



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

9 Months ended 30 September 2005



Sri Lanka Telecom Limited and its Subsidiaries
Quarterly Interim Financial Report as of 30 September 2005

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 %
	2005	2004		2005	2004		2005	2004		2005	2004	
Revenue	8,421	7,500	12	7,583	6,540	16	23,589	22,052	7	21,260	19,965	6
Operating costs	(3,650)	(3,285)	11	(2,983)	(2,574)	16	(10,692)	(9,670)	11	(9,089)	(7,865)	16
Operating profit before depreciation	4,771	4,215	13	4,600	3,966	16	12,897	12,382	4	12,171	12,100	1
Depreciation	(2,302)	(2,191)	5	(1,947)	(1,982)	(2)	(7,081)	(6,544)	8	(6,121)	(5,962)	3
Operating profit	2,469	2,024	22	2,653	1,984	34	5,816	5,838	(0)	6,050	6,138	(1)
International telecommunication operators' levy-(ITL)	(467)	(353)		(467)	(353)		(1,066)	(2,067)		(1,064)	(2,067)	
Non-operating income	41	13	215	38	13	192	88	72	22	85	72	18
Interest expenses and related charges	(490)	(555)	(12)	(318)	(433)	(27)	(1,553)	(1,872)	(17)	(1,054)	(1,597)	(34)
Interest income	167	56	198	164	55	198	423	134	216	410	131	213
Profit before tax	1,720	1,185	45	2,070	1,266	64	3,708	2,105	76	4,427	2,677	65
Taxation	(611)	(380)	61	(607)	(380)	60	(1,219)	(803)	52	(1,214)	(803)	51
Net profit for the period	1,109	805	38	1,463	886	65	2,489	1,302	91	3,213	1,874	71
Earnings per share [(Rs) Annualized]							1.84	0.96		2.37	1.38	

The above figures are provisional & unaudited.

Sri Lanka Telecom Limited and its Subsidiaries
Quarterly Interim Financial Report as of 30 September 2005

Consolidated Balance Sheet as at

	Group		Company	
	Unaudited as at 30 Sep. 2005	Audited as at 31 Dec. 2004	Unaudited as at 30 Sep. 2005	Audited as at 31 Dec. 2004
Assets				
Non-Current Assets				
Property, plant & equipment	53,641	54,350	45,510	48,200
Goodwill on consolidation	161	219	-	-
Investments	-	710	3,497	2,707
Non-current receivables	1,434	1,439	1,021	969
Loans to subsidiary	-	-	500	-
	55,236	56,718	50,528	51,876
Current Assets				
Inventories	1,082	1,312	718	771
Receivables & prepayments	7,924	9,898	7,298	9,157
Cash & cash equivalents	15,417	10,845	14,283	10,736
	24,423	22,055	22,299	20,664
Total Assets	79,659	78,773	72,827	72,540
Equity and Liabilities				
Capital and Reserves				
Ordinary shares	18,049	18,049	18,049	18,049
Capital reserves	188	188	188	188
Hedging reserve	(313)	(677)	(313)	(677)
Insurance reserve	161	100	161	100
Retained earnings	14,991	13,404	17,233	14,922
	33,076	31,064	35,318	32,582
Deferred income	7,478	7,272	7,478	7,272
Non Current Liabilities				
Deferred tax liabilities	5,969	7,489	5,969	7,489
Borrowings	20,550	20,905	14,591	16,106
Retirement benefit obligation	693	510	665	487
	27,212	28,904	21,225	24,082
Current Liabilities				
Trade & other payables	5,892	6,761	4,747	5,890
Current tax liability	2,521	297	2,521	297
Borrowings	3,470	4,465	1,528	2,407
Retirement benefit obligation	10	10	10	10
	11,893	11,533	8,806	8,604
Total Equity and Liabilities	79,659	78,773	72,827	72,540

The above figures are provisional and unaudited.
Signed on behalf of the Board.

Anil Obeyesekere-(P.C.)
Chairman
Nov-2005

Shuhei Anan
CEO / Director
Nov-2005

Notes to the Financial Statements.

