



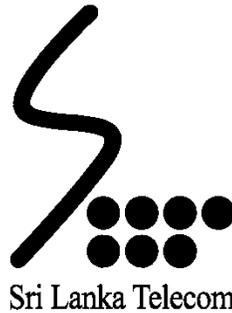
Debenture Issue 2018 – Prospectus

Managers to the Issue

Acuity Partners (Private) Limited



SRI LANKA TELECOM PLC



PROSPECTUS

AN INITIAL ISSUE OF FIFTY MILLION (50,000,000) SENIOR, UNSECURED, REDEEMABLE, RATED DEBENTURES AT A PAR VALUE OF LKR 100/- WITH A GREEN SHOE OPTION TO ISSUE UP TO A FURTHER TEN MILLION (10,000,000) OF SAID DEBENTURES AND WITH A FURTHER GREEN SHOE OPTION TO ISSUE UP TO ANOTHER TEN MILLION (10,000,000) OF SAID DEBENTURES AT THE DISCRETION OF THE COMPANY IN THE EVENT OF AN OVERSUBSCRIPTION OF EACH TRANCHE IN ORDER TO ISSUE UP TO A MAXIMUM OF SEVENTY MILLION (70,000,000) OF SAID DEBENTURES IN ORDER TO RAISE A MAXIMUM AMOUNT OF SRI LANKA RUPEES SEVEN BILLION (LKR 7,000,000,000/-)

TO BE LISTED ON THE COLOMBO STOCK EXCHANGE
RATED 'AAA (Ika)' FOR SENIOR UNSECURED ISSUE
BY FITCH RATINGS LANKA LIMITED

ISSUE OPENS ON
11TH APRIL 2018

MANAGERS TO THE ISSUE



This Prospectus is dated 06th April 2018

The Colombo Stock Exchange (“CSE”) has taken reasonable care to ensure full and fair disclosure of information in this Prospectus. However, the CSE assumes no responsibility for the accuracy of the statements made, opinions expressed or reports included in this Prospectus. Moreover, the CSE does not regulate the pricing of the Debentures which is decided solely by the Issuer.

The delivery of this Prospectus shall not under any circumstances constitute a representation or create any implication or suggestion that there has been no material change in the affairs of the Company since the date of this Prospectus. In addition, if there would be a material change to the information given in this prospectus, the Company will disclose same.

If you are in any doubt regarding the contents of this document or if you require any clarification or advice in this regard, you should consult the Managers to the Issue, investment advisor, lawyer or any other professional advisor.

Responsibility for the Content of the Prospectus

This Prospectus has been prepared by Acuity Partners (Private) Limited (hereinafter referred to as ‘Managers to the Issue/ Manager’) on behalf of Sri Lanka Telecom PLC (hereinafter referred to as ‘SLT’ or the ‘Company’). SLT and its Directors confirm that to the best of their knowledge and belief this Prospectus contains all information regarding the Company and Debentures offered herein which is material; such information is true and accurate in all material aspects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Prospectus on the part of the Company are honestly held or made and are not misleading in any material respect; this Prospectus contains all material facts and presents them in a clear fashion in all material respects and all proper inquiries have been made to ascertain and to verify the foregoing. The Company accepts responsibility for the information contained in this Prospectus.

No person has been sanctioned to make any representations not contained in this Prospectus in connection with this offer for Subscription of the Company’s Debentures. If such representations are made, they must not be relied upon as having been authorised. Neither the delivery of this Prospectus nor any sale made in the offering shall, under any circumstances, create an implication that there has not been any change in the facts set forth in this Prospectus or in the affairs of the Company since the date of this Prospectus.

Investors should be informed that the value of investments can vary and that past performance is not necessarily indicative of future performance. In making such investment decisions, prospective investors must rely on their knowledge, perception together with their own examination and assessment on SLT and the terms and conditions of the Debentures issued including risks associated.

The delivery of this Prospectus shall not under any circumstances constitute a representation or create any implication or suggestion, that there has been no material change in the affairs of the Company since the date of this Prospectus.

Registration of the Prospectus

A copy of this Prospectus has been registered with the Registrar General of Companies in Sri Lanka in accordance with the Companies Act No. 07 of 2007 (The “Companies Act”). The following are the documents attached to the copy of the Prospectus delivered to the Registrar of Companies for registration pursuant to section 40(1) of the Companies Act.

- a) The written consent of the Auditors and Reporting Accountants for the inclusion of their name in the Prospectus as Auditors and Reporting Accountants to the Issue and to the Company.
- b) The written consent of the Trustee to the Issue for the inclusion of their name in the Prospectus as Trustee to the Issue.
- c) The written consent of the Bankers to the Issue for the inclusion of their name in their Prospectus as Bankers to the Issue.
- d) The written consent of the Company Secretary for the inclusion of their name in the Prospectus as Company Secretary.
- e) The written consent of the Managers to the Issue for the inclusion of their names in the Prospectus as the Managers to the Issue.
- f) The written consent of the Registrars to the Issue for the inclusion of the name in the Prospectus as Registrars to the Issue.
- g) The written consent of the Lawyers to the Issue for the inclusion of their name in the Prospectus as Lawyers to the Issue.
- h) The written consent of the Rating Agency to the Issue for the inclusion of their name in the Prospectus as Lawyers to the Issue
- i) The declaration made and subscribed to, by each of the Directors of the Company herein named as a Director, jointly and severally confirming that each of them have read the provisions of the Companies Act and the CSE Listing Rules relating to the Issue of the Prospectus and that those provisions have been complied with.

The said Auditors and Reporting Accountants to the Issue and to the Company, Trustee to the Issue, Bankers to the Issue, Company Secretary, Managers to the Issue, Registrars to the Issue, Lawyers to the Issue and Rating Agency have not, before the delivery of a copy of the Prospectus for registration with the Registrar General of Companies in Sri Lanka withdrawn such consent

Registration of the Prospectus in Jurisdictions Outside of Sri Lanka

This Prospectus has not been registered with any authority outside of Sri Lanka. Non-resident investors may be affected by the laws of the jurisdiction of their residence. Such investors are responsible to comply with the laws relevant to the country of residence and the laws of Sri Lanka, when making the investment.

Investment Considerations

It is important that this Prospectus is read carefully prior to making an investment decision. For information concerning certain risk factors, which should be considered by prospective investors, see Section 5.4 'Risks Involved in Investing in the Debentures' of this Prospectus.

Forward Looking Statements

Any statements included in this Prospectus that are not statements of historical fact constitute 'Forward Looking Statements'. These can be identified by the use of forward looking terms such as 'expect', 'anticipate', 'intend', 'may', 'plan to', 'believe', 'could' and similar terms or variations of such terms.

However, these words are not the exclusive means of identifying Forward Looking Statements. As such, all or any statements pertaining to expected financial position, business strategy, plans and prospects of the Company are classified as Forward-Looking Statements.

Such Forward Looking Statements involve known and unknown risks, uncertainties and other factors including but not limited to regulatory changes in the sectors in which the Company operates and its ability to respond to them, the Company's ability to successfully adapt to technological changes, exposure to market risks, general economic and fiscal policies of Sri Lanka, inflationary pressures, interest rate volatilities, the performance of financial markets both globally and locally, changes in domestic and foreign laws, regulation of taxes and changes in competition in the industry and further uncertainties that may or may not be in the control of the Company.

Such factors may cause actual results, performance and achievements to materially differ from any future results, performance or achievements expressed or implied by Forward Looking Statements herein. Forward Looking Statements are also based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future.

Given the risks and uncertainties that may cause the Company's actual future results, performance or achievements to materially differ from that expected, expressed or implied by Forward Looking Statements in this Prospectus, investors are advised not to place sole reliance on such statements.

ISSUE AT A GLANCE

Issuer	Sri Lanka Telecom PLC											
Type of Debt Security/Debenture	Senior, Unsecured, Redeemable, Rated Debentures											
Listing	The Debentures will be listed on the Colombo Stock Exchange											
Number of Debentures to be issued	<p>An initial issue of Fifty Million (50,000,000) Debentures with an option to issue up to a further Ten Million (10,000,000) of said Debentures and with a further option to issue up to Ten Million (10,000,000) of said Debentures at the discretion of the Company in the event of an oversubscription of each tranche</p> <p>Oversubscription herein refers to the oversubscription of Fifty Million (50,000,000) Senior, Unsecured, Redeemable, Rated Debentures and in the event of subscriptions above Fifty Million (50,000,000) of said Debentures, the option to issue up to a further Ten Million (10,000,000) of said Debentures, and in the event of subscriptions above Sixty Million (60,000,000) of said Debentures, the option to issue up to a further Ten Million (10,000,000) of said Debentures</p>											
Aggregate Face Value/ Investment Value of the Issue	Sri Lanka Rupees Five Billion (LKR 5,000,000,000/-) with an option to raise further up to Sri Lanka Rupees One Billion (LKR 1,000,000,000/-) and with a further option to raise up to Sri Lanka Rupees One Billion (LKR 1,000,000,000/-) at the discretion of the Company in the event of an oversubscription of each tranche											
Issuer Rating	AAA (Ika) / Stable by Fitch Ratings Lanka Limited											
Issue Rating	AAA (Ika) by Fitch Ratings Lanka Limited											
Issue Price / Par Value	LKR 100/- per Debenture											
Debenture Types, Interest Rates, Tenor and Yield	<table border="1"> <thead> <tr> <th>Type of Debentures</th> <th>Interest rate (per annum)</th> <th>Maturity/ Redemption from the Date of Allotment</th> </tr> </thead> <tbody> <tr> <td>Type A</td> <td>12.75% Payable Annually (AER 12.75%)</td> <td>10 Years</td> </tr> <tr> <td>Type B</td> <td>12.75% Payable Semi-annually (AER 13.16%)</td> <td>10 Years</td> </tr> </tbody> </table>			Type of Debentures	Interest rate (per annum)	Maturity/ Redemption from the Date of Allotment	Type A	12.75% Payable Annually (AER 12.75%)	10 Years	Type B	12.75% Payable Semi-annually (AER 13.16%)	10 Years
Type of Debentures	Interest rate (per annum)	Maturity/ Redemption from the Date of Allotment										
Type A	12.75% Payable Annually (AER 12.75%)	10 Years										
Type B	12.75% Payable Semi-annually (AER 13.16%)	10 Years										
Minimum Number of Debentures to be Subscribed	<p>Applicants are allowed to invest in either;</p> <ul style="list-style-type: none"> • Debentures of Type A; and/or • Debentures of Type B 											

	<p>subject to the minimum subscription of One Hundred (100) Debentures (LKR 10,000/-) and in Multiples of One Hundred (100) Debentures (LKR 10,000/-)</p>
Interest Payment Dates	<p>Type A</p> <p>The dates on which payment of interest in respect of the Debentures shall fall due, which shall be twelve months from the Date of Allotment and every twelve months therefrom of each year from the Date of Allotment until the Date of Redemption and includes the Date of Redemption.</p> <p>Type B</p> <p>The dates on which payment of interest in respect of the Debentures shall fall due, which shall be six months from the Date of Allotment and every six months therefrom of each year from the Date of Allotment until the Date of Redemption and includes the Date of Redemption.</p> <p>Interest would be paid not later than Three (03) Working Days from each Interest Payment Date.</p>
Interest Period	<p>Type A</p> <p>The twelve (12) month period from the date immediately succeeding a particular Interest Payment Date and ending on the next Interest Payment Date (inclusive of the aforementioned commencement date and end date) and shall include the period commencing from the Date of Allotment and ending on the first Interest Payment Date (inclusive of the aforementioned commencement date and end date) and the period from the date immediately succeeding the last Interest Payment Date before the Date of Redemption and ending on the date immediately preceding the Date of Redemption (inclusive of the aforementioned commencement date and end date).</p> <p>Type B</p> <p>The six (6) month period from the date immediately succeeding a particular Interest Payment Date and ending on the next Interest Payment Date (inclusive of the aforementioned commencement date and end date) and shall include the period commencing from the Date of Allotment and ending on the first Interest Payment Date (inclusive of the aforementioned commencement date and end date) and the period from the date immediately succeeding the last Interest Payment Date before the Date of Redemption and ending on the date immediately preceding the Date of Redemption (inclusive of the</p>

	aforementioned commencement date and end date)
Method of Payment of Principal and Interest	Principal Sum and Interest will be paid to Debenture Holders through an electronic fund transfer mechanism recognized by the banking system of Sri Lanka such as SLIPS and RTGS in the event accurate bank details have been provided, or by crossed cheques marked "Account Payee Only" in the event accurate bank details have not been provided
Issue Opening Date	11 th April 2018
Issue Closing Date	<p>3rd May 2018 or such earlier date on which;</p> <ul style="list-style-type: none"> • The maximum of 70,000,000 Debentures are fully subscribed; or • The Board of Directors of the Company decides to close the Issue upon the issue of 60,000,000 Debentures becoming fully subscribed; or • The Board of Directors of the Company decides to close the Issue upon the initial issue of 50,000,000 Debentures becoming fully subscribed <p>In the event the Board of Directors of SLT decides to exercise the option to issue the second tranche of 10,000,000 Debentures (initial issue of 50,000,000 Debentures being fully subscribed) but subsequently decides to close the subscription list prior to full subscription of the second tranche, and/or;</p> <p>further decides to issue the third tranche of 10,000,000 Debentures (Issue of 60,000,000 Debentures being fully subscribed) but subsequently decides to close the subscription list prior to full subscription of the third tranche, such decisions made shall be notified to the CSE on the day such decisions are made and the subscription list will be closed on the following Market Day</p>
Date of Allotment	The Date on which the Debentures will be allotted by the Company to the Applicants subscribing thereto
Basis of Allotment	In the event of an oversubscription, the basis of allotment will be decided by the Board of Directors of the Company within Seven (07) Market Days from the date of Closing Date.

