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MFS INTERMEDIATE INCOME TRUST  
Form N-CSRS  
July 07, 2004

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF  
REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-5440

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MFS INTERMEDIATE INCOME TRUST

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(Exact name of registrant as specified in charter)

500 Boylston Street, Boston, Massachusetts 02116

-----  
(Address of principal executive offices) (Zip code)

James R. Bordewick, Jr.  
Massachusetts Financial Services Company  
500 Boylston Street  
Boston, Massachusetts 02116

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(Name and address of agents for service)

Registrant's telephone number, including area code: (617) 954-5000

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Date of fiscal year end: October 31, 2003

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Date of reporting period: April 30, 2004

ITEM 1. REPORTS TO STOCKHOLDERS.

MFS(R) Mutual Funds

SEMIANNUAL REPORT 4/30/04

MFS(R) INTERMEDIATE INCOME TRUST

A path for pursuing opportunity

[graphic omitted]

[logo] M F S(R)  
INVESTMENT MANAGEMENT

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MFS(R) PRIVACY POLICY: A COMMITMENT TO YOU  
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### LETTER FROM THE CEO

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Dear Shareholders,

[Photo of Robert J. Manning]

Our firm was built on the strength of MFS Original Research(R), our in-depth analysis of every security we consider for our portfolios. We've been honing this process since 1932, when we created one of the mutual fund industry's first research departments. And we continue to fine-tune this process so that we can provide strong and consistent long-term investment performance to help you achieve your financial goals.

While we have achieved strong investment performance in many of our portfolios, our goal is to achieve the same strong results across all asset classes. To ensure that our portfolio teams are doing the best possible job for our firm's clients and shareholders, I am focusing the vast majority of my time on the three key elements that I believe truly differentiate MFS from its competitors: people, process, and culture.

### PEOPLE

Our people have always been our most valuable resource. Our philosophy is to deliver consistent, repeatable investment results by hiring the most talented investors in our industry. We recruit from the nation's top business schools and hire experienced analysts, both domestically and around the globe.

Our analysts are the engine that powers our entire investment team because their recommendations have a direct impact on the investment performance of our portfolios. To demonstrate our ongoing commitment in this area, we increased the number of equity analysts at MFS from less than 40 at the end of 2000 to over 50 in April 2004. During that same period, we doubled the average investment experience of our new domestic equity analysts, from 2.6 years to 5.3 years, by recruiting more seasoned analysts to the firm. Moreover, our international network of investment personnel now spans key regions of the world with offices in London, Mexico City, Singapore, and Tokyo, as well as Boston.

One of the major advantages that MFS has over many of its competitors is that the position of research analyst is a long-term career for many members of our team, not simply a steppingstone toward becoming a portfolio manager. We have worked to elevate the stature of the analyst position to be on par with that of a portfolio manager. In fact, an exceptional research analyst has the

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opportunity to earn more at MFS than some portfolio managers.

At the same time, we look within the firm to promote talented analysts who choose a path toward becoming a portfolio manager. We rarely hire portfolio managers from our competitors because we believe the best investors are those steeped in the MFS process and culture. In the past few months, we have identified four senior research analysts who will assume roles on the management teams of several of our larger portfolios. MFS is fortunate to have a deep bench of talented investment personnel, and we welcome the opportunity to put their skills to work for our clients.

### PROCESS

MFS was built on the strength of its bottom-up approach to researching securities. We have enhanced the mentoring process for our research analysts by calling on several of our most seasoned portfolio managers to supplement the work of Director of Global Equity Research David A. Antonelli. These portfolio managers will be taking a special interest in developing the careers of our research analysts and strengthening our investment process. Kenneth J. Enright of our value equity group will work with a team of domestic analysts; David E. Sette-Ducati of our small- and mid-cap equity team will work with analysts concentrating on small- and mid-cap companies; and Barnaby Wiener of our international equity team in London heads the European equity research team.

We have combined the bottom-up approach of our research process with a top-down approach to risk controls on portfolio composition. We have a very strong quantitative team under the leadership of industry veteran Deborah H. Miller, who represents the equity management department on the Management Committee of the firm. Quantitative analysis helps us generate investment ideas and, more importantly, assess the appropriate level of risk for each portfolio. The risk assessment is designed to assure that each portfolio operates within its investment objectives.

Additionally, we have increased the peripheral vision of our investment personnel across asset classes through the collaboration of our Equity, Fixed Income, Quantitative Analysis, and Risk Management teams. We recently codified this key aspect of our culture by forming an Investment Management Committee, composed of key members of these teams. This Committee will work to ensure that all teams are sharing information, actively debating investment ideas, and creating a unified investment team.

### CULTURE

Teamwork is at the heart of our ability to deliver consistent and competitive investment performance over time. At MFS, each member of our team is involved in our success; we have no superstars. The collaborative nature of our process works to assure a consistent investment approach across all of our products and provides a high level of continuity in portfolio management because our investment performance never depends on the contributions of just a single individual. Our culture is based on an environment of teamwork that allows our investment personnel to be successful. In turn, we demand superior investment results from every member of our team.

We have created a meritocracy at our firm based on investment results. We hold all of our portfolio managers accountable for the performance of their portfolios and their contributions to the team. We also track the equity and fixed-income ratings of our analysts so we can evaluate them based on the performance of their recommendations. We align bonus compensation to investment performance by weighting rewards to those who have created the greatest long-term benefit for our shareholders and who contribute most successfully to the Original Research(SM) process.

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The strength of our culture has resulted in a tremendous amount of stability, both in terms of people and assets under management. Although we have dismissed members of our team whose performance did not meet MFS' high standards, only one member of our investment team has voluntarily left the firm over the past six months, based on a decision to retire from the industry. Similarly, our firm's assets under management have remained quite steady in the midst of a challenging environment.

In short, we can help you achieve your financial goals by hiring talented people, following a disciplined process, and maintaining our firm's unique culture. The recent enhancements described in this letter reflect the collaborative spirit and the depth of resources in our investment teams.

As always, we appreciate your confidence in MFS and welcome any questions or comments you may have.

Respectfully,

/s/ Robert J. Manning

Robert J. Manning  
CEO, President, and Chief Investment Officer  
MFS Investment Management (R)

May 19, 2004

PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.

The opinions expressed in this letter are those of MFS, and no forecasts can be guaranteed.

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MFS ORIGINAL RESEARCH (R)  
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THE MFS (R) DIFFERENCE

For 80 years MFS has been offering investors clear paths to pursuing specific investment objectives. Today, millions of individuals and thousands of institutions all over the world look to MFS to manage their assets with insight and care.

Our success, we believe, has to do with the fact that we see investors as people with plans, not just dollars to invest.

When you invest with MFS, you invest with a company dedicated to helping you realize your long-term financial goals.

INVESTORS CHOOSE MFS FOR OUR

- o global asset management expertise across all asset classes
- o time-tested money management process for pursuing consistent results
- o full spectrum of investment products backed by MFS Original Research(R)
- o resources and services that match real-life needs

TURNING INFORMATION INTO OPPORTUNITY

Sound investments begin with sound information. MFS has been doing its own

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research and analyzing findings in-house for decades. The process we use to uncover opportunity is called MFS Original Research(R).

### MFS ORIGINAL RESEARCH INVOLVES:

- o meeting with the management of 3,000 companies each year to assess their business plans and the managers' ability to execute those plans
- o making onsite visits to more than 2,000 companies annually to gain first-hand knowledge of their operations and products
- o analyzing financial statements and balance sheets
- o talking extensively with companies' customers and competitors
- o developing our own proprietary estimates of companies' earnings

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### MANAGEMENT REVIEW

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### TRUST POSITIONING

MFS Intermediate Income Trust, a closed-end fund, maintains a portfolio primarily consisting of short- and intermediate-term U.S. government and foreign high-grade securities.

We managed the trust during the six-month period on the premise that interest rates in the United States were more likely to rise than fall. Accordingly, we kept the duration of the portfolio shorter than that of our benchmarks, the Citigroup World Government Bond Non-Dollar Hedged Index and the Citigroup Medium Term (1-10 years) Treasury Government Sponsored Index. We also maintained a significant position in government securities from Europe, where we believed interest rates were less likely to rise. Duration is a measure of interest-rate sensitivity - the higher the number, the greater the sensitivity. In general, during periods of rising interest rates, shorter- duration portfolios are less susceptible to price erosion than longer- duration portfolios.

We held mortgage-backed securities issued by government-sponsored agencies to pick up additional yield over Treasuries and to give greater protection to the trust's net asset value. (The principal value and interest of Treasury securities are guaranteed by the U.S. government if held to maturity.) At the end of the period, mortgage-backed securities accounted for about 21% of trust assets.

In our foreign allocations, we emphasized European government securities and avoided exposure to Japan, where interest rates were artificially low and we believed rates were more likely to rise than fall. Within Europe, we were attracted to the slightly higher yields offered by the sovereign debt of countries such as the Netherlands, Germany, Spain and Ireland. Foreign holdings at the end of the period, including emerging market debt, composed about 27% of trust assets. To keep price volatility low, we hedged virtually all of our foreign investments back into the U.S. dollar.

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### TOP 5 PORTFOLIO ALLOCATIONS AS OF 4/30/04

|                 |       |
|-----------------|-------|
| U.S. TREASURIES | 30.4% |
|-----------------|-------|

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|                          |       |
|--------------------------|-------|
| INTERNATIONAL SOVEREIGNS | 24.2% |
| MORTGAGE BACKED          | 21.0% |
| U.S. GOVERNMENT AGENCIES | 17.2% |
| EMERGING MARKET DEBT     | 3.1%  |

The portfolio is actively managed, and current holdings may be different.

Percentages based on assets on 4/30/04.

Average credit quality of the portfolio remained at "AAA" as of the end of the period.

### CONTRIBUTORS TO PERFORMANCE

The trust's domestic mortgage-backed holdings were the greatest contributors to relative performance, because they delivered greater income than that offered by comparable-maturity U.S. Treasuries. The trust's exposure to European sovereign debt and its avoidance of Japanese securities also added to the portfolio's relative return.

### DETRACTORS FROM PERFORMANCE

While the trust had positive performance at net asset value, the price of publicly traded shares of the trust declined during the period, resulting in a negative return at market price.

To help protect net asset value in a rising interest rate environment, the trust held some assets in cash and in bonds with maturities shorter than one year. Relative to longer-term bonds, those investments have tended to be less sensitive to rising interest rates. However, cash and short-term bonds produced less income than mortgage and foreign securities and therefore slightly held back relative return over the period.

