



Sri Lanka Telecom

Interim Financial Report

as of 31 March 2005

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.

Sri Lanka Telecom Limited and its Subsidiaries

Interim Financial Report as of 31 March 2005

Consolidated Income statement as specified

(All amounts in LKR Millions)

	Group			Company		
	Jan - Mar		change	Jan - Mar		change
	2005	2004	%	2005	2004	%
Revenue	7,513	7,134	5	6,825	6,702	2
Operating Costs	(3,436)	(3,266)	5	(3,026)	(2,736)	11
Operating profit before depreciation	4,077	3,868	5	3,799	3,966	(4)
Depreciation	(2,371)	(2,186)	8	(2,096)	(2,003)	5
Operating Profit	1,706	1,682	1	1,703	1,963	(13)
International Telecommunication Operators' Levy (ITL)	(157)			(157)		
Non-operating income	24	19	26	24	19	26
Interest expenses and related charges	(472)	(675)	(30)	(315)	(615)	(49)
Interest Income	118	39	203	116	39	197
Profit before Tax	1,219	1,065		1,371	1,406	
Taxation	(310)	(418)	(26)	(310)	(418)	(26)
Net Profit for the Period	909	647	40	1,061	988	7
Earnings per share (Rs)	2.01	1.43		2.35	2.19	

The above figures are provisional & unaudited.

Sri Lanka Telecom Limited and its Subsidiaries
Interim Financial Report as of 31 March 2005

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

	Group		Company	
	Unaudited as at 31 Mar. 2005	Audited as at 31 Dec. 2004	Unaudited as at 31 Mar. 2005	Audited as at 31 Dec. 2004
Assets				
Non-Current assets				
Property, Plant & Equipment	53,529	54,350	47,329	48,200
Goodwill on Consolidation	200	219	-	-
Investments	710	710	2,707	2,707
Non-Current receivables	1,445	1,439	994	969
	55,884	56,718	51,030	51,876
Current Assets				
Inventories	1,138	1,312	672	771
Receivables and Prepayments	8,509	9,898	7,919	9,157
Cash & Cash Equivalent	13,363	10,845	13,132	10,736
	23,010	22,055	21,723	20,664
Total Assets	78,894	78,773	72,753	72,540
Equity and Liabilities				
Capital & Reserves				
Ordinary shares	18,049	18,049	18,049	18,049
Capital Reserves	188	188	188	188
Hedging Reserve	(433)	(677)	(433)	(677)
Insurance Reserve	101	100	101	100
Retained earnings	14,313	13,404	15,983	14,922
	32,218	31,064	33,888	32,582
Deferred Income	7,221	7,272	7,221	7,272
Non Current liabilities				
Deferred tax liabilities	6,914	7,489	6,914	7,489
Borrowings	20,198	20,905	15,342	16,106
Retirement benefit obligation	524	510	498	487
	27,636	28,904	22,754	24,082
Current liabilities				
Trade & Other Payables	7,077	6,761	6,099	5,890
Income tax liabilities	1,169	297	1,169	297
Borrowings	3,563	4,465	1,612	2,407
Retirement benefit obligation	10	10	10	10
	11,819	11,533	8,890	8,604
Total equity and liabilities	78,894	78,773	72,753	72,540

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 Dec 2004.

2 Events after the Balance Sheet date.

There are no material events subsequent to 31 March 2005, which require additional disclosure in Financial Statements.

The above figures are provisional & unaudited.

Signed on behalf of the Board

Anil Obeyesekere P.C.

