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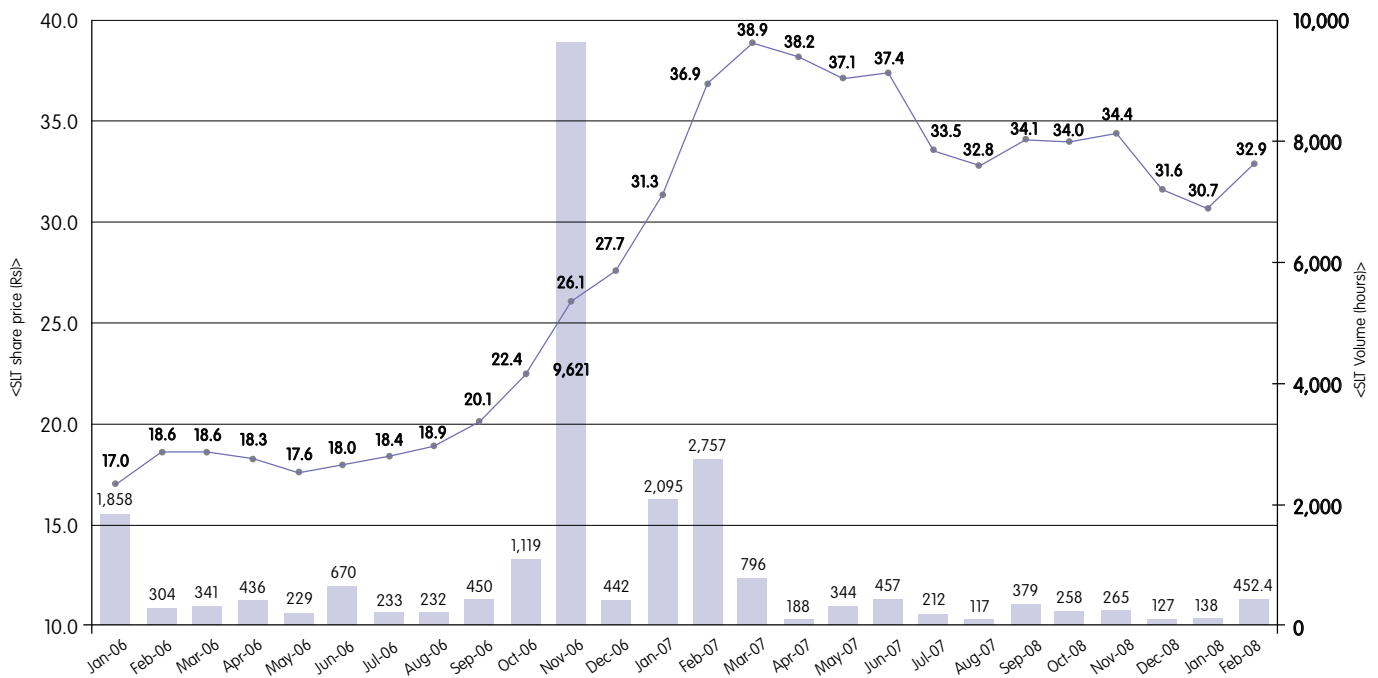
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Major Shareholders:

Secretary to the Treasury: 49.50%
 NTT Com: 35.20%

- Number of SLT shares issued : 1,804,860,000
- All time share prices (since the date of listing)
 Highest : Rs 43.25
 Lowest : Rs 10.50
- Highest market capitalisation (since the date of listing):
 Rs 78,060 mn.
- Three months average daily sales volume (up to February 29th 2008):
 244 thou.

Performance of SLT shares in CSE since January 2006 (Monthly)



2007 results at a glance

Rs.mn

	Group			Company				Group			Company		
	2007	2006	% change	2007	2006	% change		2007	2006	% change	2007	2006	% change
Turnover*	43,234	40,691	6%	37,068	36,109	3%	Net Interest income/(expense)	(946)	(848)	12%	(124)	(102)	22%
Operational expenses	(20,748)	(17,915)	16%	(17,231)	(15,351)	12%	Non ope. Inc./expenses	126	(245)	-151%	123	(250)	-149%
EBITDA	22,486	22,776	-1%	19,837	20,758	-4%	Ini'l Telecom Operators Levy (ITL)	(2,851)	(2,282)	25%	(2,727)	(2,280)	20%
Depreciation	(10,416)	(10,174)	2%	(8,978)	(8,897)	1%	Tax	(2,759)	(3,789)	-27%	(2,743)	(3,732)	-27%
EBIT	12,070	12,602	-4%	10,859	11,861	-8%	EAT	5,640	5,438	4%	5,388	5,497	-2%

*After the revenue reversal

Mrs Leisha De Silva Chandrasena, Chairperson, Sri Lanka Telecom

As a company that has undoubtedly established itself as Sri Lanka's number one telecommunications service provider, we have taken vast strides, which is evident in the impressive results for the year 2007.

