



**OUR VISION**

*To lead Sri Lanka to become the hub of telecommunications in South Asia.*

**OUR MISSION**

*To anticipate and fulfil the communications requirements of all sectors of the nation,  
in a service oriented work ethic which will provide total customer satisfaction through  
the most modern telecommunication facilities.*

**Interim Financial Report**

**6 Months ended 30 June 2003**



**Sri Lanka Telecom Limited and its Subsidiaries**  
**Quarterly Interim Financial Report as of 30 June 2003**

**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 %
	2003	2002		2003	2002		2003	2002		2003	2002	
Revenue	6,305	6,114	3	6,050	6,114	(1)	12,739	12,076	5	12,228	12,076	1
Operating Costs	(2,410)	(2,384)	1	(2,222)	(2,384)	(7)	(5,131)	(4,582)	12	(4,756)	(4,582)	4
Operating profit before depreciation	<b>3,895</b>	<b>3,730</b>	4	<b>3,828</b>	<b>3,730</b>	3	<b>7,608</b>	<b>7,494</b>	2	<b>7,472</b>	<b>7,494</b>	(0)
Depreciation	(2,064)	(1,892)	9	(1,996)	(1,891)	6	(4,089)	(3,723)	10	(3,952)	(3,722)	6
<b>Operating Profit</b>	<b>1,831</b>	<b>1,838</b>	(0)	<b>1,832</b>	<b>1,839</b>	(0)	<b>3,519</b>	<b>3,771</b>	(7)	<b>3,520</b>	<b>3,772</b>	(7)
Cost of Voluntary Retirementt Scheme (Note 1)	(710)	-		(710)	-		(710)	-		(710)	-	
Non-operating income	35	13	169	35	13	169	46	34	35	46	34	35
Interest expenses and related charges	(942)	(961)	(2)	(926)	(961)	(4)	(1,637)	(1,774)	(8)	(1,603)	(1,774)	(10)
Interest Income	85	133	(36)	84	133	(37)	176	265	(34)	174	265	(34)
<b>Profit before Tax and Ass. Co share</b>	<b>299</b>	<b>1,023</b>	(71)	<b>315</b>	<b>1,024</b>	(69)	<b>1,394</b>	<b>2,296</b>	(39)	<b>1,427</b>	<b>2,297</b>	(38)
Profit share from associate Company	-	18	(100)	-	18	(100)	-	37	(100)	-	37	(100)
<b>Profit before tax</b>	<b>299</b>	<b>1,041</b>	(71)	<b>315</b>	<b>1,042</b>	(70)	<b>1,394</b>	<b>2,333</b>	(40)	<b>1,427</b>	<b>2,334</b>	(39)
Taxation	(88)	(445)	(80)	(88)	(445)	(80)	(420)	(939)	(55)	(420)	(939)	(55)
<b>Net Profit for the Period</b>	<b>211</b>	<b>596</b>	(65)	<b>227</b>	<b>597</b>	(62)	<b>974</b>	<b>1,394</b>	(30)	<b>1,007</b>	<b>1,395</b>	(28)
<b>Earnings per share [(Rs) Annualized ]</b>												
<b>-Before VRS Cost</b>							<b>1.87</b>	<b>1.54</b>		<b>1.90</b>	<b>1.55</b>	
<b>-After VRS Cost</b>							<b>1.08</b>	<b>1.54</b>		<b>1.12</b>	<b>1.55</b>	

**Note -1 Voluntary Retirement Scheme (VRS)**

Following the announcement made on 20 th May 2003, the Company has received 1139 applications from those who have opted for the VRS. Based on the number of applications and the defined plan identified for each grade of staff the cost of VRS is estimated at Rs 710 Mn.

The above figures are provisional & unaudited.