Respectfully,

/s/ James J. Calmas

James J. Calmas  
Portfolio Manager

The views expressed in this report are those of the portfolio manager only through the end of the period of the report as stated on the cover and do not necessarily reflect the views of MFS or any other person in the MFS organization. These views are subject to change at any time based on market and other conditions, and MFS disclaims any responsibility to update such views. These views may not be relied upon as investment advice or as an indication of trading intent on behalf of any MFS Fund. References to specific securities are not recommendations of such securities, and may not be representative of any MFS Fund's current or future investments.

It is not possible to invest directly in an index.

Visit [mfs.com](http://mfs.com) for our latest economic and investment outlook.

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- o Under Updates & Announcements, click Week in Review for a summary of recent investment-related news.
- o From Week in Review, link to MFS Global Perspective for our current view of the world.

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### PORTFOLIO MANAGER'S PROFILE

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James J. Calmas is Senior Vice President of MFS Investment Management (R) (MFS(R)) and portfolio manager of the limited maturity portfolios of our mutual funds, variable annuities, and offshore investment products. He is a member of the MFS Fixed Income Strategy Group.

Jim joined MFS in 1988 and was named Assistant Vice President in 1991, Vice President in 1993, portfolio manager in 1998, and Senior Vice President in 2002. He is a graduate of Dartmouth College and holds an M.B.A. degree from the Amos Tuck School of Business Administration of Dartmouth College.

All portfolio managers at MFS are supported by an investment staff of over 160 professionals utilizing MFS Original Research(R), a global, issuer-oriented, bottom-up process of selecting securities.

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### PERFORMANCE SUMMARY THROUGH 4/30/04

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All results are historical. Investment return and principal value will fluctuate, and shares, when sold, may be worth more or less than their original cost. More recent returns may be more or less than those shown. Past performance is no guarantee of future results.

### PRICE SUMMARY

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Six months ended 4/30/04

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|                               | Date              | Price  |
|-------------------------------|-------------------|--------|
| Net asset value per share     | 10/31/2003        | \$7.40 |
|                               | 4/30/2004         | \$7.28 |
| New York Stock Exchange price | 10/31/2003        | \$6.89 |
|                               | 3/22/2004 (high)* | \$7.01 |
|                               | 4/29/2004 (low)*  | \$6.51 |
|                               | 4/30/2004         | \$6.52 |

\* For the period November 1, 2003, through April 30, 2004.



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### TOTAL RETURN VS BENCHMARKS

-----  
Six months ended 4/30/04  
-----

|   |        |
|---|--------|
| New York Stock Exchange price**   | -2.76% |
| Net asset value**   | 1.09%  |
| Citigroup World Government Bond Non-Dollar Hedged Index#                | 1.84%  |
| Citigroup Medium Term (1-10 years) Treasury Government Sponsored Index# | 0.72%  |

\*\* Includes reinvestment of dividend and capital gain distributions.

# Source: Standard & Poor's Micropal, Inc.

### INDEX DEFINITIONS

CITIGROUP WORLD GOVERNMENT BOND NON-DOLLAR HEDGED INDEX - measures the government bond markets around the world, ex-U.S.

CITIGROUP MEDIUM-TERM (1 TO 10 YEARS) TREASURY GOVERNMENT SPONSORED INDEX - measures the performance of medium-term government bonds.

It is not possible to invest directly in an index.

### KEY RISK CONSIDERATIONS

Investing in foreign and/or emerging markets securities involves risks relating to interest rates, currency exchange rates, economic, and political conditions.

The portfolio may invest in derivative securities, which may include futures and options. These types of instruments can increase price fluctuation.

Because the portfolio invests in a limited number of companies a change in one security's value may have a more significant effect on the portfolio's value.

Government guarantees apply to the underlying securities only and not to the prices and yields of the portfolio.

These risks may increase share price volatility. Please see the prospectus for further information on these and other risk considerations.

In accordance with Section 23(c) of the Investment Company Act of 1940, the trust hereby gives notice that it may from time to time repurchase shares of the trust in the open market at the option of the Board of Trustees and on such terms as the Trustees shall determine.

### ----- DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN -----

The Trust offers a Dividend Reinvestment and Cash Purchase Plan that allows you to reinvest either all of the distributions paid by the trust or only the long-term capital gains. Purchases are made at the market price unless that

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price exceeds the net asset value (the shares are trading at a premium). If the shares are trading at a premium, purchases will be made at a discounted price of either the net asset value or 95% of the market price, whichever is greater. Twice each year you can also buy shares. Investments may be made in any amount over \$100 in January and July on the 15th of the month or shortly thereafter.

If your shares are in the name of a brokerage firm, bank, or other nominee, you can ask the firm or nominee to participate in the plan on your behalf. If the nominee does not offer the plan, you may wish to request that your shares be re-registered in your own name so that you can participate.

There is no service charge to reinvest distributions, nor are there brokerage charges for shares issued directly by the trust. However, when shares are bought on the New York Stock Exchange or otherwise on the open market, each participant pays a pro rata share of the commissions. The automatic reinvestment of distributions does not relieve you of any income tax that may be payable (or required to be withheld) on the distributions.

To enroll in or withdraw from the plan, or if you have any questions, call 1-800-637-2304 any business day from 8 a.m. to 8 p.m. Eastern time. Please have available the name of the trust and your account and Social Security numbers. For certain types of registrations, such as corporate accounts, instructions must be submitted in writing. Please call for additional details. When you withdraw from the plan, you can receive the value of the reinvested shares in one of two ways: a check for the value of the full and fractional shares, or a certificate for the full shares and a check for the fractional shares.

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### PORTFOLIO OF INVESTMENTS (unaudited) - 4/30/04

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The Portfolio of Investments is a complete list of all securities owned by your fund. It is categorized by broad-based asset classes.

#### Bonds - 97.1%

| ISSUER   | PRINCIPAL AMOUNT<br>(000 Omitted) | \$ VALUE                 |
|--|-----------------------------------|--------------------------|
| <hr/>  |                                   |                          |
| U.S. Bonds - 69.9%                                       |                                   |                          |
| <hr/>  |                                   |                          |
| Asset Backed & Securitized - 2.5%                        |                                   |                          |
| <hr/>  |                                   |                          |
| Commercial Mortgage Acceptance Corp., 7.206%, 2008^^     | \$97,473                          | \$4,068,467              |
| Commercial Mortgage Acceptance Corp., 6.04%, 2030        | 6,000                             | 6,460,458                |
| DLJ Commercial Mortgage Corp., 7.641%, 2005^^            | 95,100                            | 759,725                  |
| Falcon Franchise Loan LLC, 3.385%, 2023^^                | 16,336                            | 2,318,484                |
| First Union-Lehman Brothers Bank of America, 6.56%, 2035 | 5,000                             | 5,473,019                |
| Multi-Family Capital Access One, Inc., 6.65%, 2024       | 3,208                             | 3,549,046                |
|  |                                   | <hr/> \$22,629,199 <hr/> |

#### Mortgage Backed - 21.0%

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|  |         |               |
|--|---------|---------------|
| Fannie Mae, 5.669%, 2006                   | \$6,768 | \$7,076,169   |
| Fannie Mae, 7.085%, 2006                   | 2,484   | 2,652,169     |
| Fannie Mae, 7.29%, 2006                    | 1,084   | 1,155,393     |
| Fannie Mae, 6.942%, 2007                   | 4,907   | 5,340,974     |
| Fannie Mae, 6%, 2016 - 2033                | 34,650  | 35,583,982    |
| Fannie Mae, 5.5%, 2017 - 2018              | 12,702  | 13,000,378    |
| Fannie Mae, 5%, 2018                       | 24,630  | 24,203,764    |
| Fannie Mae, 6.5%, 2031                     | 15,318  | 15,945,164    |
| Fannie Mae, 4.5%, 2019 TBA                 | 15,000  | 14,760,930    |
| Fannie Mae, 5%, 2019 TBA                   | 2,000   | 2,011,250     |
| Freddie Mac, 5.5%, 2017                    | 5,013   | 5,147,738     |
| Freddie Mac, 6%, 2017                      | 4,255   | 4,445,224     |
| Freddie Mac, 4.5%, 2019 - 2019             | 11,427  | 11,273,084    |
| Freddie Mac, 5%, 2021 - 2022               | 5,836   | 6,032,798     |
| Ginnie Mae, 8.5%, 2005 - 2009              | 2,522   | 2,751,422     |
| Ginnie Mae, 7.5%, 2022 - 2032              | 3,891   | 4,176,802     |
| Ginnie Mae, 8%, 2026 - 2026                | 1,065   | 1,162,630     |
| Ginnie Mae, 6.5%, 2028 - 2032              | 12,833  | 13,419,497    |
| Ginnie Mae, 7%, 2031 - 2031                | 15,504  | 16,456,329    |
| Ginnie Mae, 6%, 2033                       | 6,083   | 6,240,631     |
|  |         | \$192,836,328 |
| U.S. Government Agencies - 17.0%           |         |               |
| Fannie Mae, 5.5%, 2006                     | \$5,500 | \$5,799,008   |
| Fannie Mae, 4.75%, 2007                    | 4,000   | 4,168,244     |
| Fannie Mae, 6.625%, 2007^                  | 5,000   | 5,531,260     |
| Fannie Mae, 6%, 2008^                      | 10,000  | 10,857,120    |
| Federal Home Loan Bank, 2.25%, 2006        | 10,415  | 10,364,102    |
| Federal Home Loan Bank, 3.625%, 2008       | 17,000  | 16,867,893    |
| Freddie Mac, 6.875%, 2010^                 | 22,900  | 26,023,835    |
| Freddie Mac, 5.125%, 2012                  | 18,600  | 18,977,636    |
| Small Business Administration, 7.64%, 2010 | 5,884   | 6,452,421     |