Our fully owned subsidiary, Sri Lanka Telecom Mobitel, further reaffirmed its status as the national mobile service provider, continuing to perform well. The company launched South Asia's first and only network with super 3.5G HSPA technology in December 2007.

Investments committed to date in its 3.5G/2.5G networks and service offering totals over US\$ 200 mn and the company is set to increase its present 1000 + base stations to 1500 base stations by the end of the year.

I am also proud to announce that SLT inaugurated SLT Hong Kong Limited, enabling the company to become a true global Internet Protocol (IP) solutions provider.

I hope that we will be able to go from strength to strength and continue to sustain the results that we have achieved thus far. ■



Shoji Takahashi, CEO, Sri Lanka Telecom



I am pleased to announce that we concluded the year 2007 making several milestones in our history, and achieving impressive results despite some unexpected events. We are confident of our ability to sustain those results and our aim is to improve on them further.

The inauguration of SLT Hong Kong Limited, enabling the Company to become a true global Internet Protocol (IP) solutions provider is a historic event. The subsidiary will pave the way for SLT to explore the international market, to utilise capacities gained by SLT through investments in international connectivity.

The recognition by Standard & Poors (S & P), a leading provider of financial market intelligence, of our strong credit worthy position is notable. SLT is the only Company in Sri Lanka to have received 'BB-' in long term foreign currency rating, which is above the Sovereign rating for Sri Lanka.

During the year, we could ease the burden of taxation by obtaining duty concessions under section 17 of the BOI law. We hope to reduce this further through tax planning activities.

We are proud to say that LMD magazine continues to recognise SLT as the number one Company amongst the top 50 listed companies in Sri Lanka.

In terms of the future, I look to transform SLT into a global IP solutions provider, leveraging on our strong international infrastructure and moving towards a converged network structure. ■

Mobitel launches the first and only 3.5G HSPA network in South Asia

Sri Lanka Telecom Mobitel recently launched M3, its 'super 3.5G' services to the public. Equipped with a king size packet core powered by full duplex High-Speed Packet Access (HSPA) technology, the latest 'super 3.5G' network bursts data at a staggering downlink rate of up to 7.2 Mbps and an uplink rate of up to 1.92 Mbps. This is with the use of High-Speed Downlink Packet Access (HSDPA) and High-Speed Uplink Packet Access (HSUPA) technologies, respectively.

Collectively, these specifications exceed 3G services currently available on the Sri Lankan market. No other operator in Sri Lanka or in South Asia currently offers HSUPA. The difference is that the M3 service will allow both the downloading and uploading of large files – such as e-mail attachments in a considerably shorter time than with 2.5G or 3G platforms.

With its lightning speed data transfer capabilities, Mobitel has expanded its range by offering the fastest mobile broadband service in Sri Lanka. The M3 service is hassle-free, and cost effective with several options to choose from, be it 3G handsets with USB cables, HSPA or HSDPA modems. Apart from mobile broadband, Mobitel also offers a rich suite of 3G products like video calling, video messaging, mobile TV, and push mail, which will enrich a truly third generation mobile lifestyle collectively known as 'M3.'

Mobitel's M3, the 'super 3.5G' service offers the only truly mobile ICT available in the country. Wider availability, accessibility, commitment to worry-free, fair pricing and unprecedented speeds available with M3, will indubitably accelerate the current very low level of internet penetration in Sri Lanka, to reach double digit penetration levels in the short term. The company has ensured that all existing Mobitel postpaid and prepaid users have been automatically M3-enabled and also through the making of video calls priced at the same low level of voice calls. For those data only users, several packages starting from a mere Rs 400 per month have been designed. The company has also stepped up to take on the challenge of aggressively promoting this economic enabler by having 60% of the population covered at the time of launch. Huawei Technologies of China was awarded the contract of establishing the 'super 3.5G' network of Mobitel, and today, the network covers Colombo, greater Colombo and most major cities including main roads on the island.

