

**Produced by:**

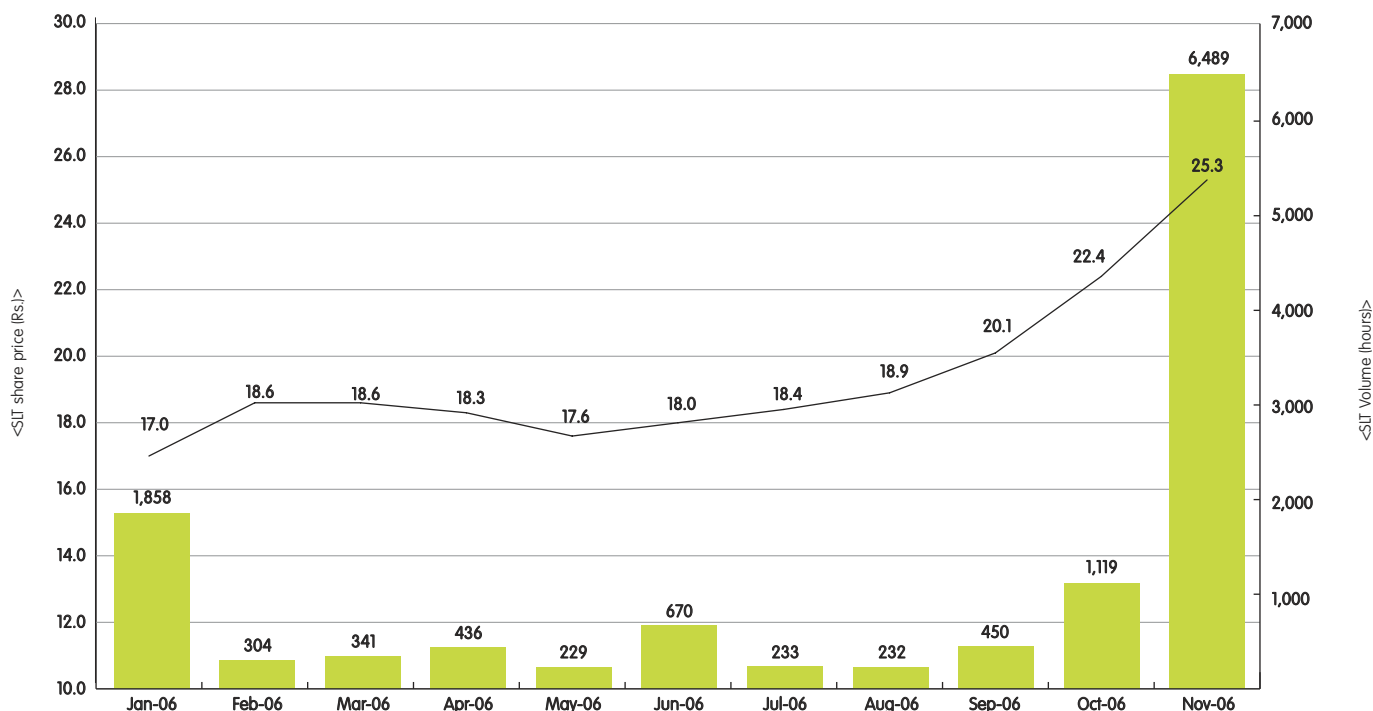
Investor Relations Division  
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**Major Shareholders**

Secretary to the Treasury : 49.50%  
 NTT Com : 35.20%

- Number of SLT shares issued: 1,804,860,000
- Closing Share Prices (since the date of listing)  
 Highest: Rs.29.00  
 Lowest: Rs.10.75
- Highest market capitalisation (since the date of listing)  
 : Rs.52,341mn
- 3 months average daily sales volume (up to 31.10.2006)  
 : 606.69thou.

