

investor



Sri Lanka Telecom's quarterly newsletter for its stakeholders September 2005

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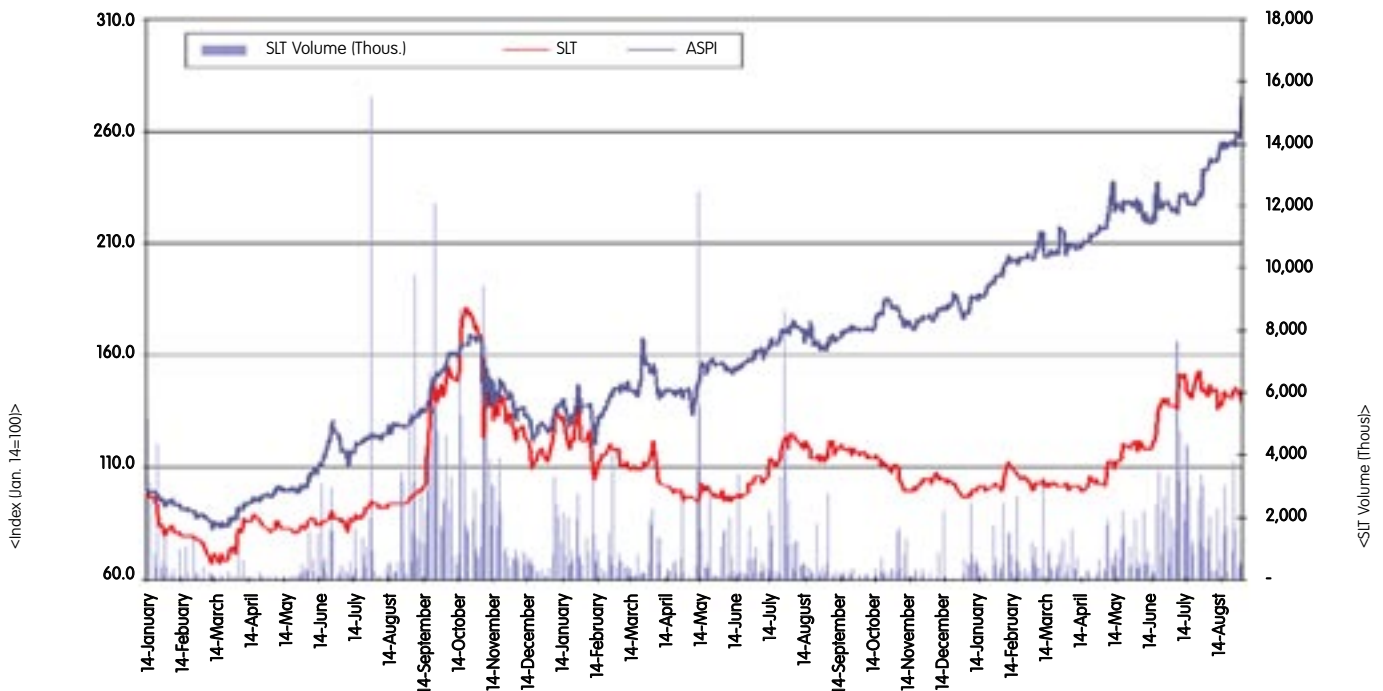
Produced by:
Investor Relations Division
E-mail : mohanrat@slt.net.lk
Fax : 94-11-2348049

Major Shareholders.

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

- Number of shares issued : 1,804,860,000
- Closing Share Prices (since the date of listing)
Highest : Rs.29.00
Lowest : Rs.10.75
- Highest market capitalization (since the date of listing)
: Rs.52,341 mn.
- 3 months average daily volume (up to 31.08.2005)
: 1730,000.

Performance of SLT shares in CSE since 14.01.2003



Anil Obeyesekere, P.C., Chairman, Sri Lanka Telecom

SLT as a group continues to perform well at operational levels. However, due to the imposition of the ITL, the company had to make provisions during the first half, which affected the group profits with a marginal decline of profits.

