

Sri Lanka Telecom PLC and its Subsidiaries

Registration No. - PQ 7

Interim Financial Report 2nd Quarter 2011

OUR VISION

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

OUR MISSION

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



Sri Lanka Telecom

One Country. One Voice.

Sri Lanka Telecom PLC and its Subsidiaries

Company Registration No. PQ 7

Quarterly Interim Financial Report as of 30 June 2011

Consolidated Income Statement as specified

(All amounts in LKR Millions)

	Group Apr-June			Company Apr-June			Group Jan- June			Company Jan- June		
	2011	2010	change %	2011	2010	change %	2011	2010	change %	2011	2010	change %
Revenue	12,443	12,360	1	7,969	8,227	(3)	24,853	24,568	1	15,988	16,395	(2)
Operating costs	(8,181)	(8,284)	(1)	(5,285)	(5,804)	(9)	(16,092)	(16,309)	(1)	(10,399)	(11,337)	(8)
Operating profit before depreciation and Amortization	4,262	4,076	5	2,684	2,423	11	8,761	8,259	6	5,589	5,058	10
Depreciation	(2,846)	(2,825)	1	(1,805)	(1,848)	(2)	(5,606)	(5,636)	(1)	(3,565)	(3,689)	(3)
Amortisation and impairment of intangible assets	(115)	(120)	(4)	(55)	(45)	22	(228)	(261)	(13)	(111)	(113)	(2)
Operating profit	1,301	1,131	15	824	530	55	2,927	2,362	24	1,913	1,256	52
Refund of Telecommunication -Development Charge(TDC)	-	151		-	151		-	151		-	151	
Voluntary Retirement Scheme (VRS)	-	-		-	-		-	(188)		-	(188)	
Other income	219	45	387	85	31	174	286	109	162	149	88	69
Interest expenses and finance cost	(154)	(264)	(42)	(25)	(92)	(73)	(308)	(563)	(45)	(56)	(183)	(69)
Interest income	181	150	21	173	136	27	357	285	25	347	264	31
Profit before tax	1,547	1,213	28	1,057	756	40	3,262	2,156	51	2,353	1,388	70
Taxation	(405)	(444)	(9)	(290)	(312)	(7)	(825)	(783)	5	(597)	(534)	12
Net profit for the period	1,142	769	49	767	444	73	2,437	1,373	77	1,756	854	106
Attributable to :												
Equity holders of the company	1,142	769	49	767	444	73	2,437	1,373	77	1,756	854	106
Minority interest	-	-		-	-		-	-		-	-	
	1,142	769	49	767	444	73	2,437	1,373	77	1,756	854	106
Earnings per share (Rs)												
-Basic	0.63	0.43	49	0.42	0.25	73	1.35	0.76	77	0.97	0.47	106
-Annualized	2.53	1.70	49	1.70	0.98	73	2.70	1.52	77	1.95	0.95	106

The above figures are provisional and unaudited

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

Consolidated Balance Sheet
(All amounts in LKR Millions)

	Group		Company	
	Un-Audited as at 30 June 2011	Audited as at 31 Dec 2010	Un-Audited as at 30 June 2011	Audited as at 31 Dec 2010
Assets				
Non-Current Assets				
Property, plant and equipment	62,363	61,258	34,385	34,075
Intangible assets	1,603	1,585	546	570
Financial prepayment	244	272	-	-
Investments in subsidiaries		-	11,522	11,522
Long term investments	712	673	712	626
Deferred income tax Assets	12	13	-	-
Non-current receivables	2,168	1,991	2,168	1,991
	67,102	65,792	49,333	48,784
Current Assets				
Inventories	1,040	1,281	906	1,158
Trade and other receivables	11,096	11,053	10,635	10,494
Current tax receivables	12	457	-	446
Short term investments	4,351	3,617	4,200	3,487
Cash and cash equivalents	4,472	4,830	4,066	4,133
	20,971	21,238	19,807	19,718
Total Assets	88,073	87,030	69,140	68,502
Equity and Liabilities				
Capital and Reserves				
Stated Capital (Represented by 1,804,860,000 shares)	18,049	18,049	18,049	18,049
Insurance reserve	376	344	376	344
Exchange equalisation reserve	(4)	(7)	-	-
Retained earnings	32,813	31,463	32,922	32,253
	51,234	49,849	51,347	50,646
Minority interest in equity	0	0	-	-
Total Equity	51,234	49,849	51,347	50,646
Non Current Liabilities				
Grants	81	91	44	48
Borrowings	5,721	5,380	102	72
Deferred income	3,682	3,965	3,682	3,965
Deferred income tax liabilities	87	248	87	248
Retirement benefit obligation	1,968	1,796	1,829	1,664
Trade and other payables	792	1,659	287	289
	12,331	13,139	6,031	6,286
Current Liabilities				
Trade and other payables	18,834	18,848	10,469	10,550
Current tax liabilities	558	287	250	-
Borrowings	2,982	2,970	36	28
Deferred income	2,134	1,937	1,007	992
	24,508	24,042	11,762	11,570
Total Equity and Liabilities	88,073	87,030	69,140	68,502