**Performance of SLT shares in CSE during the year 2006 (Monthly)**



**January to September 2006 results at a glance**

Rs.mn

	Group (Jan. to Sept.)			Company (Jan. to Sept.)				Group (Jan. to Sept.)			Company (Jan. to Sept.)		
	2006	2005	% change	2006	2005	% change		2006	2005	% change	2006	2005	% change
Turnover	29,879	23,589	27%	26,395	21,260	24%	Net Interest Income/(expense)	(960)	(1,130)	-15%	(261)	(644)	-59%
Operational Expenses	(12,812)	(10,692)	20%	(10,796)	(9,089)	19%	Non Ope. Inc./[expenses]	(281)	88	-419%	(285)	85	-435%
EBITDA	17,067	12,897	32%	15,599	12,171	28%	Int'l Operators Levy (ITL)	(1,636)	(1,066)	53%	(1,634)	(1,064)	54%
Depreciation	(7,505)	(7,081)	6%	(6,556)	(6,121)	7%	Tax	(2,815)	(1,219)	131%	(2,768)	(1,214)	128%
EBIT	9,562	5,816	64%	9,043	6,050	49%	EAT	3,870	2,489	55%	4,095	3,213	27%

**P. Asoka De Silva Weerasingha**, Chairman, Sri Lanka Telecom



SLT continues to grow in the telecommunication market, locally and internationally. Our wireless fixed line operation CDMA is very successful, making us the best in the field. SLT's mobile arm Mobitel is also performing well, moving on to be a profitable venture. Mobitel continues to expand its coverage and customer base. Consolidating its regional presence, SLT laid the foundation to establish a cable between Sri Lanka and the Maldives. We are also pleased to announce that we have been successful in obtaining approval from the Government of Sri Lanka to form a company in Hong Kong, to establish a 'Point of Presence.'

**Shuhei Anan**, CEO, Sri Lanka Telecom



Following the rapid development of technology, the access network has been changing drastically. Currently, the demand is not only for a voice transfer within the territory, but also to connect globally interchanging information in the forms of voice and data at large volumes for huge information flows.

We, at SLT have taken up this challenge and have already taken the necessary steps to strengthen our regional presence. Recent huge investments in SE-ME-WE IV and the Bharath Lanka cable network are some of them. We have already got the required approval from the Government of Sri Lanka to form a company in Hong Kong to establish a 'Point of Presence' (POP), which connects the tier one network to global connectivity and have also laid down the foundation for a cable between Sri Lanka and Maldives.

Steps have also been taken to expand our services within the country by the way of new products and services such as CDMA, GSM and Metro Ethernet. Further more, we plan to acquire other companies to proceed with revenue diversification such as EDI, IP-TV Software and Data connectivity etc.

## SLT adds Dhiraagu Telecom Maldives to its regional hub



**Project Investment US \$ 20 million;  
Cable spans 850 kms;  
Capacity 10 Gigabits per second**

Sri Lanka Telecom, Sri Lanka's premier telecommunications provider and Dhiraagu Telecom, the Maldives national telecommunications and largest full service operator signed a Construction and Maintenance Agreement to build an optical fibre submarine cable between Sri Lanka and the Maldives recently. This signals a new dimension in telecommunications into the South Asian region. The two companies also signed a Supply Contract Agreement with NEC of Japan, the constructor of the fibre optic cable to implement the construction of this cable system. The cable laying commenced on November 6 from Colombo and reached Maldives on the November 12, 2006. Commissioning of the submarine cable system is scheduled for the first quarter of 2007. Dhiraagu Telecom is Sri Lanka Telecom's second regional tie up in selling international submarine cable bandwidth, after the agreement signed with India's fixed line giant Bharat Sanchar Nigam Ltd in 2004. The project, which is deemed at a total investment of US \$20 million, will be a vital medium in enhancing economic development between the two countries, seeking to improve bi-lateral and trade relations through state of the art technology in telecommunications. The cable length is 850 kms and will provide a 10Gbps (Giga bits per second) capacity of superhighway band width between the two countries.