However, with a comprehensive array of voice, data and networking solutions, we are in a strong platform to build our revenue and profits. "SLT Intelligent Solutions" - our service offering to the corporate sector - consists of a range of services, which includes broadband on ADSL and dial up, data circuits and frame relay solutions, to IP-based services such as IP-VPN, total solutions made up of a combination of multiple services and satellite uplink services. We believe that SLT's revenues would be further complemented by the aggressive roll out of fixed and mobile telephones, which will generate higher returns to our shareholders.



Shuhe Anan, Chief Executive Officer, Sri Lanka Telecom



SLT has continued to perform on an upward trend with growth in revenues in comparison to the previous half of 2004. However, the costs incurred in enhancing the Quality of Service through maintenance, a slowdown of EBITDA was evident.

Mobitel, our fully owned mobile company, commenced GSM operations 18 months ago. Today Mobitel has matched the mark of 300 GSM base stations. Strengthened by this infrastructure we are now poised to offer wider coverage by stage-2 project to expand our network to urban and rural parts of Sri Lanka.

We at SLT are set to enhance our core network to a Next Generation Network, which would be capable of offering a range of services with multiple accesses and reduction in operational costs.

Despite the adverse publicity generated by legal proceedings, the share price of SLT has been resilient as it is backed by sound financial results through efficient management.

1ST HALF 2005 - RESULTS AT A GLANCE

	January to June							January to June					
	Group			Company				Group			Company		
	2005	2004	% change	2005	2004	% change		2005	2004	% change	2005	2004	% change
Turnover	15,168	14,555	4%	13,676	13,425	2%	Net Interest income/(expense)	(806)	(1,239)	-35%	(490)	(1,088)	-55%
Operational expenses	(7,043)	(6,388)	10%	(6,106)	(5,291)	15%	Non ope. Inc./ (expenses)	47	59	-20%	47	59	-20%
EBITDA	8,125	8,167	-1%	7,570	8,134	-7%	Int'l Operations Levy (ILT)	(599)	-	-100%	597	-	100%
Depreciation	(4,780)	(4,353)	10%	(4,174)	(3,980)	5%	Tax	(608)	(930)	-35%	(607)	(930)	-35%
EBIT	3,345	3,814	-12%	3,396	4,154	-18%	EAT	1,379	1,704	-19%	2,943	2,195	34%

300 GSM base stations in a record 18 months



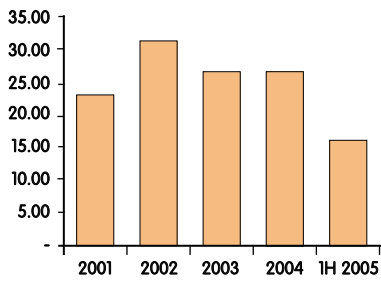
Mobitel launched its 300th GSM base station at Belungala, Kadugannawa, reaching this milestone in a record 18 months since the inauguration of its GSM network. Anil Obeyesekere, PC, Chairman of Mobitel and of Sri Lanka Telecom, stated at the inaugural meeting that Mobitel's expansion programme would provide a host of benefits to customers including enhanced mobility through wider coverage and a greater range of services to its steadily growing customer base.

"The immediate goal of our expansion efforts is anticipated with continued improvement in service delivery," Shuhe Anan, Director of Mobitel and CEO of Sri Lanka Telecom, said at the launch.

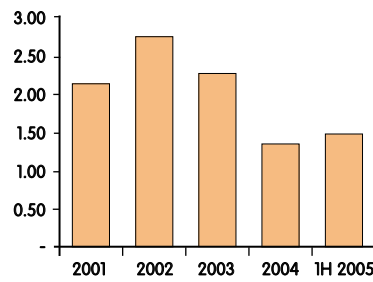
"This is in keeping with the company's strategy of identifying and following our customers' needs as a friendly provider, by monitoring teledensity patterns," he added. Mr Anan further stated that Mobitel has made a total commitment to its valued customers to expand the network to urban and rural parts of Sri Lanka, enabling wider accessibility and ensuring quality connections.

