

**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**

**Quarter ended 31 March 2004**

**Sri Lanka Telecom Limited and its Subsidiaries**  
**Quarterly Interim Financial Report as of 31 March 2004**

**Consolidated Income statement as specified**

*(All amounts in LKR Millions )*

	Group			Company		
	Jan to Mar.		change	Jan to Mar.		change
	2004	2003	%	2004	2003	%
Revenue	7,134	6,452	11	6,702	6,177	8
Operating Costs	(3,266)	(2,736)	19	(2,736)	(2,534)	8
Operating profit before depreciation	<b>3,868</b>	<b>3,716</b>	4	<b>3,966</b>	<b>3,643</b>	9
Depreciation	(2,186)	(2,025)	8	(2,003)	(1,956)	2
<b>Operating Profit</b>	<b>1,682</b>	<b>1,691</b>	(1)	<b>1,963</b>	<b>1,687</b>	16
Non-operating income	19	11	73	19	11	73
Interest expenses and related charges	(675)	(695)	(3)	(615)	(677)	(9)
Interest Income	39	92	(58)	39	91	(57)
<b>Profit before Tax</b>	<b>1,065</b>	<b>1,099</b>	(3)	<b>1,406</b>	<b>1,112</b>	26
Taxation	(418)	(344)	22	(418)	(344)	22
<b>Net Profit for the Period</b>	<b>647</b>	<b>755</b>	(14)	<b>988</b>	<b>768</b>	29
<b>Earnings per share (Rs) - Annualized</b>	<b>1.43</b>	<b>1.67</b>		<b>2.19</b>	<b>1.70</b>	

The above figures are provisional & unaudited.

**Sri Lanka Telecom Limited and its Subsidiaries**  
**Quarterly Interim Financial Report as of 31 March 2004**

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

	<b>Group</b>		<b>Company</b>	
	<b>Unaudited as at 31-Mar-04</b>	<b>Audited as at 31-Dec-03</b>	<b>Unaudited as at 31-Mar-04</b>	<b>Audited as at 31-Dec-03</b>
<b>Assets</b>				
<i><b>Non-Current assets</b></i>				
Property, Plant & Equipment	55,072	55,763	50,023	51,243
Goodwill on Consolidation	278	297	-	-
Investments	710	710	2,707	2,707
Non-Current receivables	955	977	955	977
	<b>57,015</b>	<b>57,747</b>	<b>53,685</b>	<b>54,927</b>
<i><b>Current Assets</b></i>				
Inventories	1,228	785	391	500
Receivables and Prepayments	11,884	9,242	11,047	9,052
Cash & Cash Equivalents	3,357	4,599	3,415	4,348
	<b>16,469</b>	<b>14,626</b>	<b>14,853</b>	<b>13,900</b>
<b>Total Assets</b>	<b>73,484</b>	<b>72,373</b>	<b>68,538</b>	<b>68,827</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	(608)	(745)	(608)	(745)
Insurance Reserve	95	95	95	95
Retained earnings	12,758	13,013	13,289	13,203
	<b>30,482</b>	<b>30,600</b>	<b>31,013</b>	<b>30,790</b>
Deferred Income	<b>7,182</b>	<b>7,214</b>	<b>7,182</b>	<b>7,214</b>
<i><b>Non Current liabilities</b></i>				
Borrowings	15,698	13,523	11,934	12,276
Retirement benefit obligation	497	457	477	439
Deferred Tax Liabilities	8,557	8,139	8,557	8,139
	<b>24,752</b>	<b>22,119</b>	<b>20,968</b>	<b>20,854</b>
<i><b>Current liabilities</b></i>				
Trade & Other Payables	5,638	4,882	4,601	4,755
Borrowings	5,430	7,558	4,774	5,214
	<b>11,068</b>	<b>12,440</b>	<b>9,375</b>	<b>9,969</b>
<b>Total equity and liabilities</b>	<b>73,484</b>	<b>72,373</b>	<b>68,538</b>	<b>68,827</b>

