



Sri Lanka Telecom

## **Unaudited Interim Financial Report**

For the year ended 31Dec. 2004

### **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 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	%
Revenue	7,538	6,391	18	6,789	6,092	11	29,588	25,553	16	26,753	24,477	9
Operating Costs	(4,465)	(3,039)	47	(3,465)	(2,717)	28	(14,129)	(10,924)	29	(11,329)	(10,024)	13
Operating profit before depreciation	<b>3,073</b>	<b>3,352</b>	(8)	<b>3,324</b>	<b>3,375</b>	(2)	<b>15,459</b>	<b>14,629</b>	6	<b>15,424</b>	<b>14,453</b>	7
Depreciation	(2,492)	(2,093)	19	(2,152)	(2,044)	5	(9,036)	(8,241)	10	(8,114)	(7,987)	2
<b>Operating Profit</b>	<b>581</b>	<b>1,259</b>	(54)	<b>1,172</b>	<b>1,331</b>	(12)	<b>6,423</b>	<b>6,388</b>	1	<b>7,310</b>	<b>6,466</b>	13
International Operators' Levy (ITL) (Note-2)	<b>(403)</b>			<b>(402)</b>			<b>(2,474)</b>			<b>(2,469)</b>		
Cost of Voluntary Retirement Scheme								(710)			(710)	
Loss due to theTsunami	(330)			(300)			(330)			(300)		
Non-operating income	72	42	71	50	41	22	144	111	30	122	111	10
Interest expenses and related charges	(651)	(664)	(2)	(487)	(652)	(25)	(2,524)	(2,863)	(12)	(2,084)	(2,802)	(26)
Interest Income	67	53	26	59	50	18	202	316	(36)	190	311	(39)
<b>Profit before Tax</b>	<b>(664)</b>	<b>690</b>		<b>92</b>	<b>770</b>		<b>1,441</b>	<b>3,242</b>		<b>2,769</b>	<b>3,376</b>	
Taxation (Note-3)	(19)	(227)	(92)	(19)	(227)	(92)	(148)	(993)	(85)	(148)	(993)	(85)
<b>Net Profit for the Period</b>	<b>(683)</b>	<b>463</b>	(248)	<b>73</b>	<b>543</b>	(87)	<b>1,293</b>	<b>2,249</b>	(43)	<b>2,621</b>	<b>2,383</b>	10
<b>Earnings per share (Rs)</b>												
-Before ITL & VRS							<b>1.68</b>	<b>1.52</b>		<b>2.41</b>	<b>1.60</b>	
-After ITL & VRS							<b>0.72</b>	<b>1.25</b>		<b>1.45</b>	<b>1.32</b>	

The above figures are provisional & unaudited.

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

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

	Group		Company	
	Unaudited as at 31- Dec - 2004	Audited as at 31-Dec-03	Unaudited as at 31- Dec - 2004	Audited as at 31-Dec-03
<b>Assets</b>				
<b>Non-Current assets</b>				
Property,Plant & Equipment	54,350	55,763	48,200	51,243
Goodwill on Consolidation	219	297	-	-
Investments	710	710	2,707	2,707
Non-Current receivables	1,439	977	969	977
	<b>56,718</b>	<b>57,747</b>	<b>51,876</b>	<b>54,927</b>
<b>Current Assets</b>				
Inventories	1,312	785	771	500
Receivables and Prepayments	10,399	9,242	9,658	9,052
Cash & Cash Equivalent	10,704	4,599	10,736	4,348
	<b>22,415</b>	<b>14,626</b>	<b>21,165</b>	<b>13,900</b>
<b>Total Assets</b>	<b>79,133</b>	<b>72,373</b>	<b>73,041</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	(677)	(745)	(677)	(745)
Insurance Reserve	100	95	100	95
Retained earnings	13,404	13,013	14,922	13,203
	<b>31,064</b>	<b>30,600</b>	<b>32,582</b>	<b>30,790</b>
Deferred Income	7,272	7,214	7,272	7,214
<b>Non Current liabilities</b>				
Deferred tax liabilities	7,489	8,139	7,489	8,139
Borrowings	20,905	13,523	16,106	12,276
Retirement benefit obligation	520	457	497	439
	<b>28,914</b>	<b>22,119</b>	<b>24,092</b>	<b>20,854</b>
<b>Current liabilities</b>				
Trade & Other Payables	7,559	4,882	6,688	4,755
Borrowings	4,324	7,558	2,407	5,214
	<b>11,883</b>	<b>12,440</b>	<b>9,095</b>	<b>9,969</b>
<b>Total equity and liabilities</b>	<b>79,133</b>	<b>72,373</b>	<b>73,041</b>	<b>68,827</b>

