

Sri Lanka Telecom PLC and its Subsidiaries

Registration No. - PQ 7

Interim Financial Report 1 st Quarter 2015

OUR VISION

All Sri Lankans seamlessly connected with world class information, communication and entertainment services.

OUR MISSION

Your trusted and proven partner for innovative and exciting communication experiences delivered with passion, quality and commitment.



Sri Lanka Telecom

One Country. One Voice.

Sri Lanka Telecom PLC and its Subsidiaries
Company Registration No. PQ 7
Quarterly Interim Financial Report as of 31 March 2015

Statement of Profit or Loss and other Comprehensive Income as specified

(All amounts in LKR Millions)

	Group			Company		
	Jan.- Mar.		change	Jan.- Mar.		change
	2015	2014	%	2015	2014	%
Revenue	16,705	15,277	9	9,868	9,402	5
Operating costs	(11,144)	(11,119)	0	(6,953)	(7,390)	(6)
Operating profit before depreciation - and Amortization and impairment	5,561	4,158	34	2,915	2,012	45
Depreciation	(3,041)	(3,161)	(4)	(1,813)	(1,780)	2
Amortisation and impairment - of intangible assets	(169)	(187)	(10)	(65)	(79)	(18)
Operating profit	2,351	810	190	1,037	153	578
Other income	56	72	(22)	46	65	(29)
Interest expenses and finance cost	(241)	(157)	54	(210)	(91)	131
Foreign exchange (loss) / gain	(284)	23	(1335)	(84)	13	(746)
Interest income	258	236	9	193	178	8
Profit before tax	2,140	984	117	982	318	209
Income tax expenses	(460)	(437)	5	(282)	(282)	0
Profit for the Period	1,680	547	207	700	36	1844
Other comprehensive income						
Defined benefit plan actuarial (loss)/gain	(109)	(19)	474	(109)	(19)	474
Tax on other comprehensive income	31	5	520	31	5	520
Other comprehensive income for - the period net of tax	(78)	(14)	457	(78)	(14)	457
Total Comprehensive Income for the Period	1,602	533	201	622	22	2727
Profit Attributable to :						
Owners of the company	1,680	547	207	700	36	1844
Total Comprehensive Income attributable to:						
Owners of the company	1,602	533	201	622	22	2727
Earnings per share						
-Basic (Rs.)	0.93	0.30	207	0.39	0.02	1844
-Annualized (Rs.)	3.72	1.21	207	1.55	0.08	1844

The above figures are provisional and unaudited

Sri Lanka Telecom PLC and its Subsidiaries
Company Registration No. PQ 7
Quarterly Interim Financial Report as of 31 March 2015

Statement of Financial Position

(All amounts in LKR Millions)

	Group		Company	
	Un-Audited as at 31 Mar 2015	Audited as at 31 Dec. 2014	Un-Audited as at 31 Mar 2015	Audited as at 31 Dec. 2014
Assets				
Non-Current Assets				
Property, plant and equipment	91,693	90,935	61,587	60,221
Intangible assets	3,292	3,412	1,262	1,326
Financial prepayment	55	79	-	-
Investments in subsidiaries	-	-	14,189	14,189
Deferred tax Assets	48	46	-	-
Other receivables	2,839	2,789	2,839	2,789
Total Non-current Assets	97,927	97,261	79,877	78,525
Current Assets				
Inventories	595	475	324	282
Trade and other receivables	14,446	13,335	13,881	12,728
Current tax receivables	2	88	-	83
Other investments	6,062	6,750	5,709	6,397
Cash and cash equivalents	5,618	4,695	1,262	1,002
Total Current Assets	26,723	25,343	21,176	20,492
Total Assets	124,650	122,604	101,053	99,017
Equity and Liabilities				
Capital and Reserves				
Stated Capital (Represented by 1,804,860,000 shares)	18,049	18,049	18,049	18,049
Insurance reserve	570	560	570	560
Retained earnings	46,883	45,291	40,580	39,968
Equity attributable to equity holders of the company	65,502	63,900	59,199	58,577
Non controlling interest	0	0	-	-
Total Equity	65,502	63,900	59,199	58,577
Non Current Liabilities				
Grants	21	22	21	22
Borrowings	16,244	17,986	10,146	11,700
Deferred income	2,531	2,578	2,464	2,512
Deferred tax liabilities	2,827	2,805	2,823	2,801
Employee benefits	4,110	3,875	3,741	3,512
Trade and other payables	2,212	2,407	250	250
Total Non Current Liabilities	27,945	29,673	19,445	20,797
Current Liabilities				
Borrowings	9,804	9,136	5,990	4,359
Deferred income	2,515	2,398	713	706
Current tax liabilities	562	442	121	-
Trade and other payables	18,322	17,055	15,585	14,578
Total Current Liabilities	31,203	29,031	22,409	19,643
Total Equity and Liabilities	124,650	122,604	101,053	99,017