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|   |           |               |
|---|-----------|---------------|
| Small Business Administration, 5.34%, 2021                            | 8,641     | 8,862,657     |
| Small Business Administration, 6.34%, 2021                            | 3,730     | 3,977,909     |
| Small Business Administration, 6.35%, 2021                            | 5,212     | 5,555,342     |
| Small Business Administration, 6.44%, 2021                            | 3,477     | 3,721,346     |
| Small Business Administration, 6.625%, 2021                           | 3,814     | 4,110,544     |
| Small Business Administration, 4.93%, 2024                            | 3,000     | 2,954,453     |
| U.S. Department of Housing & Urban Development, 5.53%, 2008           | 11,000    | 11,780,142    |
| U.S. Department of Housing & Urban Development, 7.198%, 2009          | 6,000     | 6,860,688     |
| U.S. Department of Veteran Affairs, 6%, 2021                          | 3,040     | 3,117,859     |
|   |           | \$155,982,459 |
| U.S. Treasury Obligations - 29.4%                                     |           |               |
| U.S. Treasury Bonds, 12.375%, 2004^                                   | \$29,500  | \$29,607,174  |
| U.S. Treasury Bonds, 10.375%, 2009 - 2012^                            | 81,650    | 96,203,979    |
| U.S. Treasury Bonds, 13.875%, 2011^                                   | 25,500    | 31,257,416    |
| U.S. Treasury Bonds, 12%, 2013^                                       | 42,500    | 56,974,905    |
| U.S. Treasury Notes, 4.625%, 2006^                                    | 10,000    | 10,448,830    |
| U.S. Treasury Notes, 4.375%, 2007^                                    | 10,000    | 10,427,730    |
| U.S. Treasury Notes, 2.625%, 2008                                     | 14,490    | 14,113,028    |
| U.S. Treasury Notes, 4.75%, 2008^                                     | 1,750     | 1,841,670     |
| U.S. Treasury Notes, 6.5%, 2010^                                      | 4,500     | 5,117,346     |
| U.S. Treasury Notes, 4.875%, 2012^                                    | 10,000    | 10,396,090    |
| U.S. Treasury Notes, 4.25%, 2013                                      | 3,770     | 3,706,969     |
|   |           | \$270,095,137 |
| Total U.S. Bonds  |           | \$641,543,123 |
| Foreign Bonds - 27.2%   |           |               |
| Australia - 0.4%  |           |               |
| Government of Australia, 6.25%, 2015 (International Market Sovereign) | AUD 4,986 | \$3,669,292   |
| Austria - 1.6%  |           |               |
| Republic of Austria, 5.5%, 2007 (International Market Sovereign)      | EUR 8,126 | \$10,511,603  |

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|   |            |              |
|---|------------|--------------|
| Republic of Austria, 5%, 2012 (International Market Sovereign)      | 1,994      | 2,542,104    |
| Republic of Austria, 4.65%, 2018 (International Market Sovereign)   | 1,055      | 1,281,063    |
|   |            | \$14,334,770 |
| Belgium - 0.8%  |            |              |
| Kingdom of Belgium, 3.75%, 2009 (International Market Sovereign)    | EUR 3,736  | \$4,534,971  |
| Kingdom of Belgium, 5%, 2012 (International Market Sovereign)       | 2,250      | 2,864,044    |
|   |            | \$7,399,015  |
| Brazil - 0.3%   |            |              |
| Federal Republic of Brazil, 8%, 2014 (Emerging Market Sovereign)    | \$3,474    | \$3,188,898  |
| Bulgaria - 0.2%   |            |              |
| Republic of Bulgaria, 8.25%, 2015 (Emerging Market Sovereign)+      | \$198      | \$226,710    |
| Republic of Bulgaria, 8.25%, 2015 (Emerging Market Sovereign)##     | 1,634      | 1,870,930    |
|   |            | \$2,097,640  |
| Canada - 2.2%   |            |              |
| Government of Canada, 5.5%, 2009 (International Market Sovereign)   | CAD 12,671 | \$9,913,232  |
| Government of Canada, 5.25%, 2012 (International Market Sovereign)  | 1,304      | 998,544      |
| Government of Canada, 8%, 2023 (International Market Sovereign)     | 1,069      | 1,046,427    |
| Province of Ontario, 7%, 2005 (International Market Sovereign)      | \$8,020    | 8,527,121    |
|   |            | \$20,485,324 |
| Chile - 0.1%  |            |              |
| HQI Transelec Chile S.A., 7.875%, 2011 (Utilities - Electric Power) | \$686      | \$778,961    |
| Denmark - 1.0%  |            |              |
| Kingdom of Denmark, 7%, 2007 (International Market Sovereign)       | DKK 13,392 | \$2,430,740  |

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|  |           |              |
|--|-----------|--------------|
| Kingdom of Denmark, 6%, 2009 - 2011 (International Market Sovereign)         | 33,665    | 6,044,247    |
| Kingdom of Denmark, 5%, 2013 (International Market Sovereign)                | 4,816     | 812,921      |
|  |           | \$9,287,908  |
| -----  |           |              |
| Finland - 1.8%   |           |              |
| Republic of Finland, 2.75%, 2006 (International Market Sovereign)            | EUR 5,478 | \$6,586,973  |
| Republic of Finland, 3%, 2008 (International Market Sovereign)               | 7,385     | 8,767,242    |
| Republic of Finland, 5.375%, 2013 (International Market Sovereign)           | 1,172     | 1,532,702    |
|  |           | \$16,886,917 |
| -----  |           |              |
| France - 1.5%  |           |              |
| Republic of France, 4.75%, 2007 - 2012 (International Market Sovereign)      | EUR 5,053 | \$6,370,736  |
| Republic of France, 4%, 2009 (International Market Sovereign)                | 5,622     | 6,884,682    |
| SG Capital Trust I, 7.875%, 2049 (Banks & Credit Companies)                  | 375       | 531,267      |
|  |           | \$13,786,685 |
| -----  |           |              |
| Germany - 6.2%   |           |              |
| Federal Republic of Germany, 4%, 2007 (International Market Sovereign)       | EUR 5,583 | \$6,894,433  |
| Federal Republic of Germany, 4.5%, 2009 (International Market Sovereign)     | 16,363    | 20,538,860   |
| Federal Republic of Germany, 5.25%, 2010 (International Market Sovereign)    | 2,491     | 3,240,232    |
| KFW International Finance, Inc., 4.25%, 2005 (International Market Agencies) | \$10,000  | 10,229,590   |
| Kreditanstalt fur Wiederaufbau, 2.375%, 2006 (International Market Agencies) | 4,120     | 4,102,609    |
| Kreditanstalt fur Wiederaufbau, 3.25%, 2008 (International Market Agencies)  | EUR 3,268 | 3,921,613    |
| Landesbank Baden-Wurttemberg, 5.125%, 2007 (International Market Agencies)   | \$7,700   | 8,069,916    |
|  |           | \$56,997,253 |
| -----  |           |              |
| Ireland - 1.9%   |           |              |
| Republic of Ireland, 4.25%, 2007 (International Market                       |           |              |

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|   |           |              |
|---|-----------|--------------|
| Sovereign)  | EUR 7,657 | \$9,533,954  |
| -----   |           |              |
| Republic of Ireland, 3.25%, 2009 (International Market Sovereign)           | 5,150     | 6,109,534    |
| -----   |           |              |
| Republic of Ireland, 5%, 2013 (International Market Sovereign)              | 1,326     | 1,690,146    |
| -----   |           |              |
|   |           | \$17,333,634 |
| -----   |           |              |
| Israel - 0.5%   |           |              |
| -----   |           |              |
| State of Israel, 5.125%, 2014 (International Market Sovereign)              | \$5,000   | \$4,767,190  |
| -----   |           |              |
| Malaysia - 0.2%   |           |              |
| -----   |           |              |
| Petroliam Nasional Berhad, 7.75%, 2015 (Emerging Market Sovereign)          | \$1,681   | \$1,934,799  |
| -----   |           |              |
| Mexico - 1.3%   |           |              |
| -----   |           |              |
| BBVA Bancomer, 10.5%, 2011 (Banks & Credit Companies)##                     | \$3,544   | \$3,951,560  |
| -----   |           |              |
| Pemex Project Funding Master Trust, 8.625%, 2022 (Emerging Market Agencies) | 2,204     | 2,358,280    |
| -----   |           |              |
| Petroleos Mexicanos, 9.375%, 2008 (Emerging Market Agencies)                | 2,318     | 2,706,265    |
| -----   |           |              |
| United Mexican States, 8.125%, 2019 (Emerging Market Sovereign)             | 2,205     | 2,397,938    |
| -----   |           |              |
| United Mexican States, 8%, 2022 (Emerging Market Sovereign)                 | 198       | 208,890      |
| -----   |           |              |
|   |           | \$11,622,933 |
| -----   |           |              |
| Netherlands - 2.2%  |           |              |
| -----   |           |              |
| Kingdom of Netherlands, 5.75%, 2007 (International Market Sovereign)        | EUR 3,098 | \$4,000,035  |
| -----   |           |              |
| Kingdom of Netherlands, 3.75%, 2009 (International Market Sovereign)        | 7,906     | 9,592,760    |
| -----   |           |              |
| Kingdom of Netherlands, 5%, 2012 (International Market Sovereign)           | 4,857     | 6,197,083    |
| -----   |           |              |
|   |           | \$19,789,878 |
| -----   |           |              |
| New Zealand - 0.9%  |           |              |
| -----   |           |              |
| Government of New Zealand, 7%, 2009 (International Market Sovereign)        | NZD 3,533 | \$2,298,989  |
| -----   |           |              |
| Government of New Zealand, 6.5%, 2013 (International Market Sovereign)      | 8,920     | 5,680,619    |
| -----   |           |              |
|   |           | \$7,979,608  |

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-----  
Panama - 0.2%

-----  
Republic of Panama, 9.375%, 2029 (Emerging Market  
Sovereign) \$1,783 \$1,961,300  
-----

Portugal - 0.4%

-----  
Republic of Portugal, 5.45%, 2013 (International Market  
Sovereign) EUR 2,985 \$3,910,267  
-----

Qatar - 0.3%

-----  
State of Qatar, 9.75%, 2030 (Emerging Market Sovereign)+ \$2,165 \$2,933,575  
-----

Russia - 0.2%

-----  
Russian Ministry of Finance, 12.75%, 2028 (Emerging  
Market Sovereign) \$1,006 \$1,486,365  
-----

South Africa - 0.2%

-----  
Republic of South Africa, 9.125%, 2009 (Emerging Market  
Sovereign) \$1,935 \$2,283,300  
-----

Spain - 2.0%

-----  
Kingdom of Spain, 7%, 2005 (International Market  
Sovereign) \$7,800 \$8,259,521  
-----

Kingdom of Spain, 6%, 2008 (International Market  
Sovereign) EUR 2,819 3,726,013  
-----

Kingdom of Spain, 5.35%, 2011 (International Market  
Sovereign) 4,655 6,076,764  
-----

\$18,062,298

Sweden - 0.4%

-----  
Kingdom of Sweden, 6.75%, 2014 (International Market  
Sovereign) SEK 2,900 \$443,350  
-----

Spintab AB, 5%, 2008 (Banks & Credit Companies) 21,300 2,888,351  
-----

\$3,331,701

United Kingdom - 0.4%

-----  
United Kingdom Treasury, 7.25%, 2007 (International  
Market Sovereign) GBP 1,377 \$2,638,276  
-----

United Kingdom Treasury, 5%, 2012 (International Market  
Sovereign) 496 881,852  
-----

