

SRI LANKA TELECOM PLC

SLT group 2011 PBT Rs.6.5Bn;

- **PAT up by 21% to Rs.4.8Bn**
- **Capital investment increase by 176%to Rs.18Bn**

Colombo Sri Lanka February 21st 2012 - Sri Lanka Telecom (SLT), the leading National Integrated Telecommunications Service Provider continued its growth momentum, seeing its Profit Before Tax (PBT), Profit After Tax (PAT), revenue and all other Key Performance Indicators showcase sustained improvement. Having achieved numerous milestones last year, the Group, which released its financial results for the year ended December 31st 2011, has invested heavily for the future with Rs 18 Bn Capex, an increase of 176% YOY, whilst notching Profit Before Tax of Rs 6.53 Bn, a YOY growth of 10% and Profit After Tax of Rs 4.78 Bn, an increase of 21%, while recording a revenue of Rs 50.95 Bn. At company level, Sri Lanka Telecom posted Rs 4.8 Bn, that is 21% growth in PBT, and an impressive 44% growth to Rs.3.56 Bn in PAT. A visionary business strategy coupled with a pragmatic transformation plan has driven the Group to become the telecommunication solutions powerhouse in the country, delivering strong financial results that point towards stability and consistent performance within the Group.

SLT saw its wire fixed line revenue stabilise, arresting the declining trend that emerged about five years ago. There was also significant growth contribution from non-traditional revenue streams, mainly fixed broadband, wholesale and enterprise sales, while mobile revenue also displayed a growth of 7% to stand at Rs 21 Bn. Local revenue at Company level increased by 3%, which validates our strategies to turn around the earlier negative growth.

With revenue growth driven by broadband, data and enterprise services, Sri Lanka Telecom is very focused on creating the optimum balance of revenue stemming from the right product mix. In 2011, there was an aggressive pursuance of business opportunities, while gaps that contributed to leakage or wastage, resulting in unnecessary expenditure, were identified. Loss making or low margin product lines were rationalized, while the portfolio was consolidated. In tandem, increasing efficiencies became a key strategy of the overall Business Plan, which, supported through IT and process change, contributed to delivering a very positive impact on the Group's bottom line, as is seen in the strong financial performance for the year.

The strong focus on instilling operational efficiencies and prudent cost management strategies from the pragmatic restructuring process saw operational costs managed at optimal levels. Company operating costs reduced by 5%, primarily due to the reduction in volume driven expenses and significant reduction in bad debts. At Group level, the increase in operational costs was a marginal 1%. It was these strategies that contributed to the improvement in EBITDA margins at both Company and Group level, seen at 31% and 34% respectively. Group net cash generated from operating activities also increased from Rs. 15.2 Bn in 2010 to Rs 20.5 Bn, while at Company level, net cash generated from operating activities increased to Rs 13.3 Bn from Rs 10.6 Bn.

Group EPS increased from Rs. 2.18 in 2010 to Rs. 2.65 in 2011, an increase of 21%, which reflects the underlying consistent financial performance and increased shareholder value.

Releasing the SLT Group's strong performance for 2011, Chairman of SLT Group Nimal Welgama declared that “We have transformed ourselves to be the axis upon which the country's very ambitious development agenda is founded, and have built the necessary trusses to take Sri Lanka forward. This is demonstrated through our exemplary and consistent financial results, which, while buoying our bottom line has built a sustainable foundation for growth and profit.”

Commenting on the Rs 18Bn Capex investment for the year, he declared that, the significant increase in investments is consistent with building a solid future for the group and to support national development.

Given that penetration of broadband services remain lower in Sri Lanka than other comparable countries, the demand is increasing rapidly, which led the Group to invest in the infrastructure necessary for this envisaged demand, including fibre optic cables and the enabling of mobile broadband through mobile 3.5G/4G technologies. This demand for high speed uninterrupted broadband fueled the delivery of Double Play (Voice + Broadband) and Triple Play (Voice+Broadband+PEOTV) services through the fixed Megaline and Mobile Broadband Products, which has contributed to ongoing growth in our customer base and revenues.

The Group's flagship subsidiary, Sri Lanka Telecom Mobitel, continued to grow its market share, while reporting a growth in all profitability indicators for 2011 such as EBITDA growth by 3%, EBIT by 16% and PAT by 6% compared to the previous year. Mobitel posted a PBT of Rs 2.06 Bn, an increase of 6% from last year's Rs.1.94Bn. Being a pioneer in the region, this year too, Mobitel was the first in South Asia to demonstrate 4G LTE technology with data speeds of up to 96Mbps and transmit the latest 3Tesla MRI imagery over its mHealth platform for the first time in Sri Lanka.

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