I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act No.07 of 2007.

Signed

Udeni Samararatne
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements. These financial statements were approved by the Board of Directors on 13 May 2015.

Signed for and behalf of the Board.

Signed

P.G. Kumarasinghe Sirisena
Chairman

Signed

Chandra Ekanayake
Director

Sri Lanka Telecom PLC and its Subsidiaries
Company Registration No. PQ 7
Quarterly Interim Financial Report as of 31 March 2015

Statement of Changes in Equity - 1 January 2014 to 31 March 2015

(All amounts in LKR Millions)

Attributable to owners of the Company

Group

	Stated Capital	Insurance Reserve	Retained Earnings	Total	Non Controlling Interest	Total Equity
Balance as at 1 January 2014	18,049	500	41,240	59,789	-	59,789
Total comprehensive income for the period						
Net profit for the period			547	547	-	547
Other comprehensive income						
-Defined benefit plan actuarial (losses)/gain, net of tax			(14)	(14)	-	(14)
Total Other comprehensive income	-	-	(14)	(14)	-	(14)
Total comprehensive income for the period	-	-	533	533	-	533
Insurance reserve				-		-
-Transferred to insurance reserve		15	(15)		-	-
Balance as at 31 March 2014	18,049	515	41,758	60,322	-	60,322
Balance as at 1 April 2014	18,049	515	41,758	60,322	-	60,322
Total comprehensive income for the period						-
Net profit for the period			5,454	5,454	-	5,454
Other comprehensive income						-
-Defined benefit plan actuarial (losses)/gain, net of tax			(342)	(342)	-	(342)
Total Other comprehensive income	-	-	(342)	(342)	-	(342)
Total comprehensive income for the period	-	-	5,112	5,112	-	5,112
Transactions with owners, recorded directly in equity						
Contribution by and distribution to owners						
Dividends to equity share holders			(1,534)	(1,534)	-	(1,534)
Insurance reserve						-
-Transferred to insurance reserve		45	(45)		-	-
Balance as at 31 December 2014	18,049	560	45,291	63,900	-	63,900
Balance as at 1 April 2014	18,049	560	45,291	63,900	-	63,900
Total comprehensive income for the period						-
Net profit for the period			1,680	1,680	-	1,680
Other comprehensive income						-
-Defined benefit plan actuarial (losses)/gain, net of tax			(78)	(78)	-	(78)
Total Other comprehensive income	-	-	(78)	(78)	-	(78)
Total comprehensive income for the period	-	-	1,602	1,602	-	1,602
Insurance reserve						-
-Transferred to insurance reserve		10	(10)		-	-
Balance as at 31 March 2015	18,049	570	46,883	65,502	-	65,502

Sri Lanka Telecom PLC and its Subsidiaries
Company Registration No. PQ 7
Quarterly Interim Financial Report as of 31 March 2015

Statement of Changes in Equity - 1 January 2014 to 31 March 2015

(All amounts in LKR Millions)

