

Sri Lanka Telecom PLC and its Subsidiaries

Registration No. - PQ 7

Interim Financial Report 2 nd 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 June 2015

Statement of Profit or Loss and other Comprehensive Income as specified

(All amounts in LKR Millions.)

	Group			Company			Group			Company		
	Apr.-June		change	Apr.-June		change	Jan.- June		change	Jan.- June		change
	2015	2014	%	2015	2014	%	2015	2014	%	2015	2014	%
Revenue	16,822	16,116	4	10,041	9,648	4	33,527	31,393	7	19,909	19,050	5
Operating costs	(11,492)	(10,744)	7	(7,474)	(6,922)	8	(22,636)	(21,863)	4	(14,427)	(14,312)	1
Operating profit before depreciation - and amortization	5,330	5,372	(1)	2,567	2,726	(6)	10,891	9,530	14	5,482	4,738	16
Depreciation	(3,166)	(3,172)	(0)	(1,912)	(1,768)	8	(6,207)	(6,333)	(2)	(3,725)	(3,548)	5
Amortisation of intangible assets	(161)	(190)	(15)	(62)	(80)	(23)	(330)	(377)	(12)	(127)	(159)	(20)
Operating profit	2,003	2,010	(0)	593	878	(32)	4,354	2,820	54	1,630	1,031	58
Refund of Telecommunication -Development Charge (TDC)	-	699	-	-	699	-	-	699	-	-	699	-
Other income	59	222	(73)	31	57	(46)	115	294	(61)	77	122	(37)
Interest expenses and finance cost	23	(177)	(113)	126	(132)	(195)	(218)	(334)	(35)	(84)	(223)	(62)
Foreign exchange (loss) /gain	(79)	76	(204)	2	31	(94)	(363)	99	(467)	(82)	44	(286)
Interest income	236	230	3	158	183	(14)	494	466	6	351	361	(3)
Profit before tax	2,242	3,060	(27)	910	1,716	(47)	4,382	4,044	8	1,892	2,034	(7)
Income tax expenses	(445)	(639)	(30)	(285)	(428)	(33)	(905)	(1,076)	(16)	(567)	(710)	(20)
Profit for the Period	1,797	2,421	(26)	625	1,288	(51)	3,477	2,968	17	1,325	1,324	0
Other comprehensive income												
Defined benefit plan actuarial (loss)/gain	(109)	(19)	474	(109)	(19)	474	(218)	(38)	474	(218)	(38)	474
Tax on other comprehensive income	30	6	400	30	6	400	61	11	455	61	11	455
Other comprehensive income for - the period net of tax	(79)	(13)	508	(79)	(13)	508	(157)	(27)	481	(157)	(27)	481
Total Comprehensive Income for the Period	1,718	2,408	(29)	546	1,275	(57)	3,320	2,941	13	1,168	1,297	(10)
Profit Attributable to :												
Owners of the company	1,797	2,421	(26)	625	1,288	(51)	3,477	2,968	17	1,325	1,324	0
Total Comprehensive Income attributable to:												
Owners of the company	1,718	2,408	(29)	546	1,275	(57)	3,320	2,941	13	1,168	1,297	(10)
Earnings per share												
-Basic (Rs.)	1.00	1.34	(26)	0.35	0.71	(51)	1.93	1.64	17	0.73	0.73	0
-Annualized (Rs.)	4.00	5.37	(25)	1.39	2.85	(51)	3.85	3.29	17	1.47	1.47	0

