

SLT Group Operating Profit up 37%, Revenue Recorded at Rs. 63.9 Bn: First Nine Months 2019

Sri Lanka Telecom PLC (SLT) announced its financial results for the first nine months of 2019, which again proven to be strong and impressive. The Profit After Tax (PAT) of the Group for the first nine months of 2019 reported at Rs. 5.0 Bn with a 25% YoY remarkable growth compared with the same period the year before. The Group revenue recorded at Rs. 63.9 Bn with a 6% growth to 2018 with a minimum escalation of 3.4% in operating cost at Rs. 56.8 Bn. Despite the challenges on voice revenue due to the boom in the internet consumption, all other segments of the Group positively contributed for the revenue growth. The revenues are expected to further rise in the future with the ongoing accelerated Fiber Expansion Project under the National Fiberization Program. The increase in revenue coupled with the Group cost management strategies resulted a 19% YoY growth in EBITDA to Rs. 22.3 Bn and improvement in EBITDA margin to 35% from 31% in 2018, well demonstrate the sustainability of the Group despite industry challenges. The Operating Profit recorded at Rs. 7.0 Bn, a 37% YoY growth. The Profit Before Tax (PBT) stood at Rs. 7.0 Bn, 26% up compared to the same period the year before. Reduction in foreign exchange losses by Rs. 1.0 Bn impacted positively while increase in interest cost by Rs. 1.2 Bn impacted negatively to the PBT growth. SLT Group paid a total of Rs. 20.1 Bn Direct and Indirect taxes and other contributions to the Government of Sri Lanka during the nine months ended 30th September 2019.

In line with its digital journey towards a SMART Sri Lanka, SLT proudly launched 'National Digital Roadmap (NDR)' and 'Limitless You' programs in June 2019 to lead and drive "Digital Transformation" with the active participation of all relevant stakeholders including citizens across the country. The accelerated Fiber initiative of SLT to develop 2 million FTTH ports by 2022 connects every household, government and business institution to enjoy ultra-high speed broadband access with lowest latency and avail an array of high definition audio and video entertainment and digital services. With its global network footprint connecting all subcontinents through multiple international submarine cable systems and domestic transport and access network across the country, SLT offers a wide variety of National Backbone Solutions for domestic and global operators including fixed and mobile backhaul services, global & ISP connectivity services and enterprise

intelligent business solutions. SLT provides secure and reliable data hosting and cloud computing services through its data centers including state-of-the-art Tier III National Data Center at Pitipana. Further, SLT's mobile arm, Mobitel (Pvt) Ltd successfully launched 5G trials and pilot deployments anticipating commercial roll-outs in the near future.

Mr. Kumarasinghe Sirisena, the Group Chairman, commented, "Our nine months results marked a remarkable financial performance despite heavy competition and other industry challenges. The unprecedented speed and magnitude of change today in the telecommunication industry demands the courage to challenge convention and explore new directions, spot opportunities and take calculated risks to reach business objectives. SLT's transformational journey towards a SMART Sri Lanka, has expanded our reason for being in business. As a team, we continuously strive for excellence, always accomplishing better than yesterday".

Exhibiting an impressive YoY growth of 165.5%, the Holding Company reported a PAT of Rs. 3.4 Bn for the first nine months of the year. Continuing the growth momentum, the Company revenue recorded at Rs. 37.4 Bn, a 6% YoY growth while maintaining the operating costs at Rs. 34.0 Bn with a 1% YoY increment. These have improved the Company EBITDA by 24.7% YoY to Rs. 12.8 Bn while the EBITDA margin rose to 34.4% from 29.3% in the year before. The Company attained more than doubled Operating Profit for the period at Rs. 3.4 Bn over the corresponding period in 2018. Reduction of foreign currency denominated borrowings and effective hedging strategies of the Company made the FOREX loss of Rs. 871 Mn incurred in 2018 to Rs. 62 Mn FOREX gain in this year. Further, Rs.432 Mn interim dividend contributed positively to the PAT growth while the drop in other income by 39.0% YoY to Rs. 665 Mn and increase of interest costs by Rs. 308 Mn to Rs. 383 Mn impacted negatively.

"It is with great pride that we announce our financial results for the first nine months of the year, aided by our robust strategic plan. The Company's Big Data Strategy supported by cutting edge technologies such as Artificial Intelligence (AI), Robotic Process Automation (RPA) and Finetech solutions with Blockchain will set up required platforms for the country's digital transformation and create further value through Application Protocol Interface (API) strategy and partner-eco-system to create new generation business models and opportunities. The awarding of SLT with the "Top 100 Asia's Best Employer Brand" at the "Asia's Best Employer Brand Awards – 2019" and "Sri Lanka CSR Leadership Awards 2019" for the community development initiatives yet again proved that SLT is striving excellence through sustainable development. As the nation's leading digital service provider, SLT

commits to balance the needs of shareholders with customers, employees, suppliers and citizens. We oblige to deliver value to all of them, for the future success of our Company, citizens and our country" said Mr. Kiththi Perera, Chief Executive Officer of the Holding Company.

Mr. Priyantha Fernandez, Chief Operating Officer of SLT added, "The global telecommunications industry is shifting towards broadband and digital services which will generate a high growth in data traffic and bandwidth requirement. As a company operating in the telecommunications industry, one of the major challenges faced by us is the growing capital expenditure in order to align with the global technological trends and the customer demands while keeping our margins at a reasonable level. We focus on the growing trend of over-the-top (OTT) services and the Internet of Things (IoT) which will immensely increase the data volumes. DevOps culture established in SLT in collaboration with startups create endless opportunities to develop and host applications to automate the business processes for increasing the productivity of other industries. For Akaza cloud services, by our recent partnership with Microsoft and John Keells IT, we can support organizations through Azure Stack to experience the power of Azure public cloud in an environment closer to them".

Mobitel (Pvt) Ltd, the mobile arm and a fully owned subsidiary of SLT continued to grow its revenue. Notwithstanding challenging circumstances for growth in the industry, Mobitel recorded a revenue growth of 4% for the first nine months of 2019 compared to the corresponding period in 2018. The revenue growth was mainly driven by the increase in broadband services. Broadband reach as well as experience improved appreciably during the year making Mobitel the best broadband provider.

Mobitel was able to record a growth in EBITDA and EBIT for the first nine months of 2019 which grew by 22% and 12% respectively YoY. The SLFRS 16 adjustment had a significant impact on the profitability of the Company. While there was a positive impact on the first nine months' EBITDA and EBIT of the Company, the adjustment had an adverse impact on the PAT. PAT recorded at Rs. 2.3 Bn compared to Rs. 2.5 Bn in first nine months of 2018. However, despite pricing and other externalities posing a significant threat, Mobitel managed to remain a profitable entity in the third quarter placing itself strongly on the road to recovery.

"Mobitel reported a strong performance in the first nine months of 2019 despite challenging economic and competitive environment. Revenue as well as profitability improved modestly while Mobitel managed to maintain net profit at an

acceptable level despite it being adversely affected by the SLFRS 16 accounting adjustment. The revenue improved mainly due to increase in broadband revenues as a result of appreciable improvement in broadband reach and experience achieved during the year. The fact that Mobitel as the National Mobile Service Provider, has significantly invested in uplifting the infrastructure network across the country to offer our valued customers a fast and reliable mobile network service is reflected in our revenues. Our commitment and dedication was further endorsed by Ookla having crowned Mobitel with the Speed Test Award 2019 for having the fastest Mobile Network in Sri Lanka” said Mr. Nalin Perera, Chief Executive Officer, Mobitel.