\$3,520,128



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|   |                                   |                 |
|---|-----------------------------------|-----------------|
| Total Foreign Bonds   |                                   | \$249,829,639   |
| <hr/>   |                                   |                 |
| Total Bonds (Identified Cost, \$882,545,671)  |                                   | \$891,372,762   |
| <hr/>   |                                   |                 |
| Short-Term Obligations - 1.8%   |                                   |                 |
| <hr/>   |                                   |                 |
| Fannie Mae, due 5/18/04, at amortized cost  | \$17,010                          | \$17,002,128    |
| <hr/>   |                                   |                 |
| Collateral for Securities Loaned - 14.5%  |                                   |                 |
| <hr/>   |                                   |                 |
| ISSUER  | SHARES                            | \$ VALUE        |
| <hr/>   |                                   |                 |
| Navigator Securities Lending Prime Portfolio,<br>at Identified Cost   | 133,575,668                       | \$133,557,303   |
| <hr/>   |                                   |                 |
| Repurchase Agreements - 0.9%  |                                   |                 |
| <hr/>   |                                   |                 |
| ISSUER  | PRINCIPAL AMOUNT<br>(000 Omitted) | \$ VALUE        |
| <hr/>   |                                   |                 |
| Goldman Sachs, dated 4/30/04, due 5/03/04, total to be<br>received \$8,012,926 (secured by various U.S. Treasury<br>and Federal Agency obligations in a jointly traded<br>account), at Cost | \$8,012                           | \$8,012,000     |
| <hr/>   |                                   |                 |
| Total Investments (Identified Cost, \$1,041,117,102)  |                                   | \$1,049,944,193 |
| <hr/>   |                                   |                 |
| Other Assets, Less Liabilities - (14.3)%  |                                   | (131,400,715)   |
| <hr/>   |                                   |                 |
| Net Assets - 100.0%   |                                   | \$918,543,478   |

^ All or a portion of this security is on loan.

^^ Interest only security.

+ Restricted security.

## SEC Rule 144A restriction.

Abbreviations have been used throughout this report to indicate amounts shown in currencies other than the U.S. dollar. A list of abbreviations is shown below.

AUD = Australian Dollar

CAD = Canadian Dollar

DKK = Danish Krone

EUR = Euro

GBP = British Pound

NZD = New Zealand Dollar

SEK = Swedish Krona

SEE NOTES TO FINANCIAL STATEMENTS

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FINANCIAL STATEMENTS                      STATEMENT OF ASSETS AND LIABILITIES (unaudited)

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This statement represents your fund's balance sheet, which details the assets and liabilities composing the total value of your fund.

AT 4/30/04

## Edgar Filing: MFS INTERMEDIATE INCOME TRUST - Form N-CSRS

### ASSETS

|   |                 |               |
|---|-----------------|---------------|
| Investments, at value, including \$130,970,349 of securities on loan (identified cost, \$1,041,117,102) | \$1,049,944,193 |               |
| -----   |                 |               |
| Receivable for forward foreign currency exchange contracts  | 3,057,114       |               |
| -----   |                 |               |
| Receivable for forward foreign currency exchange contracts subject to master netting agreements         | 302,624         |               |
| -----   |                 |               |
| Receivable for TBA sale commitments   | 1,991,875       |               |
| -----   |                 |               |
| Interest receivable   | 17,942,344      |               |
| -----   |                 |               |
| Other assets  | 13,354          |               |
| -----   |                 |               |
| Total assets  |                 | \$1,073,251,5 |
| -----   |                 |               |

### LIABILITIES

|   |             |             |
|---|-------------|-------------|
| Payable to custodian                                    | \$1,883     |             |
| -----   |             |             |
| Payable to dividend disbursing agent                    | 272,052     |             |
| -----   |             |             |
| Payable for forward foreign currency exchange contracts | 185,326     |             |
| -----   |             |             |
| Payable for TBA purchase commitments                    | 19,245,313  |             |
| -----   |             |             |
| Payable for treasury shares reacquired                  | 893,009     |             |
| -----   |             |             |
| Collateral for securities loaned, at value              | 133,557,303 |             |
| -----   |             |             |
| Payable to affiliates                                   |             |             |
| -----   |             |             |
| Management fee  | 16,893      |             |
| -----   |             |             |
| Transfer and dividend disbursing agent costs            | 26,174      |             |
| -----   |             |             |
| Administrative fee                                      | 283         |             |
| -----   |             |             |
| Accrued expenses and other liabilities                  | 509,790     |             |
| -----   |             |             |
| Total liabilities                                       |             | \$154,708,0 |
| -----   |             |             |
| Net assets  |             | \$918,543,4 |
| -----   |             |             |

### NET ASSETS CONSIST OF

|  |               |  |
|--|---------------|--|
| Paid-in capital  | \$983,654,636 |  |
| -----  |               |  |
| Unrealized appreciation on investments and translation of assets and liabilities in foreign currencies | 11,973,346    |  |
| -----  |               |  |
| Accumulated net realized loss on investments and foreign currency transactions                         | (63,635,309)  |  |
| -----  |               |  |
| Accumulated distributions in excess of net investment income   | (13,449,195)  |  |
| -----  |               |  |

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|   |               |
|---|---------------|
| Net assets  | \$918,543,478 |
| Shares of beneficial interest outstanding<br>(134,553,466 issued, less 8,404,650 treasury shares)       | 126,148,816   |
| Net asset value per share<br>(\$918,543,478 / 126,148,816 shares of beneficial<br>interest outstanding) | \$7.20        |

SEE NOTES TO FINANCIAL STATEMENTS

FINANCIAL STATEMENTS STATEMENT OF OPERATIONS (unaudited)

This statement describes how much your fund received in investment income and paid in expenses. It also describes any gains and/or losses generated by fund operations.

FOR THE SIX MONTHS ENDED 4/30/04

NET INVESTMENT INCOME

Income

|          |              |
|----------|--------------|
| Interest | \$22,754,900 |
|----------|--------------|

Expenses

|  |             |
|--|-------------|
| Management fee                               | \$3,084,229 |
| Trustees' compensation                       | 65,128      |
| Transfer and dividend disbursing agent costs | 98,703      |
| Administrative fee                           | 49,842      |
| Investor communication expense               | 183,071     |
| Stock exchange fee                           | 119,326     |
| Custodian fee                                | 291,135     |
| Printing                                     | 27,307      |
| Postage                                      | 17,647      |
| Auditing fees                                | 21,188      |
| Legal fees                                   | 4,114       |
| Miscellaneous                                | 32,828      |
| Total expenses                               | \$3,994,500 |
| Fees paid indirectly                         | (3,972)     |

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|  |                |             |
|--|----------------|-------------|
| Net expenses   |                | \$3,990,5   |
| Net investment income  |                | \$18,764,3  |
| REALIZED AND UNREALIZED LOSS ON INVESTMENTS                          |                |             |
| Realized gain (loss) (identified cost basis)                         |                |             |
| Investment transactions  | \$22,292,545   |             |
| Futures contracts  | (56,579)       |             |
| Foreign currency transactions  | (8,679,592)    |             |
| Net realized gain on investments and foreign currency transactions   |                | \$13,556,3  |
| Change in unrealized appreciation (depreciation)                     |                |             |
| Investments  | \$(27,355,220) |             |
| Futures contracts  | 2,977          |             |
| Translation of assets and liabilities in foreign currencies          | 2,924,276      |             |
| Net unrealized loss on investments and foreign currency translation  |                | \$(24,427,9 |
| Net realized and unrealized loss on investments and foreign currency |                | \$(10,871,5 |
| Increase in net assets from operations                               |                | \$7,892,7   |

SEE NOTES TO FINANCIAL STATEMENTS

FINANCIAL STATEMENTS STATEMENT OF CHANGES IN NET ASSETS

This statement describes the increases and/or decreases in net assets resulting from operations, distributions, and any shareholder transactions.

|  | SIX MONTHS ENDED<br>4/30/04<br>(UNAUDITED) | YEAR END<br>10/31/0 |
|--|--|---------------------|
| INCREASE (DECREASE) IN NET ASSETS                                  |  |                     |
| FROM OPERATIONS  |  |                     |
| Net investment income  | \$18,764,379                               | \$39,566,53         |
| Net realized gain on investments and foreign currency transactions | 13,556,374                                 | 3,102,56            |

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|   |              |             |
|---|--------------|-------------|
| Net unrealized loss on investments and foreign currency translation | (24,427,967) | (13,447,48  |
| <hr style="border-top: 1px dashed black;"/>                         |              |             |
| Increase in net assets from operations                              | \$7,892,786  | \$29,221,61 |
| <hr style="border-top: 1px dashed black;"/>                         |              |             |

### DISTRIBUTIONS DECLARED TO SHAREHOLDERS

|   |                 |               |
|---|-----------------|---------------|
| From net investment income                  | \$ (23,810,765) | \$ (51,230,80 |
| <hr style="border-top: 1px dashed black;"/> |                 |               |
| Trust share (principal) transactions        |                 |               |
| <hr style="border-top: 1px dashed black;"/> |                 |               |
| Cost of shares reacquired                   | \$ (2,192,021)  | \$-           |
| <hr style="border-top: 1px dashed black;"/> |                 |               |
| Total decrease in net assets                | \$ (18,110,000) | \$ (22,009,19 |
| <hr style="border-top: 1px dashed black;"/> |                 |               |

### NET ASSETS

|   |               |              |
|---|---------------|--------------|
| At beginning of period  | \$936,653,478 | \$958,662,67 |
| <hr style="border-top: 1px dashed black;"/>   |               |              |
| At end of period (including accumulated distributions in excess of net investment income of \$13,449,195 and \$8,402,809, respectively) | \$918,543,478 | \$936,653,47 |
| <hr style="border-top: 1px dashed black;"/>   |               |              |

SEE NOTES TO FINANCIAL STATEMENTS

### FINANCIAL STATEMENTS

### FINANCIAL HIGHLIGHTS

The financial highlights table is intended to help you understand the trust's financial performance and the past 5 fiscal years. Certain information reflects financial results for a single trust share. The table represents the rate by which an investor would have earned (or lost) on an investment in the trust (based on all distributions) held for the entire period.

|  | SIX MONTHS<br>ENDED<br>4/30/04<br>(UNAUDITED) | 2003   | 2002   | YEAR ENDED 12/31/2001 |
|--|---|--------|--------|-----------------------|
| <hr style="border-top: 1px dashed black;"/>  |   |        |        |                       |
| Net asset value, beginning of period   | \$7.40  | \$7.57 | \$7.54 | \$7.06                |
| <hr style="border-top: 1px dashed black;"/>  |   |        |        |                       |
| INCOME FROM INVESTMENT OPERATIONS#   |   |        |        |                       |
| Net investment income (S) (S)  | \$0.15  | \$0.31 | \$0.38 | \$0.48                |
| <hr style="border-top: 1px dashed black;"/>  |   |        |        |                       |
| Net realized and unrealized gain (loss) on investments and foreign currency transactions | (0.08)  | (0.08) | 0.09   | 0.48                  |
| <hr style="border-top: 1px dashed black;"/>  |   |        |        |                       |
| Total from investment operations   | \$0.07  | \$0.23 | \$0.47 | \$0.96                |
| <hr style="border-top: 1px dashed black;"/>  |   |        |        |                       |

