

Sri Lanka Telecom PLC and its Subsidiaries

Registration No. - PQ 7

Interim Financial Report 3rd Quarter 2011

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 30 September 2011

Consolidated Income Statement as specified

(All amounts in LKR Millions)

	Group July-Sep.			Company July-Sep.			Group Jan.- Sep.			Company Jan.- Sep.		
	2011	2010	change %	2011	2010	change %	2011	2010	change %	2011	2010	change %
Revenue	12,620	12,769	(1)	8,123	8,580	(5)	37,473	37,337	0	24,111	24,975	(3)
Operating costs	(8,264)	(8,361)	(1)	(5,438)	(6,008)	(9)	(24,356)	(24,670)	(1)	(15,837)	(17,345)	(9)
Operating profit before depreciation and Amortization	4,356	4,408	(1)	2,685	2,572	4	13,117	12,667	4	8,274	7,630	8
Depreciation	(2,838)	(2,656)	7	(1,765)	(1,672)	6	(8,444)	(8,292)	2	(5,330)	(5,361)	(1)
Amortisation and impairment of intangible assets	(123)	(116)	6	(56)	(57)	(2)	(351)	(377)	(7)	(167)	(170)	(2)
Operating profit	1,395	1,636	(15)	864	843	2	4,322	3,998	8	2,777	2,099	32
Refund of Telecommunication -Development Charge(TDC)	-	-		-	-		-	151		-	151	
Voluntary Retirement Scheme (VRS)	-	-		-	-		-	(188)		-	(188)	
Dividend received	-	-		225	26	765	-	-		225	26	765
Other income	113	68	66	91	58	57	399	177	125	240	146	64
Interest expenses and finance cost	(139)	(276)	(50)	(22)	(108)	(80)	(447)	(839)	(47)	(78)	(291)	(73)
Interest income	191	150	27	182	148	23	548	435	26	529	412	28
Profit before tax	1,560	1,578	(1)	1,340	967	39	4,822	3,734	29	3,693	2,355	57
Taxation	(502)	(551)	(9)	(386)	(416)	(7)	(1,327)	(1,333)	(0)	(983)	(950)	3
Net profit for the period	1,058	1,027	3	954	551	73	3,495	2,401	46	2,710	1,405	93
Attributable to :												
Equity holders of the company	1,058	1,027	3	954	551	73	3,495	2,401	46	2,710	1,405	93
Minority interest	-	-		-	-		-	-		-	-	
	1,058	1,027	3	954	551	73	3,495	2,401	46	2,710	1,405	93
Earnings per share (Rs)												
-Basic	0.59	0.57	3	0.53	0.31	73	1.94	1.33	46	1.50	0.78	93
-Annualized	2.34	2.28	3	2.11	1.22	73	2.58	1.77	46	2.00	1.04	93

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 30 September 2011

Consolidated Balance Sheet
(All amounts in LKR Millions)

	Group		Company	
	Un-Audited as at 30 Sep 2011	Audited as at 31 Dec 2010	Un-Audited as at 30 Sep 2011	Audited as at 31 Dec 2010
Assets				
Non-Current Assets				
Property, plant and equipment	63,596	61,258	33,800	34,075
Intangible assets	1,868	1,585	534	570
Financial prepayment	230	272	-	-
Investments in subsidiaries	-	-	12,522	11,522
Long term investments	704	673	704	626
Deferred income tax Assets	12	13	-	-
Non-current receivables	2,301	1,991	2,301	1,991
	68,711	65,792	49,861	48,784
Current Assets				
Inventories	1,249	1,281	1,053	1,158
Trade and other receivables	10,881	11,053	10,848	10,494
Current tax receivables	13	457	-	446
Short term investments	5,167	3,617	4,950	3,487
Cash and cash equivalents	6,963	4,830	6,364	4,133
	24,273	21,238	23,215	19,718
Total Assets	92,984	87,030	73,076	68,502
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	383	344	383	344
Exchange equalisation reserve	(3)	(7)	-	-
Retained earnings	33,871	31,463	33,876	32,253
	52,300	49,849	52,308	50,646
Minority interest in equity	0	0	-	-
Total Equity	52,300	49,849	52,308	50,646
Non Current Liabilities				
Grants	76	91	43	48
Borrowings	7,857	5,380	2,601	72
Deferred income	3,542	3,965	3,542	3,965
Deferred income tax liabilities	74	248	74	248
Retirement benefit obligation	2,060	1,796	1,917	1,664
Trade and other payables	2,912	1,659	294	289
	16,521	13,139	8,471	6,286
Current Liabilities				
Trade and other payables	18,851	18,848	10,972	10,550
Current tax liabilities	561	287	341	-
Borrowings	2,347	2,970	26	28
Deferred income	2,404	1,937	958	992
	24,163	24,042	12,297	11,570
Total Equity and Liabilities	92,984	87,030	73,076	68,502

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

Signed
Shiron Gooneratne
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these consolidated financial statements. These financial statements were approved by the Board of Directors on 04 November 2011.
Signed on behalf of the Board.

