

Sri Lanka Telecom Limited and its Subsidiaries
Quarterly Interim Financial Report as of 30 June 2004

Consolidated Income statement as specified

(All amounts in LKR Millions.)

	Group			Company			Group			Company		
	Apr- June		change	Apr- June		change	Jan to June		change	Jan to June		change
	2004	2003	%	2004	2003	%	2004	2003	%	2004	2003	%
Revenue	7,438	6,305	18	6,723	6,050	11	14,555	12,739	14	13,425	12,228	10
Operating Costs	(3,138)	(2,410)	30	(2,554)	(2,222)	15	(6,388)	(5,131)	24	(5,291)	(4,756)	11
Operating profit before depreciation	4,300	3,895	10	4,169	3,828	9	8,167	7,608	7	8,134	7,472	9
Depreciation	(2,166)	(2,064)	5	(1,977)	(1,996)	(1)	(4,353)	(4,089)	6	(3,980)	(3,952)	1
Operating Profit	2,134	1,831	17	2,192	1,832	20	3,814	3,519	8	4,154	3,520	18
Cost of Voluntary Retirement Scheme		(710)			(710)			(710)			(710)	
Non-operating income	39	35	11	39	35	11	59	46	28	59	46	28
Interest expenses and related charges	(642)	(942)	(32)	(549)	(926)	(41)	(1,317)	(1,637)	(20)	(1,164)	(1,603)	(27)
Interest Income	38	85	(55)	37	84	(56)	78	176	(56)	76	174	(56)
Profit before Tax	1,569	299	425	1,719	315	446	2,634	1,394	89	3,125	1,427	119
Taxation	(512)	(88)	482	(512)	(88)	482	(930)	(420)	121	(930)	(420)	121
Net Profit for the Period	1,057	211	401	1,207	227	432	1,704	974	75	2,195	1,007	118
Earnings per share [(Rs) Annualized]	2.34	0.47		2.67	0.50		1.89	1.08		2.43	1.12	

The above figures are provisional & unaudited.

Sri Lanka Telecom Limited and its Subsidiaries
Quarterly Interim Financial Report as of 30 June 2004

Consolidated Balance sheet as at
(All amounts in LKR Millions)

	Group		Company	
	Unaudited as at 30 June-04	Audited as at 31-Dec-03	Unaudited as at 30 June-04	Audited as at 31-Dec-03
Assets				
Non-Current assets				
Property, Plant & Equipment	54,427	55,763	49,187	51,243
Goodwill on Consolidation	259	297	-	-
Investments	710	710	2,707	2,707
Non-Current receivables	960	977	960	977
	56,356	57,747	52,854	54,927
Current Assets				
Inventories	1,142	785	433	500
Receivables and Prepayments	13,578	9,242	12,339	9,052
Cash & Cash Equivalent	4,268	4,599	4,294	4,348
	18,988	14,626	17,066	13,900
Total Assets	75,344	72,373	69,920	68,827
Equity and Liabilities				
Capital & Reserves				
Ordinary shares	18,049	18,049	18,049	18,049
Capital Reserves	188	188	188	188
Hedging Reserve	(650)	(745)	(650)	(745)
Insurance Reserve	96	95	96	95
Retained earnings	13,815	13,013	14,496	13,203
	31,498	30,600	32,179	30,790
Deferred Income	7,116	7,214	7,116	7,214
Non Current liabilities				
Deferred tax liabilities	9,069	8,139	9,069	8,139
Borrowings	14,643	13,523	10,598	12,276
Retirement benefit obligation	493	457	472	439
	24,205	22,119	20,139	20,854
Current liabilities				
Trade & Other Payables	4,440	4,882	3,360	4,755
Borrowings	8,085	7,558	7,126	5,214
	12,525	12,440	10,486	9,969
Total equity and liabilities	75,344	72,373	69,920	68,827

Notes:

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 financial year ended 31 December 2003.

2 Events after the Balance Sheet date.

There are no material events subsequent to 30 June 2004, which require additional disclosure in Financial Statements.

Signed on behalf of the Board

Anil Obeyesekere
Chairman
26-Aug-04

Shuhei Anan
CEO / Director
26-Aug-04

Sri Lanka Telecom Limited & its Subsidiaries
Quarterly Interim Financial Report as of 30 June 2004

Statement of Changes in Equity - 1st Jan 2003 to 30 June 2004

(All amounts in LKR Millions)

Group

	Share Capital	Capital Reserves	Hedging Reserve	Insurance Reserve	Retained Earnings	Total
Period ended 30 June 2003						
Balance at 1 January 2003 - as restated	18,049	188	(1,146)	86	11,847	29,024
Cash flow hedges						
-Foreign currency translation difference			(74)			(74)
-Charged to income			384			384
Insurance reserve -Charged to income				7		7
Dividend in respect of 2002					(1,083)	(1,083)
Profit for the period					974	974
Balance at 30 June 2003	18,049	188	(836)	93	11,738	29,232
Period ended 31 December 2003						
Balance at 1 July 2003	18,049	188	(836)	93	11,738	29,232
Cash flow hedges						
-Foreign currency translation difference			(134)			(134)
-Charged to income			225			225
Insurance reserve -Charged to income				2		2
Profit for the period					1,275	1,275
Balance at 31 December 2003	18,049	188	(745)	95	13,013	30,600
Period ended 30 June 2004						
Balance at 1 January 2004	18,049	188	(745)	95	13,013	30,600
Cash flow hedges						
-Foreign currency translation difference			(231)			(231)
-Charged to income			326			326
Insurance reserve -Charged to income				1		1
Dividend in respect of 2003					(902)	(902)
Profit for the period					1,704	1,704
Balance at 30 June 2004	18,049	188	(650)	96	13,815	31,498