LESS DISTRIBUTIONS DECLARED TO SHAREHOLDERS

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|  |           |           |           |           |
|--|-----------|-----------|-----------|-----------|
| From net investment income                     | \$ (0.19) | \$ (0.40) | \$ (0.44) | \$ (0.49) |
| From paid-in capital                           | --        | --        | --        | --        |
| Total distributions declared to shareholders   | \$ (0.19) | \$ (0.40) | \$ (0.44) | \$ (0.49) |
| Net increase from repurchase of capital shares | \$--+     | \$--      | \$--+     | \$0.01    |
| Net asset value, end of period                 | \$7.28    | \$7.40    | \$7.57    | \$7.54    |
| Per share market value, end of period          | \$6.52    | \$6.89    | \$6.91    | \$6.95    |
| Total return at market value (%)               | (2.76)+++ | 5.49      | 5.33*     | 16.93     |

Financial Highlights - continued

|   | SIX MONTHS<br>ENDED<br>4/30/04<br>(UNAUDITED) | YEAR ENDED 1 |       |       |
|---|---|--------------|-------|-------|
|   |   | 2003         | 2002  | 2001  |
| RATIOS (%) TO AVERAGE NET ASSETS AND SUPPLEMENTAL DATA: |   |              |       |       |
| Expenses##  | 0.86++  | 0.86         | 0.90  | 0.93  |
| Net investment income(S) (S)                            | 4.02++  | 4.14         | 5.09  | 6.62  |
| Portfolio turnover                                      | 17  | 90           | 115   | 72    |
| Net assets at end of period<br>(000,000 Omitted)        | \$919   | \$937        | \$959 | \$959 |

+ Per share amount was less than \$0.01.

++ Annualized.

+++ Not annualized.

# Per share data are based on average shares outstanding.

## Ratios do not reflect reductions from fees paid indirectly.

(S) (S) As required, effective November 1, 2001, the trust adopted the provisions of the AICPA Audited Financial Statements for Investment Companies and began amortizing premium on debt securities. The effect of this change on 31, 2002 was to decrease net investment income per share by \$0.06, and increase realized capital gains per share by \$0.06, and decrease the ratio of net investment income to average net assets. Supplemental data for periods prior to November 1, 2001 have not been restated to reflect this change.

\* As revised, to reflect transactions conducted prior to close, not included in closing action for 2002. Such amount was previously reported as 5.63%.

SEE NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS (unaudited)

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### (1) BUSINESS AND ORGANIZATION

MFS Intermediate Income Trust (the trust) is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended, as a non-diversified closed-end management investment company.

### (2) SIGNIFICANT ACCOUNTING POLICIES

**GENERAL** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The trust can invest in foreign securities. Investments in foreign securities are vulnerable to the effects of changes in the relative values of the local currency and the U.S. dollar and to the effects of changes in each country's legal, political, and economic environment.

**INVESTMENT VALUATIONS** - The trust uses independent pricing services approved by the Board of Trustees wherever possible to value its portfolio securities. Portfolio securities are valued at current market quotations where current market quotations are readily available, or the trust may fair value portfolio securities under the direction of the Board of Trustees when a determination is made that current market quotations are not readily available. Bonds and other fixed income securities (other than short-term obligations) in the trust's portfolio are valued at an evaluated bid price as reported by an independent pricing service, or to the extent a valuation is not reported by a pricing service, such securities are valued on the basis of quotes from brokers and dealers. Prices obtained from pricing services utilize both dealer-supplied valuations and electronic data processing techniques which take into account appropriate factors such as institutional-size trading in similar groups of securities, yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data without exclusive reliance upon quoted prices or exchange or over-the-counter prices, since such valuations are believed to reflect more accurately the fair value of such securities. Bonds and other fixed income securities for which it is determined that current market quotations are not readily available will be fair valued under the direction of the Board of Trustees. Foreign currency options are valued by MFS using an external pricing model approved by the Board of Trustees that uses market data from an independent pricing source. Listed options are valued at the closing price as reported by an independent pricing service on the principal exchange on which they are traded. Unlisted options are valued by an independent pricing service or on the basis of quotations obtained from brokers and dealers. Futures contracts are valued at the settlement price as reported by an independent pricing service on the primary exchange on which they are traded. Forward foreign currency contracts are valued using spot rates and forward points as reported by an independent pricing source. Short-term obligations with a remaining maturity in excess of 60 days will be valued upon dealer-supplied valuations. All other short-term obligations in the trust's portfolio are valued at amortized cost, which constitutes market value as determined by the Board of Trustees. Investment valuations, other assets, and liabilities initially expressed in foreign currencies are converted each business day into U.S. dollars based upon current exchange rates.

**REPURCHASE AGREEMENTS** - The trust may enter into repurchase agreements with institutions that the trust's investment adviser has determined are creditworthy. Each repurchase agreement is recorded at cost. The trust requires that the securities collateral in a repurchase transaction be transferred to the custodian in a manner sufficient to enable the trust to obtain those securities in the event of a default under the repurchase agreement. The trust monitors, on a daily basis, the value of the collateral to ensure that its

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value, including accrued interest, is greater than amounts owed to the trust under each such repurchase agreement. The trust, along with other affiliated entities of Massachusetts Financial Services Company (MFS), may utilize a joint trading account for the purpose of entering into one or more repurchase agreements.

FOREIGN CURRENCY TRANSLATION - Purchases and sales of foreign investments, income, and expenses are converted into U.S. dollars based upon currency exchange rates prevailing on the respective dates of such transactions. Gains and losses attributable to foreign currency exchange rates on sales of securities are recorded for financial statement purposes as net realized gains and losses on investments. Gains and losses attributable to foreign exchange rate movements on income and expenses are recorded for financial statement purposes as foreign currency transaction gains and losses. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed.

DEFERRED TRUSTEE COMPENSATION - Under a Deferred Compensation Plan (the Plan) independent Trustees may elect to defer receipt of all or a portion of their annual compensation. Deferred amounts are treated as though equivalent dollar amounts had been invested in shares of the trust or other MFS trust selected by the Trustee. Deferred amounts represent an unsecured obligation of the trust until distributed in accordance with the Plan. Included in other assets, and accrued expenses and other liabilities, is \$15,697 of Deferred Trustees' Compensation.

FUTURES CONTRACTS - The trust may enter into futures contracts for the delayed delivery of securities or currency, or contracts based on financial indices at a fixed price on a future date. In entering such contracts, the trust is required to deposit with the broker either in cash or securities an amount equal to a certain percentage of the contract amount. Subsequent payments are made or received by the trust each day, depending on the daily fluctuations in the value of the contract, and are recorded for financial statement purposes as unrealized gains or losses by the trust. The trust's investment in futures contracts is designed to hedge against anticipated future changes in interest or exchange rates or securities prices. Investments in interest rate futures for purposes other than hedging may be made to modify the duration of the portfolio without incurring the additional transaction costs involved in buying and selling the underlying securities. Investments in currency futures for purposes other than hedging may be made to change the trust relative position in one or more currencies without buying and selling portfolio assets. Investments in index contracts or contracts on related options for purposes other than hedging, may be made when the trust has cash on hand and wishes to participate in anticipated market appreciation while the cash is being invested. Should interest or exchange rates or securities prices move unexpectedly, the trust may not achieve the anticipated benefits of the futures contracts and may realize a loss.

SECURITY LOANS - State Street Bank and Trust Company ("State Street"), as lending agent, may loan the securities of the trust to certain qualified institutions (the "Borrowers") approved by the trust. The loans are collateralized at all times by cash and/or U.S. Treasury securities in an amount at least equal to the market value of the securities loaned. State Street provides the trust with indemnification against Borrower default. The trust bears the risk of loss with respect to the investment of cash collateral. On loans collateralized by cash, the cash collateral is invested in a money market fund or short-term securities. A portion of the income generated upon investment of the collateral is remitted to the Borrowers, and the remainder is allocated between the trust and the lending agent. On loans collateralized by U.S. Treasury securities, a fee is received from the Borrower, and is allocated between the trust and the lending agent. Income from securities lending is included in interest income on the Statement of Operations. The dividend and



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interest income earned on the securities loaned is accounted for in the same manner as other dividend and interest income.

**FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS** - The trust may enter into forward foreign currency exchange contracts for the purchase or sale of a specific foreign currency at a fixed price on a future date. Risks may arise upon entering into these contracts from the potential inability of counterparties to meet the terms of their contracts and from unanticipated movements in the value of a foreign currency relative to the U.S. dollar. The trust may enter into forward foreign currency exchange contracts for hedging purposes as well as for non-hedging purposes. For hedging purposes, the trust may enter into contracts to deliver or receive foreign currency it will receive from or require for its normal investment activities. The trust may also use contracts in a manner intended to protect foreign currency-denominated securities from declines in value due to unfavorable exchange rate movements. For non-hedging purposes, the trust may enter into contracts with the intent of changing the relative exposure of the trust's portfolio of securities to different currencies to take advantage of anticipated changes. The forward foreign currency exchange contracts are adjusted by the daily exchange rate of the underlying currency and any gains or losses are recorded as unrealized until the contract settlement date. On contract settlement date, the gains or losses are recorded as realized gains or losses on foreign currency transactions.

**DOLLAR ROLL TRANSACTIONS** - The trust enters into dollar roll transactions, with respect to mortgage backed securities issued by GNMA, FNMA, and FHLMC, in which the trust sells mortgage backed securities to financial institutions and simultaneously agrees to accept substantially similar (same type, coupon, and maturity) securities at a later date at an agreed-upon price. The trust's total return is enhanced through either a reduced purchase price on the buy, or receipt of an income fee from the broker.

**INVESTMENT TRANSACTIONS AND INCOME** - Investment transactions are recorded on the trade date. Interest income is recorded on the accrual basis. All premium and discount is amortized or accreted for financial statement purposes in accordance with accounting principles generally accepted in the United States of America. All discount is accreted for tax reporting purposes as required by federal income tax regulations. Some securities may be purchased on a "when-issued" or "forward delivery" basis, which means that the securities will be delivered to the trust at a future date, usually beyond customary settlement time.

