

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

Year ended 31 Dec. 2003

Sri Lanka Telecom Limited and its Subsidiaries
Quarterly Interim Financial Report as of 31 Dec 2003

Consolidated Income statement as specified

(All amounts in LKR Millions)

	Group			Company			Group			Company		
	Oct-Dec		change %	Oct-Dec		change %	Jan to Dec.		change %	Jan to Dec.		change %
	2003	2002		2003	2002		2003	2002		2003	2002	
Revenue	6,391	6,632	(4)	6,092	6,628	(8)	25,553	25,383	1	24,477	25,207	(3)
Operating Costs	(3,039)	(2,794)	9	(2,717)	(2,778)	(2)	(10,924)	(9,826)	11	(10,024)	(9,710)	3
Operating profit before depreciation	3,352	3,838	(13)	3,375	3,850	(12)	14,629	15,557	(6)	14,453	15,497	(7)
Depreciation	(2,093)	(1,932)	8	(2,044)	(1,932)	6	(8,241)	(7,604)	8	(7,987)	(7,558)	6
Operating Profit	1,259	1,906	(34)	1,331	1,918	(31)	6,388	7,953	(20)	6,466	7,939	(19)
Cost of Voluntary Retirement Scheme (Note 2)		-			-		(710)	-		(710)	-	
Non-operating income	42	53	(21)	41	53	(23)	111	108	3	111	107	4
Interest expenses and related charges	(664)	(831)	(20)	(652)	(831)	(22)	(2,863)	(3,377)	(15)	(2,802)	(3,365)	(17)
Interest Income	53	138	(62)	50	138	(64)	316	552	(43)	311	551	(44)
Profit before Tax and Ass. Co share	690	1,266	(45)	770	1,278	(40)	3,242	5,236	(38)	3,376	5,232	(35)
Profit share from associate Company	-	(71)	(100)		(71)	(100)		(29)	(100)	-	(29)	(100)
Profit before tax	690	1,195	(42)	770	1,207		3,242	5,207	(38)	3,376	5,203	(35)
Taxation	(227)	(949)	(76)	(227)	(949)	(76)	(993)	(2,522)	(61)	(993)	(2,522)	(61)
Net Profit for the Period	463	246	88	543	258	110	2,249	2,685	(16)	2,383	2,681	(11)
Earnings per share (Rs)												
-Before VRS Cost							1.64	1.49		1.71	1.49	
-After VRS Cost							1.25	1.49		1.32	1.49	

The above figures are provisional & unaudited.

Sri Lanka Telecom Limited and its Subsidiaries
Quarterly Interim Financial Report as of 31 Dec 2003

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

	Group		Company	
	Unaudited as at 31- Dec-03	Audited as at 31-Dec-02	Unaudited as at 31- Dec-03	Audited as at 31-Dec-02
Assets				
<i>Non-Current assets</i>				
Property, Plant & Equipment	55,763	56,722	51,243	54,977
Goodwill on Consolidation	297	375	-	-
Investments (Note 3)	710	710	2,707	2,069
Non-Current receivables	977	995	977	995
Deferred Tax Assets (Note 4)	-	2,703	-	2,704
	57,747	61,505	54,927	60,745
<i>Current Assets</i>				
Inventories	785	665	500	610
Receivables and Prepayments	9,242	9,324	9,052	9,284
Cash & Cash Equivalent (Note 5)	4,599	5,974	4,348	5,937
	14,626	15,963	13,900	15,831
Total Assets	72,373	77,468	68,827	76,576
Equity and Liabilities				
Capital & Reserves				
Ordinary shares	18,049	18,049	18,049	18,049
Capital Reserves	188	188	188	188
Hedging Reserve	(744)	(1,146)	(744)	(1,146)
Deferred Income	7,214	7,132	7,214	7,132
Insurance Reserve	95	86	95	86
Retained earnings	13,013	21,696	13,203	21,752
	37,815	46,005	38,005	46,061
<i>Non Current liabilities</i>				
Borrowings	13,523	18,986	12,276	18,718
Retirement benefit obligation	457	429	439	411
Deferred Tax Liabilities (Note 4)	8,139	-	8,139	-
	22,119	19,415	20,854	19,129
<i>Current liabilities</i>				
Trade & Other Payables	4,555	5,108	4,428	4,689
Payable under VRS (Note 2)	326	-	326	-
Borrowings	7,558	6,940	5,214	6,697
	12,439	12,048	9,968	11,386
Total equity and liabilities	72,373	77,468	68,827	76,576

