

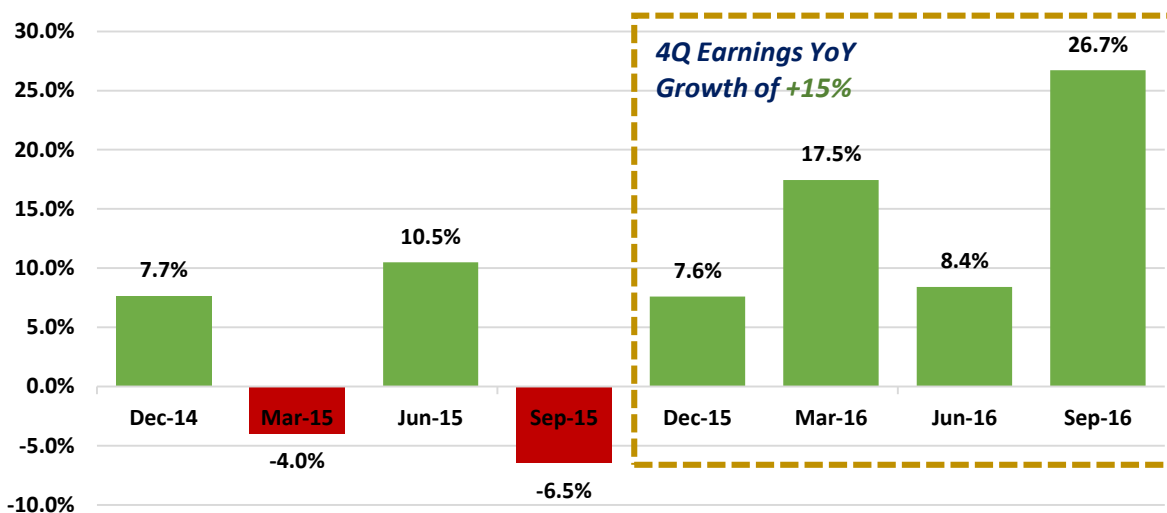


## Quarterly Results Review

### Quarter: September 2016

**Growth in Banking Sector margins and strong consumer spending enhance earnings**

#### Market Earnings YoY Growth (%) for all listed entities



**Sep Quarter earnings up by 24%YoY for 272 Companies:** September quarter earnings grew 24%YoY to LKR 60.2Bn and 20%QoQ, dominated by healthy performance in Banks Sector (+25%YoY) with higher margins while Food Beverages & Tobacco Sector (+41%YoY) and Telecommunication Sector (+257%YoY) was positively affected by healthy consumer spending. However, the earnings growth was partially offset by Capital Goods Sector (-30%YoY) and negative performance in Utilities Sector (-63%YoY).

**Interest rates spread boosted banking earnings:** Banks Sector continued to remain as largest contributor to earnings by achieving a profit of LKR 14.65Bn (+25%YoY) primarily headed by expanding in margins. Big Banks led by HNB (+50%YoY), SAMP (+38%YoY) and COMB (+14%YoY) jointly represented 70% of the sector earnings. Improved consumer demand, increased volumes and commodity price volatility led to boost in profitability in Food, Beverage & Tobacco, Food & Staples Retailing and Material Sectors by +41% YoY, +138%YoY and +26%YoY respectively. Telecommunication Sector (+257%YoY) shot up steeply amidst lower forex losses compared to the previous year. Further, Energy Sector earnings grew by +856%YoY to LKR 1.73Bn as a result of volatility in crude oil prices benefiting Lanka IOC.

**Re-classification of accounting system ascend losses:** Market earnings growth was partially offset by lower earnings in the Capital Goods Sector and Utilities Sector. Capital Goods Sector recorded earnings of LKR 6.95Bn (-30%YoY) which represented 11% of the total earnings. The drop in earnings is primarily caused by VONE which posted a loss of LKR 3.0Bn (-459%YoY) as a result of adjustment made to give effect to the change in dealing with the investment in SAMP as “equity accounted investee”.



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