

Sri Lanka Telecom PLC and its Subsidiaries

Registration No. - PQ 7

Interim Financial Report 3 rd Quarter 2015

OUR VISION

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

OUR MISSION

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



Sri Lanka Telecom

One Country. One Voice.

Sri Lanka Telecom PLC and its Subsidiaries
Company Registration No. PQ 7
Quarterly Interim Financial Report as of 30 September 2015

Statement of Profit or Loss and other Comprehensive Income as specified

(All amounts in LKR Millions.)

	Group			Company			Group			Company		
	July-Sep.	change		July-Sep.	change		Jan.- Sep.	change		Jan.- Sep.	change	
	2015	2014	%	2015	2014	%	2015	2014	%	2015	2014	%
Revenue	17,313	16,646	4	10,314	9,863	5	50,840	48,039	6	30,223	28,913	5
Operating costs	(11,785)	(11,320)	4	(7,537)	(7,277)	4	(34,421)	(33,183)	4	(21,964)	(21,589)	2
Operating profit before depreciation - and amortization	5,528	5,326	4	2,777	2,586	7	16,419	14,856	11	8,259	7,324	13
Depreciation	(3,167)	(2,951)	7	(1,894)	(1,581)	20	(9,374)	(9,284)	1	(5,619)	(5,129)	10
Amortisation of intangible assets	(161)	(173)	(7)	(61)	(64)	(5)	(491)	(550)	(11)	(188)	(223)	(16)
Operating profit	2,200	2,202	(0)	822	941	(13)	6,554	5,022	31	2,452	1,972	24
Refund of Telecommunication -Development Charge (TDC)	-	258	(100)	-	-	-	-	957	(100)	-	699	(100)
Other income	101	31	226	80	22	264	216	325	(34)	157	144	9
Interest expenses and finance cost	(120)	(196)	(39)	(36)	(149)	(76)	(338)	(530)	(36)	(120)	(372)	(68)
Foreign exchange (loss) /gain	(1,405)	18	(7906)	(670)	27	(2581)	(1,768)	117	(1611)	(752)	71	(1159)
Interest income	252	237	6	146	189	(23)	746	703	6	497	550	(10)
Profit before tax	1,028	2,550	(60)	342	1,030	(67)	5,410	6,594	(18)	2,234	3,064	(27)
Income tax expenses	(398)	(475)	(16)	(214)	(311)	(31)	(1,303)	(1,551)	(16)	(781)	(1,021)	(24)
Profit for the Period	630	2,075	(70)	128	719	(82)	4,107	5,043	(19)	1,453	2,043	(29)
Other comprehensive income												
Defined benefit plan actuarial (loss)/gain	(109)	(19)	474	(109)	(19)	474	(327)	(57)	474	(327)	(57)	474
Tax on other comprehensive income	31	5	520	31	5	520	92	16	475	92	16	475
Other comprehensive income for - the period net of tax	(78)	(14)	457	(78)	(14)	457	(235)	(41)	473	(235)	(41)	473
Total Comprehensive Income for the Period	552	2,061	(73)	50	705	(93)	3,872	5,002	(23)	1,218	2,002	(39)
Profit Attributable to :												
Owners of the company	630	2,075	(70)	128	719	(82)	4,107	5,043	(19)	1,453	2,043	(29)
Total Comprehensive Income attributable to:												
Owners of the company	552	2,061	(73)	50	705	(93)	3,872	5,002	(23)	1,218	2,002	(39)
Earnings per share												
-Basic (Rs.)	0.35	1.15	(70)	0.07	0.40	(82)	2.28	2.79	(19)	0.81	1.13	(29)
-Annualized (Rs.)	1.42	4.60	(70)	0.28	1.59	(82)	3.03	3.73	(19)	1.07	1.51	(29)

The above figures are provisional and unaudited

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Statement of Financial Position

(All amounts in LKR Millions)