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1.0 CORPORATE INFORMATION

Name of the Company	Sri Lanka Telecom PLC
Legal Form of the Entity	A public limited liability company incorporated in Sri Lanka in September 1996, under the Conversion of Public Corporations of Government Owned Business Undertakings into Public Limited Companies Act No. 23 of 1987 and quoted on the Colombo Stock Exchange in January 2003. SLT was re-registered under the Companies Act No. 07 of 2007 as Sri Lanka Telecom Plc on 04 th June 2007.
Company Registration Number	PQ 7
Year of Incorporation	Year 1996
Place of Incorporation	Colombo
Registered Address	Telecom Headquarters Lotus Road Colombo 01
Board of Directors	Mr P G Kumarasinghe Sirisena - Chairman - Independent Non-Executive Director Mr Chan Chee Beng - Non-Independent Non-Executive Director Mr Lawrence Paratz - Independent Non-Executive Director Ms Lai Choon Foong - Independent Non-Executive Director Ms Nilanthi Pieris - Independent Non-Executive Director Mr A R Desapriya - Non-Independent Non-Executive Director Mr W K H Wegapitiya - Independent Non-Executive Director
Company Secretary	Mr. Mahesh Athukorale Sri Lanka Telecom PLC Telecom Headquarters Lotus Road Colombo 01 Tel: +94 112 2399478 Fax: + 94 112 472741
Auditor to the Company	M/s Ernst & Young Chartered Accountants No. 201 De Saram Place Colombo 10 Tel: +94 112 463 500 Fax: +94 112 697 369
Credit Rating Agency	Fitch Ratings Lanka Limited No. 15-04 East Tower World Trade Centre Colombo 01 Tel: +94 112 541 900 Fax: +94 112 541 903

2.0 RELEVANT PARTIES TO THE ISSUE

Managers to the Issue	Acuity Partners (Private) Limited 7th Floor - Acuity House No. 53 Dharmapala Mawatha Colombo 03 Tel: +94 112 206 206 Fax: +94 112 437 149
Lawyers to the Issue	Nithya Partners No. 97 A, Galle Road, Colombo 03. Tel: +94 114 712 625 Fax: +94 112 328 817
Secretary to the Issue	Mr. Mahesh Athukorale Sri Lanka Telecom PLC Telecom Headquarters Lotus Road Colombo 01 Tel: +94 112 2399478 Fax: + 94 112 472741
Trustees to the Issue	Bank of Ceylon Investment Banking Division Head Office – BOC Square No. 01 Bank of Ceylon Mawatha Colombo 01 Tel: +94 112 446 790
Registrars to the Issue	SSP Corporate Services (Pvt) Limited No. 101 Inner Flower Road Colombo 03 Tel: +94 112 573 894 Fax: +94 112 573 609
Bankers to the Issue	People's Bank Corporate Banking Division No-91, ACHC Building, Sir Chittampalampalam A Gardiner Mawatha, Colombo 02 Tel: +94 112 334275, +94 112 320 651-6
Credit Rating Agency	Fitch Ratings Lanka Limited No. 15-04 East Tower World Trade Centre Colombo 01 Tel: +94 112 541 900 Fax: +94 112 541 903

Auditors and Reporting Accountants to the Issue	M/s Ernst & Young Chartered Accountants No. 201 De Saram Place Colombo 10 Tel: +94 112 463 500 Fax: +94 112 697 369
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3.0 ABBREVIATIONS USED IN THE PROSPECTUS

AER	Annual Effective Rate
ATS	Automated Trading System of the Colombo Stock Exchange
AWPLR	Average Weighted Prime Lending Rate
CAPEX	Capital Expenditure
CBSL	Central Bank of Sri Lanka
CDS	Central Depository Systems (Pvt) Limited
CSE	Colombo Stock Exchange
eNodeBs	An eNodeB is an element of an LTE Radio Access Network
FTTH	Fiber to the home
FY	Financial Year
Green Shoe Option	Right for the issuer to sell investors more debentures than originally planned by the issuer if the demand for a debenture issue proves higher than expected.
IIA	Inward Investment Account
IP TV	Internet Protocol Television
SLT/Issuer/Company	Sri Lanka Telecom PLC
LTE	Long Term Evolution
LKR/ Rupees/ Rs.	Sri Lankan Rupees
NIC	National Identity Card
POA	Power of Attorney
PSTN	Public Switched Telephone Network
RTGS	Real Time Gross Settlement
SEC	Securities and Exchange Commission of Sri Lanka
SLIPS	Sri Lanka Inter-Bank Payment System
USD	United States Dollar

4.0 GLOSSARY OF TERMS RELATED TO THE ISSUE

Applicant/s	Any person who submits an Application Form under this Prospectus
Application Form / Application	The Application Form that constitutes part of this Prospectus through which an Applicant may apply for the Debentures in Issue
Closing Date	<p>3rd May 2018 or such earlier date on which;</p> <ul style="list-style-type: none"> • The maximum of 70,000,000 Debentures are fully subscribed; or • The Board of Directors of the Company decides to close the Issue upon the issue of 60,000,000 Debentures becoming fully subscribed; or • The Board of Directors of the Company decides to close the Issue upon the initial issue of 50,000,000 Debentures becoming fully subscribed <p>In the event the Board of Directors of SLT decides to exercise the option to issue the second tranche of 10,000,000 Debentures (initial issue of 50,000,000 Debentures being fully subscribed) but subsequently decides to close the subscription list prior to full subscription of the second tranche, and/or;</p> <p>further decides to issue the third tranche of 10,000,000 Debentures (Issue of 60,000,000 Debentures being fully subscribed) but subsequently decides to close the subscription list prior to full subscription of the third tranche, such decisions made shall be notified to the CSE on the day such decisions are made and the subscription list will be closed on the following Market Day</p>
Debentures	All of the Senior, Unsecured, Redeemable, Rated Debentures to be issued pursuant to this Prospectus
Debenture Holder(s)	Any person who is for the time being the holder of the Debentures and includes his/her respective successors in title
Date of Allotment	The date on which the Debentures will be allotted to the Debenture Holders, which will be notified to the Debenture Holders
Date of Redemption	The date on which Redemption of the Debentures will take place as referred to in Section 5.9 of this Prospectus

Entitlement Date	The Market Day immediately preceding the respective Interest Payment Date or Date of Redemption on which a Debenture Holder would need to be recorded as being a Debenture Holder on the list of Debenture Holders provided by the CDS to the Company in whose name the Debentures are registered in the Debenture Holders' register of the Company (where applicable), in order to qualify for the payment of any interest or any Redemption proceeds
Interest Payment Date(s)	<p>Type A</p> <p>The dates on which payment of interest in respect of the Debentures shall fall due, which shall be twelve months from the Date of Allotment and every twelve months therefrom of each year from the Date of Allotment until the Date of Redemption and includes the Date of Redemption.</p> <p>Type B</p> <p>The dates on which payment of interest in respect of the Debentures shall fall due, which shall be six months from the Date of Allotment and every six months therefrom of each year from the Date of Allotment until the Date of Redemption and includes the Date of Redemption.</p> <p>Interest would be paid not later than Three (03) Working Days from each Interest Payment Date.</p>
Issue	The offer of Debentures pursuant to this Prospectus
Market Day	Any day on which trading takes place at the CSE
Non-Resident(s)	Foreign institutional investors including country funds, regional funds or mutual funds, corporate bodies incorporated outside Sri Lanka, citizens of foreign states whether resident in Sri Lanka or outside Sri Lanka and Sri Lankans resident outside Sri Lanka
Principal Sum	The product of the number of Debentures allotted and Par Value
Prospectus	This prospectus dated 06 th April 2018 issued by SLT

Rate of Interest	Type of Debentures	Interest rate (per annum)	Maturity/ Redemption from the Date of Allotment
	Type A	12.75% Payable Annually (AER 12.75%)	10 Years
	Type B	12.75% Payable Semi-annually (AER 13.16%)	10 Years
Redemption	Repayment of the Principal Sum accrued and unpaid interest (if any) with regard to a Debenture Holder by the Company		
Registered Address	When used in relation to a Debenture Holder means the address provided by the Debenture Holder to the CDS/to the Company Secretaries or Registrars (where applicable)		
Senior	The claims of the Debenture Holders shall in the event of winding up of the Company rank after all the claims of secured creditors and any preferential claims under any Statutes governing the Company but pari passu to the claims of unsecured creditors of the Company and shall rank in priority to and over any subordinated debt of the Company and the claims and rights of the shareholder/s of the Company		
Trust Deed	Trust deed executed between SLT and Bank of Ceylon on 27 th March 2018		
Working Day	A day (other than a Saturday or Sunday or any statutory holiday) on which licensed commercial banks are open for business in Sri Lanka		

5.0 INFORMATION RELATING TO THE ISSUE

5.1. Nature of the Debt Securities to be offered

Sri Lanka Telecom PLC intends raising a sum of up to Sri Lanka Rupees Five Billion (LKR 5,000,000,000/-) by an initial issue of up to Fifty Million (50,000,000) Debentures each at a Par Value of LKR 100/- and to issue a further sum of up to Sri Lanka Rupees One Billion (LKR 1,000,000,000/-) by an issue of up to a further Ten Million (10,000,000) of said Debentures and with a further option of increasing the sum raised up to Sri Lanka Rupees One Billion (LKR 1,000,000,000/-) by an issue of up to a further Ten Million (10,000,000) of said Debentures, in the event of an oversubscription of each tranche.

Under this Issue, a maximum amount of Sri Lanka Rupees Seven Billion (LKR 7,000,000,000/-) would be raised by the issue of a maximum of Seventy Million (70,000,000) Senior Unsecured Redeemable Rated Ten (10) Year Debentures each at a Par Value of LKR 100/-.

Sri Lanka Telecom PLC invites applications for Debentures which shall rank equal and pari passu to each other and differ only with respect to the rate of interest frequency. The Debentures do not have convertible options. As given below, Two (02) different Types are offered to the investors to choose from as more fully described in section 5.7 of this Prospectus.

Type	Description
Type A	<p>Senior Unsecured Redeemable Rated Ten (10) year (2018/2028) Debentures</p> <p>The Debentures will carry a Fixed Coupon Rate of 12.75% p.a. payable Annually (AER 12.75% p.a.), issued at a Par Value of LKR 100/- per each Debenture.</p>
Type B	<p>Senior Unsecured Redeemable Rated Ten (10) year (2018/2028) Debentures</p> <p>The Debentures will carry a Fixed Coupon Rate of 12.75% p.a. payable Semi-annually (AER 13.16% p.a.), issued at a Par Value of LKR 100/- per each Debenture.</p>

Details on Interest Payable and Redemption of the Principal Sum are more fully described in Sections 5.7 and 5.9 of this Prospectus, respectively.

It is the intention of the Company to list the Debentures on the Colombo Stock Exchange. The Colombo Stock Exchange has given its in-principle approval for the listing of the Debentures on the Colombo Stock Exchange.

5.2. Rights and Obligations of the Debenture Holder

(a) Debenture Holders are entitled to the following rights.

- Receiving annual interest (Type A debentures) and semi-annual interest (Type B debentures) at the respective Rates of Interest as set out in Section 5.7 of this Prospectus and the Principal Sum on the Date of Redemption as set out in Section 5.9 of this Prospectus.
- In the event of liquidation, Senior, Unsecured, Listed, Redeemable, Rated, Debenture holders will rank after all the claims of secured creditors and preferential claims under any Statutes governing the Company but pari passu to the claims of unsecured creditors of the Company and shall rank in priority to and over Subordinated, Unsecured, Listed, Redeemable, Rated, Debenture holders, preference shareholders and the ordinary voting and non-voting shareholders of the Company.
- To receive the Annual Report of the Company in terms of Rule 7.5 (a) of the CSE Listing Rules. Annual Report will be sent to Debenture Holders in CD form, unless a specific request for a hard copy is received by the Company
- Calling and attending meetings of Debenture Holders under this Debenture Issue as set out in the Trust Deed.

(b) Debenture Holders do not have the following rights

- Attending and voting at meetings of holders of Shares and other Debentures
- Sharing in the profits of the Company
- Participating in any surplus in the event of liquidation

Each Debenture Holder must ensure that the information in respect of the securities account maintained with the CDS and Company Registrar is up to date and accurate. Each Debenture Holder absolves the Company from any responsibility or liability in respect of any error or inaccuracy or absence of necessary changes in the information recorded with the CDS/Company.

Provided further that the Debenture Holder absolves the CSE and the CDS from any responsibility or liability in respect of any error or inaccuracy or absence of necessary changes in the information recorded with the CDS where such errors or inaccuracies or absence of changes are attributable to any act or omission of the Debenture Holders.

5.3. Benefits of Investing in the Debentures

- Provides an opportunity to earn a regular cash flow of interest payments on a periodic basis, up to a fixed period of Ten (10) years.

- Opportunity to realize capital gains according to interest rate fluctuations in the financial market. Also, if held to maturity, there will be no capital loss incurred.
- Listed Debentures provide the investor with an exit option through the CSE thereby bringing liquidity to these Debentures.
- These Debentures could be used as collateral to obtain both corporate and personal facilities from financial institutions, subject to the policies of those institutions.

Interest on debentures will be paid after deducting any taxes and charges thereon (if any) as per the applicable law prevalent.

5.4. Risks Involved in Investing in the Debentures

Subscribers to the Debentures will be exposed to the following risks. It is vital to note that these risks are not unique to Debentures Issued by SLT and apply generally to any Debenture:

Reinvestment Risk

The calculation for Annual Effective Rate (AER) assumes the investor is able to reinvest his coupons at the same interest rate. The investor who is paid periodic coupon faces the risk of investing these coupon payments to generate the required AER on his investment. Assuming the investor is unable to invest these coupon payments at the same interest rate on the Debenture, the Debenture Holder may not be able to generate the required AER. In case the investor can find an investment, which yields a higher interest rate than the Debenture interest, the Debenture Holder can generate a higher AER by reinvesting the coupon in such instruments.

Interest Rate Risk

The price of a Debenture will have a negative correlation with the market interest rates. Interest rate risk captures this relationship between market interest rates and the price of Debentures. If market interest rates rise, the value of the Debentures may fall: as market interest rates fall, the value of Debentures may rise (all other factors being equal). If the investor wishes to sell the Debenture prior to its maturity, he might be facing a capital loss/gain if the market interest rates have increased/decreased subsequently. Interest rate risk is irrelevant for the investor who wishes to hold the Debenture until maturity.