"This is an important milestone in our commitment to the delivery of a quality service while enhancing our renowned standards of customer care, and thus paving the way towards ensuring unparalleled service quality," Suren Amarasekera, Mobitel's CEO stated.

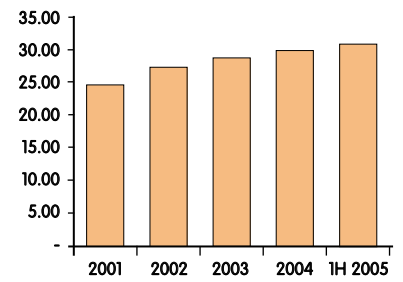
Operating Revenue (Rs. Bil)



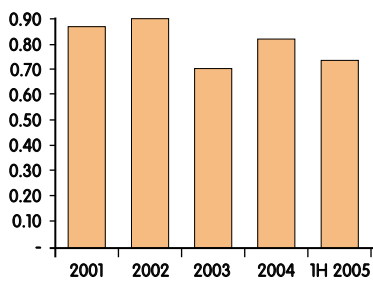
Earning after Tax (Rs. Bil)



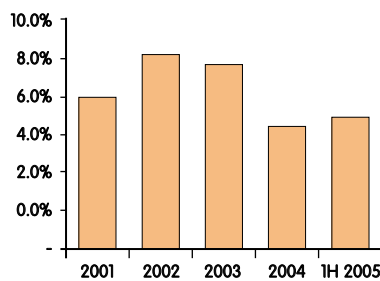
Net Assets per Share (Rs.)



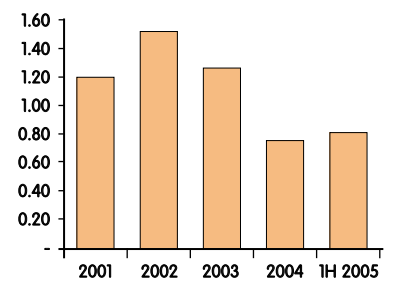
Debts to Equity



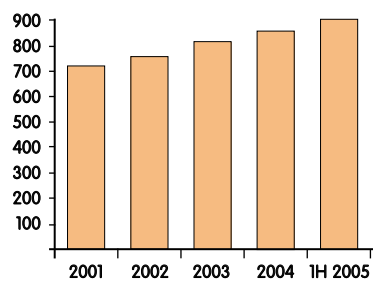
Return on Equity



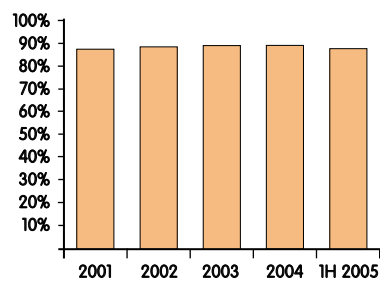
Earnings per Share (Rs.)



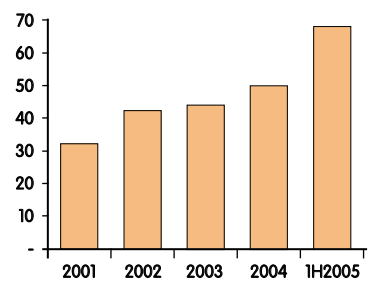
Fixed Lines - 000'



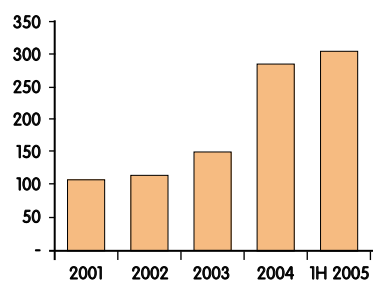
Fixed Lines Market Share



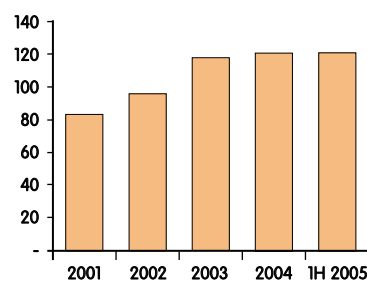
Internet Subscribers 000'