## Investor Information

### Ratios

	<u>Group</u>		<u>Company</u>	
	<u>30 th June</u>	<u>31 st Dec</u>	<u>30 th June</u>	<u>31 st Dec</u>
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Net Assets per Share (Rs)	25.63	25.49	25.68	25.52
Debt Equity Ratio (Debt / Equity) - Number of times	0.48	0.56	0.45	0.55
Quick Asset Ratio - Number of times	1.26	1.27	1.36	1.34
	<u>6 Months to 30 June</u>		<u>6 Months to 30 June</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Interest Cover - Number of times	1.95	2.52	2.00	2.52

### Market Value of Shares

	<u>3 Months to</u>	<u>6 Months to</u>
	<u>30 June 2003</u>	<u>30 June 2003</u>
Market Value of the ordinary Shares of the Company (Rs)		
-Highest	15.00	16.00
-Lowest	11.50	10.50
-Last Traded price	14.00	14.00

### Dividend payment

Interim Dividend -Rs 0.30 per share Paid on 11 February 2003 .  
 Final Dividend -Rs 0.30 per share Paid on 3 June 2003

### Share trading from 14th January 2003 to June 2003

#### (Trading commenced on 14th January 2003 )

-No of Transactions	7,106
- No of shares Traded	48,648,700
-Value of shares Traded ( Rs )	683,922,750

### Market Value of Debentures during the period (Rs )

#### Before redemption of 2 nd tranche on 22 March 2003

	<u>Par value Rs 750.00</u>		
	<u>Annually</u>	<u>Quarterly</u>	<u>Half yearly</u>
	<u>( fixed )</u>	<u>( fixed )</u>	<u>(floating)</u>
Highest	785.00	760.00	NO
Lowest	775.00	760.00	Transactions
Last traded	785.00	760.00	

#### After redemption of 2 nd tranche on 22 March 2003

	<u>Par value Rs 500.00</u>		
	<u>Annually</u>	<u>Quarterly</u>	<u>Half yearly</u>
	<u>( fixed )</u>	<u>( fixed )</u>	<u>(floating)</u>
Highest	650.00	NO	NO
Lowest	590.00	Transactions	Transactions
Last traded	590.00		

#### 6 months to 30 June

	<u>2003</u>	<u>2002</u>
Interest Yield on Last Traded price		
( Annual Debenture )	12.29%	14.70%
Yield to Maturity on Last Traded price		
( Annual Debenture )	2.15%	14.80%

(There had been no transaction on Quarterly and half yearly debentures during the period.)

Average Yield on 3 year Govt. Treasury Bond	9.05%
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**Sri Lanka Telecom Limited & its Subsidiaries**  
**Quarterly Interim Financial Report as of 30 June 2003**

**Statement of Changes in Equity - 1st Jan 2002 to 30 June 2003**

*(All amounts in LKR Millions )*

**Group**

	Share Capital	Capital Reserves	Hedging Reserve	Deferred Income	Insurance Reserve	Retained Earnings	Total
<b>Period ended 30 June 2002</b>							
Balance at 1 January 2002	18,049	188	(888)	6,879	86	19,608	43,922
Cash flow hedges							
-Foreign currency translation difference			(730)				(730)
-Charged to income			279				279
Deferred Income-							
-Connection fees During the period				451			451
-Amortized During the period				(342)			(342)
Profit for the 6 Months ended 30 June 2002						1,394	1,394
<b>Balance at 30 June 2002</b>	<b>18,049</b>	<b>188</b>	<b>(1,339)</b>	<b>6,988</b>	<b>86</b>	<b>21,002</b>	<b>44,974</b>
<b>Period ended 31 December 2002</b>							
Balance at 1 July 2002	18,049	188	(1,339)	6,988	86	21,002	44,974
Cash flow hedges							
-Foreign currency translation difference			(99)				(99)
-Charged to income			292				292
Deferred Income-							
-Connection fees for the period				530			530
-Amortized During the period				(386)			(386)
Conversion of associate to subsidiary						(56)	(56)
Dividends for 2001						(541)	(541)
Profit for the 6 Months ended 31 Dec 2002						1,291	1,291
<b>Balance at 31 December 2002</b>	<b>18,049</b>	<b>188</b>	<b>(1,146)</b>	<b>7,132</b>	<b>86</b>	<b>21,696</b>	<b>46,005</b>
<b>Period ended 30 June 2003</b>							
Balance at 1 January 2003	18,049	188	(1,146)	7,132	86	21,696	46,005
Cash flow hedges							
-Foreign currency translation difference			(74)				(74)
-Charged to income			384				384
Deferred Income-							
-Connection fees for the period				418			418
-Amortized During the period				(369)			(369)
Insurance reserve -Charged to income					7		7
Dividend in respect of 2002						(1,083)	(1,083)
Profit for the 6 Months ended 30 June 2003						974	974
<b>Balance at 30 June 2003</b>	<b>18,049</b>	<b>188</b>	<b>(836)</b>	<b>7,181</b>	<b>93</b>	<b>21,587</b>	<b>46,262</b>