The trust may enter in "TBA" (to be announced) purchase commitments to purchase securities for a fixed unit price at a future date. Although the unit price has been established, the principal value has not been finalized. However, the principal amount of the commitments will not fluctuate more than 0.01%. The trust holds, and maintains until settlement date, cash or high-grade debt obligations in an amount sufficient to meet the purchase price, or the trust may enter into offsetting contracts for the forward sale of other securities it owns. Income on the securities will not be earned until settlement date. TBA purchase commitments may be considered securities in themselves, and involve a risk of loss if the value of the security to be purchased declines prior to settlement date, which is in addition to the risk of decline in the value of the trusts' other assets. Unsettled TBA purchase commitments are valued at the current market value of the underlying securities, according to the procedures described under "Investment Valuations" above.

The trust may enter into "TBA" (to be announced) sale commitments to hedge its portfolio positions or to sell mortgage-backed securities it owns under delayed delivery arrangements. Proceeds of TBA sale commitments are not received until the contractual settlement date. During the time a TBA sale commitment is outstanding, equivalent deliverable securities, or an offsetting TBA purchase commitment deliverable on or before the sale commitment date, are held as

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"cover" for the transaction.

Legal fees and other related expenses incurred to preserve and protect the value of a security owned are added to the cost of the security; other legal fees are expensed. Capital infusions made directly to the security issuer, which are generally non-recurring, incurred to protect or enhance the value of high-yield debt securities, are reported as additions to the cost basis of the security. Costs that are incurred to negotiate the terms or conditions of capital infusions or that are expected to result in a plan of reorganization are reported as realized losses. Ongoing costs incurred to protect or enhance an investment, or costs incurred to pursue other claims or legal actions, are expensed.

FEES PAID INDIRECTLY - The trust's custody fee is reduced according to an arrangement that measures the value of cash deposited with the custodian by the trust. This amount, for the six months ended April 30, 2004, is shown as a reduction of total expenses on the Statement of Operations.

TAX MATTERS AND DISTRIBUTIONS - The trust's policy is to comply with the provisions of the Internal Revenue Code (the Code) applicable to regulated investment companies and to distribute to shareholders all of its net taxable income, including any net realized gain on investments. Accordingly, no provision for federal income or excise tax is provided.

Distributions to shareholders are recorded on the ex-dividend date. The trust distinguishes between distributions on a tax basis and a financial reporting basis and only distributions in excess of tax basis earnings and profits are reported in the financial statements as distributions from paid-in capital. Differences in the recognition or classification of income between the financial statements and tax earnings and profits, which result in temporary over-distributions for financial statement purposes, are classified as distributions in excess of net investment income or net realized gains. Common types of book and tax differences that could occur include differences in accounting for currency transactions, mortgage-backed securities, derivatives, defaulted bonds, capital losses, and amortization and accretion on debt securities.

The tax character of distributions declared for the years ended October 31, 2003 and October 31, 2002 was as follows:

|                              | 10/31/03     | 10/31/02     |
|------------------------------|--------------|--------------|
| Distributions declared from: |              |              |
| -----                        |              |              |
| Ordinary income              | \$51,230,803 | \$55,511,381 |
| -----                        |              |              |
| Long-term capital gain       | --           | --           |
| -----                        |              |              |
|                              | \$51,230,803 | \$55,511,381 |
| -----                        |              |              |
| Tax return of capital        | --           | --           |
| -----                        |              |              |
| Total distributions declared | \$51,230,803 | \$55,511,381 |
| -----                        |              |              |

As of October 31, 2003, the components of distributable earnings (accumulated losses) on a tax basis were as follows:

|                                      |              |
|--------------------------------------|--------------|
| Undistributed ordinary income        | \$--         |
| -----                                |              |
| Undistributed long-term capital gain | --           |
| -----                                |              |
| Capital loss carryforward            | (35,028,896) |

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|                             |             |
|-----------------------------|-------------|
| Unrealized depreciation     | (5,907,258) |
| Other temporary differences | (8,257,025) |

For federal income tax purposes, the capital loss carryforward may be applied against any net taxable realized gains of each succeeding year until the earlier of its utilization or expiration on:

### EXPIRATION DATE

|                  |                 |
|------------------|-----------------|
| October 31, 2006 | \$ (11,137,819) |
| October 31, 2007 | (11,376,973)    |
| October 31, 2008 | (11,439,294)    |
| October 31, 2010 | (1,074,810)     |
| Total            | \$ (35,028,896) |

### (3) TRANSACTIONS WITH AFFILIATES

INVESTMENT ADVISER - The trust has an investment advisory agreement with Massachusetts Financial Services Company (MFS) to provide overall investment advisory and administrative services, and general office facilities. The management fee is computed daily and paid monthly at an annual rate of 0.32% of the trust's average daily net assets and 5.65% of investment income.

Management fees incurred for the six months, ended April 30, 2004 were 0.66% of average daily net assets on an annualized basis.

The trust pays compensation to its Independent Trustees in the form of a retainer, attendance fees, and additional compensation to Board and Committee chairpersons, and pays no compensation directly to its Trustees who are officers of the investment adviser, or to officers of the trust, all of whom receive remuneration for their services to the trust from MFS. Certain officers and Trustees of the trust are officers or directors of MFS and MFS Service Center, Inc. (MFSC). The trust has an unfunded, defined benefit plan for retired Independent Trustees and an unfunded retirement benefit deferral plan for certain current Independent Trustees. Included in Trustees' compensation is a net increase of \$2,503 as a result of the change in the trust's unfunded retirement benefit deferral plan for certain current Independent Trustees and a pension expense of \$8,721 for retired Independent Trustees for the six months ended April 30, 2004.

ADMINISTRATOR - MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to certain trusts for which MFS acts as investment adviser. Under an administrative services agreement between the trusts and MFS, MFS is entitled to partial reimbursement of the costs MFS incurs to provide these services, subject to review and approval by the Board of Trustees. Each trust is allocated a portion of these administrative costs based on its size and relative average net assets.

Prior to April 1, 2004, the trust paid MFS an administrative fee up to the following annual percentage rates of the trust's average daily net assets:

|                    |         |
|--------------------|---------|
| First \$2 billion  | 0.0175% |
| Next \$2.5 billion | 0.0130% |

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|                          |         |
|--------------------------|---------|
| Next \$2.5 billion       | 0.0005% |
| In excess of \$7 billion | 0.0000% |

Effective April 1, 2004 the trust paid MFS an administrative fee up to the following annual percentage rates of the trust's average daily net assets:

|                          |          |
|--------------------------|----------|
| First \$2 billion        | 0.01120% |
| Next \$2.5 billion       | 0.00832% |
| Next \$2.5 billion       | 0.00032% |
| In excess of \$7 billion | 0.0000%  |

For the six months ended April 30, 2004, the trust paid MFS \$49,842, equivalent to 0.0107% of average daily net assets, to partially reimburse MFS for the costs of providing administrative services.

TRANSFER AGENT - Included in transfer agent and dividend disbursing costs is a fee paid to MFSC, a wholly owned subsidiary of MFS, for its services as registrar and dividend disbursing agent for the trust. The agreement provides that the trust will pay MFSC an account maintenance fee of no more than \$9.00 and a dividend services fee of \$0.75 per reinvestment. These fees amounted to \$75,289 for the six months ended April 30, 2004. Also included in transfer agent and dividend disbursing costs are out-of-pocket expenses, paid to MFSC, which amounted to \$3,016 for the six months ended April 30, 2004, as well as other expenses paid to unaffiliated vendors.

#### (4) PORTFOLIO SECURITIES

Purchases and sales of investments, other than purchased option transactions and short-term obligations, were as follows:

|  | PURCHASES    | SALES        |
|--|--------------|--------------|
| U.S. government securities                   | \$67,206,342 | \$69,474,619 |
| Investments (non-U.S. government securities) | \$91,167,015 | \$82,647,256 |

The cost and unrealized appreciation and depreciation in the value of the investments owned by the trust, as computed on a federal income tax basis, are as follows:

|                               |                 |
|-------------------------------|-----------------|
| Aggregate cost                | \$1,075,105,964 |
| Gross unrealized appreciation | \$16,224,123    |
| Gross unrealized depreciation | (41,385,894)    |
| Net unrealized depreciation   | \$(25,161,771)  |

#### (5) SHARES OF BENEFICIAL INTEREST

The trust's Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest. The Trustees have authorized the repurchases by the trust of up to 10% annually of its own shares

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of beneficial interest. During the year ended October 31, 2003, the trust did not repurchase any shares. The trust repurchased and retired 506,500 shares of beneficial interest during the six months ended April 30, 2004 at an average price per share of \$6.62 and a weighted average discount of 9.26% per share. Transactions in trust shares were as follows:

|                            | Period Ended<br>4/30/04 |             | Year Ended<br>10/31/03 |        |
|----------------------------|-------------------------|-------------|------------------------|--------|
|                            | SHARES                  | AMOUNT      | SHARES                 | AMOUNT |
| Treasury shares reacquired | 506,500                 | \$2,192,021 | --                     | \$--   |

### (6) LINE OF CREDIT

The trust and other affiliated funds participate in an \$800 million unsecured line of credit provided by a syndication of banks under a line of credit agreement. Borrowings may be made for temporary financing needs. Interest is charged to each fund, based on its borrowings, at a rate equal to the bank's base rate plus 0.50%. In addition, a commitment fee, based on the average daily, unused portion of the line of credit, is allocated among the participating funds at the end of each calendar quarter. The commitment fee allocated to the trust for the six months ended April 30, 2004, was \$1,600 and is included in miscellaneous expense. The trust had no significant borrowings during the period.

### (7) FINANCIAL INSTRUMENTS

The trust trades financial instruments with off-balance-sheet risk in the normal course of its investing activities in order to manage exposure to market risks such as interest rates and foreign currency exchange rates. These financial instruments include forward foreign currency exchange contracts, and futures contracts. The notional or contractual amounts of these instruments represent the investment the trust has in particular classes of financial instruments and does not necessarily represent the amounts potentially subject to risk. The measurement of the risks associated with these instruments is meaningful only when all related and offsetting transactions are considered.