**Notes:**

**1 Accounting policies**

2

**3 Taxation**

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

The above figures are provisional & unaudited.

Signed on behalf of the Board

Anil Obeyesekere P.C.  
Chairman  
Feb -2005

Shuhej Anan  
CEO / Director  
Feb -2005

**Sri Lanka Telecom Limited & its Subsidiaries**  
**Interim Financial Report as of 31 December 2004**

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

*(All amounts in LKR Millions )*

**Group**

	Share Capital	Capital Reserves	Hedging Reserve	Insurance Reserve	Retained Earnings	Total
<b>Period ended 31Dec. 2003</b>						
Balance at 1 January 2003 - as restated	18,049	188	(1,146)	86	11,847	29,024
Cash flow hedges						
-Foreign currency translation difference			(208)			(208)
-Charged to income			609			609
Insurance reserve -Charged to income				9		9
Dividend in respect of 2002					(1,083)	(1,083)
Net Profit for the Year					2,249	2,249
<b>Balance at 31 December 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 December 2004</b>						
Balance at 1 Jan 2004	18,049	188	(745)	95	13,013	30,600
Cash flow hedges						
-Foreign currency translation difference			(408)			(408)
-Charged to income			476			476
Insurance reserve -Charged to income				5		5
Dividend in respect of 2003					(902)	(902)
Net Profit for the Year					1,293	1,293
<b>Balance at 31 December 2004</b>	<b>18,049</b>	<b>188</b>	<b>(677)</b>	<b>100</b>	<b>13,404</b>	<b>31,064</b>

**Sri Lanka Telecom Limited & its Subsidiaries**

**Interim Financial Report as of 31 December 2004**

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

*(All amounts in LKR Millions )*

**Company**

	Share Capital	Capital Reserves	Hedging Reserve	Insurance Reserve	Retained Earnings	Total
<b>Period ended 31Dec. 2003</b>						
Balance at 1 January 2003 - as restated	18,049	188	(1,146)	86	11,903	29,080
Cash flow hedges						
-Foreign currency translation difference			(208)			(208)
-Charged to income			609			609
Insurance reserve -Charged to income				9		9
Dividend in respect of 2002					(1,083)	(1,083)
Net Profit for theYear					2,383	2,383
<b>Balance at 31 December 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 December 2004</b>						
Balance at 1 Jan 2004	18,049	188	-745	95	13,203	30,790
Cash flow hedges						
-Foreign currency translation difference			(408)			(408)
-Charged to income			476			476
Insurance reserve -Charged to income				5		5
Dividend in respect of 2003					(902)	(902)
Net Profit for theYear					2,621	2,621
<b>Balance at 31 December 2004</b>	<b>18,049</b>	<b>188</b>	<b>(677)</b>	<b>100</b>	<b>14,922</b>	<b>32,582</b>

