

Media release

SLT Group Q1 Operating Profit up by 14% to Rs. 1.86 Bn; Forex Loss Dilutes PBT

Colombo Sri Lanka May 15th 2012 - Sri Lanka Telecom (SLT), the leading National Integrated Telecommunications Service Provider continued its financial trajectory, complemented with pragmatic operational initiatives, to deliver Q1 2012 results with a growth of 9% in revenue and 14% in operating profit. The Group is driving a visionary business strategy coupled with a pragmatic transformation plan, which is unequivocally reflected in these results and on-the-ground initiatives which the Group has continued to unwaveringly deliver according to the mandate it has mapped for growth. Depreciation of the Sri Lanka Rupee had a ripple effect on the Group's results due to the significant US dollar exposure in the Group's mobile subsidiary, Sri Lanka Telecom Mobitel. The exchange loss of Rs 1.4 Bn for Q1 therefore posed negativities for Profit Before Tax (PBT) and Profit After Tax (PAT), although revenue and operating profits have grown significantly year on year (YoY) to Rs 13.53 Bn and Rs. 1.86 billion respectively. Taking into account the exchange loss, PBT at Group level saw a decline of 47% posted at Rs 901 Mn, while PAT, decreasing by 72% is posted at Rs 365 Mn. Once normalized however, the Group has performed exceptionally well with PBT gaining 34% to Rs 2.33 Bn compared to Q1 of 2011's figure of Rs 1.71 Bn and PAT also showing a growth of 39% to Rs 1.8 Bn from Rs 1.29 Bn. These normalized results further underscore the Group as the leader in integrated telecommunications in Sri Lanka.

At company level, Sri Lanka Telecom has performed well reporting the highest quarterly revenue since 3 Q 2009, at Rs. 8.59 Bn with a 7% growth YoY. The company, which maintains a balanced mix of foreign exchange exposure, has been able to record Rs. 1.78 Bn PBT, a 37% growth compared to Rs. 1.30 Bn in the same quarter of the previous year, while achieving a 39% increase in PAT from Rs. 989 Mn in 1Q 2011 to Rs. 1.37 Bn in 1Q 2012. Despite the increase in operational expenses by 11% to Rs. 5.6 Bn during the quarter under review, the company has been able to marginally increase EBITDA to Rs. 2.93 Bn from Rs. 2.91 Bn. Nontraditional revenue streams including fixed broadband, PEO TV, Wholesale, and Enterprise sales were all key drivers in contributing to revenue growth and driving profitability upwards. The increase in Operational Expenditure was mainly driven by the 100% increase of the regulatory International Telecommunication Levy (ITL), which earlier stood at US\$.015 but from January 2012, increased to US\$.030 per minute

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Sri Lanka Telecom Mobitel, the Group's flagship subsidiary, though feeling the after effects of the depreciating Rupee, saw its revenue grow by 12% to Rs 5.84 Bn and EBITDA of Rs 2.03 Bn, an increase of 22%. The Loss Before Tax posted by Sri Lanka Telecom Mobitel for the quarter is Rs 816 Mn, driven by the foreign exchange loss with a Loss After Tax of Rs 948 Mn. Without the Exchange Loss, Mobitel recorded an impressive profit before tax of Rs 707 Mn and Profit After Tax of Rs 575 Mn recording YoY growth of 42% and 50% respectively.

Commenting on the first quarter results, Group Chairman Nimal Welgama said, "The strong underlying growth in operating profits demonstrates our sound growth strategy balancing profitable growth coupled with significantly increased capital investment in network modernization and capacity expansion. Our i-Sri Lanka project is delivering high speed island wide broadband enhancement for fixed line customers, whilst our fibre based optical backbone network expands its footprint to serve not only the SLT group but other operators also. Meanwhile, at Mobitel, we are rapidly expanding network capacity to keep pace with growth in voice and mobile 3G broadband customer demand.

Repudiating the global trend of declines in fixed line subscribers, Sri Lanka Telecom's impressive product range and the demand for high speed uninterrupted broadband and entertainment through PEO TV has seen fixed PSTN line customers increase by 6% YOY. The reinvigoration of SLT Megaline and double/triple play packages last year coupled with an aggressive marketing campaign has buoyed the increase in fixed customers.

Opining that the Group is extremely cognizant that financial and organisational growth can only be fuelled by best practices in governance, ethics, professionalism and instituting transparency, accountability and prudent risk management, he says, "We are focused on ensuring absolute connectivity across the country, and while we have displayed consistent and strong growth in our financials, we are mindful that we must create a sustainable foundation for future growth as evidenced by our aggressive capital investment in network modernisation and expansion programme".