	Group		Company	
	Un-Audited as at 30 Sep. 2015	Audited as at 31 Dec. 2014	Un-Audited as at 30 Sep. 2015	Audited as at 31 Dec. 2014
Assets				
Non-Current Assets				
Property, plant and equipment	95,081	90,935	64,788	60,221
Intangible assets and goodwill	3,020	3,412	1,142	1,326
Financial prepayment	8	79	-	-
Investments in subsidiaries	-	-	14,214	14,189
Deferred tax assets	47	46	-	-
Other receivables	2,983	2,789	2,973	2,789
Total Non-current Assets	101,139	97,261	83,117	78,525
Current Assets				
Inventories	1,054	475	733	282
Trade and other receivables	14,283	13,335	13,153	12,728
Current tax receivables	2	88	-	83
Other investments	661	6,750	607	6,397
Cash and cash equivalents	7,394	4,695	820	1,002
Total Current Assets	23,394	25,343	15,313	20,492
Total Assets	124,533	122,604	98,430	99,017
Equity and Liabilities				
Capital and Reserves				
Stated capital (Represented by 1,804,860,000 shares)	18,049	18,049	18,049	18,049
Insurance reserve	592	560	592	560
Retained earnings	47,525	45,291	39,548	39,968
Equity attributable to equity holders - of the company	66,166	63,900	58,189	58,577
Non controlling interest	0	0	-	-
Total Equity	66,166	63,900	58,189	58,577
Non Current Liabilities				
Grants	18	22	18	22
Borrowings	12,560	17,986	8,929	11,700
Deferred income	2,402	2,578	2,337	2,512
Deferred tax liabilities	3,118	2,805	3,114	2,801
Employee benefits	4,555	3,875	4,167	3,512
Trade and other payables	3,023	2,407	251	250
Total Non Current Liabilities	25,676	29,673	18,816	20,797
Current Liabilities				
Borrowings	10,261	9,136	4,978	4,359
Deferred income	1,973	2,398	721	706
Current tax liabilities	629	442	216	-
Trade and other payables	19,828	17,055	15,510	14,578
Total Current Liabilities	32,691	29,031	21,425	19,643
Total Equity and Liabilities	124,533	122,604	98,430	99,017

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

Signed

Udeni Samararatne
Chief Financial Officer

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

Signed for and behalf of the Board.

Signed
P.G. Kumarasinghe Sirisena
Chairman

Signed
Chandra Ekanayake
Director

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Statement of Changes in Equity - 1 January 2014 to 30 September 2015

(All amounts in LKR Millions)

Attributable to owners of the Company

Group

	Attributable to owners of the Company					Total Equity
	Stated Capital	Insurance Reserve	Retained Earnings	Total	Non Controlling Interest	
Balance as at 1 January 2014	18,049	500	41,240	59,789	-	59,789
Total comprehensive income for the period						
Net profit for the period			5,043	5,043	-	5,043
Other comprehensive income						
-Defined benefit plan actuarial (losses)/gain,net of tax			(41)	(41)	-	(41)
Total Other comprehensive income	-	-	(41)	(41)	-	(41)
Total comprehensive income for the period	-	-	5,002	5,002		5,002
Transactions with owners,recorded directly in equity						
- contribution by and distribution to owners						
Dividends to equity share holders			(1,534)	(1,534)	-	(1,534)
Insurance reserve						
-Transferred to insurance reserve		41	(41)	-	-	-
Balance as at 30 September 2014	18,049	541	44,667	63,257	-	63,257
Balance as at 1 October 2014	18,049	541	44,667	63,257	-	63,257
Total comprehensive income for the period						-
Net profit for the period			958	958		958
Other comprehensive income						-
-Defined benefit plan actuarial (losses)/gain,net of tax			(315)	(315)		(315)
Total Other comprehensive income	-	-	(315)	(315)	-	(315)
Total comprehensive income for the period	-	-	643	643	-	643
Insurance reserve						
-Transferred to insurance reserve		19	(19)			
Balance as at 31 December 2014	18,049	560	45,291	63,900	-	63,900
Balance as at 1 January 2015	18,049	560	45,291	63,900	-	63,900
Total comprehensive income for the period						-
Net profit for the period			4,107	4,107	-	4,107
Other comprehensive income						-
-Defined benefit plan actuarial (losses)/gain,net of tax			(235)	(235)	-	(235)
Total Other comprehensive income	-	-	(235)	(235)	-	(235)
Total comprehensive income for the period	-	-	3,872	3,872	-	3,872
Transactions with owners,recorded directly in equity						
- contribution by and distribution to owners						
Dividends to equity share holders			(1,606)	(1,606)	-	(1,606)
Insurance reserve						
-Transferred to insurance reserve		32	(32)		-	
Balance as at 30 September 2015	18,049	592	47,525	66,166	-	66,166

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Statement of Changes in Equity - 1 January 2014 to 30 September 2015

(All amounts in LKR Millions)