# Mobitel Operations Review

Mobitel subscriber base has grown by 64%, from a total of 420,062 in end 2005 to 688,273 by 30 September 2006. This growth is mainly fuelled by dramatic growth in prepaid segment of the market, which is the trend in the growing mobile markets.

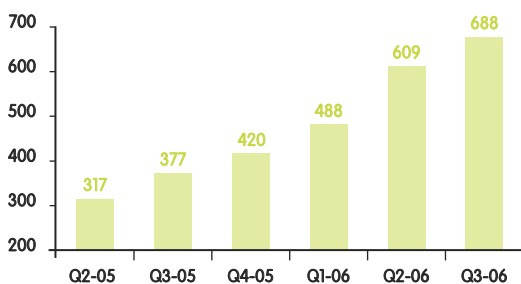
Breakeven profitability was achieved in the April 2006. The positive momentum was maintained throughout the period with the profit figure increasing to Rs. 23 Mn in the third quarter. Revenue increased by 53 percent at the end of September 2006 compared to the same period in 2005. Operating profit before depreciation grew by 109%

from Rs.729 mn at end of third quarter 2005 to Rs. 1,524 mn in 2006. However, the rapid network and subscriber growth necessitated considerable investment in technology and network expansion result-

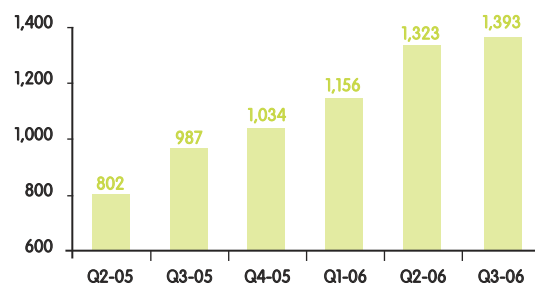
ing in higher depreciation and interest turning out a net loss of Rs.167mn for 2006 by end of September. This figure nevertheless represents a 74% decrease in net loss when compared to the corresponding period of the previous year. The company was capable of returning to quarterly profitability within three years after the launch of GSM despite being highly geared.

**The positive momentum was maintained throughout the period with the profit figure increasing to Rs. 23 Mn in the third quarter.**

