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THE NEXT DECADE

2007 marked the completion of ten years since privatisation. We take pride in SLT's achievements during this decade, as illustrated in pages 4 to 5 in this Annual Report. However, we shall not bask in the glory of the past. Instead, we will carry forward the confidence gained through it. I would like to place before you, our strategic thinking for the next decade.

SLT will make yet another transformation in the next two to three years. This will encompass every nook and corner of the Company. "Old" people would do "New" work in new ways; "New" people with "New" ways would join the fold. The narrow walls that compartmentalised us will be broken down to open up bright new vistas. Exciting new services, content

and applications would take centre stage while the traditional services will continue to play their part. The playing field would increasingly take on a global perspective.

This is not an imposing task, as a lot of work in this direction has already been underway over the past two to three years. Thus, the public and customers in particular will begin to see SLT as going through a period of metamorphosis in the ensuing years although internally, it will really amount to putting the icing on the cake of evolution that had already begun.

Global business expansion, business convergence, business diversification, ICT solutions provisioning and customer orientation would be the main sub themes under the overarching theme of transforming

from a traditional telecom operator to a provider of global IP solutions. The fundamental objective would be continuous growth of revenue and profits.

As we have done in the past decade, we see ourselves playing an important role in propelling the national economy. Not only would we be empowering and enabling businesses in Sri Lanka to penetrate global markets, we would be spearheading the emergence of a web society across the island. Foreign Exchange earnings to the country directly through us would swell but more importantly, our infrastructure would enable the country to attract foreign direct investment in new growth areas as well and develop new-age businesses that would bring in new streams of foreign exchange to the country.

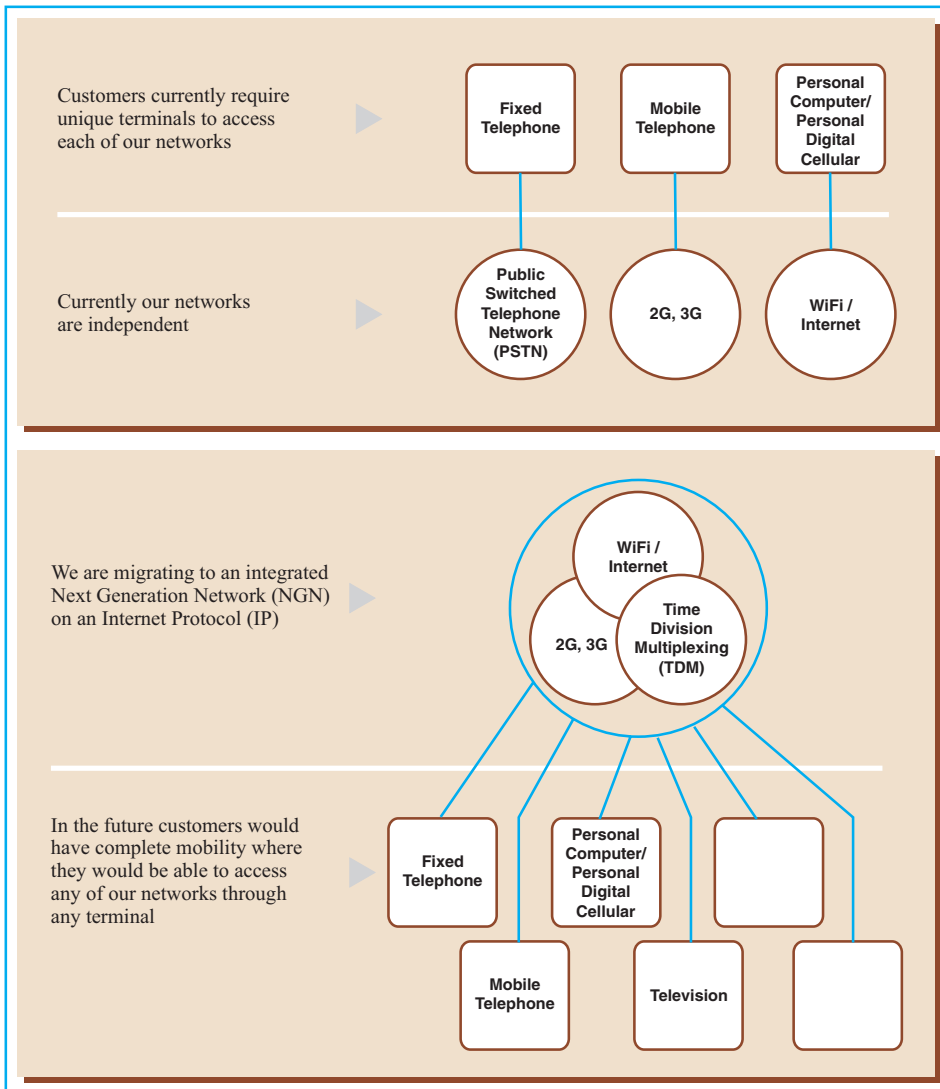
Three key capabilities will form the tripod that will enable convergence and diversification. They are mobility, platform and content.

