

# Media release



Friday, 16 May 2014

## SLT Group records Rs. 984 million Profit Before Tax during the 1Q 2014

Sri Lanka Telecom (SLT) released its Group and Company financial results for the 1st quarter 2014 today. The group comprises of holding Company SLT and 7 subsidiaries including mobile arm Mobitel (Pvt) Ltd. (Mobitel).

The group has reported 6% Year on Year growth of revenue during the 1st quarter 2014, to Rs. 15.3 billion. The growth was contributed by all the operational segments of the group. Operating Cost of the group was up by 13% Year on Year (YoY) to Rs. 11.1 billion. Rs. 673 million charged to the operating cost, resulting from an out of Court Settlement of a civil litigation in relation to import IPTV system in 2007/ 2008, has largely contributed to the operating cost increase. Group EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) margin was dipped to 27% during the quarter under review which was mainly driven by the impact of operating cost increase as stated above together with inflationary factors. During the 1st quarter 2014 operating profit of the group dipped by 50% YoY to Rs. 810 million resulting from increase of operational costs and depreciation. Depreciation of the group during the 1st quarter 2014 increased by 12% compared to the corresponding period of the previous year to Rs. 3.2 billion resulting from re-instatement of fully depreciated assets in line with IFRS and new addition to the fixed assets.

Group Profit Before Tax and Profit for the period dropped YoY by 52% and 66% respectively to Rs. 984 million and Rs. 547 million resulting from the above mentioned operating cost and depreciation increase. It was also impacted by Rs. 240m refund of TDC (Telecommunication charge) reported during the corresponding period of Year before.

Holding Company has reported Rs. 9.4 billion revenue during the quarter under review with 8% growth YoY. Data Enterprises and Whole Sale businesses have largely contributed to the growth. The operating expenses of the Company have increased by 22% YoY, during the 1st quarter 2014. This increase was driven by the litigation referred in above together with increase of out payments to international operators due to increase of international outgoing traffic and inflationary impact on other cost components.

EBITDA margin of SLT Company dipped to 21%, due to increasing of operating costs. The Profit Before Tax and Profit After Tax dipped by 70% and 95% respectively YoY, to Rs. 318 million and Rs. 36 million respectively, due to increase of operating costs and depreciation as explained above.

Commenting on the results SLT Group CEO Mr. Lalith De Silva stated that despite short term impact to the company performance, the settlement of long outstanding litigation, at a much favorable terms paved the way to eliminate the ambiguity. Our several strategic initiations and innovations towards market share expansions, cost optimizations, and efficiency improvements will definitely enhance our results.

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Mobitel (Pvt) Ltd., the mobile arm of the group continued to grow its revenue amidst operating in a highly competitive market. Revenue for the first quarter of 2014 grew by 9% to Rs 7.2 Billion compared to the same quarter in the previous year. The revenue growth was duly supported by timely investments in network infrastructure for capacity building and coverage expansion. As a result of these investments a growth in Mobitel subscriber base was achieved despite 100% penetration in the Sri Lankan Mobile market with an increase in Mobitel customer base by 10% in comparison to first quarter of previous year.

Mobitel reported improvement in operating profitability indicators EBITDA and EBIT during the first quarter of 2013 compared to same period in previous year. The growth achieved in overall revenue which increased by Rs 608 million continues to be reflected across profitability indicators with EBITDA and EBIT growing by 9% and 0.4% respectively. This was a result of continuous efforts to minimise costs while striving for optimum asset utilisation.