Company	Attributable to owners of the Company			
	Stated Capital	Insurance Reserve	Retained Earnings	Total
Balance as at 1 January 2014	18,049	500	38,554	57,103
Total comprehensive income for the period				
Net profit for the period			2,043	2,043
Other comprehensive income				-
-Defined benefit plan actuarial (losses)/gain, net of tax			(41)	(41)
Total Other comprehensive income	-	-	(41)	(41)
Total comprehensive income for period	-	-	2,002	2,002
Transactions with owners, recorded directly in equity				
- contribution by and distribution to owners				
Dividends to equity share holders			(1,534)	(1,534)
Insurance reserve				
-Transferred to insurance reserve		41	(41)	
Balance as at 30 September 2014	18,049	541	38,981	57,571
Balance as at 1 October 2014	18,049	541	38,981	57,571
Total comprehensive income for the period				
Net profit for the period			1,281	1,281
Other comprehensive income				-
-Defined benefit plan actuarial (losses)/gain, net of tax			(275)	(275)
Total Other comprehensive income	-	-	(275)	(275)
Total comprehensive income for the period	-	-	1,006	1,006
Insurance reserve				
-Transferred to insurance reserve		19	(19)	(19)
Balance as at 31 December 2014	18,049	560	39,968	58,577
Balance as at 1 January 2015	18,049	560	39,968	58,577
Total comprehensive income for the period				
Net profit for the period			1,453	1,453
Other comprehensive income				-
-Defined benefit plan actuarial (losses)/gain, net of tax			(235)	(235)
Total Other comprehensive income	-	-	(235)	(235)
Total comprehensive income for the period	-	-	1,218	1,218
Transactions with owners, recorded directly in equity				
- contribution by and distribution to owners				
Dividends to equity share holders			(1,606)	(1,606)
Insurance reserve				
-Transferred to insurance reserve		32	(32)	
Balance as at 30 September 2015	18,049	592	39,548	58,189

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Statement of Cash Flows for the Period ended 30 September

(All amounts in LKR Millions)

	GROUP		COMPANY	
	2015	2014	2015	2014
Operating activities				
Cash generated from operations	17,514	14,969	8,730	7,889
Interest received	781	694	532	541
Interest paid	(785)	(242)	(687)	(331)
Tax paid	(626)	(614)	(77)	(120)
Gratuity paid	(121)	(102)	(110)	(80)
Net cash generated from operating activities	16,763	14,705	8,388	7,899
Investing activities				
Acquisition of property, plant and equipment	(13,249)	(13,672)	(9,915)	(10,778)
Acquisition of intangible assets	(28)	(72)	(4)	(6)
Proceeds from disposal of property, plant and equipment	39	50	20	46
Proceeds /(Purchase) of short term investments	6,230	(2,237)	5,931	(2,068)
Investments in subsidiaries	-	-	(25)	-
Net cash used in investing activities	(7,008)	(15,931)	(3,993)	(12,806)
Financing activities				
Proceeds from borrowings	420	9,434	-	9,138
Finance lease principal re-payments	(68)	(59)	(52)	(45)
Re-Payment on borrowings	(5,637)	(4,941)	(2,947)	(1,221)
Dividend paid to equity share holders	(1,606)	(1,534)	(1,606)	(1,534)
Net cash generated/(used) in financing activities	(6,891)	2,900	(4,605)	6,338
Increase/(Decrease) in cash and cash equivalents	2,864	1,674	(210)	1,431
Movement in Cash and cash equivalents				
Cash and cash equivalents at beginning of the year	3,774	2,194	1,002	83
Effect on exchange fluctuation on cash and cash equivalents	28	23	28	23
	3,802	2,217	1,030	106
Increase/(Decrease) in cash and cash equivalents	2,864	1,674	(210)	1,431
Cash and cash equivalents at 30 September	6,666	3,891	820	1,537

Cash and cash equivalents shown in the cashflow statement is net of overdraft.

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Notes to the Financial Statements

1. General Information

Sri Lanka Telecom PLC (the "Company") is a Company domiciled in Sri Lanka. The address of the Company's registered office is Lotus Road, Colombo 1. The consolidated financial statements of the Company as at and for the period ended 30 September 2015 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group is primarily involved in providing broad portfolio of telecommunication services across Sri Lanka. In addition, the range of services provided by the Group include, inter-alia, internet services, data services, domestic and international leased circuits, broadband, satellite uplink, maritime transmission, IPTV service and directory publishing service. The Company is a quoted public Company which has its listing on the Colombo Stock Exchange.

2. Basis of Preparation

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

3. Accounting Policies

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

4. Dividends on Cumulative Redeemable Preference Shares

Sky Network (Private) Limited has issued 6,000,000 12% cumulative redeemable preference shares of Rs.10/- each and the preference dividends of Rs 50 million have not been recognized in the Financial Statements as at 30 September 2015.