Signed
Nimal Welgama
Chairman

Signed
D. Widanagamachchi
Director

Sri Lanka Telecom PLC and its Subsidiaries
Company Registration No. PQ 7
Quarterly Interim Financial Report as of 30 September 2011

Statement of Changes in Equity - 1 Jan 2010 to 30 September 2011

(All amounts in LKR Millions)

Group

	Stated Capital	Insurance Reserve	Exchange Equalisation Reserve	Retained Earnings	Minority Interest	Total Equity
Balance as at 1 January 2010						
As previously reported	18,049	281	(6)	28,275	0	46,599
-Effect of adopting SLAS 16 (Revised 2005)				(111)		(111)
-Effect of adopting SLAS 14 (Revised 2005)				(159)		(159)
-Effect of adopting SLAS 10 (Revised 2005)				(18)		(18)
Restated balance as at 1 January 2010	18,049	281	(6)	27,987	0	46,311
Insurance reserve						0
-Charged to income statement		48				48
Effect of movement in foreign exchange rates			(1)			(1)
Dividend in respect of 2009				(451)		(451)
Net Profit for the period				2,401	-	2,401
Restated balance as at 30 September 2010	18,049	329	(7)	29,937	0	48,308
Insurance reserve						-
-Charged to income statement		(1)				(1)
-Transferred to insurance reserve		16		(16)		-
Net Profit for the period				1,542	0	1,542
Balance as at 31 December 2010	18,049	344	(7)	31,463	0	49,849
Balance as at 1 January 2011	18,049	344	(7)	31,463	0	49,849
Insurance reserve						-
-Charged to income statement		35				35
-Transferred to insurance reserve		4		(4)		-
Effect on movement in foreign exchange rates			4			4
Dividend in respect of 2010				(1,083)		(1,083)
Net Profit for the period				3,495	0	3,495
Balance as at 30 September 2011	18,049	383	(3)	33,871	0	52,300

Sri Lanka Telecom PLC & its Subsidiaries
Company Registration No. PQ 7
Quarterly Interim Financial Report as of 30 September 2011

Statement of Changes in Equity - 1 Jan 2010 to 30 September 2011

(All amounts in LKR Millions)

Company

	Stated Capital	Insurance Reserve	Retained Earnings	Total
--	---------------------------	------------------------------	------------------------------	--------------

Balance as at 1 January 2010

As previously reported	18,049	281	30,512	48,842
-Effect of adopting SLAS 16 (Revised 2005)			(111)	(111)
-Effect of adopting SLAS 14 (Revised 2005)			(159)	(159)

Restated balance as at 1 January 2010	18,049	281	30,242	48,572
---------------------------------------	--------	-----	--------	--------

Insurance reserve				-
-Charged to income statement		48		48

Dividend in respect of 2009			(451)	(451)
-----------------------------	--	--	-------	-------

Net Profit for the period			1,405	1,405
---------------------------	--	--	-------	-------

Restated balance as at 30 September 2010	18,049	329	31,196	49,574
---	---------------	------------	---------------	---------------

Insurance reserve				
-Charged to income statement		(1)		(1)

-Transferred to insurance reserve		16	(16)	-
-----------------------------------	--	----	------	---

Net Profit for the period			1,073	1,073
---------------------------	--	--	-------	-------

Balance as at 31 December 2010	18,049	344	32,253	50,646
---------------------------------------	---------------	------------	---------------	---------------

Balance as at 1 January 2011	18,049	344	32,253	50,646
-------------------------------------	---------------	------------	---------------	---------------

Insurance reserve				
-Charged to income statement		35		35

-Transferred to insurance reserve		4	(4)	-
-----------------------------------	--	---	-----	---

Dividend in respect of 2010			(1,083)	(1,083)
-----------------------------	--	--	---------	---------

Net Profit for the period			2,710	2,710
---------------------------	--	--	-------	-------

Balance as at 30 September 2011	18,049	383	33,876	52,308
--	---------------	------------	---------------	---------------

Sri Lanka Telecom PLC and its Subsidiaries
 Company Registration No. PQ 7
 Quarterly Interim Financial Report as of 30 September 2011

Consolidated Cash Flow Statement for the 9 months ended 30 September

(All amounts in LKR Millions)

