



Sri Lanka Telecom

## **Interim Financial Report**

*9 Months ended 30th September, 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**  
**Quarterly Interim Financial Report as of 30 September 2004**

**Consolidated Income statement as specified**

*(All amounts in LKR Millions )*

	Group			Company			Group			Company		
	July-Sep		change	July-Sep		change	Jan-Sep		change	Jan-Sep		change
	2004	2003	%	2004	2003	%	2004	2003	%	2004	2003	%
Revenue	7,500	6,425	17	6,540	6,158	6	22,052	19,170	15	19,965	18,385	9
Operating Costs	(3,285)	(2,755)	19	(2,574)	(2,551)	1	(9,670)	(7,893)	23	(7,865)	(7,307)	8
Operating profit before depreciation	<b>4,215</b>	<b>3,670</b>	15	<b>3,966</b>	<b>3,607</b>	10	<b>12,382</b>	<b>11,277</b>	10	<b>12,100</b>	<b>11,078</b>	9
Depreciation	(2,191)	(2,058)	6	(1,982)	(1,990)	(0)	(6,544)	(6,147)	6	(5,962)	(5,942)	0
<b>Operating Profit</b>	<b>2,024</b>	<b>1,612</b>	26	<b>1,984</b>	<b>1,617</b>	23	<b>5,838</b>	<b>5,130</b>	14	<b>6,138</b>	<b>5,136</b>	20
Cost of Voluntary Retirement Scheme								(710)			(710)	
Non-operating income	13	24	(46)	13	24	(46)	72	70	3	72	70	3
Interest expenses and related charges	(555)	(563)	(1)	(433)	(549)	(21)	(1,872)	(2,200)	(15)	(1,597)	(2,151)	(26)
Interest Income	56	87	(36)	55	87	(37)	134	264	(49)	131	262	(50)
<b>Profit After Interest</b>	<b>1,538</b>	<b>1,160</b>	33	<b>1,619</b>	<b>1,179</b>	37	<b>4,172</b>	<b>2,554</b>	63	<b>4,744</b>	<b>2,607</b>	82
International Operators' Levy ( ITL )	(353)			(353)			(2,067)			(2,067)		
<b>Profit Before Tax</b>	<b>1,185</b>	<b>1,160</b>	2	<b>1,266</b>	<b>1,179</b>	7	<b>2,105</b>	<b>2,554</b>	(18)	<b>2,677</b>	<b>2,607</b>	3
Taxation	(380)	(346)	10	(380)	(346)	10	(803)	(766)	5	(803)	(766)	5
<b>Net Profit for the Period</b>	<b>805</b>	<b>814</b>	(1)	<b>886</b>	<b>833</b>	6	<b>1,302</b>	<b>1,788</b>	(27)	<b>1,874</b>	<b>1,841</b>	2
<b>Earnings per share [(Rs) Annualized ]</b>	<b>1.78</b>	<b>1.80</b>		<b>1.96</b>	<b>1.85</b>		<b>0.96</b>	<b>1.32</b>		<b>1.38</b>	<b>1.36</b>	

The above figures are provisional & unaudited.