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

Sgd.
Shiron Gooneratne
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these consolidated financial statements. These financial statements were approved by the Board of Directors on 09 August 2011.

Signed on behalf of the Board.

Sgd.
Nimal Welgama
Chairman

Sgd.
D. Widanagamachchi
Director

Sri Lanka Telecom PLC and its Subsidiaries
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Quarterly Interim Financial Report as of 30 June 2011

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

(All amounts in LKR Millions)

Group

	Stated Capital	Insurance Reserve	Exchange Equalisation Reserve	Retained Earnings	Minority Interest	Total Equity
Balance as at 1 January 2010						
As previously reported	18,049	281	(6)	28,275	0	46,599
-Effect of adopting SLAS 16 (Revised 2005)				(111)		(111)
-Effect of adopting SLAS 14 (Revised 2005)				(159)		(159)
-Effect of adopting SLAS 10 (Revised 2005)				(18)		(18)
Restated balance as at 1 January 2010	18,049	281	(6)	27,987	0	46,311
Insurance reserve						0
-Charged to income statement		48				48
Effect of movement in foreign exchange rates			(1)			(1)
Dividend in respect of 2009				(451)		(451)
Net Profit for the period				1,373	-	1,373
Restated balance as at 30 June 2010	18,049	329	(7)	28,909	0	47,280
Insurance reserve						-
-Charged to income statement		(1)				(1)
-Transferred to insurance reserve		16		(16)		-
Net Profit for the period				2,570	0	2,570
Balance as at 31 December 2010	18,049	344	(7)	31,463	0	49,849
Balance as at 1 January 2011	18,049	344	(7)	31,463	0	49,849
Insurance reserve						-
-Charged to income statement		28				28
-Transferred to insurance reserve		4		(4)		-
Effect on movement in foreign exchange rates			3			3
Dividend in respect of 2010				(1,083)		(1,083)
Net Profit for the period				2,437	0	2,437
Balance as at 30 June 2011	18,049	376	(4)	32,813	0	51,234

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

(All amounts in LKR Millions)

Company

	Stated Capital	Insurance Reserve	Retained Earnings	Total
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Balance as at 1 January 2010

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

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

-Charged to income statement		48		48
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Dividend in respect of 2009			(451)	(451)
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Net Profit for the period			854	854
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Restated balance as at 30 June 2010	18,049	329	30,645	49,023
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Insurance reserve

-Charged to income statement		(1)		(1)
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-Transferred to insurance reserve		16	(16)	-
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Net Profit for the period			1,624	1,624
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Balance as at 31 December 2010	18,049	344	32,253	50,646
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Balance as at 1 January 2011	18,049	344	32,253	50,646
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Insurance reserve

-Charged to income statement		28		28
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-Transferred to insurance reserve		4	(4)	-
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Dividend in respect of 2010			(1,083)	(1,083)
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Net Profit for the period			1,756	1,756
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Balance as at 30 June 2011	18,049	376	32,922	51,347
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Sri Lanka Telecom PLC and its Subsidiaries
 Company Registration No. PQ 7
Quarterly Interim Financial Report as of 30 June 2011

Consolidated Cash Flow Statement for the 6 months ended 30 June

(All amounts in LKR Millions)