Company	Attributable to owners of the Company			
	Stated Capital	Insurance Reserve	Retained Earnings	Total
Balance as at 1 January 2014	18,049	500	38,554	57,103
Total comprehensive income for the period				
Net profit for the period			36	36
Other comprehensive income				-
-Defined benefit plan actuarial (losses)/gain,net of tax			(14)	(14)
Total Other comprehensive income	-	-	(14)	(14)
Total comprehensive income for period	-	-	22	22
Insurance reserve				
-Transferred to insurance reserve		15	(15)	
Balance as at 31 March 2014	18,049	515	38,561	57,125
Balance as at 1 April 2014	18,049	515	38,561	57,125
Total comprehensive income for the period				
Net profit for the period			3,288	3,288
Other comprehensive income				-
-Defined benefit plan actuarial (losses)/gain,net of tax			(302)	(302)
Total Other comprehensive income	-	-	(302)	(302)
Total comprehensive income for the period	-	-	2,986	2,986
Transactions with owners,recorded directly in equity				
- contribution by and distribution to owners				
Dividend to equity share holders			(1,534)	(1,534)
Insurance reserve				
-Transferred to insurance reserve		45	(45)	(45)
Balance as at 31 December 2014	18,049	560	39,968	58,577
Balance as at 1 January 2015	18,049	560	39,968	58,577
Total comprehensive income for the period				
Net profit for the period			700	700
Other comprehensive income				-
-Defined benefit plan actuarial (losses)/gain,net of tax			(78)	(78)
Total Other comprehensive income	-	-	(78)	(78)
Total comprehensive income for the period	-	-	622	622
Insurance reserve				
-Transferred to insurance reserve		10	(10)	
Balance as at 31 March 2015	18,049	570	40,580	59,199

Sri Lanka Telecom PLC and its Subsidiaries

Company Registration No. PQ 7

Quarterly Interim Financial Report as of 31 March 2015

Statement of Cash Flows for the Period ended 31 March

(All amounts in LKR Millions)

	GROUP		COMPANY	
	2015	2014	2015	2014
Operating activities				
Cash generated from operations	5,403	5,616	2,865	2,442
Interest received	237	263	172	205
Interest paid	(154)	(89)	(291)	(78)
Tax paid	(203)	(149)	(25)	(28)
Gratuity paid	(30)	(26)	(25)	(17)
Net cash generated from operating activities	5,253	5,615	2,696	2,524
Investing activities				
Acquisition of property, plant and equipment	(3,860)	(3,114)	(3,240)	(1,098)
Acquisition of intangible assets	(25)	(8)	(1)	(5)
Proceeds from disposal of property, plant and equipment	21	28	20	26
Proceeds /(Purchase) of short term investments	770	(3,004)	787	(2,993)
Net cash used in investing activities	(3,094)	(6,098)	(2,434)	(4,070)
Financing activities				
Proceeds from borrowings	419	2,915	-	2,620
Finance lease principal re-payments	(19)	(18)	(14)	(15)
Re-Payment on borrowings	(1,114)	(1,657)	-	-
Net cash generated/(used) in financing activities	(714)	1,240	(14)	2,605
Increase/(Decrease) in cash and cash equivalents	1,445	757	248	1,059
Movement in Cash and cash equivalents				
Cash and cash equivalents at beginning of the year	3,774	2,194	1,002	83
Effect on exchange fluctuation on cash and cash equivalents	12	(6)	12	(6)
Increase/(Decrease) in cash and cash equivalents	1,445	757	248	1,059
Cash and cash equivalents at 31 March	5,231	2,945	1,262	1,136

Sri Lanka Telecom PLC and its Subsidiaries

Company Registration No. PQ 7

Quarterly Interim Financial Report as of 31 March 2015

Notes to the Financial Statements

1. General Information

Sri Lanka Telecom PLC (the "Company") is a company domiciled in Sri Lanka. The address of the Company's registered office is Lotus Road, Colombo 1. The consolidated financial statements of the Company as at and for the period ended 31 March 2015 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group primarily is involved in providing broad portfolio of telecommunication services across Sri Lanka. In addition, the range of services provided by the Group include, inter-alia, internet services, data services, domestic and international leased circuits, broadband, satellite uplink, maritime transmission, IPTV service and directory publishing service. The Company is a quoted public Company which has its listing on the Colombo Stock Exchange.

2. Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with Sri Lanka Accounting Standards - LKAS 34 interim financial reporting.

3. Accounting Policies

The Company and Group have adopted consistent accounting policies as disclosed in the Annual Report for the year ended 31 December 2014.

4. Dividends on Cumulative redeemable preference shares

Sky Network (Private) Limited has issued 6,000,000 12% cumulative redeemable preference shares of Rs.10/- each and preference dividends of Rs 46 million has not been recognized in the Financial Statements as at 31 March 2015.