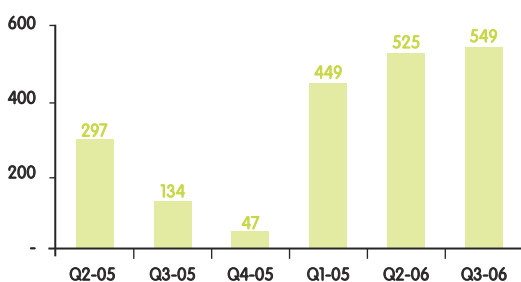
Subscribers '000



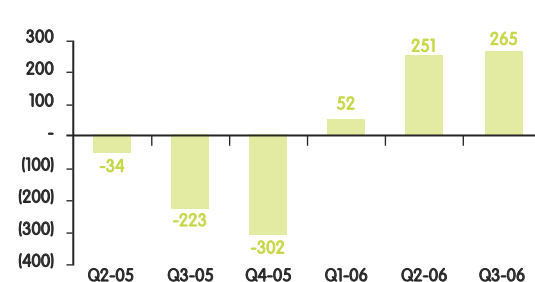
Revenue Rs. Mn



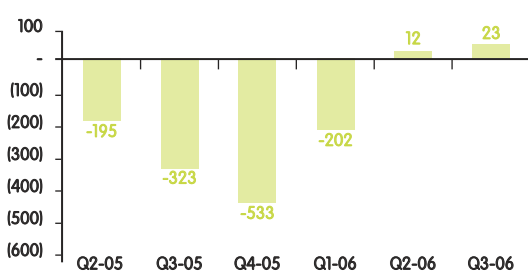
EBITDA Rs.Mn



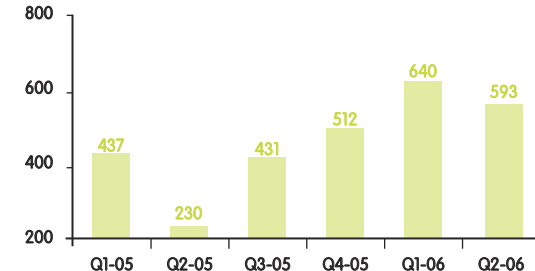
EBIT Rs. Mn



NPAT Rs.Mn



Operating Cash Flow Rs. Mn



## Financial and Market Indicators (Group)

BASIC DATA		2002	2003	2004	2005	3Q 2006
Revenue	<i>Rs.mill</i>	25,383	25,553	29,516	32,515	29,879
EBITDA	<i>Rs.mill</i>	15,557	14,629	15,031	17,003	17,067
Operating profit	<i>Rs.mill</i>	7,953	6,388	6,079	7,637	9,562
Taxation	<i>Rs.mill</i>	(2,522)	(993)	(148)	(1,719)	(2,815)
Net profits (after tax)	<i>Rs.mill</i>	2,685	2,249	1,293	3,093	3,870
Income Tax rate		35%	30%	30%	30%	33%
Cash	<i>Rs.mill</i>	5,974	4,624	10,845	14,468	14,768
Other current assets	<i>Rs.mill</i>	9,989	10,027	11,299	9,375	11,745
Fixed assets	<i>Rs.mill</i>	56,722	55,763	54,360	56,151	54,779
Other long term assets	<i>Rs.mill</i>	2,080	1,984	2,368	1,526	1,700
Current liabilities	<i>Rs.mill</i>	12,048	12,474	11,378	13,892	15,908
Borrowings	<i>Rs.mill</i>	25,926	21,081	25,370	22,840	21,463
Share capital	<i>Rs.mill</i>	18,049	18,049	18,049	18,049	18,049
Shareholders funds	<i>Rs.mill</i>	29,024	30,600	31,064	33,793	36,412

### CASH FLOWS

Working capital increase / (decrease)	<i>Rs.mill</i>	1,624	(1,738)	8,589	(815)	654
Cash tax (Paid)	<i>Rs.mill</i>	-	-	38	715	3,505
Cash interest (Paid)	<i>Rs.mill</i>	3,054	3,040	2,829	2,294	1,647

### SUBSCRIBER DATA

Total SLT lines in service	<i>No.s</i>	768,620	822,997	860,468	954,060	1,109,989
SLT market share in fixed lines		87%	88%	87%	77%	71%**
Mobitel subscribers	<i>No.s</i>	114,009	142,704	284,430	420,062	688,273

### INVESTMENTS AND FINANCING INDICATORS

Capex	<i>Rs.mill</i>	3,460	7,282	7,623	11,460	6,109
Net gearing		69%	54%	47%	25%	18%
Cash flow coverage ratio		1.4	0.5	0.62	1.55	0.93
Total Capex as a % of Sales		14%	28%	26%	35%	20%
Gearing (Borrowings/Share capital)		89%	69%	82%	68%	59%
Total debt / Capital	<i>Times</i>	1.44	1.17	1.41	1.27	1.19
Interest Coverage	<i>Times</i>	2.85	2.27	1.70	4.35	7.96

### EARNINGS AND PROFITABILITY INDICATORS

Sales growth rate		15%	1%	16%	10%	23%
EBITDA margin (ITL is not included in Op. expe. )		61%	57%	51%	52%	57%
EBITDA growth rate.		18%	(6%)	3%	13%	34%
Net margin		11%	9%	4%	10%	13%
ROA		11%	9%	4%	7%	13%*
ROE		8%	8%	4%	10%	15%*
Reported EPS	<i>Rs.</i>	1.49	1.25	0.72	1.71	2.86*
EPS growth rate		28%	(16%)	(43%)	139%	67%

\* annualised \*\*estimated