Signed on behalf of the Board

Thilanga Sumathipala  
Chairman  
27-May-04

Shuhei Anan  
CEO / Director  
27-May-04

**Sri Lanka Telecom Limited & its Subsidiaries**

**Quarterly Interim Financial Report as of 31 March 2004**

**Statement of Changes in Equity - 1st Jan 2003 to 31 Mar. 2004**

*(All amounts in LKR Millions)*

**Group**

	Share Capital	Capital Reserves	Hedging Reserve	Insurance Reserve	Retained Earnings	Total
<b>Period ended 31 Mar. 2004</b>						
Balance at 1 January 2003	18,049	188	(1,146)	86	21,696	38,873
Prior year adjustment					(9,849)	(9,849)
Cash flow hedges						
-Foreign currency translation difference			(208)			(208)
-Charged to income			609			609
Insurance reserve -Charged to income				9		9
Dividends in respect of 2002					(1,083)	(1,083)
<b>Profit for the year 2003</b>					2,249	2,249
<b>Balance at 31 Dec 2003</b>	<b>18,049</b>	<b>188</b>	<b>(745)</b>	<b>95</b>	<b>13,013</b>	<b>30,600</b>
<b>Period ended 31 Mar. 2004</b>						
Balance at 1 January 2004	18,049	188	(745)	95	13,013	30,600
Cash flow hedges						
-Foreign currency translation difference			(70)			(70)
-Charged to income			207			207
Dividends in respect of 2003					(902)	(902)
<b>Profit for the period 2004</b>					647	647
<b>Balance at 31 Mar. 2004</b>	<b>18,049</b>	<b>188</b>	<b>(608)</b>	<b>95</b>	<b>12,758</b>	<b>30,482</b>

**Sri Lanka Telecom Limited & its Subsidiaries**

**Quarterly Interim Financial Report as of 31 March 2004**

**Statement of Changes in Equity - 1st Jan 2003 to 31 Mar. 2004**

*(All amounts in LKR Millions)*

**Company**

	Share Capital	Capital Reserves	Hedging Reserve	Insurance Reserve	Retained Earnings	Total
<b>Period ended 31 Mar. 2004</b>						
Balance at 1 January 2003	18,049	188	(1,146)	86	21,752	38,929
Prior year adjustment					(9,849)	(9,849)
Cash flow hedges						
-Foreign currency translation difference			(208)			(208)
-Charged to income			609			609
Insurance reserve -Charged to income				9		9
Dividends in respect of 2002					(1,083)	(1,083)
Profit for the year 2003					2,383	2,383
<b>Balance at 31 Dec 2003</b>	<b>18,049</b>	<b>188</b>	<b>(745)</b>	<b>95</b>	<b>13,203</b>	<b>30,790</b>
<b>Period ended 31 Mar. 2004</b>						
Balance at 1 January 2004	18,049	188	(745)	95	13,203	30,790
Cash flow hedges						
-Foreign currency translation difference			(70)			(70)
-Charged to income			207			207
Dividends in respect of 2003					(902)	(902)
Profit for the period 2004					988	988
<b>Balance at 31 Mar. 2004</b>	<b>18,049</b>	<b>188</b>	<b>(608)</b>	<b>95</b>	<b>13,289</b>	<b>31,013</b>

**Sri Lanka Telecom Limited and its Subsidiaries**  
**Quarterly Interim Financial Report as of 31 March 2004**

**Consolidated Cash Flow statement for the quarter ended 31 March**

*(All amounts in LKR Millions )*

	GROUP		COMPANY	
	2004	2003	2004	2003
<b>Operating activities</b>				
Cash generated from operations	481	4,248	1,350	4,140
Interest received	65	114	65	113
Interest paid	(980)	(1,042)	(920)	(1,023)
<b>Net cash generated / (Used ) from operating activities</b>	<b>(434)</b>	<b>3,320</b>	<b>495</b>	<b>3,230</b>
<b>Investing activities</b>				
Acquisition of property, plant and equipment	(978)	(835)	(783)	(816)
<b>Net cash used in investing activities</b>	<b>(978)</b>	<b>(835)</b>	<b>(783)</b>	<b>(816)</b>
<b>Financing activities</b>				
Proceeds from borrowings	5,889	73	1,800	73
Payments on borrowings	(5,344)	(1,294)	(2,070)	(1,264)
Dividends paid	-	(541)	-	(541)
Redemption of debentures	(375)	(375)	(375)	(375)
<b>Net cash generated / (used) in financing activities</b>	<b>170</b>	<b>(2,137)</b>	<b>(645)</b>	<b>(2,107)</b>
<b>Increase / (Decrease) in cash and cash equivalents</b>	<b>(1,242)</b>	<b>348</b>	<b>(933)</b>	<b>307</b>
<b>Movement in cash and cash equivalents</b>				
As at 1 st January	4,599	5,974	4,348	5,937
Increase / (Decrease )	(1,242)	348	(933)	307
<b>As at 31 March</b>	<b>3,357</b>	<b>6,322</b>	<b>3,415</b>	<b>6,244</b>