5. Contingent Liabilities.

There has not been a significant change in the nature of the contingent liabilities, which were disclosed in the Annual Report for the year ended 31 December 2014, except for the following items;

- a) Global Electroteks Limited initiated legal action under High Court Case No. 20/2006 claiming damages of USD 12 million from SLT for unlawful disconnection of interconnection services. Further trial on 10 July 2015.
- b) SC (CHC) 31/2010 - Directories Lanka (Private) Limited (DLPL)
Appeal case filed by DLPL against SLT against the dismissal of CHC 2/2006(3) claimed damages of Rs.250 million, for alleged unfair competition with regard to artwork on the cover page of the Directory by SLT. The appeal proceedings have still not commenced in the Supreme
- c) 12/2008 CBCU, An Inquiry started by Sri Lanka Customs - A consignment of CDMA equipment was detained in October 2008 by the Customs Authority. Subsequently the equipment were cleared pending inquiry, based on a cash deposit and bank guarantee submitted by SLT for the total value of Rs. 122,189,514/- .The Order was delivered on 17 October 2014 imposing a mitigated forfeiture of Rs. 1,820,502,062/- on SLT. SLT has filed case CA/writ/387/2014 against this order. Next date is on 20 May 2015 for support.
- d) Customs Case No. ADP/031/2009 – Goods valued at USD 996,785.65, which was imported under the last consignment of equipment for NGN Phase II expansion project was detained by the Custom on or about 14th May 2009. Subsequently, the equipment was cleared on 18 July 2009. Pending inquiry, based on a Bank Guarantee placed by SLT to the value of Rs. 35,000,000/-. The Customs inquiry against SLT is pending. Awaiting the NC Committee's decision which was re-sent for re-confirmation.
- e) Ahmedabad city civil Court - 802/2014 - Bhuwal Industries have initiated legal action on 11 April 2014 against SLT in Ahmedabad City Civil Court, India claiming for damages of Indian Rs. 161,521,447.00 for malicious prosecution. The case is proceeding and SLT filed the written
- f) Labour Tribunal Colombo Case Nos. 08/760/2014, 08/820/2014, 08/821/2014 and 08/819/2014 - Former employees of SLT Human Capital Solutions (Private) Limited (HCS) filed legal action against SLT and HCS at Labour Tribunal Colombo against termination of their employment by HCS, on 6 January 2014. Proceedings stayed until the determination of revision application in High Court Colombo.

6). Events after the Reporting date

The 2015 interim budget was presented by the Government of Sri Lanka (GoSL) on 29 January 2015 and approved by the Parliament of Sri Lanka on 07 February 2015. The GoSL is working towards enacting legislation pertaining to the budget proposals which would in turn bring the said proposals in to force and also provide clarity with respect to applicability and execution considerations. Therefore, pending legislation and lucidity at this point of time, the consolidated financial results for the period ended 31 March 2015 excludes any and all impacts from the interim budget pertaining to the super gain tax, levy on licence mobile telephone operators and the discontinuation from charging the 25% telecommunication Levy from prepaid card subscribers.

Except as disclosed above, no other events have arisen since the statement of financial position date which require Changes to, or disclosure in the financial statements.

Sri Lanka Telecom PLC and its Subsidiaries
Company Registration No. PQ 7
Quarterly Interim Financial Report as of 31 March 2015

Segmental Reporting -for the period ended 31 March 2015
(All amounts in LKR Millions)

Information about reportable segments.

	Fixed Telephony Operations		Mobile Operations		Other Segments Operations		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
External revenues	9,030	8,658	7,568	6,602	107	17	16,705	15,277
Inter-segment revenue	838	744	494	622	392	365	1,724	1,731
Reportable segment revenue	9,868	9,402	8,062	7,224	499	382	18,429	17,008
Reportable segment Profit before tax	982	318	1,204	758	(21)	(73)	2,165	1,003
Interest revenue	193	178	61	55	4	3	258	236
Interest expenses	(210)	(91)	(27)	(64)	(4)	(2)	(241)	(157)
Depreciation and Amortization	(1,878)	(1,859)	(1,312)	(1,470)	(20)	(19)	(3,210)	(3,348)