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 June 2015	Audited as at 31 Dec. 2014	Un-Audited as at 30 June 2015	Audited as at 31 Dec. 2014
Assets				
Non-Current Assets				
Property, plant and equipment	93,170	90,935	63,413	60,221
Intangible assets and goodwill	3,153	3,412	1,200	1,326
Financial prepayment	32	79	-	-
Investments in subsidiaries	-	-	14,189	14,189
Deferred tax assets	48	46	-	-
Other receivables	2,879	2,789	2,879	2,789
Total Non-current Assets	99,282	97,261	81,681	78,525
Current Assets				
Inventories	798	475	478	282
Trade and other receivables	14,079	13,335	12,668	12,728
Current tax receivables	2	88	-	83
Other investments	4,341	6,750	3,961	6,397
Cash and cash equivalents	5,220	4,695	591	1,002
Total Current Assets	24,440	25,343	17,698	20,492
Total Assets	123,722	122,604	99,379	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	581	560	581	560
Retained earnings	46,984	45,291	39,509	39,968
Equity attributable to equity holders of the company	65,614	63,900	58,139	58,577
Non controlling interest	0	0	-	-
Total Equity	65,614	63,900	58,139	58,577
Non Current Liabilities				
Grants	19	22	19	22
Borrowings	14,903	17,986	10,147	11,700
Deferred income	2,526	2,578	2,395	2,512
Deferred tax liabilities	2,910	2,805	2,906	2,801
Employee benefits	4,340	3,875	3,964	3,512
Trade and other payables	2,627	2,407	260	250
Total Non Current Liabilities	27,325	29,673	19,691	20,797
Current Liabilities				
Borrowings	9,636	9,136	4,928	4,359
Deferred income	2,151	2,398	711	706
Current tax liabilities	705	442	266	-
Trade and other payables	18,291	17,055	15,644	14,578
Total Current Liabilities	30,783	29,031	21,549	19,643
Total Equity and Liabilities	123,722	122,604	99,379	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 11 August 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 June 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			2,968	2,968	-	2,968
Other comprehensive income						
-Defined benefit plan actuarial (losses)/gain,net of tax			(27)	(27)	-	(27)
Total Other comprehensive income	-	-	(27)	(27)	-	(27)
Total comprehensive income for the period	-	-	2,941	2,941	-	2,941
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		29	(29)		-	-
Balance as at 30 June 2014	18,049	529	42,618	61,196	-	61,196
Balance as at 1 July 2014	18,049	529	42,618	61,196	-	61,196
Total comprehensive income for the period						-
Net profit for the period			3,033	3,033	-	3,033
Other comprehensive income						-
-Defined benefit plan actuarial (losses)/gain,net of tax			(329)	(329)	-	(329)
Total Other comprehensive income	-	-	(329)	(329)	-	(329)
Total comprehensive income for the period	-	-	2,704	2,704	-	2,704
Insurance reserve						-
-Transferred to insurance reserve		31	(31)		-	-
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			3,477	3,477	-	3,477
Other comprehensive income						-
-Defined benefit plan actuarial (losses)/gain,net of tax			(157)	(157)	-	(157)
Total Other comprehensive income	-	-	(157)	(157)	-	(157)
Total comprehensive income for the period	-	-	3,320	3,320	-	3,320
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		21	(21)		-	-
Balance as at 30 June 2015	18,049	581	46,984	65,614	-	65,614

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Statement of Changes in Equity - 1 January 2014 to 30 June 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			1,324	1,324
Other comprehensive income				-
-Defined benefit plan actuarial (losses)/gain, net of tax			(27)	(27)
Total Other comprehensive income	-	-	(27)	(27)
Total comprehensive income for period	-	-	1,297	1,297
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		29	(29)	
Balance as at 30 June 2014	18,049	529	38,288	56,866
Balance as at 1 July 2014	18,049	529	38,288	56,866
Total comprehensive income for the period				
Net profit for the period			2,000	2,000
Other comprehensive income				-
-Defined benefit plan actuarial (losses)/gain, net of tax			(289)	(289)
Total Other comprehensive income	-	-	(289)	(289)
Total comprehensive income for the period	-	-	1,711	1,711
Insurance reserve				
-Transferred to insurance reserve		31	(31)	(31)
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			1,325	1,325
Other comprehensive income				-
-Defined benefit plan actuarial (losses)/gain, net of tax			(157)	(157)
Total Other comprehensive income	-	-	(157)	(157)
Total comprehensive income for the period	-	-	1,168	1,168
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		21	(21)	
Balance as at 30 June 2015	18,049	581	39,509	58,139

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Statement of Cash Flows for the Period ended 30 June

(All amounts in LKR Millions)

	GROUP		COMPANY	
	2015	2014	2015	2014
Operating activities				
Cash generated from operations	11,138	9,496	6,687	5,324
Interest received	494	439	351	334
Interest paid	(437)	(135)	(303)	(156)
Tax paid	(392)	(408)	(52)	(92)
Gratuity paid	(66)	(66)	(58)	(50)
Net cash generated from operating activities	10,737	9,326	6,625	5,360
Investing activities				
Acquisition of property, plant and equipment	(8,249)	(7,141)	(6,724)	(4,588)
Acquisition of intangible assets	(24)	(14)	(1)	(6)
Proceeds from disposal of property, plant and equipment	43	50	20	46
Proceeds /(Purchase) of short term investments	2,589	(2,110)	2,656	(2,063)
Net cash used in investing activities	(5,641)	(9,215)	(4,049)	(6,611)
Financing activities				
Proceeds from borrowings	414	5,528	-	5,232
Finance lease principal re-payments	(53)	(43)	(42)	(32)
Re-Payment on borrowings	(2,883)	(3,373)	(1,258)	(1,221)
Dividend paid to equity share holders	(1,606)	(1,534)	(1,606)	(1,534)
Net cash generated/(used) in financing activities	(4,128)	578	(2,906)	2,445
Increase/(Decrease) in cash and cash equivalents	968	689	(330)	1,194
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	(81)	(6)	(81)	(6)
	3,693	2,188	921	77
Increase/(Decrease) in cash and cash equivalents	968	689	(330)	1,194
Cash and cash equivalents at 30 June	4,661	2,877	591	1,271

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 June 2015 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group primarily is 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 Company and Group 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 preference dividends of Rs 48 million has not been recognized in the Financial Statements as at 30 June 2015.

5. 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 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 23 October 2015.