#### Forward Foreign Currency Exchange Contracts

##### ----- SALES -----

| SETTLEMENT DATE | CONTRACTS TO<br>DELIVER/RECEIVE | IN EXCHANGE FOR | CONTRACTS<br>AT VALUE           | NET<br>UNREALIZED<br>APPRECIATION<br>(DEPRECIATION) |                               |
|-----------------|---------------------------------|-----------------|---------------------------------|---|-------------------------------|
| 6/16/04         | AUD                             | 2,789,633       | \$2,015,858                     | \$2,000,561   | \$15,297                      |
| 5/17/04-6/16/04 | DKK                             | 57,733,113      | 9,405,308                       | 9,284,314   | 120,994                       |
| 6/16/04         | EUR                             | 109,656,160     | 133,553,129                     | 131,159,521   | 2,393,608                     |
| 5/17/04         | GBP                             | 3,000,323       | 5,298,960                       | 5,314,708   | (15,748)                      |
| 6/15/04         | NZD                             | 13,150,915      | 8,650,071                       | 8,162,640   | 487,431                       |
| 6/16/04         | SEK                             | 30,297,092      | 3,989,381                       | 3,961,569   | 27,812                        |
|                 |                                 |                 | -----<br>\$162,912,707<br>===== | -----<br>\$159,883,313<br>=====                     | -----<br>\$3,029,394<br>===== |

##### ----- PURCHASES -----

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|         |     |               |              |              |             |
|---------|-----|---------------|--------------|--------------|-------------|
| 6/16/04 | AUD | 478,687       | \$363,802    | \$343,286    | \$(20,516)  |
| 6/16/04 | EUR | 1,526,508     | 1,847,214    | 1,825,854    | (21,360)    |
| 5/17/04 | GBP | 1,910,997     | 3,443,256    | 3,385,099    | (58,157)    |
| 6/15/04 | JPY | 497,798,789   | 4,504,966    | 4,516,938    | 11,972      |
| 5/07/04 | KRW | 2,753,610,750 | 2,397,154    | 2,345,300    | (51,854)    |
| 6/16/04 | NZD | 334,952       | 211,167      | 207,873      | (3,294)     |
| 6/16/04 | SEK | 11,338,433    | 1,496,981    | 1,482,584    | (14,397)    |
|         |     |               | -----        | -----        | -----       |
|         |     |               | \$14,264,540 | \$14,106,934 | \$(157,606) |
|         |     |               | =====        | =====        | =====       |

At April 30, 2004, forward foreign currency purchases and sales under master netting agreements excluded above amounted to a net receivable of \$302,624 with Merrill Lynch International.

At April 30, 2004, the trust had sufficient cash and/or securities to cover any commitments under these contracts.

### (8) RESTRICTED SECURITIES

The trust may invest not more than 10% of its total assets in securities which are subject to legal or contractual restrictions on resale. At April 30, 2004, the trust owned the following restricted securities, excluding securities issued under Rule 144A, constituting 0.4% of net assets which may not be publicly sold without registration under the Securities Act of 1933. The trust does not have the right to demand that such securities be registered. The value of these securities is determined by valuations furnished by dealers or by a pricing service, or if not available, in good faith at the direction of the Trustees.

| DESCRIPTION                          | DATE OF<br>ACQUISITION | SHARE/PRINCIPAL<br>AMOUNT | COST      | VALUE       |
|--------------------------------------|------------------------|---------------------------|-----------|-------------|
| Republic of Bulgaria,<br>8.25%, 2015 | 6/03/03                | 198                       | \$236,858 | \$226,710   |
| -----                                |                        |                           |           |             |
| State Of Qatar, 9.75% 2030           | 6/16/03                | 2,165                     | 2,975,630 | 2,993,575   |
| -----                                |                        |                           |           |             |
|                                      |                        |                           |           | \$3,220,285 |
| -----                                |                        |                           |           |             |

### (9) LEGAL PROCEEDINGS

On March 31, 2004, MFS settled an administrative proceeding with the Securities and Exchange Commission ("SEC") regarding disclosure of brokerage allocation practices in connection with fund sales. Under the terms of the settlement, in which MFS neither admitted nor denied any wrongdoing, MFS agreed to pay (one dollar) \$1.00 in disgorgement and \$50 million in penalty to certain MFS funds, pursuant to a plan administered by an independent distribution consultant. The agreement with the SEC is reflected in an order of the SEC. The settlement order states that MFS failed to adequately disclose to the Boards and Trustees and to shareholders of the MFS funds the specifics of its preferred arrangements with certain brokerage firms selling MFS fund shares. The settlement order states that MFS had in place policies designed to obtain best execution of all fund trades. As part of the settlement, MFS has retained an independent compliance consultant to review the completeness of its disclosure to fund trustees and to fund shareholders of strategic alliances between MFS or its affiliates and broker-dealers and other financial advisers who support the sale of fund shares. The brokerage allocation practices which were the subject of this proceeding were discontinued by MFS in November 2003.

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In addition, in February, 2004, MFS reached agreement with the SEC, the New York Attorney General ("NYAG") and the Bureau of Securities Regulation of the State of New Hampshire ("NH") to settle administrative proceedings alleging false and misleading information in certain MFS fund prospectuses regarding market timing and related matters (the "February Settlements"). These regulators alleged that prospectus language for certain MFS funds was false and misleading because, although the prospectuses for those funds in the regulators' view indicated that the funds prohibited market timing, MFS did not limit trading activity in 11 domestic large cap stock, high grade bond and money market funds. MFS' former Chief Executive Officer, John W. Ballen, and former President, Kevin R. Parke, also reached agreement with the SEC in which they agreed to, among other terms, monetary fines and temporary suspensions from association with any investment adviser or registered investment company. Messrs. Ballen and Parke have resigned their positions with, and will not be returning to, MFS and the MFS funds. Under the terms of the February Settlements, MFS and the executives neither admit nor deny wrongdoing.

Under the terms of the February Settlements, a \$225 million pool has been established for distribution to shareholders in certain of the MFS funds offered to retail investors ("Retail Funds"), which has been funded by MFS and of which \$50 million is characterized as a penalty. This pool will be distributed in accordance with a methodology developed by an independent distribution consultant in consultation with MFS and the Board of Trustees of the Retail Funds, and acceptable to the SEC. MFS has further agreed with NYAG to reduce its management fees in the aggregate amount of approximately \$25 million annually over the next five years, and not to increase certain management fees during this period. MFS has also paid an administrative fine to NH in the amount of \$1 million, which will be used for investor education purposes (NH retained \$250,000 and \$750,000 was contributed to the North American Securities Administrators Association's Investor Protection Trust). In addition, under the terms of the February Settlements, MFS is in the process of adopting certain governance changes and reviewing its policies and procedures.

Since December 2003, MFS, Sun Life Financial Inc., various MFS funds, the Trustees of these MFS funds, and certain officers of MFS have been named as defendants in multiple lawsuits filed in federal and state courts. The lawsuits variously have been commenced as class actions or individual actions on behalf of investors who purchased, held or redeemed shares of the funds during specified periods, as class actions on behalf of participants in certain retirement plan accounts, or as derivative actions on behalf of the MFS funds. The lawsuits generally allege that some or all of the defendants (i) permitted or acquiesced in market timing and/or late trading in some of the MFS funds, inadequately disclosed MFS' internal policies concerning market timing and such matters, and received excessive compensation as fiduciaries to the MFS funds, or (ii) permitted or acquiesced in the improper use of fund assets by MFS to support the distribution of fund shares and inadequately disclosed MFS' use of fund assets in this manner. The actions assert that some or all of the defendants violated the federal securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934, the Investment Company Act of 1940 and the Investment Advisers Act of 1940, the Employee Retirement Income Security Act of 1974, as well as fiduciary duties and other violations of common law. The lawsuits seek unspecified compensatory damages. Insofar as any of the actions is appropriately brought derivatively on behalf of any of the MFS funds, any recovery will inure to the benefit of the funds. The defendants are reviewing the allegations of the multiple complaints and will respond appropriately. Additional lawsuits based on similar allegations may be filed in the future.

Any potential resolution of these matters may include, but not be limited to, judgments or settlements for damages against MFS, the MFS funds, or any other named defendant. As noted above, as part of the regulatory settlements, MFS has established a restitution pool in the amount of \$225 million to compensate

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certain shareholders of the Retail Funds for damages that they allegedly sustained as a result of market timing or late trading in certain of the funds, and will pay \$50 million to compensate certain MFS funds based upon the amount of brokerage commissions allocated in recognition of fund sales. It is not clear whether these amounts will be sufficient to compensate shareholders for all of the damage they allegedly sustained, whether certain shareholders or putative class members may have additional claims to compensation, or whether the damages that may be awarded in any of the actions will exceed these amounts. In the event the MFS funds incur any losses, costs or expenses in connection with such lawsuits, the Boards of Trustees of the affected funds may pursue claims on behalf of such funds against any party that may have liability to the funds in respect thereof.

While these developments primarily relate to MFS' open-end funds, there can be no assurance that these developments, or the adverse publicity associated with these developments, will not result in an increase to the market discount of the Trust's shares or other adverse consequences.

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### TRUSTEES AND OFFICERS -- IDENTIFICATION AND BACKGROUND

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The Trustees and officers of the Trust are listed below, together with their principal occupation for the five years. (Their titles may have varied during that period.) The business address of each Trust is 500 Boylston Street, Boston, Massachusetts 02116.

| NAME, DATE OF BIRTH<br>-----            | POSITION(S) HELD<br>WITH FUND<br>----- | TRUSTEE/OFFICER<br>SINCE(1)<br>----- | PRINCIPAL OCCUPATION<br>DURING THE PAST<br>FIVE YEARS<br>-----   |
|---|--|--------------------------------------|--|
| <b>INTERESTED TRUSTEES</b>              |  |                                      |  |
| John W. Ballen(3)<br>(born 09/12/59)    | Trustee and President                  | August 2001 until<br>February 2004   | Massachusetts Financial<br>Company, Chief Executive<br>Director (until February 2004)  |
| Robert J. Manning(3)<br>(born 10/20/63) | Trustee and President                  | February 2004                        | Massachusetts Financial<br>Company, Chief Executive<br>President, Chief Executive<br>and Director  |
| Kevin R. Parke(3)<br>(born 12/14/59)    | Trustee                                | January 2002 until<br>February 2004  | Massachusetts Financial<br>Company, President and<br>Officer and Director (until<br>February 2004)   |
| Robert C. Pozen(3)<br>(born 08/08/46)   | Trustee                                | February 2004                        | Massachusetts Financial<br>Company, Chairman (until<br>2004); Harvard Law School<br>John Olin Visiting Professor<br>July 2002); Secretary of<br>Affairs, The Commonwealth<br>Massachusetts (January<br>December 2002); Fidelity<br>Vice Chairman (June 2001);<br>2001); Fidelity Management<br>Company (investment manager)<br>President (March 2001);<br>The Bank of New York |



