounting to Rs. 673 mn has largely negated the profits.

Mr. Lalith De Silva, the Group Chief Executive Officer of SLT was very much optimistic on the company performance, despite the onetime charge of Rs. 673 mn for an out of court settlement that impacted negating the results. We have taken every effort to fulfil our infrastructure requirements, not only by replacing the existing ones, but also by introducing new broadband technologies such as LTE and Carrier Grade Wi-Fi and FTTH. Phase 5 of the i-Sri Lanka program was completed enabling the entire network for broadband. The existing IPTV system was replaced by a new system offering the experience of the latest technologies to the customers. The National Backbone Network was completed not only for the use of SLT but also for the use of all the service providers and enterprises in Sri Lanka. The Company itself is transforming to a modern IT environment, to serve the customers efficiently and effectively. Further, our

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state-of-the-art AKAZA Cloud solution will definitely empower the enterprises to focus on strategic directives of their core businesses. Hence, the Company is well equipped to take leadership in the nation's journey towards an ICT enabled Sri Lanka while enhancing the value of shareholders, he said.

The SLT Group Chairman, Mr. P.G. Kumarasinghe Sirisena, while praising the group results, stated that together with other board members including those who have been appointed recently will drive the Company towards its strategic objectives aimed at supporting the Digital Sri Lanka by capturing new opportunities and rising above prevailing challenges. He has confidence on the well-educated professional work force, strong market presence coupled with diversified infrastructure, in enhancing the value of stakeholders. He also acknowledges all the individuals who have contributed to bring the Company to an outstanding level and emphasized on the fact that the company has achieved this success while also ensuring the highest standards of social responsibility towards Sri Lanka, as the national communication service provider of the country.

Mobitel (Pvt) Ltd. continued its growth momentum recording a double digit revenue growth of 11% for financial year 2014. In absolute terms, Mobitel crossed the Rs. 30 bn milestone to record a sales turnover of Rs. 30.60 bn in 2014 compared to Rs. 27.48 bn in 2013, an increase of Rs. 3.12 bn. For the fourth quarter of 2014 Mobitel reported a revenue of Rs. 7.92 bn which is an increase by 13% compared to the fourth quarter of 2013.

Although voice market in Sri Lanka has almost reached saturation, growth in voice revenue segment continued in 2014 as well. Mobitel's continuous commitment and investments towards scaling and upgrading its network infrastructure have resulted in better customer experience which in turn boosts revenues for the company. Considerable investment in latest and timely upgrades in broadband technologies such as 3G and 4G paid off during the year with a notable increase in broadband revenues compared to 2013.

A growth trend similar to that of revenue continues across the company's profitability indicators with EBITDA growing by 8% recording Rs. 9.8 bn and EBIT growing by 12% recording Rs. 4.0 bn. The strong growth in EBITDA and EBIT can be attributed to prudent cost management initiatives coupled with measures to enhance productivity. For year 2014 Mobitel reported an After Tax Profit of Rs. 2.8 bn as against Rs. 2.4 bn in financial year 2013, recording a 15% improvement. The growth in profits was achieved despite one off write off on Mobitel network assets amounting to Rs. 601.8 mn. If not for this write off, Mobitel performance in relation to all key profitability indicators would have reflected a higher growth. The increase in profitability is also attributable to optimum asset utilization, increased productivity and relatively stable macro environment that prevailed during the year 2014.