

Sri Lanka Telecom PLC. (SLT)
3rd quarter 2007 financial results

Impressive growth in SLT profits despite revenue reversal.

Sri – Lanka Telecom (SLT) reported a group after tax net profit of Rs. 4.3 billion during the first 3 quarters of 2007. This is a 12% increase year on year basis.

Summarized results

Rs. Million

	Group		Growth	Company		Growth
	(First nine months)			(First nine months)		
	2007	2006		2007	2006	
Revenue (net of provision)	31,905	29,879	7%	27,636	26,395	5%
Operating cost	(15,121)	(12,812)	18%	(12,573)	(10,796)	16%
Depreciation	(7,653)	(7,505)	2%	(6,715)	(6,556)	2%
ITL	(2,099)	(1,636)	28%	(2,017)	(1,634)	23%
VRS cost	(43)	(425)		(43)	(425)	
Other income/(charges)	145	144	1%	145	140	4%
Net Interest cost	(671)	(960)	(30%)	(26)	(261)	90%
Taxation	(2,128)	(2,815)	(24%)	(2,115)	(2,768)	(24%)
Net profit after tax	4,335	3,870	12%	4,292	4,095	5%

Revenue

The group revenue has increased by 7% during the 9 months of 2007, when compared to the same period of the previous year. The corresponding increase in the company was 5%.

Group Revenue Breakdown:

Rs. Million

Revenue Components	1st nine months 2007	1st nine months 2006	Growth
Domestic revenues and differed connection charge (net of provision for tariff reduction)	15,068	15,023	0%
CDMA new connection revenue	2,061	2,583	(20%)
International revenue	6,820	6,133	11%
Mobitel revenue	4,886	3,872	26%
Data & other operating revenue	3,070	2,268	35%
Total group revenue	31,905	29,879	7%

Domestic Revenue:

Additional Revenue generated by the CDMA new connections given, have been absorbed by the revenue reversal made in accordance with the Supreme Court judgment given on the legal actions initiated by "Consumers Association of Sri-Lanka". Hence the increase of domestic revenue was marginal. Company expects a growth in usage in the future due to the effect of price elasticity. By the end September 2007 SLT had a fixed line subscriber base of 1.3 million.

CDMA connection chargers:

During the 1st nine months of the year, 161,550 CDMA new connections have been given. This is lower than the connections given during the same period of previous year by 3,492 connections. In May 2007 the connection charge was reduced to Rs. 12,000 from Rs. 16,000/-.

International Revenue:

Revenues through international gateway operations have continued to increase. Increase in international incoming traffic volumes mainly through VOIP operations have contributed to the increase. The competitive nature of the local market has shown a slight drop in IDD call revenue.

Data & Other Operating Revenue:

Data related revenues have shown a healthy growth. This includes the broad band and narrow band products. By September 2007, SLT had about approximately 45,000 ADSL connections and 82,000 post paid internet customers. Additionally, SLT provides domestic and international leased services and IPVPN facilities to corporate customers.

Operations of Mobitel (Pvt.) Ltd.,

SLTL's wholly owned subsidiary and mobile operator Mobitel (Pvt) Ltd., recorded a strong growth in the first nine months of operations in 2007. The subscriber base increased over 60% to 1.11 million in September 2007 compared to corresponding period of last year.

Growth in subscriber base has been the key driver of revenue where the 1st nine months of 2007 witnessed a 26% increase to Rs. 4.9 billion compared to the corresponding period in 2006. This growth has resulted in growth in all key profitability indicators. While EBITDA increased by 8% to Rs.1.6 billion in the first nine months of 2007, Mobitel was able to make a profit of Rs.43 million compared to Rs. 167 million losses made during the same period of 2006.

Mobitel continues to expand coverage with Stage III expansion which is currently underway. Already the subscriber capacity has being increased up to 1.75 million. Under Stage III expansion Mobitel intends to introduce 3G in the 4th quarter of 2007 with a suite of new services including mobile broadband.

	1st nine months 2007	1st nine months 2006	Growth
Subscribers – 000'	1,113	688	62%
Revenue (Rs.mil)	4,886	3,879	26%
EBITDA (Rs.mil)	1,643	1,524	8%
Net profits after tax (Rs.mil)	43	(167)	126%
Cash Flow from Operations (Rs.mil)	1,771	1,745	1%

Court decision on the tariff revision implemented in 2003.

On 27th August 2007 the Supreme Court delivered the judgment on the legal action initiated by an organization styling itself “Consumer Association of Sri – Lanka”.

Accordingly, will be entitled to an 8.72% overall reduction on local call chargers and rentals effective from 01.01.2007 to 31.10.2007. This credit will be appeared in the bill for November 2007.

Effective from 01st January 2007, a new time based (per second) traffic structure will be introduced along with a reduction in rentals. The overall revenue reduction is approximately 9.03%.

For the period 01st January 2007 to 30th September 2007 SLT has estimated the revenue reversal amount to be Rs.1.3 billion.

Third Voluntary retirement scheme (VRS)

During the 3rd quarter of 2007 SLT introduced its 3rd VRS incurring a cost of Rs. 43 million. Target of this scheme was to ease the burden of those employees who had served the Company well, but had been affected by poor health, thus causing them stress at work. SLT was the first institution to offer a scheme of this nature, which benefited for 52 employees. A Ceremony was held at Trans Asia Hotel to hand over their compensation package. At present, there are about 7,000 employees working at SLT.