Sri Lanka Telecom Limited & its Subsidiaries
Quarterly Interim Financial Report as of 30 June 2004

Statement of Changes in Equity - 1st Jan 2003 to 30 June 2004

(All amounts in LKR Millions)

Company

	Share Capital	Capital Reserves	Hedging Reserve	Insurance Reserve	Retained Earnings	Total
Period ended 30 June 2003						
Balance at 1 January 2003 - as restated	18,049	188	(1,146)	86	11,903	29,080
Cash flow hedges						
-Foreign currency translation difference			(74)			(74)
-Charged to income			384			384
Insurance reserve -Charged to income				7		7
Dividend in respect of 2002					(1,083)	(1,083)
Profit for the period					1,007	1,007
Balance at 30 June 2003	18,049	188	(836)	93	11,827	29,321
Period ended 31 December 2003						
Balance at 1 July 2003	18,049	188	-836	93	11,827	29,321
Cash flow hedges						
-Foreign currency translation difference			(134)			(134)
-Charged to income			225			225
Insurance reserve -Charged to income				2		2
Profit for the period					1,376	1,376
Balance at 31 December 2003	18,049	188	(745)	95	13,203	30,790
Period ended 30 June 2004						
Balance at 1 January 2004	18,049	188	(745)	95	13,203	30,790
Cash flow hedges						
-Foreign currency translation difference			(231)			(231)
-Charged to income			326			326
Insurance reserve -Charged to income				1		1
Dividend in respect of 2003					(902)	(902)
Profit for the period					2,195	2,195
Balance at 30 June 2004	18,049	188	(650)	96	14,496	32,179

Investor Information

Ratios

	Group		Company	
	30 th June	31 st Dec	30 th June	31 st Dec
	2004	2003	2004	2003
Net Assets per Share (Rs)	17.45	16.95	17.83	17.06
DebtEquity ratio (Debt/ Equity)-Number of times	0.42	0.41	0.35	0.36
Quick Asset Ratio - Number of times	1.42	1.11	1.59	1.34
	6 Months to 30 June		6 Months to 30 June	
	2004	2003	2004	2003
Interest Cover - Number of times	3.13	1.95	3.87	2.50

Market Value of Shares

Market Value of the ordinary Shares of the Company (Rs)	3 Months to 30 June 2004	6 Months to 30 June 2004	3 Months to 30 June 2003	6 Months to 30 June 2003
	-Highest	19.50	23.00	15.00
-Lowest	15.00	15.00	11.50	10.50
-Last Traded price	16.75	16.75	14.00	14.00

Dividend payment

Final Dividend -Rs 0.50 per share Paid on 3 June 2004

Share trading from 1 st Jan.2004 to 30 th June 2004

	3 Months to 30 June 2004	6 Months to 30 June 2004
-No of Transactions	5,777	14,150
- No of shares Traded	62,850,900	116,749,359
-Value of shares Traded (Rs)	996,130,600	2,048,338,116

Market Value of Debentures during the period (Rs)

Before redemption of 3 rd tranche on 22 March 2004

	Par value Rs 500.00		
	Annually	Quarterly	Half yearly
	(fixed)	(fixed)	(floating)
Highest	575.00	NO	NO
Lowest	575.00	Transactions	Transactions
Last traded	575.00		

After redemption of 3 rd tranche on 22 March 2004

	Par value Rs 250.00		
	Annually	Quarterly	Half yearly
	(fixed)	(fixed)	(floating)
Highest	NO	250.00	NO
Lowest	Transactions	250.00	Transactions
Last traded		250.00	

	As at 30 June 2004	As at 30 June 2003
Interest Yield on Last Traded price (Quarterly Debenture)	14.00%	
Yield to Maturity on Last Traded price (Quarterly Debenture)	14.75%	
(There had been no transaction on Annually and Half yearly debentures during the period.)		
Average Yield on 3 year Govt.Treasury Bond	7.44%	9.05%

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Consolidated Cash Flow statement for the 6 Months ended 30 June

(All amounts in LKR Millions)

	GROUP		COMPANY	
	2004	2003	2004	2003
Operating activities				
Cash generated from operations	3,135	7,880	3,581	7,647
Interest received	100	200	98	198
Interest paid	(1,389)	(1,762)	(1,236)	(1,727)
Net cash generated from operating activities	1,846	6,318	2,443	6,118
Investing activities				
Acquisition of property, plant and equipment	(3,017)	(2,392)	(1,924)	(1,583)
Net cash used in investing activities	(3,017)	(2,392)	(1,924)	(1,583)
Financing activities				
Proceeds from borrowings	8,156	777	3,481	76
Payment on borrowings	(6,039)	(3,990)	(2,777)	(3,890)
Dividends paid	(902)	(1,083)	(902)	(1,083)
Redemption of debentures	(375)	(375)	(375)	(375)
Net cash used in financing activities	840	(4,671)	(573)	(5,272)
Increase in cash and cash equivalents	(331)	(745)	(54)	(737)
Movement in cash and cash equivalents				
As at 1 st January	4,599	5,974	4,348	5,937
Increase / (Decrease)	(331)	(745)	(54)	(737)
As at 30 th June	4,268	5,229	4,294	5,200