Credit Risk / Default Risk

Risk of the Issuer not being able to pay interest and principal payments as promised on a timely basis is default risk/credit risk. It is advisable for prospective Debenture investors to take into account the credit rating awarded to the Company and its Debentures by Fitch Ratings Lanka Limited, present financial strength as reflected in the Balance Sheet of the Company, assets and earnings growth, experiences and skills of the Directors and Senior management when forming an opinion on default risk.

Liquidity Risk

Liquidity risk refers to the ease with which the Debentures can be sold in the secondary market, after the initial placement. Since the Debentures are listed, should an investor require an exit option; they will be able to sell the Debentures through the CSE in order to convert them to cash and to exit from the investment. Therefore, the liquidity risk is mitigated to a greater degree in the Debenture. Investors have to be mindful of the fact that even though the Debentures are listed, trading of listed debt is not at an advanced stage as the equity markets in Sri Lanka.

Call Risk

Call risk refers to the risk that the issuer will retire all of the Principal Value of the Debentures before maturity. The risk to investor is in that, the timing of the call is not known and the investor will be faced with a re-investment risk in the event the call is made at a time when the market interest rates have declined. However the Debentures issued under this prospectus do not have a call option hence free from call risk.

5.5. Subscription List

Subject to the provisions contained below, the subscription list for the Debentures will open at 9.30 a.m. on 11th April 2018 and will remain open for Fourteen (14) Market Days including the Issue Opening Date until Closing Date at 4.30 p.m. on 3rd May 2018.

However, the subscription list will be closed on an earlier date at 4.30 p.m. with the notification to the CSE on the occurrence of the following;

- The maximum of 70,000,000 Debentures are fully subscribed; or
- The Board of Directors of the Company decides to close the Issue upon the issue of 60,000,000 Debentures becoming fully subscribed; or
- The Board of Directors of the Company decides to close the Issue upon the initial issue of 50,000,000 Debentures becoming fully subscribed

In the event the Board of Directors of SLT decides to exercise the option to issue the second tranche of 10,000,000 Debentures (initial issue of 50,000,000 Debentures being fully subscribed) but subsequently decides to close the subscription list prior to full subscription of the second tranche, and/or;

further decides to issue the third tranche of 10,000,000 Debentures (Issue of 60,000,000 Debentures being fully subscribed) but subsequently decides to close the subscription list prior to full subscription of the third tranche, such decisions made shall be notified to the CSE on the day such decisions are made and the subscription list will be closed on the following Market Day

Applications can be made forthwith in the manner set out in Section 6.0 of this Prospectus and duly completed Application Forms will be accepted at any one of the collection points set out in Annexure IV of this Prospectus.

5.6. Objectives of the Issue and Specific Risks Relating to the Objectives

The proceeds of the issue will primarily be utilized to retire short term maturing and high interest paying debt. The remaining funds will be utilized to partly finance the required future capital expenditure in order to stay in par with the industry. Both these objectives are pertaining to SLT, not its subsidiaries and the funds of the Debenture Issue will not be given to related parties.

- The company expects to retire circa LKR 5.0 Billion short term borrowings maturing in within one year obtained in order to restructure the balance sheet by locking in one year funds to minimize the short-term interest rate risk and liquidity risk. SLT intends to lock in longer term funds in settlement of these short-term loans. The said short term bank loans are obtained by the Company from commercial banks to finance ongoing working capital requirements. The company intends to settle these short-term loans immediately upon receipt of the debenture proceeds.

Further following table provides a detailed overview of the Short-Term Lending of the Company as at 31.03.2018 prioritized based on the interest rate and the basis of the settlement of short term loans will be settling the loans with the highest interest rates first:

Name of the Bank	Amount of the short term facility (LKR)	Type of Loan	Interest Rate (per annum)	Date obtained	Due date of settlement	Outstanding balance as at 27.03.2018 (in LKR)	Utilisation of the Debenture Proceeds to settle the debt
People's Bank	2,000,000,000	Overdraft	11.93%	08.03.2018	09.04.2018	-	Expected to be Settled fully up to the value of LKR 5 Billion upon full subscription of the initial issue of 50 million debentures
Hatton National Bank	2,000,000,000	Overdraft	11.75%	06.03.2018	06.04.2018	1,942,558,709.39	
People's Bank	1,000,000,000	Overdraft	11.53%	14.03.2018	16.04.2018	1,000,000,000.00	
People's Bank	2,000,000,000	Overdraft	11.53%	19.03.2018	19.04.2018	1,056,248,669.33	
Citi Bank	1,000,000,000	Short Term Loan	11.42%	21.03.2018	23.04.2018	1,000,000,000.00	
Standard Chartered Bank	890,000,000	Short Term Loan	11.25%	06.03.2018	06.04.2018	890,000,000.00	Partly Settled
Standard Chartered Bank	1,000,000,000	Short Term Loan	11.25%	09.03.2018	09.04.2018	1,000,000,000.00	
Citi Bank	2,000,000,000	Short Term Loan	11.20%	06.03.2018	06.04.2018	2,000,000,000.00	
Commercial Bank	3,000,000,000	Overdraft	11.00%	28.03.2018	27.04.2018	2,963,935,848.73	

Details of the Total Borrowing positions of the company is as follows;

- Balance as at 31.03.2018 –Short Term Loans = LKR 11,852,743,227.45
- Balance as at 31.03.2018 – Long Term Loans = LKR 26,895,080,000.00

There is expected to be no impact on the group gearing since LKR 5 billion of the debenture proceeds will be used to settle the short-term borrowing. However the additional LKR 2 billion of debenture proceeds will be used for ongoing and planned CAPEX projects which are expected to create a marginal impact on the group gearing.

As at 31.12 2017, SLT Company's gearing ratio amounted to 0.40 times. The company expects its gearing ratio to increase either to 0.43 times (if LKR 5 billion worth of debentures issued and fully subscribed and before retiring the debt) or to 0.44 times (if LKR 7 billion worth of debentures issued and fully subscribed and before retiring the debt).

Furthermore, a benefit to SLT from the said debenture issue is the ability to restructure SLT group's debt profile via converting short term debt to long term thereby hedge against high future interest payments (due to adversities in the short run yield curve) in order to maintain an improved and a healthy cash flow.

- CAPEX spending mainly will be on direct revenue generating areas such as provisioning of new connections; IP TV, FTTH and LTE. Apart from these, considering the high demand there will be expansions on an IP TV system and LTE infrastructures. Depending on operational requirements some other expansions will be made at small scale. Estimated CAPEX based in order of priority for FY2018 will be as follows:

	(LKR mn)
Providing of New Connections	4,300.00
SE-ME-WE 5 Submarine Cable	600.00
Enhancing IPTV System Capacity	3,200.00
Completion of LTE System Installation	600.00
Cloud Services	600.00
Investment in Government Projects	2,000.00
Others	1,000.00
Total	12,300.00

After retiring the short-term debt, the balance LKR 2.0 Billion debenture proceeds will be utilized to partly finance the afore mentioned CAPEX while the shortage of LKR 10.3 Billion will be financed via long term bank borrowings for a value of LKR 4.3 Billion and the balance LKR 6 Billion from internally generated funds. The company expects its gearing ratio to increase to 0.46 times (before retiring the debt from the debenture proceeds) subsequent to the borrowing of 4.3 Billion. Out of the above, projects to a value of LKR 8.7 Billion have received necessary approvals. The remaining projects are in the process of obtaining necessary approvals. Implementation of projects will continue for several months starting from FY2018 depending on customer demand for specific services hence it is difficult to provide an exact date. Nevertheless, certain projects have already initiated in FY2018. The prices for CAPEX items above will be decided through a tendering process and there is no direct relationship with vendors other than the relationship built up through the past procurements. There is no other material information to be disclosed regarding the acquisition/maintenance of CAPEX items.

Brief Description of the CAPEX items mentioned above

Networks

Telecommunication network is a collector of transmitters, receivers and communication channels. Some are built with wires such as Copper and Optical fiber. Others are using wireless technologies. Such as LTE; SLT has all these kinds of networks to provide its services. Telecommunication towers, Switches, exchanges and various types of other equipment is a part of the networks.

New Connections

In order to provide services to individuals it is required to provide connectivity to the customer through main networks. More specifically SLT has planned to provide following number of connections.

PSTN Voice (Copper Connections)	85,000
ADSL	150,000
FTTH – Voice & Broad Band	39,000
LTE – Voice	10,000
LTE – Broad Band	144,000
IPTV (through copper and Fiber)	130,000

IT related

SLT has various IT related system for Billing, Customer administration, Finance, Inventory Management, etc. In order to maintain these systems company, require purchasing hardware and software items including the related licenses.

Enterprise related

Apart from provisioning of connections to the individuals, the Company provides services or solutions to various enterprises including the Government and other telecommunication service providers. There are many services providing such as IP-VPN (Internet Protocol – Virtual Private Networks), ILL (Internet Leased Lines), Data Hosting, Metro Ethernet, Backhauling, IPLC (International Private Lease Circuits), Data Centers.

Others

Others covers acquisition of various Capital nature movable or immovable infrastructure such buildings, Furniture, Vehicle, equipment's etc.

Specific Risk Relating to Objectives

- Dependency of proceeds of the Issue to achieve the objectives is marginal as the Company in the ordinary course of business has access to multiple sources of funds.
- During FY2017, SLT incurred circa LKR 20,000 Million worth of capital expenditure. Since it is vital for telecom operators to incur capital expenditure for continuous technological advancements, the Company doesn't foresee an event where issue proceeds will not be utilized for this objective.
- Time and quantum of short term loans to be settled through the Issue are fixed as per the agreements with relevant lenders. As such, there is no uncertainty with regard to the utilization of issue proceeds for the objectives.
- After retiring the LKR 5.0 Billion short-term debt, the Company will begin to utilize the remaining LKR 2.0 Billion Debenture proceeds from FY2018 onwards on the planned CAPEX projects. Details of ongoing and planned CAPEX projects are as follows:

Providing of new connections - SLT intends to provide a range new connections which include PSTN Voice, ADSL, FTTH Voice & Broadband, LTE Voice & Broadband and IPTV via copper & fibre. All these are expected to generate quick revenues.

Investment in Government projects - SLT has already connected 860 Government Offices through the LGN (Lanka Government Network) and Government is considering of connecting another 3,500 Government offices. Further provisioning of Wi-Fi connections to about 2,800 government schools is also under consideration. With the relationships of the company with the Government, past service provisioning and company capabilities, company confident in receiving a portion of these service provisioning.

Global connectivity - With the activation of SMW 5 Submarine Cable System in Feb. 2017, SLT elevated to a better market position with the ability to cater more global services. However, 200 Gb/s Capacity gained from the initial light up of the cable, may not sufficient to cater the growing demand. Hence, the company will spend about Rs. 600 mn this year to gain further 300 Gb/s Capacity light up, catering the Global Carrier Business and Broad band requirements in 2019 and beyond.

Enhancing IPTV system capacity - With the existing customer base of about 350,000 and targeted new additions of 150,000 the Company will require further expansions in the system and also to purchase STB's (Set-top box).

Completion of LTE system installation - 3GPP LTE TDD Band in 2600, mH2 technology implementation of the Company has reached to the final stage, after spending over LKR. 10bn during the last four years. This project will be completed this year after installing about 30 eNodeBs and acquiring 20mH2 spectrum.

Cloud services - Nearly Rs.600mn will be spent during the year for a Cloud based Video Surveillance platform and for Cloud based other services enhancements.

Additional funds will be required to meet small scale developments in meeting the customer demands, acquiring movable and immovable infrastructures such as construction of buildings, purchasing of vehicles, IT related hardware and software, various other equipment and settling outstanding payments of the developments carried out during the previous year.

- Until the fund are utilised, these would be invested in Treasury Bills, Repurchase Agreements and Fixed Deposits in commercial banks at current market rates (interest rates vary between 9.30% p.a. - 11.00% p.a. depending on the tenure and the type of investment). There is expected to be no risk of debenture proceeds not being able to invest within the specified timelines as the nature of the telecommunication industry is such that SLT has a continuous requirement to invest on CAPEX projects to meet the industry and customer requirements.
- If the Company does not utilize the funds for the stated Debenture issue objectives and proposes to use the same for another objective that such change shall be done only after the Company announces the same and receives relevant approval (as applicable).

SLT undertakes to disclose the progress of the utilization of proceeds in all of their future interim and annual financial statements, until funds are fully utilized for the respective objectives stated in the Prospectus in the format presented below. Continuous Disclosure regarding status of utilization of funds raised via the Debenture Issue will be presented in the following format in the subsequent interim and annual financial statements:

Debenture Issue Proceeds utilization as at dd-mm-yyyy

Objective number	Objective as Per Prospectus	Amount allocated as Per prospectus in LKR	Proposed date of Utilization as Per prospectus	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amounts utilized in LKR (B)	% of utilization against allocation (B/A)	Clarification if not fully utilized including where the funds are invested (eg: whether lent to related party)
-	-	-	-	-	-	-	-	-

In the event the proceeds raised are fully utilised in terms of the objectives disclosed in the Circular to Shareholders prior to submission of the Company's next immediate financial statements (i.e. either interim financial statements or annual report), the Company to disclose the fact that proceeds have been utilized in its entirety as per the above template.

5.7. Interest

The Debenture Issue comprises of Debentures of Type A and Type B that will carry rates of interest as described below on the interest payment dates:

Type of Debentures	Interest rate (per annum)	Maturity/ Redemption from the Date of Allotment
Type A	12.75% Payable Annually (AER 12.75%)	10 Years
Type B	12.75% Payable Semi-annually (AER 13.16%)	10 Years

With regard to Type A and Type B Debentures, Interest on the Debentures accruing on a daily basis will be paid annually and semi-annually as applicable from the Date of Allotment until the Date of Redemption on the outstanding Principal Sum.

The interest due on the Debentures for a particular Interest Period will be calculated based on the actual number of days (irrespective of holidays) in such Interest Period (actual/actual) and will be paid not later than Three (03) Market Days from each Interest Payment Date.

In order to accommodate the Debenture interest cycles in the CDS, the payment of interest for a particular Interest Payment Date will include Debenture Holders holding Debentures in the CDS as of the Entitlement Date.

Payment of the interest on the Debentures will be made after deducting any taxes and charges thereon (if any) in Sri Lanka Rupees as per the applicable law prevalent at the time of interest payment to the Debenture Holders.