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) claimed damages of Rs.250 million, for alleged unfair competition with regard to artwork on the cover page of the Directory by SLT. 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. Next hearing date is on 23 September 2015 for support.

d) Customs Case No. ADP/031/2009 – Goods valued at USD 996,785.65, which was imported under the last consignment of equipment for NGN Phase II expansion project was detained by the Custom on or about 14th May 2009. Subsequently, the equipment was cleared on 18 July 2009. Pending inquiry, based on a Bank Guarantee placed by SLT to the value of Rs. 35,000,000/-. The Customs inquiry against SLT is pending.

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 for damages of Indian Rs. 161,521,447.00 for malicious prosecution. The case is proceeding and SLT 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) filed legal action against SLT and HCS at Labour Tribunal Colombo against termination of their employment by HCS, on 6 January 2014. Proceedings stayed until the determination of revision application in High Court Colombo.

g) 25 Debt Collectors who serve at SLT to facilitate telephone bill arrears under recovery process on commission basis made an application at Labour Department claiming EPF from SLT. The Labour Commissioner by his order dated 20 February 2015 has directed SLT to pay EPF for the Debt Collectors on the basis that there is a Contract of Employment between SLT and Debt Collectors and total control and management are vested with SLT. Payment of EPF to all the Debt Collectors will include an approximate cost of Rs.76, 564,392/- including surcharge up to December 2014. SLT filed 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. Case is fixed for Notice Returnable on 07 September 2015.

6). Events after the Reporting date

The 2015 interim budget was presented by the Government of Sri Lanka (GoSL) on 29 January 2015 and approved by the Parliament of Sri Lanka on 07 February 2015. The GoSL is working towards enacting legislation pertaining to the budget proposals which would in turn bring the said proposals in to force and also provide clarity with respect to applicability and execution considerations. Therefore, pending legislation and lucidity at this point of time, the consolidated financial results for the period ended 30 June 2015 excludes any and all impacts from the interim budget pertaining to the super gain tax, levy on licence mobile telephone operators and the discontinuation from charging the 25% telecommunication Levy

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

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Segmental Reporting -for the period ended 30 June 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	18,225	17,506	14,981	13,537	321	350	33,527	31,393
Inter-segment revenue	1,684	1,544	1,119	1,155	937	954	3,740	3,653
Reportable segment revenue	19,909	19,050	16,100	14,692	1,258	1,304	37,267	35,046
Reportable segment Profit before tax	1,892	2,034	2,510	1,726	30	320	4,432	4,080
Interest revenue	351	361	134	94	9	11	494	466
Interest expenses	(84)	(223)	(130)	(108)	(4)	(3)	(218)	(334)
Depreciation and Amortization	(3,852)	(3,707)	(2,647)	(2,964)	(38)	(39)	(6,537)	(6,710)

	2015	2014
Revenues		
Total revenue for reportable segments	36,009	33,742
Revenue for other segments	1,258	1,304
Consolidated revenue	37,267	35,046
Elimination of inter-segment revenue	(3,740)	(3,653)
Consolidated revenue	33,527	31,393
Profit or loss		
Total Profit or loss for reportable segments	4,402	3,760
Profit or loss for other segments	30	320
Consolidated profit from continuing operations before tax	4,432	4,080
Elimination of inter-segment profits	(50)	(36)
Consolidated profit from continuing operations before tax	4,382	4,044

Other material items (2015)	Reportable segment totals	Adjustments	Consolidated totals
	Interest revenue	494	-
Interest expense	(218)	-	(218)
Depreciation and amortization	(6,537)	-	(6,537)

Other material items (2014)	Reportable segment totals	Adjustments	Consolidated totals
	Interest revenue	466	-
Interest expense	(334)	-	(334)
Depreciation and amortization	(6,710)	-	(6,710)

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Investor Information

Ratios

	Group		Company	
	30 June 2015	31 Dec. 2014	30 June 2015	31 Dec. 2014
Net assets value per share (Rs)	36.35	35.40	32.21	32.46
Gearing ratio -Number of times	0.27	0.30	0.21	0.22
Quick asset ratio - Number of times	0.77	0.86	0.80	1.03

	For the 6 months ended		For the 6 months ended	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
Interest cover - Number of times	21.10	13.11	23.53	10.12

Market Value of Shares

Market Value of the Ordinary Shares of the Company (Rs)	3 Months to 30 June 2015	3 Months to 30 June 2014
	-Highest	49.90
-Lowest	44.00	41.50
-Last Traded price	44.20	48.00

Dividend Payment

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

Share trading from 1 April 2015 to 30 June 2015

	3 Months to 30 June 2015
-No of Transactions	882
- No of Shares Traded	558,581
-Value of Shares Traded (Rs)	26,360,183

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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.	16,937,350	0.94
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	2,094,476	0.12
9 Seylan Bank PLC /ARC Capital (Pvt) Ltd	1,137,248	0.06
10 Bank of Ceylon A/C Ceybank Century Growth Fund	1,103,754	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 Mrs.Edirisinghe	145,000	0.01
20 South Asian Investment (Pvt) Limited	110,132	0.01
	1,786,781,494	99.00

- 2) Percentage of public holding as at 30 June 2015 5.52%
- 3) Number of shareholders representing the public holding - 12,196
- 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.