Signed on behalf of the Board

Thilanga Sumathipala
Chairman
26-Feb-04

Shuhei Anan
CEO / Director
26-Feb-04

Sri Lanka Telecom Limited and its Subsidiaries
Quarterly Interim Financial Report as of 31 Dec 2003

Consolidated Cash Flow statement for the Year ended 31 Dec

(All amounts in LKR Millions)

	GROUP		COMPANY	
	2003	2002	2003	2002
Operating activities				
Cash generated from operations	14,121	15,966	14,402	15,878
Interest received	348	546	343	545
Interest paid	(3,040)	(3,054)	(2,979)	(3,042)
Net cash generated from operating activities	11,429	13,458	11,766	13,381
Investing activities				
Acquisition of Subsidiary		(265)		
Acquisition of property, plant and equipment	(7,282)	(3,460)	(4,253)	(3,445)
Investments in Subsidiary (Note 3)			(500)	(293)
Disposal of property, plant and equipment	4	3	4	3
Net cash used in investing activities	(7,278)	(3,722)	(4,749)	(3,735)
Financing activities				
Proceeds from long term borrowings	3,400	944	76	944
Payment on long term borrowings	(7,467)	(7,580)	(7,224)	(7,517)
Dividends paid	(1,083)	(541)	(1,083)	(541)
Redemption of debentures	(375)	(375)	(375)	(375)
Net cash used in financing activities	(5,525)	(7,552)	(8,606)	(7,489)
Increase in cash and cash equivalents	(1,374)	2,184	(1,589)	2,157
Movement in cash and cash equivalents				
As at 1 st January	5,973	3,789	5,937	3,780
Increase / (Decrease)	(1,374)	2,184	(1,589)	2,157
As at 31 Dec	4,599	5,973	4,348	5,937

Investor Information

Ratios

	<u>Group</u>		<u>Company</u>	
	<u>31 st Dec</u>	<u>2002</u>	<u>31 st Dec</u>	<u>2002</u>
	<u>2003</u>		<u>2003</u>	
Net Assets per Share (Rs)	20.95	25.49	21.06	25.52
Debt Equity Ratio (Debt / Equity) - Number of times	0.56	0.56	0.46	0.55
Quick Asset Ratio - Number of times	1.11	1.27	1.34	1.34
	<u>For the year</u>		<u>For the year</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Interest Cover - Number of times				
- Before VRS	2.55	2.85	2.64	2.86
- After VRS	2.27	2.85	2.36	2.86

Market Value of Shares

Market Value of the ordinary Shares of the Company (Rs)	<u>3 Months to 31</u>	<u>12 Months to 31</u>
	<u>Dec 2003</u>	<u>Dec 2003</u>
-Highest	30.00	30.00
-Lowest	16.00	10.50
-Last Traded price	18.00	18.00

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 31 Dec. 2003

(Trading commenced on 14th January 2003)

-No of Transactions	17,397	34,041
- No of shares Traded	113,510,500	279,750,200
-Value of shares Traded (Rs)	2,693,745,650	5,509,529,600

Market Value of Debentures during thr year (Rs)

Before redemption of 2 nd tranche on 22nd March 2003

After redemption of 2 nd tranche on 22nd March 2003

	<u>Par value of Rs 750.00</u>			<u>Par value of Rs 500.00</u>		
	<u>Annually</u>	<u>Quarterly</u>	<u>Half yearly</u>	<u>Annually</u>	<u>Quarterly</u>	<u>Half yearly</u>
	<u>(Fixed)</u>	<u>(Fixed)</u>	<u>(floating)</u>	<u>(Fixed)</u>	<u>(Fixed)</u>	<u>(floating)</u>
-Highest	785.00	760.00	No	-Highest	650.00	525.00
-Lowest	775.00	760.00	Transactions	-Lowest	590.00	522.00
-Last Traded price	785.00	760.00		-Last Traded price	590.00	525.00

	<u>Annually Fixed</u>		<u>Quarterly Fixed</u>	
	<u>Year ended 31 Dec</u>	<u>Year ended 31 Dec</u>	<u>Year ended 31 Dec</u>	<u>Year ended 31 Dec</u>
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Interest yield on last traded price	12.29%	14.50%	13.33%	14.50%
Yield to maturity on Last traded price	2.15%	14.50%	7.02%	12.80%
Average yield on 3 Year Govt. Traesury Bond	7.44%	9.90%		