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 December 2004.

International Telecommunication Operators' Levy

As in the previous year, the Company continues to recognize the expense arising on International Telecommunication Operator's Levy (ITL) as an expense in arriving at the results for the year. The Gazette notification of 31 March 2005 provides that each domestic PSTN operator may claim two thirds of the Telecommunications Development Charge (TDC) funds, for the development of their telecommunications network in unserved and underserved areas of Sri Lanka as may be determined by the Telecommunications Regulatory Commission (TRC), within a period of three years.

The documentation supporting the Network roll out in unserved and underserved areas has been submitted to the TRC. The estimated refund of Rs. 1,762 million as at 30 September 2005 has not been recognised in the income statement, since TRC's determination of the refund is yet awaited.

3 Dividends on redeemable preference shares

Mobitel Pvt Ltd (Mobitel) has issued 150,000,000 12% redeemable preference shares of Rs 10 /- each to Sri Lanka Telecom in June 2005.

Mobitel has not declared dividends for the period under review. Therefore, the estimated amount of dividends of Rs 58 Mn for the period ended 30th September 2005, has not been recognized in the Financial Statements.

4 Events after the Balance Sheet date.

4.a Appeal on the Judgment given on tariff revision implemented in 2003.

An organisation, styling itself "The Consumer Association of Lanka", initiated legal action in the Court of Appeal seeking a writ of Certiorari to quash the approval granted by the Minister of Telecommunications (the Minister) and the Telecommunication Regulatory Commission of Sri Lanka (TRC) for the tariff revision implemented by Sri Lanka Telecom (SLT) in September 2003, in which the TRC, the Minister, the Secretary to the Treasury and SLT were cited as the respondents to the case.

The judgment delivered in July 2005 by the Court of Appeal granted the writ of Certiorari quashing the approval granted for the tariff revision by the Minister and the TRC. SLT filed its application seeking special leave to appeal to the Supreme Court. The matter was taken up on 07 November 2005 and the Supreme Court granted special leave to appeal against the Court of Appeal order. Pending the outcome of the appeal, no adjustment has been made in the Financial Statements upto 30 September 2005.

4.b No other material events have arisen since Balance Sheet date which would require adjustments to, or disclosure in, the Financial Statements.

Sri Lanka Telecom Limited and its Subsidiaries
Quarterly Interim Financial Report as of 30 September 2005

Statement of Changes in Equity - 1st Jan 2004 to 30 September 2005

(All amounts in LKR Millions)

Group

	Share Capital	Capital Reserves	Hedging Reserve	Insurance Reserve	Retained Earnings	Total
Period ended 30 September 2004						
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
Balance at 30 September 2004	18,049	188	(654)	96	13,413	31,092
Period ended 31 December 2004						
Balance at 1 October 2004	18,049	188	(654)	96	13,413	31,092
Cash flow hedges						
-Foreign currency translation difference			(155)			(155)
-Charged to income			132			132
Insurance reserve -charged to income				4		4
Profit for the period					(9)	(9)
Balance at 31 December 2004	18,049	188	(677)	100	13,404	31,064
Period ended 30 September 2005						
Balance at 1 January 2005	18,049	188	(677)	100	13,404	31,064
Cash flow hedges						
-Foreign currency translation difference			238			238
-Charged to income			126			126
Insurance reserve -charged to income				61		61
Dividend in respect of 2004					(902)	(902)
Profit for the period					2,489	2,489
Balance at 30 September 2005	18,049	188	(313)	161	14,991	33,076

Sri Lanka Telecom Limited and its Subsidiaries
Quarterly Interim Financial Report as of 30 September 2005

Statement of Changes in Equity - 1st Jan 2004 to 30 September 2005

(All amounts in LKR Millions)