5.8. Taxation

Interest on the Debentures will be paid after deducting any taxes and charges thereon (if any) as per the applicable laws prevalent at the time of interest payment to the Debenture Holders. Investors are advised to obtain clarifications in this regard from their tax advisors.

5.9. Redemption

Sri Lanka Telecom PLC shall redeem the said Debentures on the expiry of Ten (10) years from the Date of Allotment in accordance with the provisions contained in the Trust Deed. Early redemption is not applicable for Debentures issued under this Prospectus.

On the Date of Redemption of the Debentures, the Company shall in accordance with the provisions contained in the Trust Deed pay to the Debenture Holders the Principal Sum of the Debentures which ought to be redeemed and interest (if any) remaining unpaid up to the Date of Maturity/ Redemption of the Debenture.

If the Date of Redemption falls on a day which is not a Market Day, then the Date of Redemption shall be the immediately succeeding Market Day and Interest shall be paid up to the date immediately preceding such Market Day (including holidays).

5.10. Payment of Principal Sum and Interest

The Company will redeem the Debentures on the Date of Redemption as specified in Section 5.9 and the interest payments will be made as specified in Section 5.7.

The payment of Principal Sum and Interest will be made either through an electronic fund transfer mechanism recognised by the banking system of Sri Lanka such as SLIPS and RTGS in the event accurate bank account details of the Debenture Holders are provided to the CDS to effect such transfers or by cheque/s marked "Account Payee Only" sent by ordinary mail to the addresses provided by the Debenture Holders to the CDS, at the risk of the Debenture Holders if bank account details are not provided to the CDS or the bank account details provided to the CDS are inaccurate.

RTGS transfers however could be effected only for amounts over and above the maximum value that can be accommodated via SLIPS transfers (i.e. LKR 5,000,000/- as of the date of this Prospectus).

The payment of Principal Sum and Interest will be made in Sri Lanka Rupees in favour of the Debenture Holders as of the Entitlement Date. In the case of joint Debenture Holders, the payment of Principal Sum and Interest will be made to the one whose name stands first in the register of Debenture Holders.

5.11. Rating of the Debentures

Fitch Ratings Lanka Limited has assigned a long-term rating of 'AAA (lka)' to these Debentures. A copy of the Rating report issued by Fitch Ratings Lanka Limited is set out in Annexure III.

5.12. Transfer of Debentures

- These Debentures shall be freely transferable and transmittable through the CDS as long as the Debentures are listed in the CSE and the registration of such transfer shall not be subject to any restriction, save and except to the extent required for compliance with statutory requirements.
- Subject to provisions contained in the Trust Deed, the Company may register without assuming any liability any transfer of Debentures, which are in accordance with the statutory requirements and rules and regulations in force for the time being as laid down by the CSE, SEC and the CDS.
- In the case of the death of a Debenture Holder
 - The survivor where the deceased was a joint holder; and
 - The executors or administrators of the deceased (or where the administration of the estate of the deceased is in law not compulsory, the heirs of the deceased) where such Debenture

Holder was the sole or only surviving holder; shall be the only persons recognized by the issuer as having any title to his/her Debentures.

- Any person becoming entitled to any Debenture in consequence of bankruptcy or winding up of any Debenture Holder, upon producing proper evidence that such Debenture Holder sustains the character in respect of which such Debenture Holder proposes to act or such Debenture Holder's title as the Board of Directors of the Company thinks sufficient, may at the discretion of the Board be substituted and accordingly, registered as a Debenture Holder in respect of such Debentures subject to the applicable laws, rules and regulations of the Company, CDS , CSE and SEC.
- No change of ownership in contravention of the above conditions will be recognised by the Company.

5.13. Listing

An application has been made to the CSE for permission to obtain a listing for the Debentures and the CSE has granted its approval in-principle for the same. It is the intention of the Company to list the Debentures on the Colombo Stock Exchange upon the allotment thereof.

The CSE however, assumes no responsibility for the correctness of the statements made or opinions expressed or reports included in this Prospectus. Admission to the official list is not to be taken as an indication of the merits of the Company or of its Debentures.

5.14. Basis of Allotment

In the event of an oversubscription, the Board shall reserve the right to allocate up to 75% of the number of Debentures to be allotted under this Prospectus on a preferential basis, to identified investor/s of strategic and operational importance with whom the Company might have mutually beneficial relationships in the future.

In the event of an oversubscription, the Board will endeavour to decide the basis of allotment in a fair manner as soon as practicable so as to ensure compliance with the CSE Listing Rules. The maximum allocation under preferential allotment is 75%.

Upon the allotments being decided, an announcement will be made to the CSE, within Seven (07) Market Days of closing the Issue. The Company reserves the right to reject any Application or to accept any Application in part only, without assigning any reason thereto. A written confirmation informing successful Applicants on their allotment of Debentures will be dispatched within Ten (10) Market Days from the Closing Date as required by the CSE. Apart from the above, the Issuer has not identified any specific allocation to the public, employees or financial institutions.

5.15. Trustee to the Issue

Bank of Ceylon has agreed to act as the Trustee to the Debenture Holders on 14th November 2017. The Company has entered into an agreement with the Trustee (hereinafter called the "Trust Deed"). Debenture Holders in their Application Forms for subscription will be required to authorise the Trustee to act as their agent in entering into such deeds, writings, and instruments with the Company and to act as the agent and Trustee for the Debenture Holders.

The rights and obligations of the Trustee are set out in the Trust Deed and the Debentures will be subject to the terms and conditions incorporated in the said Trust Deed. The fee payable to the Trustee will be annually LKR 500,000/- payable bi-annually plus statutory levies. The Trustee has no conflict of interest with the Company, except that the Trustee is one of the banks rendering banking services to SLT. Also, the trustee (Bank of Ceylon) and its related party (Ceybank Asset Management) are among the top 20 shareholders of the SLT as at 31st December 2017 and in combine own 1.11% of total shares which is considered to have no material impact on the debenture issue.

5.16. Underwriting

The Issue is not conditional upon any minimum subscription amount being raised. The Company has not entered into any underwriting arrangement with regards to this Issue.

In the event the Issue is undersubscribed, the subscribers shall be allotted in full and funds raised shall be utilized to meet the objectives of the Issue as stipulated in Section 5.6 of this Prospectus, the balance funding will be sourced through Bank Borrowings and other unutilized credit facilities.

5.17. The Minimum Subscription Applicable for Investors

The minimum subscription requirement applicable for an investor applying for Debentures shall be One Hundred (100) Debentures (LKR 10,000/-). Any application in excess of the said minimum subscription shall be in multiples of One Hundred (100) Debentures (LKR 10,000/-) thereafter.

5.18. Cost of the Issue

The Board estimates that the total cost of the Issue including fees to professionals, printing, advertising, brokerage and other costs connected with the Issue will be approximately LKR 27 Million. Such costs will be financed by the internally generated funds of the Company.

5.19. Brokerage

Brokerage of 10 cents (LKR 0.10) per Debenture shall be paid in respect of the number of Debentures allotted on Applications bearing the original seal of any or a member/trading member of the CSE or Manager to the Issue or any other party identified by the Manager to the Issue as involved in the Issue.

5.20. Inspection of Documents

The Articles of Association, Trust deed, Auditor's Report and Five Years (05) Summary of Financial Statements for the five years ended 31st December 2012 to 31st December 2016, Audited Financial Statements for the Five (05) years immediately preceding the date of this Prospectus, and Condensed Consolidated Financial Statements for the Quarter ended 31 December 2017, Issue Rating Report and all other documents referred to in Rule 3.3.11 (a) of the CSE Listing Rules, including material contracts and management agreements entered into by the Company if any, would be made available from Seven (07) Market Days prior to the Date of Opening of the subscription list, for inspection by the public, during normal working hours at the registered office of the Company, Telecom Headquarters, Lotus Road, Colombo 01, Sri Lanka until the Date of Redemption of the Debentures.

The Prospectus, Trust Deed and Articles of Association of the Company are available on the website of CSE (www.cse.lk) and the website of the Company (www.slt.lk) from Seven (07) Market Days prior to the date of opening of the subscription list until the Date of Redemption of the Debentures as stipulated in Rule 3.3.11 (b) of the CSE Listing Rules.

Furthermore, copies of the Prospectus and Application Forms are available free of charge from the Collection Points set out in Annexure IV of this Prospectus from Seven (07) Market Days prior to the date of opening of the subscription list.

6.0 PROCEDURE FOR APPLICATION

6.1. Eligible Applicants

Applications are invited for the subscription of Debentures from the following categories of applicants.

- a. Citizens of Sri Lanka, resident in Sri Lanka and above 18 years of age.
- b. Corporate bodies and societies registered/incorporated/established in Sri Lanka and authorized to invest in Debentures.
- c. Approved unit trusts licensed by SEC.
- d. Approved provident funds and contributory pension schemes registered/incorporated/established in Sri Lanka and authorized to invest in Debentures. In the case of approved provident funds and approved contributory pension schemes, the Application should be in the name of the trustee/board of management.
- e. Regional and country funds approved by SEC and authorized to invest in Debentures.
- f. Non-Residents: foreign institutional investors including country funds, regional funds or mutual funds, corporate bodies incorporated outside Sri Lanka, citizens of foreign states whether resident in Sri Lanka or outside Sri Lanka and Sri Lankans resident outside Sri Lanka.

Applications will not be accepted from Applicants who are under the age of 18 years, or in the names of sole proprietorships, partnerships or unincorporated trusts.

“Individuals resident outside Sri Lanka” will have the same meaning as in the notice published under the Exchange Control Act in Gazette No. 12 of 2017 in Gazette No.2045/56 dated 17th November 2017

When permitting Non-residents to invest in the Debentures, the Company will comply with the relevant Exchange Control Regulations including the conditions stipulated in the notice under the Exchange Control Act with regard to the Issue and transfer of Debentures of companies incorporated in Sri Lanka to foreign investors as published in the Government Gazette (Extraordinary) No. 2045/56 dated 17th November 2017.

6.2. How to Apply

The terms and conditions applicable to the Applicants are as follows.

- (a) Applications should be made on the Application Forms, which accompany and constitute a part of this Prospectus (exact size photocopies of Application Forms will also be accepted). Care must be taken to follow the instructions given herein and in the Application Form. Applicants using photocopies are

requested to inspect the Prospectus which is available for inspection with the Registrar to the Issue and also issued free of charge by the parties listed in Annexure IV of this Prospectus.

The Application Form can also be downloaded from the website of CSE, www.cse.lk, the website of the Company, www.slt.lk until the Closing Date.

The Prospectus will be made available and can be downloaded from the website of CSE, www.cse.lk and the website of Company, www.slt.lk until the Date of Redemption of the Debentures.

Applications which do not strictly conform to instructions and other conditions set out herein or which are incomplete or illegible may be rejected.

Applicants should apply only for one Type of Debentures (i.e. either Type A or Type B Debentures) under one application form.

In the event an applicant wishes to apply for more than one type of Debentures, separate application forms should be used. Once an Application Form has been submitted for a particular Type of Debentures, it will not be possible for an applicant to switch between the Types of Debentures.

More than one application submitted by an applicant under the same Type of Debentures will not be accepted. If two or more Application Forms are submitted for one Type of Debentures from a single applicant, those would be considered as multiple Applications and the Company will not accept such multiple Applications or suspected multiple Applications.

An applicant of a joint application will not be eligible to apply for the same Type of Debenture through a separate application form either individually or jointly. Such applicants are also deemed to have made multiple applications and will be rejected

- (b) If the ownership of the Debentures is desired in the name of one Applicant, full details should be given only under the heading SOLE/FIRST APPLICANT in the Application Form. In the case of Joint Applicants, the signatures and particulars in respect of all Applicants must be given under the relevant headings in the Application Form.
- (c) An applicant of a joint application will not be eligible to apply for the same Type of Debenture through a separate Application Form either individually or jointly. Such applicants are also deemed to have made multiple applications and will be rejected.

In the case of joint Applications, the refunds (if any), interest payments and the Redemption will be remitted in favour of the first Applicant as identified in the Application Form.

The Company shall not be bound to register more than three (03) natural persons as joint holders of any Debentures (except in the case of executors, administrators or heirs of a deceased member). Joint Applicants should note that all parties to the Application should either be residents of Sri Lanka or Non-Residents.

- (d) Applications by companies, corporate bodies, societies, approved provident funds, trust funds and approved contributory pension schemes registered/incorporated/established in Sri Lanka should have obtained necessary internal approvals as provided by their internal approval procedures at the time of applying for the Debentures and should be made under their common seal or in any other manner as provided by their articles of association or such other constitutional documents of such Applicant or as per the statutes governing them. In the case of approved provident funds, trust funds and approved contributory pension schemes, the Applications should be in the name of the trustee/board of management.
- (e) All Applicants should indicate in the Application for Debentures, their CDS account number.

All resident individual Applicants should ensure that;

- If the Applicant's CDS account carries the NIC number, the NIC number of the Applicant is stated in the relevant cage of the Application Form; or
- If the Applicant's CDS account carries the passport number, the passport number of the Applicant is stated in the relevant cage of the Application Form.

All Non-Resident Individual Applicants and corporate Applicants should ensure that the passport number/company number and CDS Identification Number (CDS ID) are stated in the relevant cages of the Application Form.

In the event the name, address or NIC number/passport number/company number of the Applicant mentioned in the Application Form differ from the name, address or NIC number/passport number/company number as per the CDS records, the name, address or NIC number/passport number/company number as per the CDS records will prevail and be considered as the name, address or NIC number/passport number/company number of such Applicant. Therefore, Applicants are advised to ensure that the name, address or NIC number/passport number/company number mentioned in the Application Form tally with the name, address or NIC number/passport number/company number given in the CDS account as mentioned in the Application Form.

In the case of Joint Applicants, a joint CDS account in the name of the Joint Applicants should be indicated.

Application Forms stating third party CDS accounts, instead of Applicants' own CDS account numbers, except in the case of margin trading, will be rejected.

- (f) Applicants who wish to apply through their margin trading accounts should submit the Application Forms in the name of the "Margin Provider/Applicant's name" signed by the margin provider, requesting a direct deposit of the Debentures to the Applicant's margin trading account in the CDS. The margin provider should indicate the relevant CDS account number relating to the margin trading account in the Application Form. A photocopy of the margin trading agreement must be submitted along with the Application.