**Sri Lanka Telecom Limited and its Subsidiaries**  
**Quarterly Interim Financial Report as of 30 September 2004**

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

	Group		Company	
	Unaudited as at 30 Sep-04	Audited as at 31-Dec-03	Unaudited as at 30 Sep-04	Audited as at 31-Dec-03
<b>Assets</b>				
<i>Non-Current assets</i>				
Property, Plant & Equipment	55,217	55,763	49,026	51,243
Goodwill on Consolidation	240	297	-	-
Investments	710	710	2,707	2,707
Non Current Receivables	965	977	965	977
	<b>57,132</b>	<b>57,747</b>	<b>52,698</b>	<b>54,927</b>
<i>Current Assets</i>				
Inventories	1,215	785	529	500
Receivables and Prepayments	12,558	9,242	11,095	9,052
Cash & Cash Equivalent	4,854	4,599	4,878	4,348
	<b>18,627</b>	<b>14,626</b>	<b>16,502</b>	<b>13,900</b>
<b>Total Assets</b>	<b>75,759</b>	<b>72,373</b>	<b>69,200</b>	<b>68,827</b>
<i>Equity and Liabilities</i>				
<i>Capital &amp; Reserves</i>				
Ordinary shares	18,049	18,049	18,049	18,049
Capital Reserves	188	188	188	188
Hedging Reserve	(654)	(745)	(654)	(745)
Insurance Reserve	96	95	96	95
Retained earnings	13,413	13,013	14,175	13,203
	<b>31,092</b>	<b>30,600</b>	<b>31,854</b>	<b>30,790</b>
Deferred Income	7,167	7,214	7,167	7,214
<i>Non Current liabilities</i>				
Deferred tax liabilities	8,942	8,139	8,942	8,139
Borrowings	14,715	13,523	9,861	12,276
Retirement benefit obligation	507	457	485	439
	<b>24,164</b>	<b>22,119</b>	<b>19,288</b>	<b>20,854</b>
<i>Current liabilities</i>				
Trade & Other Payables	6,510	4,882	5,608	4,755
Borrowings	6,826	7,558	5,283	5,214
	<b>13,336</b>	<b>12,440</b>	<b>10,891</b>	<b>9,969</b>
<b>Total equity and liabilities</b>	<b>75,759</b>	<b>72,373</b>	<b>69,200</b>	<b>68,827</b>

Notes:

**1 Accounting policies**

**2 International Telecommunication Operators' Levy**

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

Signed on behalf of the Board

Lalith De Mel  
 Director  
 2-Nov-2004

Shuhei Anan  
 CEO / Director  
 2-Nov-2004

**Sri Lanka Telecom Limited & its Subsidiaries**  
**Quarterly Interim Financial Report as of 30 September 2004**

**Statement of Changes in Equity - 1 January 2003 to 30 September 2004**

*(All amounts in LKR Millions)*

**Group**

	Share Capital	Capital Reserves	Hedging Reserve	Insurance Reserve	Retained Earnings	Total
<b>Period ended 30 September 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			10			10
-Charged to income			408			408
Insurance reserve -Charged to income				7		7
Dividend in respect of 2002					(1,083)	(1,083)
Profit for the period					974	974
<b>Balance at 30 September 2003</b>	<b>18,049</b>	<b>188</b>	<b>(728)</b>	<b>93</b>	<b>11,738</b>	<b>29,340</b>
<b>Period ended 31 December 2003</b>						
Balance at 1 October 2003	18,049	188	(728)	93	11,738	29,340
Cash flow hedges						
-Foreign currency translation difference			(218)			(218)
-Charged to income			201			201
Insurance reserve -Charged to income				2		2
Profit for the period					1,275	1,275
<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 30 September 2004</b>						
Balance at 1 January 2004	18,049	188	(745)	95	13,013	30,600
Cash flow hedges						
-Foreign currency translation difference			(253)			(253)
-Charged to income			344			344
Insurance reserve -Charged to income				1		1
Dividend in respect of 2003					(902)	(902)
Profit for the period					1,302	1,302
<b>Balance at 30 September 2004</b>	<b>18,049</b>	<b>188</b>	<b>(654)</b>	<b>96</b>	<b>13,413</b>	<b>31,092</b>