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

**Consolidated Cash Flow statement for the for the year ended 31 December**

*(All amounts in LKR Millions )*

	GROUP		COMPANY	
	2004	2003	2004	2003
<b>Operating activities</b>				
Cash generated from operations	13,007	14,121	13,435	14,402
Interest received	224	348	212	343
Interest paid	(2,829)	(3,040)	(2,389)	(2,979)
<b>Net cash generated from operating activities</b>	<b>10,402</b>	<b>11,429</b>	<b>11,258</b>	<b>11,766</b>
<b>Investing activities</b>				
Acquisition of property, plant and equipment	(7,623)	(7,282)	(5,071)	(4,253)
Investments in Subsidiary				(500)
Disposal of property, plant & equipment	12	4	12	4
<b>Net cash used in investing activities</b>	<b>(7,611)</b>	<b>(7,278)</b>	<b>(5,059)</b>	<b>(4,749)</b>
<b>Financing activities</b>				
Proceeds from borrowings	20,970	3,400	13,949	76
Payment on borrowings	(16,379)	(7,467)	(12,483)	(7,224)
Dividends paid	(902)	(1,083)	(902)	(1,083)
Redemption of debentures	(375)	(375)	(375)	(375)
<b>Net cash From / (used ) in financing activities</b>	<b>3,314</b>	<b>(5,525)</b>	<b>189</b>	<b>(8,606)</b>
<b>Increase/(Decrease) in cash and cash equivalents</b>	<b>6,105</b>	<b>(1,374)</b>	<b>6,388</b>	<b>(1,589)</b>
<b>Movement in cash and cash equivalents</b>				
As at 1 st January	4,599	5,973	4,348	5,937
Increase / (Decrease )	6,105	(1,374)	6,388	(1,589)
<b>As at 31 December</b>	<b>10,704</b>	<b>4,599</b>	<b>10,736</b>	<b>4,348</b>

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

**Investor Information**

**Ratios**

	Group		Company	
	31 Dec. 2004	31 Dec. 2003	31 Dec. 2004	31 Dec. 2003
Net Assets per Share (Rs)	17.21	16.95	18.05	17.06
DebtEquity ratio ( Deb/ Equity)-				
Number of times	0.45	0.41	0.36	0.36
Quick Asset Ratio - Number of times	1.78	1.11	2.24	1.34
	<b>For the year</b>		<b>For the year</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
Interest Cover - Number of times	1.62	2.27	2.46	2.36

**Market Value of Shares**

Market Value of the ordinary Shares of the Company (Rs )	3 Months to	12 Months to	3 Months to	12 Months to
	31 Dec.2004	31 Dec.2004	31 Dec.2003	31 Dec.2003
-Highest	19.00	23.00	30.00	30.00
-Lowest	15.50	15.00	16.00	10.50
-Last Traded price	15.50	15.50	18.00	18.00

**Dividend payment**

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

**Share trading from 1 Jan.2004 to 31 Dec. 2004**

	3 Months to	12 Months to
	31 Dec.2004	31 Dec.2004
-No of Transactions	2,727	23,669
- No of sharesTraded	17,031,335	180,626,230
-Value of shares Traded ( Rs )	289,841,692	3,225,939,589

**Market Value of Debentures During the Year ( Rs )**

**Before redemption of 3rd tranche on 22 March 2004**

	Par value Rs 500.00		
	Annual	Quarterly	Half year
	(Fixed ) Rs.	(Fixed ) Rs.	(Floating ) Rs.
-Highest	575.00		
-Lowest	575.00	-No Transactions	
-Last Traded price	575.00		

**After redemption of 3 rd tranche on 22 March 2004**

	Par value Rs 250.00		
	Annual	Quarterly	Half year
	(Fixed ) Rs.	(Fixed ) Rs.	(Floating ) Rs.
-Highest		250.00	
-Lowest	No Transactions	250.00	No Transactions
-Last Traded price		250.00	

	Annually-Fixed		Quarterly -Fixed	
	Year ended 31 Dec 2004	2003	Year ended 31 Dec 2004	2003
Interest yield on last traded price	-	12.29%	14%	13.33%
Yield to maturity on last traded price	-	2.15%	14%	7.02%
Average yield on 3year Treasury Bond	8.60%	7.44%		

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

The above figures are provisional & unaudited.