Margin providers can apply under their own name and such Applications will not be construed as multiple Applications.

- (g) Application Forms may be signed by a third party on behalf of the Applicant(s) provided that such person holds the Power of Attorney (POA) of the Applicant(s). A copy of such POA certified by a Notary Public as “True Copy” should be attached with the Application Form. Original of the POA should not be attached.
- (h) Funds for the investment in Debentures and the payment for Debentures by Non-Residents should be made only out of the monies available to the credit of a “Inward Investment Account” (IIA) of the Non-Resident Applicants opened and maintained in a licensed commercial bank in Sri Lanka in accordance with the directions given by the Controller of Exchange in that regard to licensed commercial banks.

An endorsement by way of a letter by the licensed commercial bank in Sri Lanka in which the Applicant maintains the IIA, should be attached to the Application Form to the effect that such payment through bank draft/bank guarantee/RTGS has been made out of the funds available in the IIA.

- (i) Non-Residents should have obtained necessary internal approvals as provided by their internal approval procedures at the time of applying for the Debentures and may be affected by the laws of the jurisdiction of their residence. If the Non-Resident Applicants wish to apply for the Debentures, it is their responsibility to comply with the laws relevant to the jurisdiction of their residence and of Sri Lanka.

Application Forms properly filled in accordance with the instructions thereof together with the remittance for the full amount payable on Application should be enclosed in an envelope marked “**SRI LANKA TELECOM PLC – DEBENTURE ISSUE 2018**” on the top left-hand corner in capital letters and dispatched by post or courier or delivered by hand to the Registrars to the Issue or Collection Points mentioned in Annexure IV of this Prospectus.

Applications sent by post or courier or delivered to any Collection Point set out in Annexure IV of this Prospectus should reach the office of the Registrars to the Issue, **SSP Corporate Services (Pvt) Limited, No. 101 Inner Flower Road, Colombo 03, at least by 4.30 p.m. on the following Market Day immediately upon the Closing Date**. Applications received after the said period will be rejected even though they have been delivered to any of the said Collection Points prior to the Closing Date or carry a postmark dated prior to the Closing Date.

Applications delivered by hand to the Registrars to the Issue after the Closing Date of the Issue will also be rejected.

Please note that Applicant information such as full name, address, NIC number/passport number/company number and residency will be downloaded from the database of CDS, based on the CDS account number indicated in the Application Form. Such information will take precedence over information provided in the Application Form.

Care must be taken to follow the instructions on the reverse of the Application Form. Applications that do not strictly conform to such instructions and additional conditions set out hereunder or which are illegible may be rejected.

PLEASE NOTE THAT ALLOTMENT OF DEBENTURES WILL ONLY BE MADE IF THE APPLICANT HAS A VALID CDS ACCOUNT AT THE TIME OF SUBMISSION OF APPLICATION.

Please note that upon the allotment of Debentures under this Issue, the allotted Debentures would be credited to the Applicant's CDS account so indicated.

Hence, DEBENTURE CERTIFICATES WILL NOT BE ISSUED.

6.3. Number of Debentures to be Subscribed

Applicants are allowed to invest in either;

- Debentures of Type A; and/or
- Debentures of Type B

subject to the minimum subscription under each Type.

A minimum of One Hundred (100) Debentures (LKR 10,000/-) and in multiples of One Hundred (100) Debentures (LKR 10,000/-). An applicant should apply only for one Type of Debentures under one Application Form.

6.4. Mode of Payment

- (a) Payment in full for the total value of Debentures applied for should be made separately in respect of each Application either by cheque/s, bank draft/s, bank guarantee drawn upon any licensed commercial bank operating in Sri Lanka or RTGS/SLIPS transfers directed through any licensed commercial bank operating in Sri Lanka, as the case may be, subject to (b) below.
- (b) Payments for Application values above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-) should be supported by either;
 - A bank guarantee issued by a licensed commercial bank; or
 - Multiple bank drafts/cheques drawn upon any licensed commercial bank operating in Sri Lanka; or
 - An RTGS transfer with value on the Issue opening date.

Multiple cheques will not be accepted for Application values below Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-).

In the case of Application values above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-), multiple bank drafts/cheques drawn upon any licensed commercial bank operating in Sri Lanka each of which should be for a value less than LKR 100,000,000/- will be accepted

- (c) Cheques or bank drafts should be made payable to **“SRI LANKA TELECOM PLC – DEBENTURE ISSUE 2018”** and crossed **“Account Payee Only”**, and must be honoured on the first presentation.
- (d) In case of bank guarantees, such bank guarantees should be issued by any licensed commercial bank in Sri Lanka in favour of **“SRI LANKA TELECOM PLC – DEBENTURE ISSUE 2018”** in a manner acceptable to the Bank, and be valid for a minimum of one (01) month from the Issue opening date (i.e. 11th April 2018).

Applicants are advised to ensure that sufficient funds are available in order to honour the bank guarantees, inclusive of charges when called upon to do so by the Registrars to the Issue. It is advisable that the Applicants discuss with their respective bankers the matters with regard to the issuance of bank guarantees and all charges involved. All expenses with regard to such bank guarantees should be borne by the Applicants.

- (e) In case of RTGS transfers, such transfers should be made to the credit of **“SRI LANKA TELECOM PLC – DEBENTURE ISSUE 2018”** bearing the account number **004-1001-60001908** at Peoples’ Bank, Corporate Branch with value on the Issue opening date (i.e. the funds to be made available to the above account on the Issue opening date).

The Applicant should obtain a confirmation from the Applicant’s bank, to the effect that arrangements have been made to transfer payment in full for the total value of Debentures applied for to the credit of **“SRI LANKA TELECOM PLC – DEBENTURE ISSUE 2018”** bearing the account number **004-1001-60001908** at Peoples’ Bank, Corporate Branch with value on the Issue opening date (i.e. the funds to be made available to the above account on the Issue opening date) and should be attached with the Application Form.

For RTGS transfers above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-), the Applicants are entitled to an interest at the rate of Three Decimal Zero *per centum* (3.00%) per annum from the date of such transfers up to the Date of Allotment. However, no interest will be paid if the RTGS transfers are not realised before the end of the Closing Date. Furthermore, even if such RTGS transfers are effected prior to the Issue opening date, no interest will be paid for the period prior to the Issue opening date.

- (f) Cash will not be accepted.
- (g) Payment for the Debentures by Non-Residents should be made only out of the monies available to the credit of a **“Inward Investment Account”** (IIA) maintained with any licensed commercial bank in Sri Lanka in accordance with the directions given by the Controller of Exchange in that regard to licensed commercial banks and to be in line with the relevant laws of the land.

An endorsement by way of a letter by the licensed commercial bank in Sri Lanka in which the Applicant maintains the IIA, should be attached to the Application Form to the effect that such payment through bank draft/bank guarantee/RTGS has been made out of the funds available in the IIA.

- (h) The amount payable should be calculated by multiplying the number of Debentures applied for under a particular Type by the Par Value (LKR 100/-). If there is a discrepancy in the amount payable and the amount specified in the cheque/bank draft or bank guarantee or transferred via RTGS/SLIPS, the Application will be rejected.
- (i) In the event that cheques are not realised prior to the date of deciding the basis of allotment, the monies will be refunded and no allotment of Debentures will be made. Cheques must be honoured on first presentation for the Application to be valid.
- (j) All cheques/bank drafts received in respect of the Applications for Debentures will be banked commencing from the Working Day immediately following the Closing Date.

6.5. Rejection of Applications

Application Forms and the accompanying cheques/bank drafts/bank guarantee or RTGS transfers, which are illegible or incomplete in any way and/or not in accordance with the terms, conditions and instructions, set out in this Prospectus and in the Application Form will be rejected at the sole discretion of the Company.

Applications received from Applicants who are under the age of 18 years or in the names of sole proprietorships, partnerships and unincorporated trusts will also be rejected.

Any Application Form, which does not state a valid CDS account number, will be rejected.

Any applicant who has applied for both Debentures of Type A and Debentures of Type B in a single Application Form will be rejected.

More than one application submitted by an applicant under the same type of Debentures will not be accepted. If two or more application forms are submitted for one type of Debentures from a single applicant, those would be considered as multiple applications and the Company will not accept such multiple applications or suspected multiple applications.

Any application form with more than three (03) natural persons as joint applicants for any type of Debentures will be rejected

Applications delivered by hand to the Registrars to the Issue after the subscription list is closed will be rejected. Applications received by post or courier after 4.30 p.m. on the Market Day immediately following the Closing Date will be also rejected even if they carry a post mark dated prior to the Closing Date.

Applications delivered to any place mentioned in Annexure IV should also reach the office of the Registrars to the Issue at least by 4.30 p.m. on the Market Day immediately following the Closing Date. Applications received after the said duration will be rejected even though they have been delivered to any of the said Collection Points prior to the Closing Date.

In the event that cheques are not realised prior to the date of deciding the basis of allotment and realised after such date, the monies will be refunded and no allotment of Debentures will be made. Cheques must be honoured on first presentation for the Application to be valid. In the event cheques are dishonoured/returned on first presentation, such Applications will be rejected.

6.6. Banking of Payments

All cheques or bank drafts or bank guarantees received in respect of Applications will not be banked or called on until the Working Day immediately after the Closing Date as set out in Section 5.5 of this Prospectus, in terms of the CSE Listing Rules.

6.7. Refunds

- Where an Application is rejected for reasons given in Section 6.5 of this Prospectus, subsequent to the cheque being realized, the applicant's money in full or where an Application is accepted only in part, the balance of the applicant's money will be refunded.
- The Applicants may indicate the preferred mode of refund payments in the Application Form (i.e. direct transfer via SLIPS/RTGS or cheque)
- If the Applicant has provided accurate and complete details of his/her bank account in the Application, the Bankers to the Issue will make refund payments up to and inclusive of Rupees Five Million (LKR 5,000,000/-) to the bank account specified by the Applicant, through SLIPS and a payment advice will be sent.
- If the applicant has provided accurate and complete details of his/her bank account in the application, the Bankers to the Issue will make refund payments above Rupees Five Million (LKR 5,000,000/-) to the bank account specified by the Applicant, through RTGS and a payment advice will be sent.
- Funds received via IIA accounts will be refunded via IIA accounts in the event there are refunds to be made.

In the event the Applicant has not provided accurate and correct details of his bank account in the Application or if the Applicant has not provided details of the bank account in the Application Form, the Company will make such refund payments to the Applicant by way of a cheque and sent by post at the risk of the Applicant.

In the case of Joint Application, the cheques will be drawn in favour of the Applicant's name appearing first in the Application Form.

Applicants can obtain details on bank and branch codes required for providing instructions on SLIP transfers at the following website;

http://www.lankaclear.com/product_service/3-guidelines

Refunds on Applications rejected or partly allotted Debentures would be made within Ten (10) Market Days excluding the Closing Date. Applicants would be entitled to receive interest at the rate of the last quoted Average Weighted Prime Lending Rate (AWPLR) published in the immediately preceding week by the Central Bank of Sri Lanka or any other authority (in the event that the Central Bank of Sri Lanka ceases to publish the AWPLR) plus five *per centum* (5.00%) for the delayed period on any refunds not made within this period.

6.8. CDS Accounts and Secondary Market Trading

Debentures allotted will be directly deposited to the respective CDS accounts given in the Application Forms before the expiry of eighteen (18) Market Days, from the Closing Date. A written confirmation of the credit will be sent to the Applicants within two (02) Market Days of crediting the CDS account, by ordinary post to the address provided by each Applicant.

The Company will submit to the CSE a 'Declaration' on direct upload to CDS on the Market Day immediately following the day on which the Applicants' CDS accounts are credited with the Debentures.

Trading of Debentures on the secondary market will commence on or before the Third (3rd) Market Day from the receipt of the Declaration by the CSE as per the CSE Listing Rules.

7.0 FINANCIAL AND OTHER INFORMATION

7.1. Financial Year

The financial year of the SLT commences on 01st January and ends on 31st December.

7.2. Litigation, Disputes and Contingent Liabilities

Contingent Liabilities of SLT Group as at 31 December 2017

Description	LKR '000'
Guarantees	15,785,683
Unutilized credit facilities	4,893,700

Apart from legal proceedings in the normal course of its business, the Company and its subsidiaries are not a party to any litigation or arbitration proceedings and is not aware of any pending or threatened litigation or arbitration that, if decided adversely to the Company, would have a significant effect upon the Company's financial position nor has it been a party to any such proceedings in the recent past. Further information is available as "note XI" in the condensed consolidated interim financial statements for the quarter ended 31st December 2017 and "note 32" Annual Report for the year ended 31st December 2016.

7.3. Particulars of Debt and Loan Capital

The outstanding borrowings of SLT Group as at 31st December 2017 comprise of the following categories of borrowings;

Current (due within one year) LKR Mn	31 Dec 2017
Bank overdrafts	13,323
Bank borrowings and others	12,036
Vendor financing	1,432
Lease liabilities	100
Total	26,891

Non-current (due after one year) LKR Mn	31 Dec 2017
Bank borrowings and others	14,489
Vendor financing	371
Lease liabilities	60
Total	14,920

7.4. Other Debt Securities in Issue - As at the date of the Prospectus

There are no outstanding Debt Securities or Debt Convertibles to Equity as at the Date of the Issue.