**Sri Lanka Telecom Limited & its Subsidiaries**  
**Quarterly Interim Financial Report as of 30 June 2003**

**Statement of Changes in Equity - 1st Jan 2002 to 30 June 2003**

*(All amounts in LKR Millions)*

**Company**

	Share Capital	Capital Reserves	Hedging Reserve	Deferred Income	Insurance Reserve	Retained Earnings	Total
<b>Period ended 30 June 2002</b>							
Balance. at 1 Jan 2002	18,049	188	(888)	6,879	86	19,612	43,926
Cash flow hedges							
-Foreign currency translation difference			(730)				(730)
-Charged to income			279				279
Deferred Income-							
-Connection fees for the period				451			451
-Amortized During the period				(342)			(342)
Profit for the 6 Months ended 30 June 2002						1,395	1,395
<b>Balance at 30 June 2002</b>	<b>18,049</b>	<b>188</b>	<b>(1,339)</b>	<b>6,988</b>	<b>86</b>	<b>21,007</b>	<b>44,979</b>
<b>Period ended 31 December 2002</b>							
Balance at 1 July 2002	18,049	188	-1,339	6,988	86	21,007	44,979
Cash flow hedges							
-Foreign currency translation difference			(99)				(99)
-Charged to income			292				292
Deferred Income-							
-Connection fees for the period				530			530
-Amortized During the period				(386)			(386)
Dividends for 2001						(541)	(541)
Profit for the 6 Months ended 31 Dec 2002						1,286	1,286
<b>Balance at 31 December 2002</b>	<b>18,049</b>	<b>188</b>	<b>(1,146)</b>	<b>7,132</b>	<b>86</b>	<b>21,752</b>	<b>46,061</b>
<b>Period ended 30 June 2003</b>							
Balance at 1 January 2003	18,049	188	(1,146)	7,132	86	21,752	46,061
Cash flow hedges							
-Foreign currency translation difference			(74)				(74)
-Charged to income			384				384
Deferred Income-							
-Connection fees for the period				418			418
-Amortized During the period				(369)			(369)
Insurance reserve -Charged to income					7		7
Dividend in respect of 2002						(1,083)	(1,083)
Profit for the 6 Months ended 30 June 2003						1,007	1,007
<b>Balance at 30 June 2003</b>	<b>18,049</b>	<b>188</b>	<b>(836)</b>	<b>7,181</b>	<b>93</b>	<b>21,676</b>	<b>46,351</b>