**Sri Lanka Telecom Limited & its Subsidiaries**  
**Quarterly Interim Financial Report as of 30 September 2004**

**Statement of Changes in Equity - 1 January 2003 to 30 September 2004**

*(All amounts in LKR Millions )*

**Company**

	Share Capital	Capital Reserves	Hedging Reserve	Insurance Reserve	Retained Earnings	Total
<b>Period ended 30 September 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			10			10
-Charged to income			408			408
Insurance reserve -Charged to income				8		8
Dividend in respect of 2002					(1,083)	(1,083)
Profit for the period					1,841	1,841
<b>Balance at 30 September 2003</b>	<b>18,049</b>	<b>188</b>	<b>(728)</b>	<b>94</b>	<b>12,661</b>	<b>30,264</b>
<b>Period ended 31 December 2003</b>						
Balance at 1 October 2003	18,049	188	(728)	94	12,661	30,264
Cash flow hedges						
-Foreign currency translation difference			(218)			(218)
-Charged to income			201			201
Insurance reserve -Charged to income				1		1
Profit for the period					542	542
<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 30 September 2004</b>						
Balance at 1 January 2004	18,049	188	(745)	95	13,203	30,790
Cash flow hedges						
-Foreign currency translation difference			(253)			(253)
-Charged to income			344			344
Insurance reserve -Charged to income				1		1
Dividend in respect of 2003					(902)	(902)
Profit for the period					1,874	1,874
<b>Balance at 30 September 2004</b>	<b>18,049</b>	<b>188</b>	<b>(654)</b>	<b>96</b>	<b>14,175</b>	<b>31,854</b>

## Sri Lanka Telecom Limited and its Subsidiaries

### Quarterly Interim Financial Report as of 30 September 2004

#### Investor Information

##### Ratios

	Group		Company	
	30 th Sep. 2004	31 st Dec. 2003	30 th Sep. 2004	31 st Dec. 2003
Net Assets per Share (Rs)	17.23	16.95	17.65	17.06
Debt Equity ratio ( Debt/ Equity)-Number of times	0.41	0.41	0.32	0.36
Quick Asset Ratio - Number of times	1.31	1.11	1.47	1.34
	9 Months to 30 Sep		9 Months to 30 Sep	
	2004	2003	2004	2003
Interest Cover - Number of times	2.21	2.32	2.83	2.38

##### Market Value of Shares

Market Value of the ordinary Shares of the Company (Rs)	3 Months to		9 Months to	
	30 Sep.2004	30 Sep.2004	30 Sep.2003	30 Sep.2003
-Highest	20.50	23.00	24.75	24.75
-Lowest	16.25	15.00	13.00	10.50
-Last Traded price	18.75	18.75	22.75	22.75

##### Dividend payment

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

##### Share trading from 1 st January 2004 to 30 September 2004

	3 Months to 30 Sep.2004	9 Months to 30 Sep.2004
-No of Transactions	6,792	20,942
- No of shares Traded	46,845,536	163,594,895
-Value of shares Traded ( Rs )	887,759,781	2,936,097,897

**Sri Lanka Telecom Limited and its Subsidiaries**  
**Quarterly Interim Financial Report as of 30 September 2004**

**Consolidated Cash Flow statement for the 9 Months ended 30 September**

*(All amounts in LKR Millions )*

	GROUP		COMPANY	
	2004	2003	2004	2003
<b>Operating activities</b>				
Cash generated from operations	8,602	11,977	9,158	11,780
Interest received	155	281	152	279
Interest paid	(2,153)	(2,553)	(1,878)	(2,504)
<b>Net cash generated from operating activities</b>	<b>6,604</b>	<b>9,705</b>	<b>7,432</b>	<b>9,555</b>
<b>Investing activities</b>				
Acquisition of property, plant and equipment	(5,998)	(4,306)	(3,745)	(2,639)
Investments in Subsidiary				(500)
<b>Net cash used in investing activities</b>	<b>(5,998)</b>	<b>(4,306)</b>	<b>(3,745)</b>	<b>(3,139)</b>
<b>Financing activities</b>				
Proceeds from borrowings	9,580	1,914	3,479	76
Payment on borrowings	(8,654)	(5,483)	(5,359)	(5,023)
Dividends paid	(902)	(1,083)	(902)	(1,083)
Redemption of debentures	(375)	(375)	(375)	(375)
<b>Net cash used in financing activities</b>	<b>(351)</b>	<b>(5,027)</b>	<b>(3,157)</b>	<b>(6,405)</b>
<b>Increase in cash and cash equivalents</b>	<b>255</b>	<b>372</b>	<b>530</b>	<b>11</b>
<b>Movement in cash and cash equivalents</b>				
As at 1 January	4,599	5,974	4,348	5,937
Increase / (Decrease )	255	372	530	11
<b>As at 30 September</b>	<b>4,854</b>	<b>6,346</b>	<b>4,878</b>	<b>5,948</b>