	GROUP		COMPANY	
	2011	2010	2011	2010
Operating activities				
Cash generated from operations	8,741	7,667	5,966	4,225
Interest received	324	368	314	351
Interest paid	(335)	(580)	(83)	(200)
Tax paid	(279)	(231)	(71)	(60)
Gratuity paid	(28)	(61)	(27)	(59)
Net cash generated from operating activities	8,423	7,163	6,099	4,257
Investing activities				
Acquisition of property, plant and equipment	(6,773)	(2,716)	(3,956)	(1,967)
Acquisition of intangible assets	(246)	(71)	(87)	(37)
Proceeds from disposal of property, plant and equipment	-	9	-	9
Investments in subsidiaries	-	-	-	(205)
Sale /(Purchase) of short term investments	(770)	(1,756)	(749)	(1,764)
Sale /(Purchase) of long term investments	(216)	3	(263)	(44)
Net cash (used)/generated in investing activities	(8,005)	(4,531)	(5,055)	(4,008)
Financing activities				
Proceeds from borrowings	720	1,467	-	1,000
Finance lease principal re-payments	(22)	(13)	(19)	(13)
Re-Payment on borrowings	(826)	(1,798)	-	(558)
Dividend paid to the company's share holders	(1,083)	(451)	(1,083)	(451)
Net cash used in financing activities	(1,211)	(795)	(1,102)	(22)
Increase/(Decrease) in cash and cash equivalents	(793)	1,837	(58)	227
Movement in Cash and cash equivalents				
Cash and cash equivalents at beginning of the year	4,168	854	4,133	2,630
Effect on exchange fluctuation on cash and cash equivalents	(9)	(4)	(9)	(4)
Increase/(Decrease) in cash and cash equivalents	(793)	1,837	(58)	227
Cash and cash equivalents at 30 June	3,366	2,687	4,066	2,853

Sri Lanka Telecom PLC and its Subsidiaries
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Quarterly Interim Financial Report as of 30 June 2011

Segmental Reporting -for the 6 months ended 30 June 2011

(All amounts in LKR Millions)

Primary Segment - Business Segments

	Fixed	EGO	Mobile	Other	Total
Revenue					
Total Segment Revenue	7,924	3,911	8,375	6,971	27,181
Inter Segment Revenue	(219)	(463)	(143)	(1,503)	(2,328)
Revenue from external customers	7,705	3,448	8,232	5,468	24,853
Segment results / operating profits	752	297	977	901	2,927
Other Operating Income					286
Interest expenses and finance cost					(308)
Interest income					357
Profit before tax					3,262
Taxation					(825)
Net Profit for the period					2,437

Segmental Reporting -for the 6 months ended 30 June 2010

(All amounts in LKR Millions)

Primary Segment - Business Segments

	Fixed	EGO	Mobile	Other	Total
Revenue					
Total Segment Revenue	8,265	5,400	7,522	6,036	27,223
Inter Segment Revenue	-	(1,496)	(14)	(1,145)	(2,655)
Revenue from external Customers	8,265	3,904	7,508	4,891	24,568
Segment results / operating profits	551	241	949	621	2,362
Voluntary Retirement Scheme (VRS)					(188)
Other Operating Income					109
Refund of Telecommunication -Development Charge(TDC)					151
Interest expenses and finance cost					(563)
Interest income					285
Profit before tax					2,156
Taxation					(783)
Net Profit for the period					1,373

Note-

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

Sri Lanka Telecom PLC and its Subsidiaries

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Quarterly Interim Financial Report as of 30 June 2011

Investor Information

Ratios

	Group		Company	
	30 June 2011	31 Dec. 2010	30 June 2011	31 Dec. 2010
Net assets value per share (Rs)	28.39	27.62	28.45	28.06
Gearing ratio -Number of times	0.15	0.14	0.00	0.00
Quick asset ratio - Number of times	0.81	0.83	1.61	1.60

	For the 6 months ended		For the 6 months ended	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010
Interest cover - Number of times	11.59	4.83	43.02	8.58

Market Value of Shares

Market Value of the Ordinary Shares of the Company (Rs)

	3 Months to 30 June 2011	3 Months to 30 June 2010
-Highest	61.00	39.50
-Lowest	52.90	36.00
-Last Traded price	54.20	37.00

Dividend Payment

Share trading from 1 Januaryr 2011 to 30 June 2011

	3 Months to 30 June 2011
-No of Transactions	1,586
- No of Shares Traded	2,060,000
-Value of Shares Traded (Rs)	118,648,590

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Notes to the Financial Statements

1. Accounting Policies

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

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

2. Telecommunication Development Charge (TDC)

In accordance with the Finance Act. No. 11 of 2004, with effect from 03rd March, 2003, all Telecommunication Gateway Operators are required to make a payment to the Government of Sri Lanka which has been defined as the Telecommunication Development Charge (TDC) based on international call minutes terminated in Sri Lanka. This process also included a disbursement process through which 2/3rd of TDC payment made by the operators would be disbursed to the operators by the Government based on the real developments made by them. As per the Gazette Notification No. 1662/1 of 12th July, 2010 the rate of TDC has been revised to USD 0.015 from USD 0.038 per minute with effect from 15th July, 2010. Along with the revision of the TDC rate, the TDC payment process had also been reviewed by removing the disbursement process with effect from 15th July, 2010.