Chairman

19-May-05

Shuheii Anan

CEO / Director

19-May-05

Sri Lanka Telecom Limited & its Subsidiaries

Interim Financial Report as of 31 March 2005

Statement of Changes in Equity - 1st January 2004 to 31 March 2005

(All amounts in LKR Millions)

Group

	Share Capital	Capital Reserves	Hedging Reserve	Insurance Reserve	Retained Earnings	Total
Period ended 31Dec. 2004						
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
Dividend in respect of 2003					(902)	(902)
Net Profit for the period					647	647
Balance at 31 March 2004	18,049	188	(608)	95	12,758	30,482
Period ended 31 December 2004						
Balance at 1 April 2004	18,049	188	(608)	95	12,758	30,482
Cash flow hedges						
-Foreign currency translation difference			(338)			(338)
-Charged to income			269			269
Insurance reserve -Charged to income				5		5
Net Profit for the period					646	646
Balance at 31 December 2004	18,049	188	(677)	100	13,404	31,064
Period ended 31 March 2005						
Balance at 1 January 2005	18,049	188	(677)	100	13,404	31,064
Cash flow hedges						
-Foreign currency translation difference			228			228
-Charged to income			16			16
Insurance reserve -Charged to income				1		1
Net Profit for the period					909	909
Balance at 31 March 2005	18,049	188	(433)	101	14,313	32,218

Sri Lanka Telecom Limited & its Subsidiaries

Interim Financial Report as of 31 March 2005

Statement of Changes in Equity - 1st January 2004 to 31 March 2005

(All amounts in LKR Millions)

Company

	Share Capital	Capital Reserves	Hedging Reserve	Insurance Reserve	Retained Earnings	Total
Period ended 31Dec. 2004						
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
Dividend in respect of 2003					(902)	(902)
Net Profit for the period					988	988
Balance at 31 March 2004	18,049	188	(608)	95	13,289	31,013
Balance at 1 April 2004	18,049	188	(608)	95	13,289	31,013
Cash flow hedges						
-Foreign currency translation difference			(338)			(338)
-Charged to income			269			269
Insurance reserve -Charged to income				5		5
Net Profit for the period					1,633	1,633
Balance at 31 December 2004	18,049	188	(677)	100	14,922	32,582
Period ended 31 March 2005						
Balance at 1 January 2005	18,049	188	(677)	100	14,922	32,582
Cash flow hedges						
-Foreign currency translation difference			228			228
-Charged to income			16			16
Insurance reserve -Charged to income				1		1
Net Profit for the period					1,061	1,061
Balance at 31 March 2005	18,049	188	(433)	101	15,983	33,888

Sri Lanka Telecom Limited and its Subsidiaries
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Consolidated Cash Flow statement for the for the 3 Months ended 31 March
(All amounts in LKR Millions)

	GROUP		COMPANY	
	2005	2004	2005	2004
Operating activities				
Cash generated from operations	5,649	481	5,050	1,350
Interest received	121	65	119	65
Interest paid	(421)	(980)	(264)	(920)
Tax paid	(13)		(13)	
Net cash generated from operating activities	5,336	(434)	4,892	495
Investing activities				
Acquisition of property, plant and equipment	(1,550)	(978)	(1,225)	(783)
Disposal of property, plant & equipment	5		5	
Net cash used in investing activities	(1,545)	(978)	(1,220)	(783)
Financing activities				
Proceeds from borrowings	150	5,889		1,800
Payment on borrowings	(460)	(5,344)	(410)	(2,070)
Redemption of debentures	(375)	(375)	(375)	(375)
Net cash From /(used)in financing activities	(685)	170	(785)	(645)
Increase/(Decrease) in cash and cash equivalents	3,106	(1,242)	2,887	(933)
Movement in cash and cash equivalents				
As at 1 st January	10,213	4,599	10,245	4,348
Increase / (Decrease)	3,106	(1,242)	2,887	(933)
As at 31 March	13,319	3,357	13,132	3,415

Sri Lanka Telecom Limited and its Subsidiaries
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Investor Information

Ratios

	Group		Company	
	31 Mar. 2005	31 Dec. 2004	31 Mar. 2005	31 Dec. 2004
Net Assets per Share (Rs)	17.85	17.21	18.78	18.05
DebtEquity ratio (Debt/ Equity)- Number of times	0.42	0.45	0.33	0.36
Quick Asset Ratio - Number of times	1.85	1.80	2.37	2.31
	For the Qtr. ended		For the Qtr. ended	
	31-Mar-05	31-Mar-04	31-Mar-05	31-Mar-04
Interest Cover - Number of times	4.44	2.67	7.89	3.44

