

QUICK READ

SRI LANKA TELECOM IN A NUTSHELL

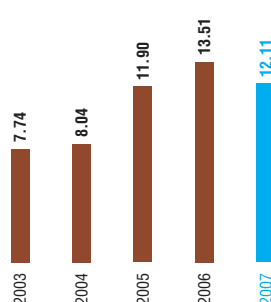
Sri Lanka Telecom (SLT) leads in the fixed wire line, Internet Service Provider (ISP), Data and External Gateway Operators segments enjoying clearly dominant market positions. However, SLT was a relatively late entrant to the Fixed Wireless and Mobile segments where it is still in a rapid growth phase and closing in on the market leaders. SLT also co-owns and operates several undersea cables giving it a unique edge in the regional and international business arenas. SLT's networks, technologies, people, brand and financial position gives it a strong platform from which it intends to make a leap. The ensuing years will see SLT go through a metamorphosis as it changes from a traditional telecom operator to that of a provider of global IP solutions.

KEY NUMBERS AND THEIR TRENDS

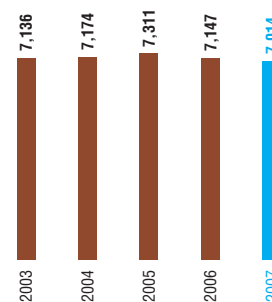
Group	2007	2006	CAGR* (%)
Revenue (Rs. billion)	43,234	40,691	12
EBIT (Rs. billion)	9,345	10,075	8
Profit before Tax (Rs. billion)	8,399	9,227	10
Profit after Tax (Rs. billion)	5,640	5,438	9
Earnings Per Share (Rs.)	3.12	3.01	9
Return on Capital Employed (%)	11.47	11.18	4
Return on Equity (%)	13.5	14.4	2

* Compounded Annual Growth Rate for the last decade.

SLT - Return on Equity

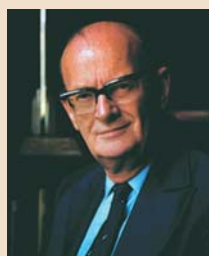


SLT - No. of Employees



WORD FROM THE VISIONARY

'I have personally witnessed how telecommunications have advanced tremendously during the half century that I have lived in Ceylon/Sri Lanka. Sri Lanka



Telecom has played a key role in that process.'

Sir Arthur C Clarke, 2007

Group Customer Base

Year	Fixed wired Lines	Fixed wireless (CDMA)	Mobile
2007	931,737	520,017	1,401,180
2006	892,808	277,576	885,042
2005	919,040	35,020	420,062
2004	860,468	Nil	284,430
2003	822,992	Nil	143,000

AAA (lka)