5. Contingent Liabilities.

There was no significant change in the nature of the contingent liabilities, which were disclosed in the Financial Statements for the year ended 31 December 2014, except for the following items;

- a) Global Electroteks Limited initiated legal action under High Court Case No. 20/2006 claiming damages of USD 12 million from Sri Lanka Telecom PLC ("SLT") for unlawful disconnection of interconnection services. Further trial will be held on 30 March 2016.
- b) SC (CHC) 31/2010 - Directories Lanka (Private) Limited (DLPL)
Appeal case filed by DLPL against SLT against the dismissal of CHC 2/2006(3) for damages claim of Rs.250 million, for alleged unfair competition with regard to SLT's artwork on the cover page of the Directory. The appeal proceedings have still not commenced in the Supreme Court.
- c) 12/2008 CBCU, an Inquiry started by Sri Lanka Customs - A consignment of CDMA equipment was detained in October 2008 by the Customs Authority. Subsequently the equipment were cleared pending inquiry, based on a cash deposit and bank guarantee submitted by SLT for the total value of Rs. 122,189,514/-. The Order was delivered on 17 October 2014 imposing a mitigated forfeiture of Rs. 1,820,502,062/- on SLT. SLT has filed case CA/writ/387/2014 against this Order. The next hearing date is on 11 December 2015 for support.
- d) Customs Case No. ADP/031/2009 – Goods valued at USD 996,785.65, which was imported under the consignment of equipment for a network project was detained by the Custom on or about 14th May 2009. Subsequently, the equipment was cleared on 18 July 2009 based on a bank guarantee placed by SLT to the value of Rs. 35,000,000/-. The Customs inquiry against SLT is pending and no date has been given. SLT is awaiting the Nomenclature Committee's decision which was re-sent for re-confirmation.
- e) Ahmedabad City Civil Court - 802/2014 - Bhuwal Industries have initiated legal action on 11 April 2014 against SLT in Ahmedabad City Civil Court, India claiming damages of Indian Rs. 161,521,447 for malicious prosecution. The case is proceeding and SLT has filed the written statement.
- f) Labour Tribunal Colombo Case Nos. 08/760/2014, 08/820/2014, 08/821/2014 and 08/819/2014 - Former employees of SLT Human Capital Solutions (Private) Limited (HCS) have filed legal action on 6 January 2014 against SLT and HCS at the Labour Tribunal Colombo against termination of their employment. Proceedings were stayed until the determination of revision application in High Court Colombo.
- g) 25 Debt collectors who serve at SLT made an application at Labour Department claiming EPF from SLT. The Labour Commissioner by his Order dated 20 February 2015 directed SLT to pay the EPF for the debt collectors on the basis that there is a Contract of Employment between SLT and the debt collectors and total control and management are vested with SLT. The payment of EPF will include an approximate cost of Rs.76,564,392/- including a surcharge up to December 2014. SLT filed a writ application against the Order on 28 May 2015 and obtained an interim injunction staying the operation of the Order given by the Labour Commissioner. The case is fixed for Objections on 08 December 2015.

6. Events after the Reporting date

As announced in Interim Budget 2015, the Finance Bill was passed in Parliament on October 20, 2015.

According to the Bill, the Super Gain Tax ("SGT") is payable at the rate of 25% on taxable profits by every Company or individual whose profits before tax as per the audited financial statements for the year of assessment 2013/2014 exceed Rs.2 billion.

In the event the aggregate book profit before tax of the whole Group exceeds Rs.2 billion, each Company within the Group is liable for SGT on its taxable income for the year of assessment 2013/2014 even though the taxable income of the individual Company is below the threshold of Rs.2 billion.

Accordingly, SGT Payable for SLT group is estimated at Rs.771 million which has to be paid in 3 equal installments on October 30, November 30 and December 31. In addition a levy on license mobile telephone operators payable by SLT Group on or before 15th November 2015 is Rs.250 million.

The consolidated financial results for the period ended 30 September 2015 excludes any impacts from the Interim Budget pertaining to SGT and levy on license mobile telephone operators.

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

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Segmental Reporting -for the period ended 30 September 2015
(All amounts in LKR Millions)

Information about reportable segments.