7.5. Key Financial Ratios – SLT Group

Description	2017	2016	2015	2014	2013	2012
Interest cover* (No. of times interest)	2.02	4.53	5.62	8.94	9.44	6.73
Gearing Ratio **(Debt to Rs.1/- of total equity)	0.37	0.32	0.27	0.30	0.26	0.24
ROE (Profit After Tax / Shareholder Funds)	5.52%	6.97%	5.71%	9.39%	9.06%	7.00%

* Interest Cover Ratio = $\frac{\text{Profit Before Tax} + \text{Interest Expenses in Income Statement}}{\text{Total Interest \& Financial Cost before Capitalisation}}$

** Gearing Ratio = $\frac{\text{Non-Current Borrowings} + \text{Current Borrowings}}{\text{Non-Current Borrowings} + \text{Current Borrowings} + \text{Total Equity}}$

7.6. 20 Major Shareholders as at 31 December 2017

	Name of Shareholder	Shareholding	%
1	Secretary to the Treasury	893,405,709	49.50
2	Global Telecommunications Holdings NV	811,757,869	44.98
3	Employees' Provident Fund	25,324,104	1.40
4	Bank of Ceylon A/C Ceybank Unit Trust	18,426,582	1.02
5	Sri Lanka Insurance Corporation Limited-Life Fund	17,713,735	0.98
6	National Savings Bank	13,158,700	0.73
7	Employees Trust Fund Board	3,302,188	0.18
8	Sri Lanka Insurance Corporation Limited-General Fund	2,041,538	0.11
9	Bank of Ceylon A/C Ceybank Century Growth Fund	1,505,644	0.08
10	The Incorporated Trustees of the Church of Ceylon	223,590	0.01
11	Bank of Ceylon No. 1 Account	214,000	0.01

12	Pinnacle Trust (Pvt) Limited	183,984	0.01
13	Elgin Investment Limited	174,805	0.01
14	Ceylon Biscuits Limited	162,000	0.01
15	People's Leasing & Finance PLC/C N Jayasooriya	150,000	0.01
16	Sinharaja Hills Plantation Pvt Limited	107,491	0.01
17	Ms. Uduwatuwage Shanika Nishani Edirisinghe	100,000	0.01
18	Mr. Harutomi Tanaka	100,000	0.01
19	Mr. Hans Anton Van Starrex	97,638	0.01
20	Mr. Indika Prasad Galhenage	70,000	0.00

7.7. Financial Statements & Financial Summary

The following financial information is hosted on the Company's web site, www.slt.lk and CSE web site www.cse.lk;

- Audited financial statements of Sri Lanka Telecom PLC as at 31 December 2016
- Condensed Consolidated Interim financial statements of Sri Lanka Telecom PLC as at 31 December 2017
- Summarized financial statement for the five years ended 31st December 2012 to 31st December 2016 preceding the date of the application stating the accounting policies adopted by the Company certified by the Auditors and Qualifications carried in any of the Auditors Reports covering the period in question and any material changes in accounting policies during the relevant period.

7.8. Board Related Party Transactions Review Committee

The Board Related Party Transactions Review Committee was established to be effective with effect from February 2016 in terms of Section 9 of the Listing Rules of the Colombo Stock Exchange. The members of the Committee are Ms Nilanthi Pieris - Chairperson - Independent Non-Executive Director, Ms Lai Choon Foong - Independent Non-Executive Director and Mr A R Desapriya – Non-Independent Non-Executive Director

ANNEXURE I - STATUTORY DECLARATIONS

Statutory Declaration by the Directors

This Prospectus has been seen and approved by the Directors of Sri Lanka Telecom PLC (“Company”) and we collectively and individually accept full responsibility for the accuracy of the information given and confirm that provisions of the CSE Listing Rules and of the Companies Act No. 07 of 2007 and amendments thereto have been complied with and after making all reasonable enquiries and to the best of our knowledge and belief, there are no other facts the omission of which would make any statement herein misleading or inaccurate. Where representations regarding the future performance of the Company have been given in the Prospectus, such representations have been made after due and careful enquiry of the information available to the Company and making assumptions that are considered to be reasonable at the present point in time in the best judgement of the Directors.

The parties to the Issue have submitted declarations to the Company declaring that they have complied with all regulatory requirements applicable to such parties, and that such parties have no conflict of interest with the Company.

An application has been made to the Colombo Stock Exchange for permission to deal in and for a listing of the Debentures issued by the Company and those Debentures which are the subject of this issue. We are aware that such permission will be granted when the Securities are listed on the Colombo Stock Exchange and that the Colombo Stock Exchange assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports included in this Prospectus. Further, the listing on the Colombo Stock Exchange is not to be taken as an indication of the merits of the Company or of the Debentures issued.

Name of Director	Signature
Mr P G Kumarasinghe Sirisena – Chairman - Independent Non-Executive Director	Sgd.
Mr Chan Chee Beng – Non-Independent Non-Executive Director	Sgd.
Mr Lawrence Paratz - Independent Non-Executive Director	Sgd.
Ms Lai Choon Foong - Independent Non-Executive Director	Sgd.
Ms Nilanthi Pieris - Independent Non-Executive Director	Sgd.
Mr A R Desapriya - Non-Independent Non-Executive Director	Sgd.
Mr W K H Wegapitiya - Independent Non-Executive Director	Sgd.

Statutory Declaration by the Managers to the Issue

We Acuity Partners (Private) Limited of No. 53, Dharmapala Mawatha, Colombo 03, who are named in the Prospectus as the Managers to the Issue hereby declare and confirm that to the best of our knowledge and belief based on the information provided to us by the Company, the Prospectus constitutes full and true disclosure of all material facts about the Issue and Sri Lanka Telecom PLC whose Debentures are being listed.

Signed by two Directors of Acuity Partners (Private) Limited, being duly authorised thereto, on this 06th day of April 2018.

Signed
Director

Signed
Director

ANNEXURE II –ACCOUNTANT’S REPORT & 5 YEAR FINANCIAL SUMMARY



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Chartered Accountants
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AL/CAY/TW

Board of Directors
Sri Lanka Telecom PLC
Lotus Road
P.O.Box 503
Colombo 01

02 March 2018

Accountants' Report for Inclusion in the Prospectus on proposed issue of 'AAA' Rated, Senior, Unsecured, Listed Debentures of Sri Lanka Telecom PLC which are Redeemable in Ten Years

Dear Sirs/Madam

Introduction

This report has been prepared for the inclusion in the Prospectus issued in connection with the issuance of maximum up to Seventy Million (70,000,000) 'AAA' Rated, Senior, Unsecured, Listed Debentures which are redeemable in ten years with a value of Rupees Seven Billion (Rs. 7,000,000,000/-).

We have examined the financial statements of Sri Lanka Telecom PLC (the "Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group") and report as follows.

1. Incorporation

Company

Sri Lanka Telecom was formed by an Incorporation Order made under Section 02 of the State Industrial Corporations Act No. 49 of 1957 and published in the Extraordinary Gazette No. 596/11 of 6 February 1990. Subsequently, in terms of an Order made by the Minister of Posts and Telecommunications on 24 July 1991 under Section 23 of the Sri Lanka Telecommunications Act No. 25 of 1991 and published in the Gazette No. 675 of 9 August 1991 all properties, rights and liabilities (other than those excluded by the agreement entered into between the Minister and SLT as per subsection 2 of Section 23 of the Sri Lanka Telecommunication Act) to which the Department of Telecommunications ('DOT') was entitled or subject to immediately before the transfer date of 01 September 1991 were vested with SLT.

SLT was converted to a public limited company on 25 September 1996, under the Conversion of Public Corporations of Government owned Business Undertakings into Public Limited Companies Act No. 23 of 1987; vide Extraordinary Gazette No. 942/7 dated 25 September 1996.

SLT was re-registered under the Companies Act No. 07 of 2007 as Sri Lanka Telecom PLC on 04 June 2007. The address of the Company's registered office is Lotus Road, P.O.Box 503, Colombo 01.

The Group provides a broad portfolio of telecommunication services across Sri Lanka, the main activity being domestic and international fixed and mobile telephone services. In addition, the range of services provided by the Group include, inter alia, internet services, IPTV, wireless broadband, data services, domestic and international leased circuits, frame relay, satellite uplink and maritime transmission.

Partners: Mr. W. H. Fernando FCA FCMA, Mr. P. D. Choralay FCA FCMA, Mr. N. R. Saran ACA FCMR, Mr. S. A. De Silva FCA, Mr. Y. A. De Silva FCA, Mr. R. E. S. P. Fernando FCA FCMA, Mr. K. P. M. Fernando FCA & CMA, Ms. L. J. H. L. Fonseka FCA, A. P. A. Gunasinghe FCA FCMA, A. H. J. D. N. F. A., D. R. Hulanpattana FCA FCMA LLB (Lond), H. M. A. Jivrajasinghe FCA FCMA, Mr. A. A. Ludowyke FCA FCMA, Mr. G. G. S. Manattunga FCA, Ms. P. V. K. N. Sankarani FCA, N. M. Sulistawati ACA ACMA, B. E. Wimalaratne FCA FCMA

Principal: T. P. M. Rishoru FCA FCCA

A member firm of Ernst & Young Global Limited



2. Financial Statements

2.1 Five-Year Summary of Audited Financial Statements

A summary of the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Cash Flow Statement of Sri Lanka Telecom PLC (“the Company”) for the financial years ended 31 December 2012 through to 31 December 2016, based on the audited financial statements are set out in the prospectus.

2.2 Audit Opinions for the years ended 31 December 2012, 2013, 2014, 2015 and 2016

- a) With regard to Financial Statements of the Company for the year ended 31 December 2012, Messrs. KPMG Ford, Rhodes, Thornton & Co has issued an unqualified audit opinion by way of their auditor’s report dated 18 February 2013.
- b) With regard to Financial Statements of the Company for the year ended 31 December 2013, Messrs. KPMG Ford, Rhodes, Thornton & Co has issued an unqualified audit opinion by way of their auditor’s report dated 20 February 2014.
- c) With regard to Financial Statements of the Company for the year ended 31 December 2014, Messrs. KPMG Ford, Rhodes, Thornton & Co has issued an unqualified audit opinion by way of their auditor’s report dated 27 February 2015.
- d) With regard to Financial Statements of the Company for the year ended 31 December 2015, Messrs. KPMG Ford, Rhodes, Thornton & Co has issued an unqualified audit opinion by way of their auditor’s report dated 29 March 2016.
- e) With regard to Financial Statements of the Company for the year ended 31 December 2016, Messrs. KPMG Ford, Rhodes, Thornton & Co has issued an unqualified audit opinion by way of their auditor’s report dated 17 April 2017.

2.3 Accounting Policies

The Accounting policies of the Company and its subsidiaries are stated in the financial statements for the financial years ended 31 December 2012 through to 31 December 2016 and the audit opinions of the financial statements for the financial years ended 31 December 2012 through to 31 December 2016 state that the financial statements have been prepared in accordance with Sri Lanka Accounting Standards.

First-time adoption of Sri Lanka Accounting Standards (“SLFRS/LKAS”)

The Financial statements, for the year ended 31 December 2012 were the first financial statements which the Company has prepared in accordance with the revised Sri Lanka Accounting Standards (SLFRS/ LKAS) effective from 1 January 2012.

SLFRS 10 Consolidated Financial Statements

Sri Lanka Telecom PLC applied SLFRS 10 which is effective for financial periods beginning on or after 01 January 2014.



2.4 Dividends

The Company has paid dividends in respect of Ordinary Voting Shares for the years ended 31 December 2012 through to 31 December 2016 in the following manner.

Dividend Declared for the Year	Dividend Paid	Dividend paid Rs. '000	Dividend per Share Rs.
2012	2013	1,534,131	0.85
2013	2014	1,534,131	0.85
2014	2015	1,534,131	0.89
2015	2016	1,606,325	0.89
2016	2017	1,606,325	0.89

2.5 Events Occurring After the Reporting Date

The Board of Sri Lanka Telecom PLC has approved to borrow a Long Term Loan Facility up to LKR 7.0 BN from National Savings Bank at an interest rate of 6 months AWPLR + 1.1% p.a where the interest rate will be fixed for the first three years of grace period and semi-annual capital repayments commencing from fourth year. Interest to be serviced semi-annually during the grace period.

The Board of Sri Lanka Telecom PLC has approved to borrow a Long Term Loan Facility up to LKR 7.0 BN from People's Bank at an interest rate of AWPLR + 1.0% p.a for the full tenor of 7 years with 3 years grace period and semi-annual capital repayments commencing from fourth year. Interest to be serviced semi-annually during the grace period.

The Board of Sri Lanka Telecom PLC has approved the investment of LKR 180 MN in Cumulative Redeemable Preference Shares of LKR 10/- each in SLT Campus (Pvt) Ltd and the Preference Shares to be redeemed at the option of the issuer in order to be considered as Stated Capital of the company. The total investment would be disbursed as LKR 50 MN in 2017 and LKR 32.5 MN annually from 2018 to 2021. The Board has approved the immediate transfer of LKR 50 MN to SLT Campus.

The Board of Sri Lanka Telecom PLC had approved a dividend of LKR 0.89 per share for the year ended 31 December 2016 amounting to LKR 1,606 Mn out of Profit After Tax of LKR 4,790 MN. The proposed first and final dividend was paid on 02 June 2017.

During the year, the company has invested in Galle Submarine Cable Depot by investing Rs. 28 MN. This cable depot has been set up by the Cable Consortium with the participation of a number of countries and Sri Lanka will facilitate the cable maintenance ship berth and warehouse facility.



Building a better
working world

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2.6 Restriction on Use

This report is made solely for the purpose of the Board of Directors of Sri Lanka Telecom PLC in relation to the application for the purpose of issuing 'AAA' rated, senior, unsecured, redeemable, ten year debentures. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the addressee, for our audit work, for this report we have formed. This Report should not to be used, circulated, quoted or otherwise referred to for any other purpose.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Ernst & Young', written in a cursive style.



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20-03-2018

Ernst & Young
201, De Saram Place
Colombo 10

Dear Sirs,

The summarised audited financial statements and dividend details of Sri Lanka Telecom Group

The summarised audited financial statements and dividend details of Sri Lanka Telecom Group for the latest preceding 5 years is mentioned below. All figures are in LKR Millions.