	GROUP		COMPANY	
	2011	2010	2011	2010
Operating activities				
Cash generated from operations	15,639	12,604	9,055	7,443
Interest received	551	536	532	517
Interest paid	(474)	(866)	(105)	(318)
Tax paid	(782)	(371)	(369)	(140)
Gratuity paid	(37)	(74)	(35)	(71)
Net cash generated from operating activities	14,897	11,829	9,078	7,431
Investing activities				
Acquisition of property, plant and equipment	(10,987)	(4,458)	(5,284)	(3,092)
Acquisition of intangible assets	(634)	(114)	(131)	(77)
Proceeds from disposal of property, plant and equipment	44	61	44	48
Investments in subsidiaries	-	-	(1,000)	(205)
Sale /(Purchase) of short term investments	(1,574)	(2,509)	(1,487)	(2,385)
Sale /(Purchase) of long term investments	(341)	(125)	(388)	(172)
Net cash (used)/generated in investing activities	(13,492)	(7,145)	(8,246)	(5,883)
Financing activities				
Proceeds from borrowings	3,708	1,467	2,498	1,000
Finance lease principal re-payments	(28)	(21)	(28)	(19)
Re-Payment on borrowings	(1,678)	(4,792)	-	(3,118)
Dividend paid to the company's share holders	(1,083)	(451)	(1,083)	(451)
Net cash used in financing activities	919	(3,797)	1,387	(2,588)
Increase/(Decrease) in cash and cash equivalents	2,324	887	2,219	(1,040)
Movement in Cash and cash equivalents				
Cash and cash equivalents at beginning of the year	4,168	854	4,133	2,630
Effect on exchange fluctuation on cash and cash equivalents	12	20	12	20
Increase/(Decrease) in cash and cash equivalents	2,324	887	2,219	(1,040)
Cash and cash equivalents at 30 September	6,504	1,761	6,364	1,610

Sri Lanka Telecom PLC and its Subsidiaries
 Company Registration No. PQ 7
Quarterly Interim Financial Report as of 30 September 2011

Segmental Reporting -for the 9 months ended 30 September 2011

(All amounts in LKR Millions)

Primary Segment - Business Segments

	Fixed	EGO	Mobile	Other	Total
Revenue					
Total Segment Revenue	11,937	5,750	12,728	10,671	41,086
Inter Segment Revenue	(327)	(609)	(214)	(2,463)	(3,613)
Revenue from external customers	11,610	5,141	12,514	8,208	37,473
Segment results / operating profits	982	481	1,499	1,360	4,322
Other Income					399
Interest expenses and finance cost					(447)
Interest income					548
Profit before tax					4,822
Taxation					(1,327)
Net Profit for the period					3,495

Segmental Reporting -for the 9 months ended 30 September 2010

(All amounts in LKR Millions)

Primary Segment - Business Segments

	Fixed	EGO	Mobile	Other	Total
Revenue					
Total Segment Revenue	12,705	8,453	11,571	9,216	41,945
Inter Segment Revenue	(158)	(2,236)	(118)	(2,096)	(4,608)
Revenue from external Customers	12,547	6,217	11,453	7,120	37,337
Segment results / operating profits	811	477	1,704	1,006	3,998
Voluntary Retirement Scheme (VRS)					(188)
Other Income					177
Refund of Telecommunication -Development Charge(TDC)					151
Interest expenses and finance cost					(839)
Interest income					435
Profit before tax					3,734
Taxation					(1,333)
Net Profit for the period					2,401

Note-

Fixed	Fixed telephony operations including CDMA
EGO	External Gateway Operations
Mobile	Mobile telephony operations
Other	Other value added services

Sri Lanka Telecom PLC and its Subsidiaries

Company Registration No. PQ 7

Quarterly Interim Financial Report as of 30 September 2011

Investor Information

Ratios

	Group		Company	
	30 Sep 2011	31 Dec. 2010	30 Sep 2011	31 Dec. 2010
Net assets value per share (Rs)	28.98	27.62	28.98	28.06
Gearing ratio -Number of times	0.16	0.14	0.05	0.00
Quick asset ratio - Number of times	0.95	0.83	1.80	1.60

	For the 9months ended		For the 9months ended	
	30 Sep. 2011	30 Sep. 2010	30 Sep. 2011	30 Sep. 2010
Interest cover - Number of times	11.79	5.45	48.35	9.09

Market Value of Shares

Market Value of the Ordinary Shares of the Company (Rs)	3 Months to 30 Sep. 2011	3 Months to 30 Sep. 2010
-Highest	61.00	50.00
-Lowest	47.70	35.00
-Last Traded price	49.00	46.10

Share trading from 1 July 2011 to 30 September 2011

	3 Months to 30 Sep. 2011
-No of Transactions	1,372
- No of Shares Traded	2,601,100
-Value of Shares Traded (Rs)	135,539,220

Sri Lanka Telecom PLC and its Subsidiaries
Company Registration No. PQ 7
Quarterly Interim Financial Report as of 30 September 2011

Notes to the Financial Statements

1. Accounting Policies

These Financial Statements are in compliance with Sri Lanka Accounting Standards 35- Interim Financial Reporting.