	Fixed Telephony Operations		Mobile Operations		Other Segments Operations		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
External revenues	27,647	26,127	22,703	20,064	490	1,848	50,840	48,039
Inter-segment revenue	2,576	2,786	1,743	2,609	1,441	15	5,760	5,410
Reportable segment revenue	30,223	28,913	24,446	22,673	1,931	1,863	56,600	53,449
Reportable segment Profit before tax	2,234	3,064	3,176	3,053	92	278	5,502	6,395
Interest revenue	497	550	229	135	20	18	746	703
Interest expenses	(120)	(372)	(210)	(152)	(8)	(6)	(338)	(530)
Depreciation and Amortization	(5,807)	(5,352)	(3,999)	(4,424)	(59)	(58)	(9,865)	(9,834)

	2015	2014
Revenues		
Total revenue for reportable segments	54,669	51,586
Revenue for other segments	1,931	1,863
Consolidated revenue	56,600	53,449
Elimination of inter-segment revenue	(5,760)	(5,410)
Consolidated revenue	50,840	48,039
Profit or loss		
Total Profit or loss for reportable segments	5,410	6,117
Profit or loss for other segments	92	278
Consolidated profit from continuing operations before tax	5,502	6,395
Elimination of inter-segment profits	(92)	199
Consolidated profit from continuing operations before tax	5,410	6,594

Other material items (2015)	Reportable segment totals	Adjustments	Consolidated totals
	Interest revenue	746	-
Interest expense	(338)	-	(338)
Depreciation and amortization	(9,865)	-	(9,865)

Other material items (2014)	Reportable segment totals	Adjustments	Consolidated totals
	Interest revenue	703	-
Interest expense	(530)	-	(530)
Depreciation and amortization	(9,834)	-	(9,834)

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Investor Information

Ratios

	Group		Company	
	30 Sep. 2015	31 Dec. 2014	30 Sep. 2015	31 Dec. 2014
Net assets value per share (Rs)	36.66	35.40	32.24	32.46
Gearing ratio -Number of times	0.26	0.30	0.19	0.22
Quick asset ratio - Number of times	0.68	0.86	0.68	1.03

	For the 9 months ended		For the 9 months ended	
	30 Sep. 2015	30 Sep. 2014	30 Sep. 2015	30 Sep. 2014
Interest cover - Number of times	17.01	13.44	19.62	9.24

Market Value of Shares

Market Value of the Ordinary Shares of the Company (Rs)	3 Months to 30 Sep. 2015	3 Months to 30 Sep. 2014
-Highest	50.90	57.30
-Lowest	43.00	47.00
-Last Traded price	48.70	51.90

Dividend Payment

First and Final dividend for the year 2014-Rs 0.89 per share paid on 22 May 2015.

Share trading from 1 July 2015 to 30 September 2015

	3 Months to 30 Sep. 2015
-No of Transactions	1,109
- No of Shares Traded	789,221
-Value of Shares Traded (Rs)	37,706,646

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1) List of 20 Major Shareholders

<u>Name & Address</u>	<u>Share Holding</u>	<u>Percentage %</u>
1 Secretary to the Treasury	893,405,709	49.50
2 Global Telecommunications Holdings NV	811,757,869	44.98
3 Employees Provident Fund	24,164,497	1.34
4 Sri Lanka Insurance Corporation Ltd-Life Fund	17,713,735	0.98
5 Bank of Ceylon A/C Ceybank Unit Trust.	17,233,834	0.95
6 National Savings Bank	13,158,700	0.73
7 Employees Trust Fund Board	3,302,188	0.18
8 Sri Lanka Insurance Corporation Ltd-General Fund	2,041,538	0.11
9 Bank of Ceylon A/C Ceybank Century Growth Fund	1,306,966	0.07
10 Seylan Bank PLC /ARC Capital (Pvt) Ltd	1,137,248	0.06
11 Union Assurance PLC/ac no 5	391,128	0.02
12 Mr.Vandrevala	231,500	0.01
13 The Incorporated Trustees of the Church of Ceylon	223,590	0.01
14 Bank of Ceylon No 1 Account	214,000	0.01
15 Mr Van Starrex	198,638	0.01
16 Mr.Tanaka	169,980	0.01
17 Ceylon Biscuits Limited	162,000	0.01
18 Pinnacle Trust (Pvt) Limited	160,000	0.01
19 People's Leasing & Finance PLC / C.N Jayasooriya	150,000	0.01
20 Mrs.Edirisinghe	145,000	0.01
	1,787,268,120	99.03

- 2) Percentage of public holding as at 30 September 2015 5.52%
- 3) Number of shareholders representing the public holding - 12,132
- 3) Directors' holding & Chief Executive Officers's holding in shares of the equity - None of the Directors and the CEO held shares of the company.
- 4) Number of shares representing the Entity's stated capital - 1,804,860,000 Ordinary shares issued at Rs.10 per share.