



OUR VISION

To lead Sri Lanka to become the hub of telecommunications in South Asia.

OUR MISSION

*To anticipate and fulfil the communication 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

For the 3 months ended 31 March 2007

Sri Lanka Telecom Limited and its Subsidiaries

Quarterly Interim Financial Report as of 31 March 2007

Consolidated Income Statement as specified

(All amounts in LKR Millions.)

	Group			Company		
	Jan-Mar		change	Jan-Mar		change
	2007	2006	%	2007	2006	%
Revenue	10,965	9,646	14	9,634	8,563	13
Operating costs	(4,567)	(4,171)	9	(3,777)	(3,492)	8
Operating profit before depreciation	6,398	5,475	17	5,857	5,071	15
Depreciation	(2,580)	(2,546)	1	(2,281)	(2,175)	5
Operating profit	3,818	2,929	30	3,576	2,896	23
International Telecommunication operators' Levy-(ITL)	(683)	(511)	34	(667)	(511)	31
Other income	55	48	15	54	47	15
Interest expenses and related charges	(511)	(598)	(15)	(301)	(410)	(27)
Interest income	287	200	44	267	261	2
Profit before tax	2,966	2,068	43	2,929	2,283	28
Taxation	(986)	(776)	27	(979)	(768)	27
Net profit for the Quarter	1,980	1,292	53	1,950	1,515	29
Earnings per share (Rs)						
-Basic	1.10	0.72		1.08	0.84	
-Annualized	4.39	2.86		4.32	3.36	

The above figures are provisional and subject to audit

Sri Lanka Telecom Limited and its Subsidiaries
Quarterly Interim Financial Report as of 31 March 2007

Consolidated Balance Sheet as at
(All amounts in LKR Millions)

	Group		Company	
	Unaudited as at 31 Mar 2007	Audited as at 31 Dec 2006	Unaudited as at 31 Mar 2007	Audited as at 31 Dec 2006
Assets				
Non-Current Assets				
Property, plant & equipment	53,959	54,425	43,885	44,856
Intangible assets	1,324	1,365	25	37
Investments in Subsidiaries	-	-	7,032	7,032
Non-current receivables	980	960	980	960
	56,263	56,750	51,922	52,885
Current Assets				
Inventories	1,939	1,419	1,858	1,325
Receivables & prepayments	11,679	10,558	11,444	10,554
Cash & cash equivalents	16,710	15,315	16,204	14,390
	30,328	27,292	29,506	26,269
Total Assets	86,591	84,042	81,428	79,154
Equity and Liabilities				
Capital and Reserves				
Ordinary share capital	18,049	18,049	18,049	18,049
Hedging reserve	(235)	(236)	(235)	(236)
Insurance reserve	198	183	198	183
Retained earnings	20,045	19,870	22,850	22,705
	38,057	37,866	40,862	40,701
Deferred income	6,948	7,110	6,948	7,110
Non Current Liabilities				
Grants	73	75	73	75
Deferred tax liabilities	4,008	4,513	4,008	4,513
Borrowings	16,695	16,868	12,783	13,065
Retirement benefit obligation	1,018	942	965	903
Trade & other payables	300	298	300	298
	22,094	22,696	18,129	18,854
Current Liabilities				
Trade & other payables	11,224	8,721	9,603	7,330
Current tax liability	4,431	3,732	4,401	3,705
Borrowings	3,837	3,917	1,485	1,454
	19,492	16,370	15,489	12,489
Total Equity and Liabilities	86,591	84,042	81,428	79,154

The above figures are provisional and subject to audit

Signed on behalf of the Board.

P.Asoka Weerasinghe De Silva
Chairman
08-May-2007

Shoji Takahashi
CEO / Director
08-May-2007

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 2006.

2 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. 3,651 million as at 31 March 2007 has not been recognised in the income statement, since TRC's determination of the refund is yet awaited.

3 Dividends on Cumulative redeemable preference shares

Mobitel has not declared dividends for 500,000,000 12% Cumulative redeemable preference shares of Rs.10/- each, issued to SLT. Therefore, the estimated amount of dividends of Rs 497 Million as at 31 March 2007 has not been recognized in the Financial Statements

4 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 Court of Appeal by its judgment delivered in July 2005 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, which was granted on 07 November 2005 and presently the case is pending in the Supreme Court. Pending the outcome of the appeal, no adjustment has been made in the Financial Statements upto 31 March 2007

5 Events after the Balance Sheet date.

No 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 31 March 2007

Statement of Changes in Equity - 1st Jan 2006 to 31 March 2007

(All amounts in LKR Millions)