The total amount of the levy payable by the Group and Company for the period from 1 st January 2011 to 30 th June 2011 was estimated at Rs 384 million (2010-Rs 902 million) and Rs 511 million (2010- Rs 1,286 million) respectively and has been recognized as expenses in the current financial year. The corresponding liability, net of payments, has been recognised in the balance sheet.

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

3. Dividends on Cumulative redeemable preference shares

Mobitel has issued 175,000,000 12% and 200,000,000 14% Cumulative redeemable preference shares of Rs.10/- each and Sky Network (Private) Limited also has issued 6,000,000 12% Cumulative redeemable preference shares of Rs.10/-each. The estimated balance dividends of Rs 1,371 mn and Rs 20 mn from Mobitel and Sky Network (Private) Limited respectively , has not been recognized in the Financial Statements as at 30 June 2011.

4. Contingent Liabilities.

There has not been a significant change in the nature of the contingent liabilities, which were disclosed in the Annual Report for the year ended 31 December 2010, except followings;

(a) IPTV case

Just In Time Holdings (Pvt.) Ltd (JIT) is claiming USD 4,738,846.57, as payments due to them from SLT under the contract. SLT has lodged a counterclaim of Rs. 437,970,137.00 under its statements of Defense. Claimants cross examination concluded and SLT has concluded leading evidence of two witness. Further evidence of on behalf of SLT to be lead.

(b) Rates & Taxes

Application against the unreasonable increase of Assessment Tax of SLT Headquarters, to Rs. 8,452,500.00 per Quarter from the year 2006. SLT substituted Special Commissioner in place of dissolved Colombo Municipal Council. Objections /ammended answer on 28 July 2011.

(c) Case filed by Global Electrotecks

Global Electrotecks Ltd filed Case no 20/2006 in Commercial High Court Colombo against SLT claiming damages of US\$ 12 million for alleged unlawful termination of interconnection service provided to them. Further trial on 13 September 2011.

5. Events after the Balance sheet date

No material events have arisen since Balance Sheet date which would require adjustments to, or disclosure in the Financial Statements.

Sri Lanka Telecom PLC and its Subsidiaries
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1) Top 20 ShareHolders

<u>Name & Address</u>	<u>Share Holding</u>	<u>Percentage</u>
1 Secretary to the Treasury	893,405,709	49.50
2 Global Telecommunications Holdings NV	811,757,869	44.98
3 Employees Provident Fund	19,915,089	1.10
4 Sri Lanka Insurance Corporation Ltd-Life Fund	17,713,735	0.98
5 National Savings Bank	13,158,700	0.73
6 Bank of Ceylon A/C Ceybank Unit Trust.	11,550,700	0.64
7 Employees Trust Fund Board	3,302,188	0.18
8 Sri Lanka Insurance Corporation Ltd-General Fund	3,164,200	0.18
9 Associated Electrical Corp. Ltd	1,496,600	0.08
10 Deutsche Bank AG-London	1,200,000	0.07
11 Bank of Ceylon A/C Ceybank Century Growth Fund	999,000	0.06
12 Union Assurance PLC 01A/C	488,200	0.03
13 The Incorporated Trustees of the Church of Ceylon	414,100	0.02
14 Mr M.R.S.Samaravijaya	410,000	0.02
15 Ellawala Exports (Pvt) Ltd	396,100	0.02
16 E.W. Balasuriya & Co (Pvt) Ltd	272,200	0.02
17 Mr C.K.Vandrrvala /Mrs P Hiranandani	231,500	0.01
18 Bank of Ceylon No 1 Account	214,000	0.01
19 The Ceylon Chamber of Commerce Account No. 02	177,300	0.01
20 HSBC Intl Nom Ltd-HSBC Fund Services A/C 006-JF Asia		
- New Fortiers Fund	176,500	0.01
	1,780,443,690	98.65

(2) Percentage of Public Holding as at 30 June 2011 5.52

(3) Directors' Holding & Chief Executive Officer's holding in shares of the equity - None of the Directors and the CEO held shares of the Company

(4) Number of Shares representing the Entity's stated capital - 1,804,860,000 Ordinary Shares issued at Rs 10 per share