Mobility, as illustrated in the diagram on the following page is where a customer would be able to use any terminal to access any of our networks. Currently our fixed, internet and mobile networks operate somewhat in isolation. This is particularly true of our mobile network, which is a Company, we acquired five years ago. A very strong integrated Group management very different to what we have in place today, would be an urgent imperative to make this happen.



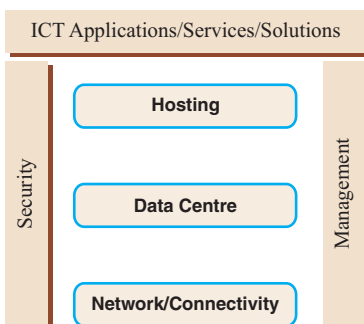
CEO'S MESSAGE

THE CONCEPT OF MOBILITY ILLUSTRATED

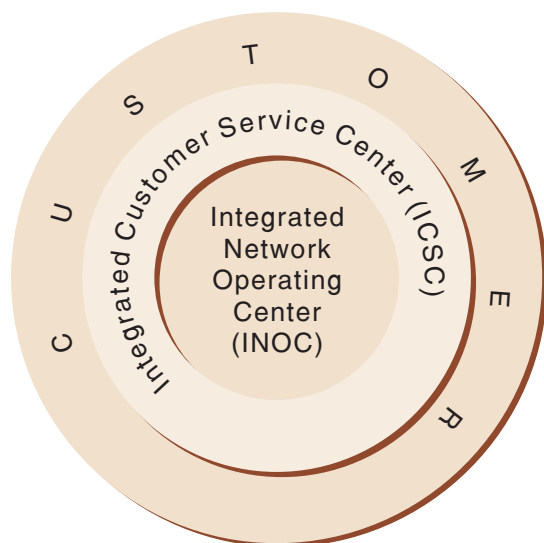


Transformation from a traditional telecom operator to that of a provider of Global Internet Protocol (IP) solutions will require several initiatives. Key among them is the following three: Overhauling network architecture, overhauling IT system integration and overhauling business service portfolio expansion. These cannot be done in isolation and many members from various units of the SLT team would have to work in collaboration and co-operation with one another, to make this happen. To this end, we are also employing business process re-engineering and an organisational structure change.

The four key functions of a service provider are business development, sales, delivery and operations and maintenance. Our team is currently engaged in a plethora of functions but would, in the new scheme of things, fall in to one of these four areas. Along with the new organisational structure, decision-making authority would be delegated to the field, so that we can be more responsive to customers. This will also make our staff across the board more creative and proactive as well as it would make their work more satisfying. All staff would be target driven. These targets would be based on profits and service delivery standards.



Convergence coupled with the requisite integrated group management would enable us to provide the six services shown in the diagram on the left. This would be the key to diversification. The ICT applications, services and solutions would not be limited to the domestic market. Our aspiration is to provide them globally.



Today SLT enjoys a BB- credit rating from S&P, which is better than S&P's credit rating given to the Government of Sri Lanka. This is unique in the world. However, the ratings that we really aspire to are those recognising top performance in terms of our customer service. A good or even great product can get us only so far. It is our after-sales service that will enable us to go all the way in terms of sales as well as commanding a premium. Back office functions would play a very important role in this respect.

We plan to establish two integrated service centres. Irrespective of the variety of service that the customer seeks, their contact point would be a single entity. Thus, we would not operate individualised customer service centres catering to single service requirements anymore. The Integrated

Customer Service Centre (ICSC) would be able to tackle the gamut of simple technical problems and will be the initial customer interface. Technical problems of a more complex nature would be tackled by the Integrated Network Operating Centre (INOC) that would work proactively with the ICSC to solve them as soon as possible. We will need to train our back office operators and engineers to fit into these new roles and introduce a better IT system so that all staff in these areas could work effectively as a team. Speed of delivery would be the most important performance indicator here.

The other side of the coin are our pre-sales engineers. They would also play a significant role when it comes to selling integrated services especially to business customers. We intend to have many more pre-sales engineers on our cadre than at present.

The provision of rich content would require the requisite broadband service. Having been the incumbent telecom service provider, we inherited vast copper networks. These lend themselves very well to the provision of an ADSL service such as the one we offer now. However, optical fibre is the network of choice for high-speed broadband. We have now completed our fibre optic network and we have commenced a programme of replacing copper lines with optical fibre wherever rehabilitation is needed.

We received our IPTV license in the second quarter of 2007 and plans are already underway to launch this service very soon. IPTV would initially be provided on ADSL.

IT parks and software parks are another area that we are eager to diversify into. In the latter half of 2007, we worked with the Media Ministry looking at the possibility of developing a Media City. Projects such as these require world-class data centres, fibre optic networks, attractive pricing, software and ICT solutions and even content. Software parks in turn will help us to penetrate the BPO business in Sri Lanka. The software development outsourcing opportunities for Sri Lanka are also growing.

In summary, the next decade will be another exciting one for SLT as we transform yet again. A lot needs to be done and a lot is fortunately already underway.

In conclusion, I wish to offer my grateful thanks to the entire SLT team for their dedicated efforts. I also thank the members of the Board for their co-operation and guidance.

Shoji Takahashi
Chief Executive Officer/Director