Group

	Share Capital	Capital Reserve	Hedging Reserve	Insurance Reserve	Retained Earnings	Total
Quarter ended 31 March 2006						
Balance at 1 January 2006	18,049	188	(208)	166	15,598	33,793
Cash flow hedges						
-Foreign currency translation difference			(19)			(19)
-Charged to income			11			11
Insurance reserve -charged to income				10		10
Profit for the Quarter					1,292	1,292
Balance at 31 March 2006	18,049	188	(216)	176	16,890	35,087
Period ended 31 Dec 2006						
Balance at 1 April 2006	18,049	188	(216)	176	16,890	35,087
Capital reserve transferred to retained earnings		(188)			188	-
Cash flow hedges						
-Foreign currency translation difference			(77)			(77)
-Charged to income			57			57
Insurance reserve -charged to income				7		7
Dividend in respect of 2005					(1,354)	(1,354)
Profit for the period					4,146	4,146
Balance at 31 December 2006	18,049	-	(236)	183	19,870	37,866
Quarter ended 31 March 2007						
Balance at 1 January 2007	18,049	-	(236)	183	19,870	37,866
Cash flow hedges						
-Foreign currency translation difference			(14)			(14)
-Charged to income			15			15
Insurance reserve -charged to income				15		15
Dividend in respect of 2006					(1,805)	(1,805)
Profit for the quarter					1,980	1,980
Balance at 31 March 2007	18,049	-	(235)	198	20,045	38,057

Sri Lanka Telecom Limited and its Subsidiaries
Quarterly Interim Financial Report as of 31 March 2007

Statement of Changes in Equity - 1st Jan 2006 to 31 March 2007

(All amounts in LKR Millions)

Company

	Share Capital	Capital Reserve	Hedging Reserve	Insurance Reserve	Retained Earnings	Total
Quarter ended 31 March 2006						
Balance at 1 January 2006	18,049	188	(208)	166	18,374	36,569
Cash flow hedges						
-Foreign currency translation difference			(19)			(19)
-Charged to income			11			11
Insurance reserve -charged to income				10		10
Profit for the Quarter					1,515	1,515
Balance at 31 March 2006	18,049	188	(216)	176	19,889	38,086
Period ended 31 Dec 2006						
Balance at 1 April 2006	18,049	188	(216)	176	19,889	38,086
Capital reserve transferred to retained earnings		(188)			188	-
Cash flow hedges						
-Foreign currency translation difference			(77)			(77)
-Charged to income			57			57
Insurance reserve -charged to income				7		7
Dividend in respect of 2005					(1,354)	(1,354)
Profit for the period					3,982	3,982
Balance at 31 December 2006	18,049	-	(236)	183	22,705	40,701
Quarter ended 31 March 2007						
Balance at 1 January 2007	18,049	-	(236)	183	22,705	40,701
Cash flow hedges						
-Foreign currency translation difference			(14)			(14)
-Charged to income			15			15
Insurance reserve -charged to income				15		15
Dividend in respect of 2006					(1,805)	(1,805)
Profit for the quarter					1,950	1,950
Balance at 31 March 2007	18,049	-	(235)	198	22,850	40,862

Sri Lanka Telecom Limited and its Subsidiaries
Quarterly Interim Financial Report as of 31 March 2007

Consolidated Cash Flow Statement for the 3 months ended 31 March

(All amounts in LKR Millions)

	GROUP		COMPANY	
	2007	2006	2007	2006
Operating activities				
Cash generated from operations	4,415	4,010	3,821	3,070
Interest received	548	200	528	177
Interest paid	(419)	(498)	(209)	(310)
Tax paid	(807)	(200)	(803)	(200)
Net cash generated from operating activities	3,737	3,512	3,337	2,737
Investing activities				
Acquisition of property, plant & equipment	(2,114)	(1,484)	(1,310)	(1,064)
Disposal of property, plant & equipment	4		4	
Loan given to subsidiary				(500)
Net cash used in investing activities	(2,110)	(1,484)	(1,306)	(1,564)
Financing activities				
Proceeds from borrowings	100	5		
Payment on borrowings	(376)	(466)	(361)	(367)
Net cash used in financing activities	(276)	(461)	(361)	(367)
Increase in cash & cash equivalents	1,351	1,567	1,670	806
As at 1 January	14,479	14,535	14,534	12,802
Increase	1,351	1,567	1,670	806
As at 31 March	15,830	16,102	16,204	13,608

Sri Lanka Telecom Limited and its Subsidiaries

Quarterly Interim Financial Report as of 31 March 2007

Investor Information

Ratios

	Group		Company	
	31 Mar 2007	31-Dec 2006	31 Mar 2007	31-Dec 2006
Net Assets per Share (Rs)	21.09	20.98	22.64	22.55
Debt / Equity ratio -Number of times	0.35	0.35	0.26	0.26
Quick Asset Ratio - Number of times	1.46	1.58	1.79	2.00

	Group		Company	
	For the 3 months ended		For the 3 months ended	
	2007	2006	2007	2006
Interest Cover - Number of times	6.80	4.46	10.73	6.57

Market Value of Shares

Market Value of the Ordinary Shares of the Company (Rs)	3 Months to 31 Mar 2007	3 Months to 31Mar 2006
-Highest	43.25	19.75
-Lowest	28.00	14.75
-Last Traded price	37.00	18.00

Dividend Payment

Final Dividend for the year 2006 -Rs 1.00 per share paid on 10 April 2007.

Share trading from 1 Jan 2007 to 31 March 2007

	3 Months to 31 Mar 2007
-No of Transactions	17,221
- No of Shares Traded	109,532,878
-Value of Shares Traded (Rs)	3,912,615,355