Statement of Financial Position	Group					Company				
	2016	2015	2014	2013	2012	2016	2015	2014	2013	2012
As at December										
Assets										
Non-current assets										
Property, plant & equipment	108,649	99,283	90,935	80,506	73,602	81,524	70,081	60,221	47,549	43,915
Intangible assets and goodwill	3,713	2,891	3,412	3,976	2,419	879	1,084	1,326	1,613	1,326
Financial Prepayments	-	-	79	176	274	-	-	-	-	-
Investments in subsidiaries	-	-	-	-	-	14,220	14,220	14,189	14,156	14,192
Deferred tax assets	51	37	46	58	23	-	-	-	-	-
Other receivables	3,033	2,908	2,789	2,733	2,480	3,021	2,908	2,789	2,733	2,480
Total non-current assets	115,446	105,119	97,261	87,449	78,798	99,644	88,293	78,525	66,051	61,913
Current assets										
Inventories	1,585	874	475	2,174	2,601	1,146	561	282	1,918	2,396
Trade and other receivables	18,287	14,033	13,335	11,329	11,417	16,162	13,091	12,728	10,870	12,189
Current tax receivables	146	1	88	243	415	146	-	83	225	385
Other investments	764	1,043	6,750	3,393	7,381	705	641	6,397	3,203	7,064
Assets classified as held for sale	-	-	-	-	11					
Cash and cash equivalents	6,682	5,475	4,695	3,459	3,887	314	475	1,002	823	873
Total current assets	27,464	21,426	25,343	20,598	25,712	18,473	14,768	20,492	17,039	22,907
Total assets	142,910	126,545	122,604	108,047	104,510	118,117	103,061	99,017	83,090	84,820
Equity										
Stated capital	18,049	18,049	18,049	18,049	18,049	18,049	18,049	18,049	18,049	18,049



Board of Directors: Mr. P.G. Kumarasinghe Sirisena (Chairman), Mr. Chan Chee Beng, Mr. Lawrence Paratz, Ms. Lai Choon Foong, Ms. Chandra Ekanayake, Ms. Nilanthi Pieris, Mr. W.K.H. Wegapitiya, Mr. J.R.U. De Silva

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Insurance reserve	680	605	560	500	435	680	605	560	500	435
Exchange equalisation reserve	-	-	-	-	4					
Fair value reserve	-	-	-	-	(3)					(3)
Retained earnings	49,858	46,586	45,291	41,240	37,502	40,271	40,048	39,968	38,554	36,573
Equity attributable to equity holders of the company	68,587	65,240	63,900	59,789	55,987	59,000	58,702	58,577	57,103	55,054
Non-controlling interest	91	-	-	-	-	-	-	-	-	-
Total equity	68,678	65,240	63,900	59,789	55,987	59,000	58,702	58,577	57,103	55,054
Liabilities										
Non-current liabilities										
Grants	9	16	22	28	35	9	16	22	28	35
Borrowings	14,859	14,949	17,986	12,378	11,577	13,809	12,025	11,700	2,662	4,814
Deferred income	2,340	2,370	2,578	2,825	3,263	2,297	2,315	2,512	2,747	3,173
Deferred tax liabilities	4,517	3,600	2,805	1,750	782	4,507	3,594	2,801	1,746	780
Employee benefits	4,538	4,353	3,875	3,003	2,494	3,984	3,892	3,512	2,725	2,300
Trade and other payables	2,743	2,935	2,407	1,748	2,281	252	252	250	270	246
Total non-current liabilities	29,006	28,223	29,673	21,732	20,432	24,858	22,094	20,797	10,178	11,348
Current liabilities										
Borrowings	18,081	9,446	9,136	8,312	6,275	14,726	4,147	4,359	3,268	2,577
Deferred income	1,435	2,027	2,398	2,683	2,401	576	661	706	745	753
Current tax liabilities	413	447	442	359	392	-	15	-	-	-
Trade and other payables	25,297	21,162	17,055	15,172	19,023	18,957	17,442	14,578	11,796	15,088
Total current liabilities	45,226	33,082	29,031	26,526	28,091	34,259	22,265	19,643	15,809	18,418
Total liabilities	74,232	61,305	58,704	48,258	48,523	59,117	44,359	40,440	25,987	29,766
Total equity and liabilities	142,910	126,545	122,604	108,047	104,510	118,117	103,061	99,017	83,090	84,820



Sri Lanka Telecom PLC
Five year summary

Statement of Profit or Loss and other comprehensive income	Group					Company				
	2016	2015	2014	2013	2012	2016	2015	2014	2013	2012
For the year ended 31 December										
Revenue	73,801	68,022	65,040	60,144	56,771	43,131	40,565	38,950	36,781	34,719
Operating costs	(53,675)	(48,014)	(46,268)	(41,218)	(38,807)	(33,228)	(30,421)	(29,559)	(26,821)	(25,433)
Operating profit before depreciation and amortisation	20,126	20,008	18,772	18,926	17,964	9,903	10,144	9,391	9,960	9,286
Depreciation	(13,776)	(12,567)	(12,325)	(11,755)	(11,178)	(8,509)	(7,524)	(6,875)	(6,505)	(6,377)
Amortisation of intangible assets	(624)	(652)	(736)	(680)	(731)	(227)	(249)	(289)	(299)	(327)
Operating profit	5,726	6,789	5,711	6,491	6,055	1,167	2,371	2,227	3,156	2,582
Refunds on Telecommunication Development Charge (TDC)	-	-	1,259	607	309	-	-	937	367	309
Other income	988	280	582	322	254	874	171	362	292	228
Dividend income	-	-	-	-	-	749	713	660	680	691
Interest expense and finance costs	(250)	(270)	(198)	(736)	(1,021)	(25)	(30)	(49)	(371)	(534)
Foreign exchange (loss)/gain	(979)	(2,128)	(13)	(441)	(1,212)	(570)	(916)	14	18	75
Interest income	1,012	844	910	1,122	1,466	448	486	708	872	1,216
Profit before tax	6,497	5,515	8,251	7,365	5,851	2,643	2,795	4,859	5,014	4,567
Income tax expenses	(1,707)	(1,791)	(2,250)	(1,946)	(1,930)	(918)	(1,067)	(1,535)	(1,379)	(1,321)
Profit for the year	4,790	3,724	6,001	5,419	3,921	1,725	1,728	3,324	3,635	3,246
Other comprehensive Income										
foreign currency translation differences - foreign operation	-	-	-	-	3					
Net change in fair value of available for sale financial assets	-	-	-	-	3	-	-	-		3
Defined benefit plan actuarial (loss)/gain	233	(8)	(478)	(103)	(91)	249	4	(438)	(76)	(88)
Tax on other comprehensive income	(70)	(1)	122	21	25	(70)	(1)	122	21	25
Other comprehensive income for the year net of tax	163	(9)	(356)	(82)	(60)	179	3	(316)	(55)	(60)
Total comprehensive income for the year	4,953	3,715	5,645	5,337	3,861	1,904	1,731	3,008	3,580	3,186
Profit attributable to:										
Owners of the company	4,790	3,724	6,001	5,419	3,921	1,725	1,728	3,324	3,635	3,246
Total comprehensive income attributable to:										
Owners of the company	4,953	3,715	5,645	5,337	3,861	1,904	1,731	3,008	3,580	3,186
Earnings per share										
Basic (Rs)	2.65	2.06	3.32	3.00	2.17	0.96	0.96	1.84	2.01	1.80



Sri Lanka Telecom PLC
Five year summary

Statement of changes in Equity	Group					Company				
	2016	2015	2014	2013	2012	2016	2015	2014	2013	2012
Balance as at 1 January	65,240	63,900	59,789	55,987	52,125	58,702	58,577	57,103	55,054	51,850
Consolidation adjustment					(17)					
Reinstatement of property, plant & equipment	-	-	-	-	1,552	-	-	-	-	1,552
Super gain tax		(769)								
Restated balance as at 1 January	65,240	63,131	59,789	55,987	53,660	58,702	58,577	57,103	55,054	53,402
None controlling interest	91									
Total comprehensive income for the year										
Net profit for the year	4,790	3,724	6,001	5,419	3,921	1,725	1,728	3,324	3,635	3,246
Other comprehensive income										
Foreign currency translation differences foreign operation					3					
Impact on liquidation of SLT Hong Kong				(4)						
Fair value reserve reclassified to profit or loss	-	-	-	3	3	-	-	-	3	3
Defined benefit plan actuarial (loss)/gain, net of tax	163	(9)	(356)	(82)	(66)	179	3	(316)	(55)	(63)
Total other comprehensive income	163	(9)	(356)	(83)	(60)	179	3	(316)	(52)	(60)
Total comprehensive income for the year	5,044	3,715	5,645	5,336	3,861	1,904	1,731	3,008	3,583	3,186
Transactions with owners, recorded directly in equity										
Contributions and distributions by owners										
Dividends to Equity shareholders	(1,606)	(1,606)	(1,534)	(1,534)	(1,534)	(1,606)	(1,606)	(1,534)	(1,534)	(1,534)
Insurance reserve										
Transfers to insurance reserve	-	-	-	-		-	-	-	-	
Balances as at 31 December	68,678	65,240	63,900	59,789	55,987	59,000	58,702	58,577	57,103	55,054



Sri Lanka Telecom PLC
Five year summary

Statement of Cashflow	Group					Company				
	2016	2015	2014	2013	2012	2016	2015	2014	2013	2012
For the year ended 31 December										
Cashflows from operating activities										
Cash generated from Operations	21,269	23,454	20,355	15,790	16,863	11,236	12,980	11,322	9,624	10,294
Interest received	995	849	918	1,223	1,502	431	491	716	973	1,252
Interest paid	(1,487)	(1,209)	(279)	(693)	(1,119)	(1,243)	(709)	(366)	(377)	(500)
Tax paid	(1,053)	(1,665)	(823)	(853)	(1,091)	(236)	(177)	(216)	(232)	(686)
Gratuity paid	(258)	(164)	(124)	(81)	(61)	(223)	(143)	(100)	(72)	(52)
Net cash generated from operating activities	19,466	21,265	20,047	15,386	16,094	9,965	12,442	11,356	9,916	10,308
Cashflows from investing activities										
Acquisition of property, plant and equipment	(23,800)	(20,340)	(20,178)	(18,575)	(17,414)	(20,610)	(16,113)	(16,438)	(10,080)	(13,928)
Acquisition of intangible assets	(1,363)	(37)	(75)	(2,139)	(1,361)	(22)	(7)	(2)	(586)	(1,183)
Proceeds from disposal of Property, plant and equipment	404	40	79	88	100	388	20	67	87	100
Proceeds/ (Purchase) of short term investments	412	5,962	(3,350)	4,119	3,212	67	6,011	(3,092)	3,991	3,058
Proceeds/ (Purchase) of long term investments	-	-	-	-	101	-	-	-	-	101
Proceeds on liquidation of subsidiary	-	-	-	-	-	-	-	49	-	-
Investments in Subsidiaries	-	-	-	-	-	(25)	(33)	-	-	(1,138)
Net cash/(used) in investing activities	(24,347)	(14,375)	(23,524)	(16,507)	(15,362)	(20,177)	(10,114)	(19,498)	(6,539)	(12,990)
Cashflows from Financing activities										
Proceeds from Borrowings	9,513	3,464	13,430	7,220	8,214	9,032	2,816	13,092	-	5,982
Finance lease and principle repayments	(72)	(68)	(77)	(48)	(47)	(50)	(47)	(59)	(38)	(38)
Repayment of borrowings	(8,195)	(7,855)	(6,780)	(5,581)	(6,459)	(3,626)	(4,291)	(2,456)	(2,448)	(2,437)
Dividends paid to equity shareholders	(1,606)	(1,606)	(1,534)	(1,534)	(1,534)	(1,606)	(1,606)	(1,534)	(1,534)	(1,534)
Net cash (used)/ generated from Financing activities	(360)	(6,065)	5,039	57	174	3,750	(3,128)	9,043	(4,020)	1,973
(Decrease)/ Increase in cash and cash equivalents	(5,241)	825	1,562	(1,064)	906	(6,462)	(800)	901	(643)	(709)



Movements in cash and cash equivalents										
Cash and cash equivalents at the beginning of the year	4,620	3,774	2,194	3,269	2,172	223	1,002	83	737	1,255
Effect of exchange fluctuations on cash and cash equivalents	5	21	18	(11)	191	5	21	18	(11)	191
	4,625	3,795	2,212	3,258	2,363	228	1,023	101	726	1,446
(Decrease)/ Increase in cash and cash equivalents	(5,241)	825	1,562	(1,064)	906	(6,462)	(800)	901	(643)	(709)
At the end of the year	(616)	4,620	3,774	2,194	3,269	(6,234)	223	1,002	83	737

Dividend Declared for the Year	Dividend Paid year	Dividend paid Rs. '000	Dividend per Share Rs.
2012	2013	1,534,131	0.85
2013	2014	1,534,131	0.85
2014	2015	1,534,131	0.89
2015	2016	1,606,325	0.89
2016	2017	1,606,325	0.89

Thank you.

Yours faithfully,



Sanath Wijesuriya
General Manager -Treasury

Sanath Wijesuriya
General Manager Treasury
Sri Lanka Telecom PLC
Colombo 01.

UDENI SAMARARATNE
Chief Financial Officer
SRI LANKA TELECOM PLC

Udeni Samararatne
Chief Financial Officer



ANNEXURE III – CREDIT RATING REPORT

FITCH RATINGS LANKA LTD.


 Authorised Signatory.

Fitch Ratings

Fitch Rates Sri Lanka Telecom's Debt Final 'AAA(lka)'

Fitch Ratings-Singapore/Colombo-05 April 2018: Fitch Ratings has assigned Sri Lanka Telecom PLC's (SLT, AAA(lka)/Stable) proposed senior unsecured debenture issue of up to LKR7 billion a National Long-Term Rating of 'AAA(lka)'.

The debentures will have a tenor of 10 years and carry fixed coupons. The debentures will be listed on the Colombo Stock Exchange, with the proceeds to be used to refinance short-term debt and fund capex plans.

SLT's senior unsecured debt is rated at the same level as its National Long-Term Rating, as the debentures rank equally with other senior unsecured obligations. The final rating is the same as the expected rating assigned on 2 January 2018, and follows the receipt of documents conforming to information already received.

KEY RATING DRIVERS

Proposed Tax Credit Negative: Fitch believes SLT's 2018 operating EBITDAR margin could decline to 24% (2017 estimate: 28%) and its funds flow from operations (FFO) adjusted net leverage could deteriorate to 2.5x (2017 estimate: 1.9x) if it were to pay an additional LKR3 billion tax for SLT's fully owned subsidiary, Mobitel (Pvt) Ltd.'s mobile towers. However, we believe that such high taxes are unlikely to be implemented in full, and have not therefore factored these into our base case. We expect SLT's ratings to remain unaffected, even if the taxes are implemented, given the high ratings headroom.