Company

	Share Capital	Capital Reserves	Hedging Reserve	Insurance Reserve	Retained Earnings	Total
Period ended 30 September 2004						
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
Balance at 30 September 2004	18,049	188	(654)	96	14,175	31,854
Period ended 31 December 2004						
Balance at 1 October 2004	18,049	188	(654)	96	14,175	31,854
Cash flow hedges						
-Foreign currency translation difference			(155)			(155)
-Charged to income			132			132
Insurance reserve -charged to income				4		4
Profit for the period					747	747
Balance at 31 December 2004	18,049	188	(677)	100	14,922	32,582
Period ended 30 September 2005						
Balance at 1 January 2005	18,049	188	(677)	100	14,922	32,582
Cash flow hedges						
-Foreign currency translation difference			238			238
-Charged to income			126			126
Insurance reserve -charged to income				61		61
Dividend in respect of 2004					(902)	(902)
Profit for the period					3,213	3,213
Balance at 30 September 2005	18,049	188	(313)	161	17,233	35,318

Sri Lanka Telecom Limited and its Subsidiaries
Quarterly Interim Financial Report as of 30 September 2005

Consolidated Cash Flow Statement for the 9 Months ended 30 September

(All amounts in LKR Millions)

	GROUP		COMPANY	
	2005	2004	2005	2004
Operating activities				
Cash generated from operations	13,552	8,602	12,285	9,158
Interest received	426	155	399	152
Interest paid	(1,421)	(2,153)	(1,053)	(1,878)
Tax paid	(514)		(510)	
Net cash generated from operating activities	12,043	6,604	11,121	7,432
Investing activities				
Acquisition of property, plant & equipment	(6,372)	(5,998)	(3,431)	(3,745)
Sale of property, plant & equipment	11	-	11	-
Investments in subsidiary		-	(1,500)	-
Loans to subsidiary			(500)	
Sale of investments	740	-	740	-
Net cash used in investing activities	(5,621)	(5,998)	(4,680)	(3,745)
Financing activities				
Proceeds from borrowings	2,041	9,580	-	3,479
Payment on borrowings	(2,181)	(8,654)	(1,292)	(5,359)
Dividends paid	(902)	(902)	(902)	(902)
Redemption of debentures	(375)	(375)	(375)	(375)
Net cash (used)/from in financing activities	(1,417)	(351)	(2,569)	(3,157)
Increase/(Decrease) in cash & cash equivalents	5,005	255	3,872	530
Movement in cash & cash equivalents				
As at 1 st January	10,379	4,599	10,411	4,348
Increase / (Decrease)	5,005	255	3,872	530
As at 30 th September	15,384	4,854	14,283	4,878

Sri Lanka Telecom Limited and its Subsidiaries
Quarterly Interim Financial Report as of 30 September 2005

Investor Information

Ratios

	Group		Company	
	30 Sep. 2005	31 Dec. 2004	30 Sep. 2005	31 Dec. 2004
Net Assets per Share (Rs)	18.33	17.21	19.57	18.05
Debt / Equity ratio -Number of times	0.42	0.45	0.31	0.35
Quick Asset ratio - Number of times	1.96	1.79	2.45	2.24
	9 Months to 30 Sep.		9 Months to 30 Sep.	
	2005	2004	2005	2004
Interest Cover - Number of times	4.28	2.21	7.87	2.83

Debentures

The final tranche of the 1,500,000 unsecured redeemable 5 year Debentures (2000/2005) of Rs 1000/-each issued in 2000, was paid off and settled in full on 21 March 2005, and debt securities de-listed on 22 March 2005.

Market Value of Shares

Market Value of the Ordinary

Shares of the Company (Rs)

-Highest

-Lowest

-Last Traded price

	3 Months to 30 Sep. 2005	9 Months to 30 Sep. 2005
	25.00	25.00
	21.25	15.50
	24.50	24.50

Dividend Payment

Final Dividend for the year 2004 -Rs 0.50 per share paid on 26 May 2005

Share trading from 1 Jan.2005 to 30 September 2005

	3 Months to 30 Sep. 2005	9 Months to 30 Sep. 2005
-No of Transactions	12,930	24,586
- No of Shares Traded	101,392,945	188,337,617
-Value of Shares Traded (Rs)	2,332,431,205	3,913,226,370