Credit rating by Fitch

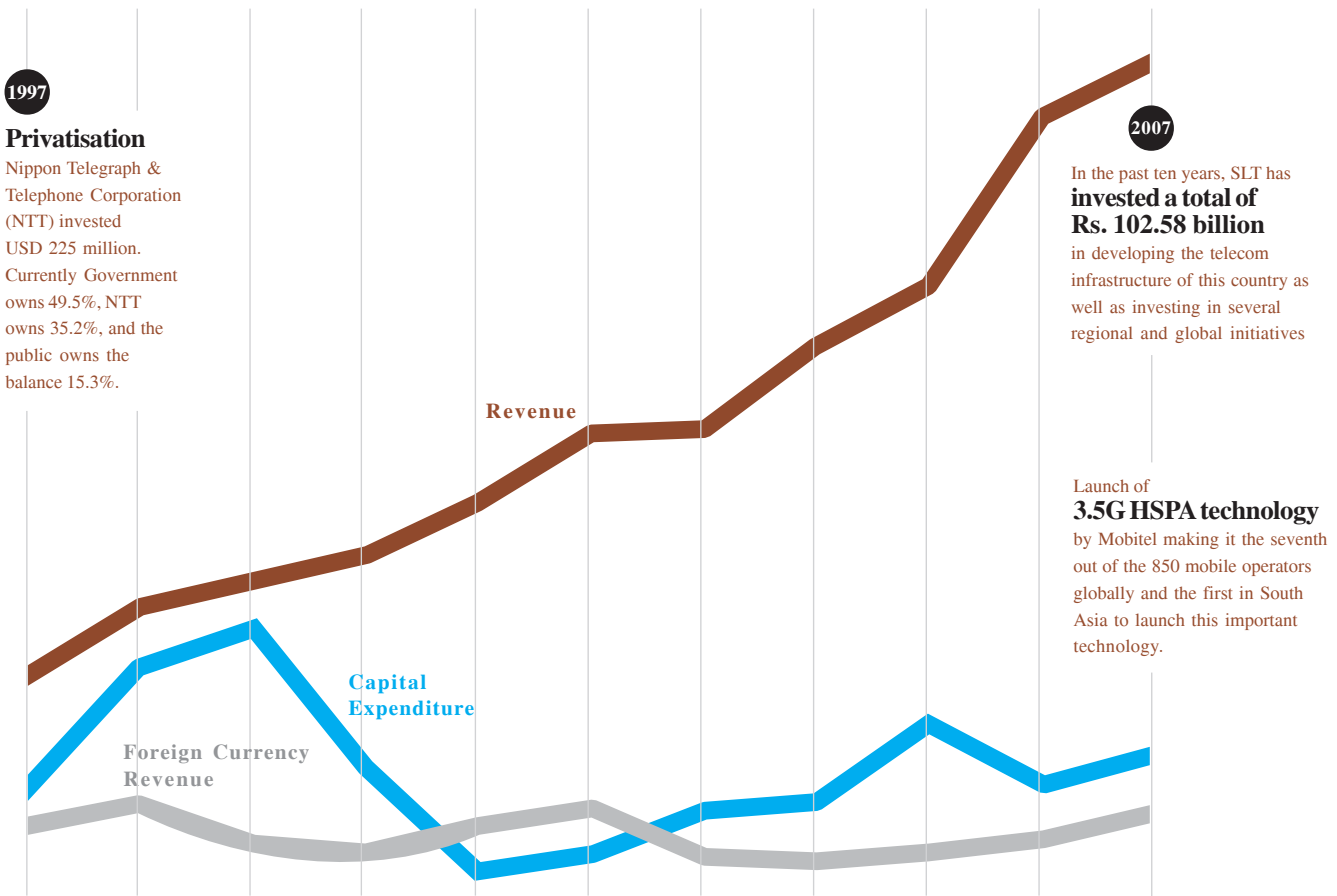
BB-

International credit rating by S&P

THE LAST DECADE

PAGE 04

1997-2007 has been a very successful and significant decade for SLT. Its investment over these years has been consistent and perhaps one of the largest in the country. Its foreign currency earnings have also been one of the largest to flow into the country. It has truly led the development of Sri Lanka's enviable telecom infrastructure through enhancing capacity, investing in the latest technology and providing the latest services.



CHAIRMAN'S MESSAGE

PAGE 06



A model privatisation, a sterling performance over the last decade, a supreme financial position, an eventful yet satisfying year in 2007 per se; perfectly poised for the metamorphosis.

CEO'S MESSAGE

PAGE 12



The underlying strategy of SLT's metamorphosis in the next decade. A flavour of the new business areas, new organisation structure and processes, new technologies and new opportunities.

MANAGEMENT REPORT

PAGE 18

PREAMBLE TO THE MANAGEMENT REPORT - Page 18

Given the watershed year we are reporting on, the structure and content of the Management Report have been kept consistent with the relevant reports in the past years for purposes of ease of clarity and comparison. SLT's market position and the strength of its key business drivers have been summarised drawing inferences of strategic significance for the metamorphosis of the next decade.

OPERATIONS REVIEW - SRI LANKA TELECOM - Page 22

Local Core Networks move closer to New Generation Network (NGN); Access Networks further strengthened and developed; Global Network further augmented by submarine optical fibre cabling systems - SEA-ME-WE-4, Dhiraagu-SLT and Bharat Lanka; Internet Backbone enhanced to offer 1 Gbps international IPBB capacity; further evolution towards IP-MPLS technology; Metro Ethernet, triple play ready network further developed; services such as CDMA, ADSL based products, SLTiDC Data Centre, Internet products also grow; IP-TV is the exciting new kid on the block; support for National e-learning via University and School projects assisted; global presence reinforced via SLT Hong Kong and other Points of Presence (PoPs) in the pipeline.

OPERATIONS REVIEW - MOBITEL - Page 37

Watershed year; first ever profit recorded since coming under SLT umbrella; steady growth in subscriber base; first Sri Lankan institution to roll out 3.5G services based on HSPA technology; SMART suite of products further enhanced; synergies from our SLT parentage leveraged to offer enhanced IP based products on our mobile telephony; distribution channels innovatively enhanced through tie-ups with Sri Lanka Post and retail giant Singer.

FINANCIAL REVIEW - SRI LANKA TELECOM - Page 40

Revenue increased by 3% in 2007 to Rs. 37.07 billion despite a significant revenue reversal following a court order during the year. Data-related revenues showed the strongest growth.

Operating costs, including International Telecommunication Operators' Levy and the VRS rose by 11% to 20.0 billion year-on-year. Finance costs decreased by 7% to a modest Rs. 1.36 billion. Tax payable was also down by 27% to Rs. 2.74 billion. Profit before tax was down by 12% to Rs. 8.13 billion whilst profit after tax was down by 2% to Rs. 5.39 billion. Total assets remained more or less the same at Rs. 78.9 billion. Debt: equity ratio which has been coming down over the years hit an all time low of 23%. Working capital improved significantly whilst cash flow also continued to remain strong.

FINANCIAL REVIEW - MOBITEL - Page 44

Revenue increased by 32% to Rs. 7.0 billion in 2007. The increase in revenue is mainly attributable to a rapid growth of the pre-paid subscriber base. EBITDA grew by 25% to Rs. 2.5 billion. The company turned the corner during 2007 and posted a net profit after tax of Rs. 254 million.

RISK MANAGEMENT - Page 46

Telecommunications is a high growth industry and consequently lures competition. Patterns of telecom use are also changing. An asymmetrical regulatory regime favours new entrants. Convergence has its threats as well as its opportunities... and our diversification strategy addresses these. Our vast infrastructure which is 'mission critical' for the country is backed by an array of risk mitigation measures. Risks arising from our highly unionised team and other areas such as financial, exchange rate, interest rate, liquidity and credit are also discussed.

INVESTOR RELATIONS - Page 49

The SLT share which is listed on the Colombo Stock Exchange has shown an increasing value trend since the IPO in 2002 and continued to perform steadily during the year. The share goes through a fair quantum of trading activity. A steady and worthwhile dividend policy has been maintained over the years. A considerable portion of management time is spent in meetings and briefings with investors. The ownership structure and investment profile have remained somewhat consistent since the IPO with the Government of Sri Lanka and NTT Corp. holding 49.5% and 35.2% of the shares respectively. In total there are some 20,000 shareholders. In line with the Board policy, no member of the Board of Directors had any shareholding in the Company.

SUSTAINABILITY REPORT

PAGE 56

Our performance across social and environmental dimensions, in addition to the economic; employee welfare, training, motivation, interacting with a wider society - SLT supporting key events concerning telecom audiences, other professional audiences (such as CIM, CIMA), and the wider community (e.g. - educational events across universities, schools, libraries as well as other topical subjects such as national health issues).