The Sri Lankan government's 2018 budget, announced on 9 November 2017, proposes to tax mobile operators LKR200,000 per tower each month.

Negative FCF; Large Capex: We expect a free cash flow (FCF) deficit during 2018-2020 (2017 estimate: LKR10 billion deficit), as cash flow from operations could fall short in funding large capex plans to expand the group's optical fibre infrastructure and 3G/4G mobile networks. We expect capex to moderate to LKR24 billion-25 billion per year after peaking at LKR27 billion, or 36% of revenue, in 2017. SLT's fibre investments are likely to have low returns due to the country's low broadband tariffs. Dividends are likely to remain around LKR1.6 billion-1.8 billion.

Data Drives Growth: SLT's data revenue growth will improve following the removal of the telco levy on data services from September 2017, which lowered the effective tax rate to around 20% from 32%. However, we forecast the EBITDA margin to narrow by about 50bp a year over 2018-2020, as improving profitability on fixed-broadband and mobile internet usage will only partly offset margin dilution from a falling share of profitable fixed-voice and international operations.

Overall revenue growth slowed to 2.6% in 2017 (2016: 8.5%) due to the reintroduction of value added tax and nation-building tax on telecom services, but should recover to the mid-single-digits in 2018-2019 along with better mobile-voice revenue and the robust data growth.

Solid Market Position: SLT's ratings are underpinned by its market-leading position in fixed-line services and second-largest position in mobile, along with its ownership of an extensive optical fibre network. Stable cash generation benefits from diversified service offerings, including fixed-voice, broadband, mobile, pay-TV, business-to-business and international operations. We believe SLT's market position will strengthen, as it plans to expand its mobile and fibre infrastructure.

Market Consolidation, M&A Risk: We expect some industry consolidation due to ongoing intense competition, especially in the mobile segment; this segment has five operators that face investment requirements that are still high, and the smaller operators are unprofitable. SLT's National Long-Term Rating could come under pressure if it were to perform a debt-funded

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acquisition of a smaller operator; any rating action will be based on the acquisition price, funding structure, and the financial and operating profile of the combined entity.

DERIVATION SUMMARY

SLT has lower exposure to the crowded mobile market than Dialog Axiata PLC (AAA(lka)/stable), and more diverse service platforms. However, Dialog has a larger revenue base and better operating EBITDAR margin than SLT. SLT's forecast FFO adjusted net leverage and FCF profile is worse than that of Dialog. SLT also has a larger capex plan relative to its EBITDA to expand fibre networks across Sri Lanka.

SLT has a larger operating scale compared with hard-liquor market leader Distilleries Company of Sri Lanka PLC (DIST, AAA(lka)/Rating Watch Negative), because a significant portion of the country's alcoholic beverage consumption occurs outside the formal sector in which DIST operates. DIST is also exposed to more regulatory risk in the form of recurrent increases in indirect taxation, but these risks are counterbalanced by its substantially stronger FCF.

SLT has a larger operating scale and a wider EBITDAR margin than Hemas Holdings PLC (AA-(lka)/Stable), which is a diversified conglomerate with exposure to pharmaceuticals, fast-moving consumer goods, leisure and transport. Hemas is the largest private retail pharmaceuticals distributor in the country and second-largest home care and personal care manufacturer. Hemas's FFO adjusted net leverage is likely to be better than that of SLT over the medium term.

KEY ASSUMPTIONS

Fitch's Key Assumptions Within the Rating Case Include:

- Revenue growth to recover from 2018 to the mid-single-digit percentage, driven by fixed-broadband and mobile data services.
- Proposed mobile tower taxes are not implemented.
- Operating EBITDAR margin to narrow by about 50bp during 2018-2019 due to a change in revenue mix.
- Capex/revenue of around 28%-30% as SLT expands its fibre and 3G/4G networks.
- Dividend payout to remain around LKR1.6 billion-1.8 billion.
- FCF deficit during 2018-2020 resulting in gradual increase in FFO adjusted net leverage

RATING SENSITIVITIES

Developments That May, Individually or Collectively, Lead to Positive Rating Action Include:

- There is no scope for SLT's National Long-Term Rating to be upgraded as SLT is at the highest rating on the Sri Lankan National Ratings scale.

Developments That May, Individually or Collectively, Lead to Negative Rating Action Include:

- A debt-funded acquisition of a smaller operator could threaten SLT's National Long-Term Rating, depending on the acquisition price and the financial profile of the combined entity.

LIQUIDITY

Strong Access to Banks: SLT's liquidity was inadequate at end-2017, with unrestricted cash and cash equivalents of around LKR5 billion and committed undrawn bank lines of around LKR8 billion being insufficient to fund short-term debt of LKR27 billion and the forecast 2018 FCF deficit of around LKR5 billion. However, we expect SLT to refinance its short-term debt comfortably, as the company has a demonstrated record of accessing capital from local banks and capital markets.

Contact:

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Additional information is available on www.fitchratings.com

Applicable Criteria
Corporate Rating Criteria (pub. 23 Mar 2018)
National Scale Ratings Criteria (pub. 07 Mar 2017)
Sector Navigators (pub. 23 Mar 2018)

Additional Disclosures
Solicitation Status
Endorsement Policy

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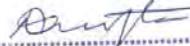
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ANNEXURE IV – COLLECTION POINTS

Copies of the Prospectus and Application Form can be obtained free of charge from the following Collection Points.

Managers to the Issue	Registrars to the Issue
Acuity Partners (Private) Limited No. 53, Dharmapala Mawatha, Colombo 03 T: +94 112 206 206 F: +94 112 437 149	SSP Corporate Services (Pvt) Limited No. 101 Inner Flower Road Colombo 03 Tel: +94 112 573 894 Fax: +94 112 573 609
Bankers to the Issue	
People's Bank Corporate Banking Division No-91, ACHC Building, Sir Chittampalampalam A Gardiner Mawatha, Colombo 02 Tel: +94 112 334275, +94 112 320 651-6	

Members of the CSE

Bartleet Religare Securities (Pvt) Limited Level "G", "Bartleet House", 65, Braybrooke Place, Colombo 2. Tel: +94 11 5 220 200 Fax: +94 11 2 434 985	J B Securities (Pvt) Ltd. 150, St. Joseph Street, Colombo 14. Tel: +94 11 2 490 900 Fax: +94 11 2 430 070
Acuity Stockbrokers (Pvt) Ltd No. 53, Dharmapala Mawatha, Colombo 03. Tel: +94 11 2 206 206 Fax: +94 11 2 206 298 / 9	Lanka Securities (Pvt) Ltd 228/1, Galle Road, Colombo 04. Tel: +94 11 4 706 757, 2 554 942 Fax: +94 11 4 706 767
John Keells Stock Brokers (Pvt) Ltd 186, Vauxhall Street, Colombo 02. Tel: +94 11 2 306250 Fax: +94 11 2 342068	Asia Securities (Pvt) Ltd 2nd Floor, No 176/1 - 2/1, Thimbirigasyaya Road, Colombo 05. Tel: +94 11 7 722 000 Fax: +94 11 2584864

Asha Phillip Securities Ltd 2nd Floor, Lakshmans Building, No. 321, Galle Road, Colombo 03. Tele: +94 11 2 429 100 Fax: +94 11 2 429 199	Nation Lanka Equities (Pvt) Ltd. 44, Guildford Crescent, Colombo - 07. Tel: +94 11 4658658 Fax: +94 11 2 688 899
Assetline Securities (Pvt) Ltd. No.120, 120A, Pannipitiya Road, Battaramulla. Tel: +94 11 4 700 100 Fax: +94 11 4 700 101, +94 11 4 700 112	Capital Trust Securities (Pvt) Ltd 42, Mohamed Macan Markar Mawatha, Colombo 03. Tel: +94 11 2 174 174, +94 11 2 174 175 Fax: +94 11 2 174 173
Somerville Stockbrokers (Pvt) Ltd. 1A, Park Way, Park Road Colombo 5. Tel: +94 11 2 502 852 / +94 11 2 502 854 / +94 11 2 502 858 / +94 11 2 502 862 Fax: +94 11 2502596	S C Securities (Pvt) Ltd. 5th Floor, 26 B, Alwis Place, Colombo 03. Tel: +94 11 4 711 000 / +94 11 47 11 001 Fax: +94 11 2 394 405
CT CLSA Securities (Pvt) Limited 4-14, Majestic City, 10, Station Road, Colombo 04. Tel. +94112552290-4, Fax: +94 11 2 552 289	First Capital Equities (Pvt) Limited. No. 2, Deal Place, Colombo 03. Tel: +94 11 2639898 Fax: +94 11 5 736 264
NDB Securities (Private) Limited. Level 2, NDB Capital Building, No. 135, Baudhaloka Mawatha, Colombo 4. Tel: +94 11 2 314 170 to 2 314 178, +94 11 2 131 000 Fax: +94 11 2 314 181	

Trading Members

Capital Alliance Securities (Pvt) Ltd Level 5, "Millennium House", 46/58 Nawam Mawatha, Colombo 02. Tel: +94 11 2 317 777 Fax: +94 11 2 3177 88	LOLC Securities Limited No. 481, T.B. Jayah Mawatha, Colombo 10. Tel: +94 11 5889889 Fax: +94 11 2662883
SMB Securities (Pvt) Ltd No. 02, Gower Street, Colombo 5. Tel: +94 11 4 388 138 Fax: +94 11 2550100	Enterprise Ceylon Capital (Private) Limited 26th Floor, East Tower, World Trade Centre, Echelon Square, Colombo 01. Tel: +94 11 2372541 Fax: +94 11 2372541

<p>First Guardian Equities (Pvt) Ltd 32nd Floor, East Tower, World Trade Centre, Colombo 01. Tel: +94 11 5 884 400 (Hunting) Fax: +94 11 5 884 401</p>	<p>TKS Securities (Pvt) Ltd. 4th Floor, No. 245, Dharmapala Mawatha, Colombo 07. Tel: +94 11 7 857 799 Fax: +94 11 7 857 857</p>
<p>Taprobane Securities (Pvt) Ltd. 2nd Floor, No. 10, Gothami Road, Colombo 08. Tel: +94 11 5 328 200, +94 11 5 328 100 Fax: +94 11 5 328 177 E-mail: info@taprobane.lk</p>	<p>Richard Pieris Securities (Pvt) Ltd. No. 55/20, Vauxhall Lane, Colombo 02. Tel: +94 11 7 448 900, +94 11 5 900 800 Fax: +94 11 2 330 711</p>
<p>Candor Equities Ltd Level 8, South Wing, Millennium House, 46/58 Nawam Mawatha, Colombo 02. Tel: +94 11 2 359 100 Fax: +94 11 2305 522</p>	<p>Claridge Stockbrokers (Pvt) Ltd No. 97, Ananda Rajakaruna Mawatha, Colombo 10. Tel: +94 11 2 689 248 Fax: +94 11 2 689 250</p>
<p>Navara Securities (Pvt) Ltd No. 12B Gregory's Road, Colombo 7. Tel: +94 11 2 358 700 / 20 Fax: +94 11 5 005 551</p>	<p>Softlogic Stockbrokers (Pvt) Ltd No. 06, 37th Lane, Queens Road, Colombo 03. Tel: +94 11 7 277 000 Fax: +94 11 7 277 099</p>

Debt Trading Members

<p>First Capital Markets Limited No. 2, Deal Place Colombo 3 Tel: +94 11 2 639 898, +94 11 2 681 888 Fax: +94 11 2 639 899, +94 11 2 681 460 E-Mail: info@firstcapital.lk</p>	<p>Capital Alliance Limited Level 5, "Millenium House" 46/58, Nawam Mawatha Colombo 2 Tel: +94 11 2 317 777 Fax: +94 11 2 317 788</p>
<p>Wealthtrust Securities Limited No. 32 Dudley Senanayake Mawatha Colombo 08 Tel: +94 11 2 675 091 – 4 Fax: +94 11 2 689 605</p>	<p>NSB Fund Management Company Limited No. 255, 1st Floor NSB Head Office, Galle Road Colombo 3 Tel: +94 -11 2 564 601 Fax: +94 11 2 574 387</p>

ANNEXURE V – CUSTODIAN BANKS

Bank of Ceylon (Head Office) 11th Floor, 04, Bank of Ceylon Mawatha, Colombo 01 T: +94 11 2448348, 2338742/55, 2544333	Citi Bank, N A 65 C, Dharmapala Mawatha, Colombo 07 T: +94 11 2447316/8, 2447318, 2449061
Commercial Bank of Ceylon PLC Commercial House, 21, Sir Razik Fareed Mawatha, Colombo 01 T: +94 11 2445010-15, 238193-5, 430420	Deutsche Bank AG 86, Galle Road, Colombo 03 T: +94 11 2447062, 2438057
Hatton National Bank PLC HNB Towers, 479, T. B. Jayah Mawatha, Colombo 10 T: +94 11 2664664	The Hong Kong and Shanghai Banking Corporation Limited 24, Sir Baron Jayathilake Mawatha, Colombo 01 T: +94 11 2325435, 2446591, 2446303
People's Bank (Head Office) 5th Floor, Sir Chittampalam A Gardiner Mawatha, Colombo 02 T: +94 11 2781481, 237841-9, 2446315/6	Standard Chartered Bank 37, York Street, Colombo 01 T: +94 11 4794400, 2480000
Sampath Bank PLC 110, Sir James Peiris Mawatha, Colombo 02 T: +94 11 5331441	State Bank of India 16, Sir Baron Jayathilake Mawatha, Colombo 01 T: +94 11 2326133-5, 2439405-6, 2447166
Seylan Bank PLC Level 8, Ceylinco Seylan Towers, 90, Galle Road, Colombo 03 T: +94 11 2456789, 4701812, 4701819	Union Bank of Colombo Limited 64, Galle Road, Colombo 03 T: +94 11 2370870
Nations Trust Bank PLC 256, Sri Ramanathan Mawatha, Colombo 15 T: +94 11 4313131	National Savings Bank 255, Galle Road, Colombo 03 T: +94 11 2573008-15
Pan Asia Banking Corporation PLC (Head Office) 450, Galle Road, Colombo 03 T: +94 11 2565565	Public Bank Berhard 340, R.A. De Mel Mawatha Colombo 03 T: +94 11 2576289