**Sri Lanka Telecom Limited and its Subsidiaries**  
**Quarterly Interim Financial Report as of 30 June 2003**

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

	Group		Company	
	Unaudited as at 30 June-03	Audited as at 31-Dec-02	Unaudited as at 30 June-03	Audited as at 31-Dec-02
<b>Assets</b>				
<b>Non-Current assets</b>				
Property, Plant & Equipment	55,025	56,722	52,608	54,977
Goodwill on Consolidation	337	375	-	-
Investments	710	710	2,069	2,069
Non-Current receivables	1,041	995	1,041	995
Deferred Tax Assets	2,284	2,703	2,284	2,704
	<b>59,397</b>	<b>61,505</b>	<b>58,002</b>	<b>60,745</b>
<b>Current Assets</b>				
Inventories	783	665	731	610
Receivables and Prepayments	8,621	9,324	8,542	9,284
Cash & Cash Equivalent	5,229	5,974	5,200	5,937
	<b>14,633</b>	<b>15,963</b>	<b>14,473</b>	<b>15,831</b>
<b>Total Assets</b>	<b>74,030</b>	<b>77,468</b>	<b>72,475</b>	<b>76,576</b>
<b>Equity and Liabilities</b>				
<b>Capital &amp; Reserves</b>				
Ordinary shares	18,049	18,049	18,049	18,049
Capital Reserves	188	188	188	188
Hedging Reserve	(836)	(1,146)	(836)	(1,146)
Deferred Income	7,181	7,132	7,181	7,132
Insurance Reserve	93	86	93	86
Retained earnings	21,587	21,696	21,676	21,752
	<b>46,262</b>	<b>46,005</b>	<b>46,351</b>	<b>46,061</b>
<b>Non Current liabilities</b>				
Borrowings	16,436	18,986	15,689	18,718
Retirement benefit obligation	365	429	347	411
	<b>16,801</b>	<b>19,415</b>	<b>16,036</b>	<b>19,129</b>
<b>Current liabilities</b>				
Trade & Other Payables	4,562	5,108	4,048	4,689
Payable under VRS (Note 1)	814	-	814	-
Borrowings	5,591	6,940	5,226	6,697
	<b>10,967</b>	<b>12,048</b>	<b>10,088</b>	<b>11,386</b>
<b>Total equity and liabilities</b>	<b>74,030</b>	<b>77,468</b>	<b>72,475</b>	<b>76,576</b>

**Notes:**

**1 Payable under Voluntary Retirement Scheme (VRS)**

This amount is made up as follows;

- Cost of Compensation of VRS	710 Mn
- Gratuity payable to those employees	104 Mn
- Total payable	814 Mn

**2 Vishwa Grama Trust Fund**

A draft bill of the Vishwa Grama Trust Fund is presently being considered by Parliament to impose a levy on the Company. Pending the enactment of the bill the financial statements for the period ended 30 June 2003 do not include a provision in respect for the contribution.

**3 Accounting policies**

These Financial Statements are in compliance with Sri Lanka Accounting Standard 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 2002.

**4 Events after the Balance Sheet date.**

There are no material events subsequent to 30 June 2003 which require additional disclosure in Financial Statements.

Signed on behalf of the Board

Thilanga Sumathipala  
Chairman  
Aug-2003

Shuheji Anan  
CEO / Director  
Aug-2003

**Sri Lanka Telecom Limited and its Subsidiaries**  
**Quarterly Interim Financial Report as of 30 June 2003**

**Consolidated Cash Flow statement for the 6 Months ended 30 June**

*(All amounts in LKR Millions )*

	GROUP		COMPANY	
	2003	2002	2003	2002
<b>Operating activities</b>				
Cash generated from operations	7,880	7,608	7,647	7,610
Interest received	200	265	198	265
Interest paid	(1,762)	(1,975)	(1,727)	(1,975)
<b>Net cash generated from operating activities</b>	<b>6,318</b>	<b>5,898</b>	<b>6,118</b>	<b>5,900</b>
<b>Investing activities</b>				
Acquisition of property, plant and equipment	(2,392)	(1,412)	(1,583)	(1,412)
<b>Net cash used in investing activities</b>	<b>(2,392)</b>	<b>(1,412)</b>	<b>(1,583)</b>	<b>(1,412)</b>
<b>Financing activities</b>				
Proceeds from long term borrowings	777	184	76	184
Payment on long term borrowings	(3,990)	(3,262)	(3,890)	(3,262)
Dividends paid	(1,083)	0	(1,083)	0
Redemption of debentures	(375)	(375)	(375)	(375)
<b>Net cash used in financing activities</b>	<b>(4,671)</b>	<b>(3,453)</b>	<b>(5,272)</b>	<b>(3,453)</b>
<b>Increase in cash and cash equivalents</b>	<b>(745)</b>	<b>1,033</b>	<b>(737)</b>	<b>1,035</b>
<b>Movement in cash and cash equivalents</b>				
As at 1 st January	5,974	3,789	5,937	3,780
Increase / (Decrease )	(745)	1,033	(737)	1,035
<b>As at 30 th June</b>	<b>5,229</b>	<b>4,822</b>	<b>5,200</b>	<b>4,815</b>