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|   |          |                                     |   |
|---|----------|-------------------------------------|---|
|   |          |                                     | services), Director<br>Enterprises (tele<br>Director; Telesat<br>communications),   |
| Jeffrey L. Shames (3)<br>(born 06/02/55)  | Trustee  | October 1993 until<br>February 2004 | Massachusetts Fin<br>Company, Chairman<br>2004)   |
| INDEPENDENT TRUSTEES                      |          |                                     |   |
| J. Atwood Ives<br>(born 05/01/36)         | Chairman | February 1992                       | Private investor;<br>(energy related s<br>Eastern Enterpris<br>services company)<br>and Chief Executi<br>November 2000)   |
| Lawrence H. Cohn, M.D.<br>(born 03/11/37) | Trustee  | August 1993                         | Brigham and Women<br>Cardiac Surgery;<br>School, Professor  |
| David H. Gunning<br>(born 05/30/42)       | Trustee  | January 2004                        | Cleveland-Cliffs,<br>products and serv<br>Chairman/Director<br>Encinitos Venture<br>company), Princip<br>2001); Lincoln EL<br>(welding equipmen<br>Director; Southwe<br>(natural gas dist<br>Director |
| William R. Gutow<br>(born 09/27/41)       | Trustee  | December 1993                       | Private investor<br>consultant; Capit<br>Management Compan<br>Vice Chairman   |
| Amy B. Lane<br>(born 02/08/53)            | Trustee  | January 2004                        | Retired; Merrill<br>Managing Director<br>Group (1997 to Fe<br>Group, Inc. (book<br>Director; Federal<br>Trust (real estat<br>Trustee  |
| Lawrence T. Perera<br>(born 06/23/35)     | Trustee  | July 1981                           | Hemenway & Barnes   |
| William J. Poorvu<br>(born 04/10/35)      | Trustee  | August 1982                         | Private investor;<br>Graduate School o<br>Administration, C<br>Professor in Entr<br>Emeritus; CBL & A<br>Inc. (real estate<br>Director  |
| J. Dale Sherratt<br>(born 09/23/38)       | Trustee  | August 1993                         | Insight Resources<br>planning speciali<br>Wellfleet Investm<br>health care compa<br>General Partner (<br>Cambridge Nutrace  |

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|   |  |                                    |   |
|---|--|------------------------------------|---|
|   |  |                                    | nutritional product<br>Officer (until March 2004)   |
| Elaine R. Smith<br>(born 04/25/46)            | Trustee                                    | February 1992                      | Independent health<br>consultant  |
| Ward Smith<br>(born 09/13/30)                 | Trustee                                    | October 1992                       | Private investor  |
| OFFICERS                                      |  |                                    |   |
| Robert J. Manning(3)<br>(born 10/20/63)       | President and Trustee                      | February 2004                      | Massachusetts Financial<br>Company, Chief Executive<br>President, Chief Financial<br>and Director.  |
| John W. Ballen(3)<br>(born 09/12/59)          | President and Trustee                      | August 2001 until<br>February 2004 | Massachusetts Financial<br>Company, Chief Executive<br>Director (until February 2004)   |
| James R. Bordewick, Jr.(3)<br>(born 03/06/59) | Assistant Secretary<br>and Assistant Clerk | September 1990                     | Massachusetts Financial<br>Company, Senior Vice<br>Associate General Counsel  |
| Stephen E. Cavan(3)<br>(born 11/06/53)        | Secretary and Clerk                        | December 1989<br>until March 2004  | Massachusetts Financial<br>Company, Senior Vice<br>General Counsel (prior to<br>March 2004)   |
| Stephanie A. DeSisto(3)<br>(born 10/01/53)    | Assistant Treasurer                        | May 2003                           | Massachusetts Financial<br>Company, Vice President<br>2003); Brown Brothers<br>Senior Vice President<br>to April 2003); Investment<br>Management<br>President (prior to 2003)   |
| Robert R. Flaherty(3)<br>(born 09/18/63)      | Assistant Treasurer                        | August 2000                        | Massachusetts Financial<br>Company, Vice President<br>2000); UAM Fund Services<br>President (prior to 2000)   |
| Richard M. Hisey(3)<br>(born 08/29/58)        | Treasurer                                  | August 2002                        | Massachusetts Financial<br>Company, Senior Vice<br>July 2002); The Banc<br>Senior Vice President<br>to July 2002); Leverage<br>Managers, Inc., Executive<br>President and Chief<br>(prior to September 2002)<br>Funds, Chief Financial<br>to September 2000 |
| Ellen Moynihan(3)<br>(born 11/13/57)          | Assistant Treasurer                        | April 1997                         | Massachusetts Financial<br>Company, Vice President  |
| James O. Yost(3)<br>(born 06/12/60)           | Assistant Treasurer                        | September 1990                     | Massachusetts Financial<br>Company, Senior Vice   |

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(1) Date first appointed to serve as Trustee/Officer of an MFS fund. Each Trustee has served continuous appointment unless indicated otherwise.

(2) Directorships or trusteeships of companies required to report to the Securities and Exchange Commission

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"public companies").

- (3) "Interested person" of MFS within the meaning of the Investment Company Act of 1940 (referred to as the "Investment Company Act") which is the principal federal law governing investment companies like the series/the fund. T  
500 Boylston Street, Boston, Massachusetts 02116.

The Trust holds annual shareholder meetings for the purpose of electing Trustees, and Trustees are elected for three-year terms. The Board of Trustees is currently divided into three classes, each having a term of three years. The term of one class expires. Each Trustee's term of office expires on the date of the third annual meeting following the election to office of the Trustee's class. Each Trustee will serve until next election, or until earlier death, resignation, retirement or removal.

Each of the Trust's Trustees and officers holds comparable positions with certain other funds of the Trust. The subsidiary is the investment adviser or distributor, and, in the case of the officers, with certain other funds of MFS. Each Trustee serves as a board member of 109 funds within the MFS Family of Funds.

The Statement of Additional Information contains further information about the Trustees and is available without charge upon request by calling 1-800-225-2606.

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INVESTMENT ADVISER  
Massachusetts Financial Services  
Company  
500 Boylston Street, Boston, MA  
02116-3741

CUSTODIAN  
State Street Bank and Trust Company  
225 Franklin Street, Boston, MA 02110

PORTFOLIO MANAGER  
James J. Calmas

-----  
CONTACT INFORMATION AND NUMBER OF SHAREHOLDERS  
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INVESTOR INFORMATION

Transfer Agent, Registrar and Dividend Disbursing Agent

Call 1-800-637-2304 any business day from 8 a.m. to 8 p.m. Eastern time

Write to: State Street Bank and Trust Company  
c/o MFS Service Center, Inc.  
P.O. Box 55024  
Boston, MA 02205-5024

A general description of the MFS Funds proxy voting policies is available without charge, upon request, by calling 1-800-225-2606, by visiting the About MFS section of mfs.com or by visiting the SEC's website at <http://www.sec.gov>.

NUMBER OF SHAREHOLDERS

As of April 30, 2004, our records indicate that there are 8,359 registered shareholders and approximately 60,279 shareholders owning trust shares in "street" name, such as through brokers, banks, and other financial intermediaries.

If you are a "street" name shareholder and wish to directly receive our reports, which contain important information about the trust, please write or call:

State Street Bank and Trust Company

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c/o MFS Service Center, Inc.  
P.O. Box 55024  
Boston, MA 02205-5024  
1-800-637-2304

[logo] M F S(R)  
INVESTMENT MANAGEMENT

500 Boylston Street  
Boston, MA 02116-3741

(C) 2004 MFS Investment Management (R)  
500 Boylston Street, Boston, MA 02116

MIN-SEM-6/04 109M

### ITEM 2. CODE OF ETHICS.

Applicable for semi-annual reports if the registrant has amended the code of ethics during the period covered by the report or has granted a waiver, including an implicit waiver, from a provision of the code of ethics.

### ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not Applicable for semi-annual reports.

### ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not Applicable for semi-annual reports.

### ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not Applicable for semi-annual reports.

### ITEM 6. SCHEDULE OF INVESTMENTS

Not applicable at this time. [Applicable for periods ending on or after July 9, 2004 (beginning with Form N-CSRs filed at the end of September, 2004 for July 31, 2004 reporting period.)]

### ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not Applicable for semi-annual reports.

### ITEM 8. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

Not applicable at this time. [Required for closed-end funds for periods ending on or after June 15, 2004 (beginning with N-CSR's filed at the end of August, 2004 for June 30, 2004 reporting period.)]

### ITEM 9. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

### ITEM 10. CONTROLS AND PROCEDURES.

- (a) Based upon their evaluation of the registrant's disclosure controls and procedures as conducted within 90 days of the filing date of this Form N-CSR, the registrant's principal financial officer and principal executive officer have concluded that those disclosure controls and procedures provide reasonable assurance that the material information required to be disclosed by the registrant on this report is recorded, processed,

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summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

- (b) There were no changes in the registrant's internal controls over financial reporting (as defined in Rule 30a-3(d) under the Act) that occurred during the registrant's last fiscal half-year (the registrant's second fiscal half-year in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 11. EXHIBITS.

- (a) File the exhibits listed below as part of this Form. Letter or number the exhibits in the sequence indicated.
(1) [\*\*An amendment to the code of ethics, that is the subject of the disclosure required by Item 2, to the extent that the registrant intends to satisfy the Item 2 requirements through filing of an exhibit: The amendment is attached hereto.\*\*][\*\*APPLICABLE IF THE REGISTRANT HAS AMENDED ITS CODE OF ETHICS DURING THE PERIOD COVERED BY REPORT\*\*]
(2) A separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2 under the Act (17 CFR 270.30a-2): Attached hereto.
(3) Any written solicitation to purchase securities under 23c-1 under the Act (17 C.F.R. 270.23c-1) sent or given during the period covered by the report by or on behalf of the registrant to 10 or more persons. Not applicable at this time. [For closed-end funds for periods ending on or after June 15, 2004 (beginning with N-CSR's filed at the end of August 2004 for June 30, 2004 reporting period.)]
(b) If the report is filed under Section 13(a) or 15(d) of the Exchange Act, provide the certifications required by Rule 30a-2(b) under the Act (17 CFR 270.30a-2(b)), Rule 13a-14(b) or Rule 15d-14(b) under the Exchange Act (17 CFR 240.13a-14(b) or 240.15d-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350) as an exhibit. A certification furnished pursuant to this paragraph will not be deemed "filed" for the purposes of Section 18 of the Exchange Act (15 U.S.C. 78r), or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference: Attached hereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) MFS INTERMEDIATE INCOME TRUST

By (Signature and Title)\* ROBERT J. MANNING
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Robert J. Manning, President

Date: June 23, 2004
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Pursuant to the requirements of the Securities Exchange Act of 1934 and the

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Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title)\* ROBERT J. MANNING  
-----  
Robert J. Manning, President (Principal Executive Officer)

Date: June 23, 2004  
-----

By (Signature and Title)\* RICHARD M. HISEY  
-----  
Richard M. Hisey, Treasurer (Principal Financial Officer and Accounting Officer)

Date: June 23, 2004  
-----

\* Print name and title of each signing officer under his or her signature.