

**PREAMBLE TO THE
MANAGEMENT REPORT**

**Linking the future and present in the
threshold of a watershed**

The CEO's Message appearing on pages 12 to 15 in this annual report spells out the strategic direction of SLT. Given the major changes that would ensue, the structure and content of this Management Report, would from next year, change radically to reflect the new organisation structure and the new focus areas. Thus, in order to facilitate the reader to track progress,

we are presenting this section as an update to the 2006 Annual Report.

In these four pages however, we put the reports and discussions that follow into context helping you to understand their strategic significance.

SLT's current position in the telecom industry in Sri Lanka can be summarised as follows:

	No. of Service Providers	SLT's Market Position	Strategic Significance
Fixed Wireline	4	Dominant	Given the penetration of 131 lines per thousand population, which is expected to grow to 165 lines per thousand by 2008, SLT is well placed to harness this growth. CDMA will be particularly useful for providing fixed lines in a cost-effective manner in areas where the population density is low.
Fixed Wireless (CDMA)	4	Fastest Growing	
Mobile	5	Fastest Growing	It is expected that approximately 2 million new subscribers will be added by the mobile industry during the year 2008. Growth for our mobile business would come from both this market growth as well as taking a share from competition as has been the trend in the past 2-3 years. The launch of 3.5G technology and the overall repositioning of our mobile business should see the latter happening at an accelerated pace.
Internet Service Provider (ISP)	29	Dominant	SLT's strong business relationships with the world's tier 1 operators such as NTT, SingTel and AT&T among others would be another feather in SLT's cap for providing fast and superior internet services.
Data	14	Dominant	This dominant position could be leveraged to provide to the corporate sector the host of new IP based services as envisaged.
External Gateway Operator (EGO)	32 *	Dominant	Despite the avalanche of licenses issued and tumbling international tariffs, SLT's ability to maintain leadership augurs well for its ability to forge ahead in a rapidly changing environment.

* Licenses

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However, our plans are such that the current position is not indicative of the future. Nevertheless, the current position and the evolution that has been taking place makes for a great platform to leap from.

In summary

	Magnitude	The year under review	Strategic Significance
<ul style="list-style-type: none"> • Network 	<p>1,500 km of Optical Fibre interconnecting every province in addition to a vast copper network extending islandwide.</p>	<p>Fibre Optic Network was completed and replacement of copper with fibre optic also commenced.</p>	<p>Having such an extensive Fibre Optic Network will enable us to launch the countrywide Next Generation Network (NGN) very fast. This will be the basis for providing multiple services through a single network. Our vast copper network extending up to the last mile enables us to expand our ADSL Broadband services very significantly.</p>
	<p>In collaboration with other major operators in the region, we own and operate several undersea cables. Viz. the 39,000 km SEA-ME-WE 3 cable connecting 34 countries including Sri Lanka, the 20,000 Km SEA-ME-WE 4 cable connecting 14 countries including Sri Lanka; the 850 km Dhiraagu-SLT cable extending from Maldives to Sri Lanka and the 325 km Bharat Lanka cable extending from India to Sri Lanka;</p>	<p>All undersea cables became fully operational.</p>	<p>We are the only operator in the country and one of the very few operators in the region to have invested in undersea cables. This gives us a strategic advantage to become the communications hub of South Asia.</p>

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Magnitude	The year under review	Strategic Significance
<p>• Technologies We have deployed the widest spectrum of innovative technologies. These include the various core technologies such as IP-MPLS needed to enable our optical fibre network to host a Next Generation Network (NGN).</p>	<p>SLT was granted an IPTV license in the second quarter.</p> <p>We became one of six operators of the 850 operators globally to launch 3.5G mobile technology.</p>	<p>The technologies needed for completing the Islandwide NGN are already in place enabling us to complete this very fast.</p> <p>Technologies such as Metro Ethernet would be a major advantage in providing innovative new communication solutions to corporate customers.</p> <p>Technologies such as 3.5G makes us the mobile broadband leader by far and also gives us an unmatched edge to launch an array of mobile broadband services plus the very significant edge to gain market share</p>
<p>• Services We have the most complete range of services covering voice, mobile, broadband, internet and data.</p> <p>SLT is also unique in that it provides a range of services to every other operator in the country.</p>	<p>More niche products and innovative distribution channels were launched enabling us to endear our services to more customer segments.</p>	<p>SLT has the widest range of customer relationships spanning the entire island and every customer segment. This gives us a very strong base to launch the various new services and ICT solutions that are planned.</p>
<p>• Brand SLT enjoys a near universal brand presence in Sri Lanka and has endeared itself to every socio-economic group, every league of business and every other type of organisation. These diverse groups have implicit trust in the SLT Brand as has been seen repeatedly with the acceptance of SLT's new product launches over competition.</p>	<p>This year too SLT invested in a variety of brand building efforts including strengthening the network of physical service points across the Island and intense strategic marketing communications programmes.</p>	<p>SLT's near universal reach in the country coupled with the very strong trust attached to the brand provides a strong platform for the vast number of new services that are planned.</p>

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	Magnitude	The year under review	Strategic Significance
• HR	The SLT team represents a powerhouse of the requisite qualifications, skills and experience.	Organisation wide training continued to be employed in a quest to improve customer centricity and to keep pace with technological advances.	The ground is prepared for an organisational culture change of massive proportions.
• Finance	SLT enjoys the highest international credit rating given to any entity operating in Sri Lanka, which is higher than the rating given to the Sovereign.	SLT performed well despite a heavy burden on the P&L owing to the revenue reversal.	SLT's very strong financial position provides a bedrock for the ambitious plans ahead.