	2015	2014
Revenues		
Total revenue for reportable segments	17,930	16,626
Revenue for other segments	499	382
-----	18,429	17,008
Elimination of inter-segment revenue	(1,724)	(1,731)

Consolidated revenue	16,705	15,277
Profit or loss		
Total Profit or loss for reportable segments	2,186	1,076
Profit or loss for other segments	(21)	(73)
-----	2,165	1,003
Elimination of inter-segment profits	(25)	(19)

Consolidated profit from continuing operations before tax	2,140	984

Other material items (2015)	Reportable segment totals	Adjustments	Consolidated totals
	Interest revenue	258	-
Interest expense	(241)	-	(241)
Depreciation and amortization	(3,210)	-	(3,210)

Other material items (2014)	Reportable segment totals	Adjustments	Consolidated totals
	Interest revenue	236	-
Interest expense	(157)	-	(157)
Depreciation and amortization	(3,348)	-	(3,348)

Sri Lanka Telecom PLC and its Subsidiaries
 Company Registration No. PQ 7
Quarterly Interim Financial Report as of 31 March 2015

Investor Information

Ratios

	Group		Company	
	31 Mar. 2015	31 Dec. 2014	31 Mar. 2015	31 Dec. 2014
Net assets value per share (Rs)	36.29	35.40	32.80	32.46
Gearing ratio -Number of times	0.28	0.30	0.21	0.22
Quick asset ratio - Number of times	0.84	0.86	0.93	1.03

	For the 3 months ended		For the 3 months ended	
	31 Mar. 2015	31 Mar. 2014	31 Mar. 2015	31 Mar. 2014
Interest cover - Number of times	9.88	7.27	5.68	4.49

Market Value of Shares

Market Value of the Ordinary Shares of the Company (Rs)	3 Months to 31 Mar. 2015	3 Months to 31 Mar. 2014
	-Highest	54.90
-Lowest	44.00	33.00
-Last Traded price	45.50	46.10

Share trading from 1 January 2015 to 31 March 2015

	3 Months to 31 Mar. 2015
-No of Transactions	703
- No of Shares Traded	505,330
-Value of Shares Traded (Rs)	25,513,612

Sri Lanka Telecom PLC and its Subsidiaries
Company Registration No. PQ 7
Quarterly Interim Financial Report as of 31 March 2015

1) List of 20 Major Shareholders

<u>Name & Address</u>	<u>Share Holding</u>	<u>Percentage %</u>
1 Secretary to the Treasury	893,405,709	49.50
2 Global Telecommunications Holdings NV	811,757,869	44.98
3 Employees Provident Fund	24,164,497	1.34
4 Sri Lanka Insurance Corporation Ltd-Life Fund	17,713,735	0.98
5 Bank of Ceylon A/C Ceybank Unit Trust.	16,862,871	0.93
6 National Savings Bank	13,158,700	0.73
7 Employees Trust Fund Board	3,302,188	0.18
8 Sri Lanka Insurance Corporation Ltd-General Fund	2,094,476	0.12
9 Seylan Bank PLC /ARC Capital (Pvt) Ltd	1,137,248	0.06
10 Bank of Ceylon A/C Ceybank Century Growth Fund	1,082,286	0.06
11 Union Assurance PLC/ac no 5 (Unit-linked life insurance fund - Equity tracker fund)	270,573	0.01
12 Mr.Vandrevala	231,500	0.01
13 The Incorporated Trustees of the Church of Ceylon	223,590	0.01
14 Bank of Ceylon No 1 Account	214,000	0.01
15 Mr Van Starrex	195,638	0.01
16 Mr.Tanaka	170,000	0.01
17 Ceylon Biscuits Limited	162,000	0.01
18 Pinnacle Trust (Pvt) Limited	160,000	0.01
19 Mrs.Edirisinghe	150,000	0.01
20 Sinharaja Hills Plantation Pvt Limited	107,491	0.01
	1,786,564,371	98.99

- 2) Percentage of public holding as at 31 March 2015 5.52%
- 3) Number of shareholders representing the public holding - 12,267
- 3) Directors' holding & Chief Executive Officers's holding in shares of the equity - None of the Directors and the CEO held shares of the company.
- 4) Number of shares representing the Entity's stated capital - 1,804,860,000 Ordinary shares issued at Rs.10 per share.