Market Value of Shares

**Market Value of the ordinary
Shares of the Company (Rs)**

	3 Months to 31 Mar.2005	3 Months to 31 Mar.2004
-Highest	18.50	23.00
-Lowest	15.50	16.25
-Last Traded price	16.25	18.50

Share trading from 1 Jan.2005 to 31 March 2005

	3 Months to 31 Mar.2005	3 Months to 31 Mar.2004
-No of Transactions	4,190	8,373
- No of shares Traded	39,373,436	53,898,459
-Value of shares Traded (Rs)	649,885,852	1,052,207,516

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Operating Profit	1,706	1,682	1	1,703	1,963	(13)
International Operators' Levy (ITL) (Note-2)	(157)			(157)		
Non-operating income	24	19	26	24	19	26
Interest expenses and related charges	(472)	(675)	(30)	(315)	(615)	(49)
Interest Income	118	39	203	116	39	197
Profit before Tax	1,219	1,065		1,371	1,406	
Effect to the profit due to US \$ notes						
Int. on US \$ notes (10 bn*6.875*3 Months)				171		
Int. on Deposit US \$ notes (5 bn*3%*3 Months)				(38)		
Interest saving on repayt of loans for 1 Q				(153)	(20)	
Exch. Fluct'n on loan (\$ 104.70-\$99.40)*100 mn				(533)		
Exch. Fluct'n Deposit (\$ 104.70-\$99.40)*50 mn				262	(271)	
					(291)	
Taxation	(310)	(418)	(26)	(310)	(418)	(26)
Net Profit for the Period	909	647	40	1,061	988	7
Earnings per share (Rs)	2.01	1.43		2.35	2.19	

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International Telecommunication Operator's Levy

According to Finance Act No. 11 of 2004, International Telecommunications Operators are required to make a contribution to the Government at the rate of US\$ 0.038 per international incoming traffic minute w.e.f.3rd March 2003.

The total amount of the levy in respect of SLT from 3rd March 2003 to 31st December 2004 has been estimated at Rs. 2,469 million and has been recognised as an expense in the current financial year out of which Rs. 402 million relates to the current quarter. The corresponding liability has been recognised in the balance sheet. The respective amounts in respect of Mobitel are Rs. 5 million and Rs. 1 million which also have been recognised in the same manner.

According to the Finance Act. No. 11 of 2004, Regulations may be made for disbursement of these levies. The regulations are still under preparation. It is likely that 2/3 of the levy will be refunded back to the International Telecommunication Operators for rolling out the network in rural areas. Accordingly, the refund to SLT has been estimated at Rs. 1,646 million but has not been recognised in the financial statements, as the regulations for such refund have not yet been gazetted.

The corresponding amount in respect of Mobitel is Rs. 3 million.

Sri Lanka Telecom Limited and its Subsidiaries

Interim Financial Report as of 31 December 2004

Consolidated Income statement as specified

(All amounts in LKR Millions)

	Group			Company			Group			Company		
	Oct. Dec.	change		Oct. Dec.	change		Jan-Dec.	change		Jan-Dec.	change	
	2004	2003	%	2004	2003	%	2004	2003	%	2004	2003	%
Profit before Tax	166	690		923	770		3,242			3,601	3,376	
Taxation	(257)	(227)	13	(257)	(227)	13	(1,060)	(993)	7	(1,060)	(993)	7
Net Profit for the Period	(91)	463	(120)	666	543	23	(1,060)	2,249	(147)	2,541	2,383	7
Projections-												
Prov. For Tsunami	300											
Tax effect	30%											
After Tax effect	210	(210)		(210)			(210)			(210)		
Net Profit/ (Loss) for the Period		(301)		456			(1,270)			2,331		
Telecom City project	24											
Tax effect	30%											
After Tax effect	17	(17)		(17)			(17)			(17)		
Net Profit/ (Loss) for the Period		(318)		439			(1,287)			2,314		
Pron for Int'l Debts	850											
Tax effect	30%											
After Tax effect	595	(595)		(595)			(595)			(595)		
Net Profit/ (Loss) for the Period		(913)		(156)			(1,882)			1,719		

The above figures are provisional & unaudited.