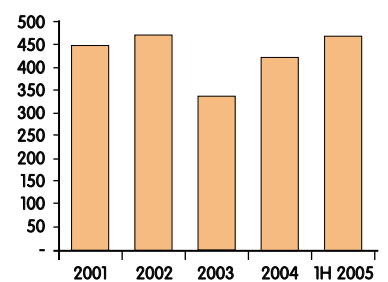
Mobile Lines - 000'



Fixed Lines per Employee



Mobile Lines per Employee



Financial and Market Indicators (Group)

BASIC DATA		2001	2002	2003	2004	IH2005
Revenue	<i>Rs.mill</i>	22,060	25,383	25,553	29,588	15,168
EBITDA	<i>Rs.mill</i>	13,183	15,557	14,629	15,459	8,125
EBIT	<i>Rs.mill</i>	6,314	7,953	6,388	6,423	3,345
Taxation	<i>Rs.mill</i>	(1,515)	(2,522)	(993)	(148)	(608)
Net Profits (after tax)	<i>Rs.mill</i>	2,103	2,685	2,249	1,293	1,379
Income Tax Rate		35%	35%	30%	30%	30%
Cash	<i>Rs.mill</i>	3,789	5,974	4,624	10,845	12,232
Other current assets	<i>Rs.mill</i>	9,983	9,989	10,027	11,210	9,216
Fixed assets	<i>Rs.mill</i>	59,093	56,722	55,763	54,350	54,481
Other long term assets	<i>Rs.mill</i>	2,083	2,080	1,984	2,368	1,630
Current liabilities	<i>Rs.mill</i>	11,481	12,048	12,474	11,533	11,851
Borrowings	<i>Rs.mill</i>	31,534	25,926	21,081	25,370	22,819
Share capital	<i>Rs.mill</i>	18,049	18,049	18,049	18,049	18,049
Shareholders funds	<i>Rs.mill</i>	37,043	29,024	30,600	31,064	31,956

CASH FLOWS

Working capital increase / (Decrease)	<i>Rs.mill</i>	1,617	1,624	(1,738)	8,345	(925)
Cash tax (Paid)	<i>Rs.mill</i>	-	-	-	-	26
Cash interest (Paid)	<i>Rs.mill</i>	3,214	3,054	3,040	2,829	1,187
Free cash flow	<i>Rs.mill</i>	4,892	7,689	7,169	(2,436)	5,346#
FCF growth		2579%	57%	-7%	-134%	319%#

SUBSCRIBER DATA

Total SLT lines in service	<i>No.s</i>	708,200	768,620	822,997	860,468	880,254*
SLT market share in fixed lines		86%	87%	88%	87%	86%*
Mobitel subscribers (Active Customers only)	<i>No.s</i>	107,049	114,009	142,704	284,430	316,682
Number of SLT email & internet subscribers	<i>No.s</i>	32,937	42,257	44,731	49,444	69,439

INVESTMENTS & FINANCING INDICATORS

Capex	<i>Rs.mill</i>	4,464	3,460	7,282	7,623	4,911
Net gearing		75%	69%	54%	47%	33%
Cash flow coverage ratio		0.7	1.4	0.5	0.62	2.11
Total Capex as a % of Sales		20%	14%	28%	26%	32%
Gearing (Borrowing/Shareholders fund)		85%	89%	69%	82%	71%
Total debt/Capital	<i>Times</i>	1.75	1.44	1.17	1.41	1.26
Interest Coverage	<i>Times</i>	2.27	2.85	2.27	1.62	3.47

EARNINGS AND PROFITABILITY INDICATORS

Sales growth rate		13%	15%	1%	16%	3%#
EBITDA margin		60%	61%	57%	52%	54%
EBITDA growth rate		19%	18%	-6%	6%	5%#
Net margin		10%	11%	9%	4%	9%
ROA (Before Interest and tax)		8%	11%	9%	5%	7%#
ROE		6%	9%	7%	4%	9%#
Reported EPS	<i>Rs.</i>	1.17	1.49	1.25	0.72	1.53#
EPS growth rate.		852%	28%	-16%	-43%	113%#

Annualised * Provisional