The Company and Group have adopted consistent accounting policies as disclosed in the Annual Report for the year ended 31 December 2010.

2. Telecommunication Development Charge (TDC)

In accordance with the Finance Act. No. 11 of 2004, with effect from 03rd March, 2003, all Telecommunication Gateway Operators are required to make a payment defined as the Telecommunication Development Charge (TDC) to the Government of Sri Lanka, based on international call minutes terminated in the country. This also included a disbursement process through which 2/3rd of TDC payment made by the operators would be disbursed to the operators by the Government based on the rural developments made by them.

Through a Gazette Notification No. 1662/1 issued on 12th July, 2010 a revision of the per minute rate of TDC was declared, while imposing a new rate of USD 0.015 with effect from 15th July, 2010. Along with the review the government also took measures to remove the disbursement process from the TDC payment process which had lasted since 2003.

The total amount of the levy payable by the Group and Company for the period from 1st January 2011 to 30th September 2011 was estimated at Rs 713 million (2010-Rs 1,659 million) and Rs 507 million (2010- Rs 1,159 million) respectively and has been recognized as expenses in the current financial year. The corresponding liability, net of payments, has been recognised in the balance sheet.

The claims corresponding to the periods from 01st April, 2006 to 31st March, 2009 which have already been submitted to TRC are still pending. The claims for the period from 01st April, 2009 up to 14th July, 2010 are yet to be submitted to TRC.

3. Investment in Subsidiaries

A fresh capital infusion of Rs 1,000,000,000 was made in Mobitel (Private) Limited a fully owned subsidiary of SLT to purchase 100,000,000 Ordinary shares of Rs.10/- each during the period.

4. Dividends on Cumulative redeemable preference shares

Mobitel has issued 175,000,000 12% and 200,000,000 14% Cumulative redeemable preference shares of Rs.10/- each and Sky Network (Private) Limited also has issued 6,000,000 12% Cumulative redeemable preference shares of Rs.10/-each. The estimated balance dividends of Rs 1,279 mn and Rs 22 mn from Mobitel and Sky Network (Private) Limited respectively, has not been recognized in the Financial Statements as at 30 September 2011.

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 2010, except followings;

(a) IPTV case

Just In Time Holdings (Pvt.) Ltd (JIT) is claiming USD 4,738,846.57, as payments due to them from SLT under the contract. SLT has lodged a counterclaim of Rs. 437,970,137.00 under its statements of Defense. Evidence is concluded. Written submission are due on 7 November 2011.

(b) Rates & Taxes

Application against the unreasonable increase of Assessment Tax of SLT Headquarters, to Rs. 8,452,500.00 per Quarter from the year 2006. The answer of the Colombo Municipal Council is due on the next date.

(c) Case filed by Global Electrotecks

Global Electrotecks Ltd filed Case no 20/2006 in Commercial High Court Colombo against SLT claiming damages of US\$ 12 million for alleged unlawful termination of interconnection service provided to them. Further trial on 17 November 2011.

6. Events after the Balance sheet date

No material events have arisen since Balance Sheet date which would require adjustments 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 30 September 2011

1) Top 20 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	20,368,689	1.13
4 Sri Lanka Insurance Corporation Ltd-Life Fund	17,713,735	0.98
5 National Savings Bank	13,158,700	0.73
6 Bank of Ceylon A/C Ceybank Unit Trust.	12,929,200	0.72
7 Employees Trust Fund Board	3,302,188	0.18
8 Sri Lanka Insurance Corporation Ltd-General Fund	3,164,200	0.18
9 Deutsche Bank AG-London	1,200,000	0.07
10 Bank of Ceylon A/C Ceybank Century Growth Fund	1,026,700	0.06
11 Associated Electrical Corp. Ltd	975,400	0.05
12 The Incorporated Trustees of the Church of Ceylon	414,100	0.02
13 Ellawala Exports (Pvt) Ltd	396,100	0.02
14 Union Assurance PLC/No -01 a/c	288,200	0.02
15 Mr M.R.S.Samaravijaya	286,700	0.02
16 E.W.Balasuriya & Co (Pvt) Ltd	272,200	0.02
17 Mr C.K.Vandrevala /Mrs P Hiranandani	231,500	0.01
18 Bank of Ceylon No 1 Account	214,000	0.01
19 Mr H. Tanaka	175,000	0.01
20 Mrs. U.S.N. Edirisinghe	170,000	0.01
	1,781,450,190	98.70

(2) Percentage of Public Holding as at 30 September 2011. 5.52%

(3) Directors' Holding & Chief Executive Officer'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