Mobitel has invested in excess of US\$ 200 mn in its 2.5G/3.5G networks. ■

Mobitel Operations Review

	2007	2006	Growth
Subscribers (, 000)	1,401	885	58%
Revenue (Rs.mil.)	7,002	5,298	32%
EBITDA (Rs.mil.)	2,531	1,976	28%
NPAT (Rs.mil.)	254	(64)	498%
CFO (Rs.mil.)	4,183	2,504	67%

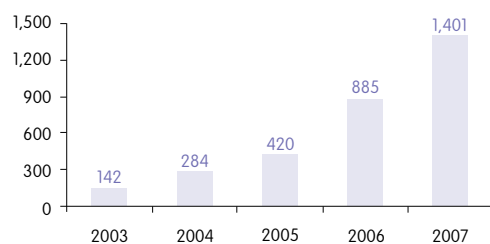
Mobitel subscriber base has grown by 58% from a total of 885,042 at the end of 2006 to 1,401,180 by December 31, 2007 as a result of rapid growth of prepaid subscriber base. This is despite the slow growth during first half of the year due to capacity constraint in the prepaid system. By the latter half of 2007, however, not only that company was able to make up for the deficit, but registered a strong growth placing it on track to achieve a substantial growth in coming years. This growth is mainly driven by SMART, Mobitel's prepaid offering. With ongoing innovations, value addition and excitement, SMART became the smartest prepaid offering in the country.

The revenue for year 2007 was 32% more than in the corresponding period in 2006. This is mainly attributed to the growth in subscriber base during the same period. The upward trend continues across company profitability indicators with Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) growing by 28% and Profit after tax turning around from a loss of Rs 64 mn to a profit of Rs 254 mn reflecting an overall profit growth of 498%.

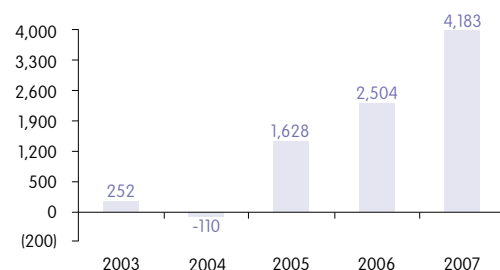
The highlight of the year was the launch of M3, Mobitel's third generation mobile services. It is the first and only network in South Asia with new generation 3.5G HSPA technology enabled with speeds up to 14.4Mbps downlink and up to 1.9Mbps uplink speeds. Apart from mobile broadband, M3 also offers high-speed internet access to laptop or desktop, to download, upload, surf, stream, mail, chat, blog, and do many more on the internet.

Despite additional expenditure incurred in expansion of both GSM and 3.5G coupled with adverse impact due to increased inflation and interest rates, the Company reported a positive net profit of Rs 254 mn for year 2007. The Company also recorded a strong growth in cash flow from operations to reach Rs 4,183 mn.

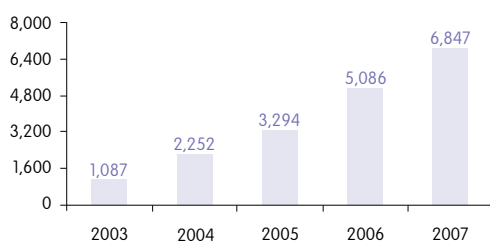
Subscribers '000



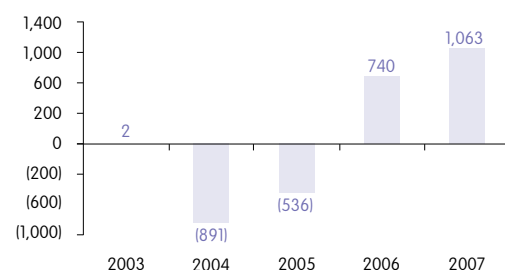
Operating Cash Flow Rs mn



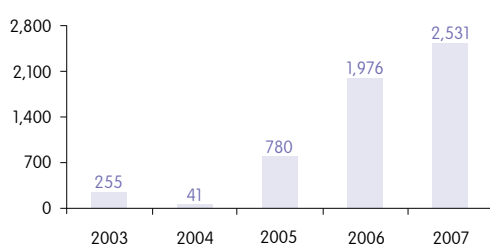
Revenue net of Bad Debts Rs mn



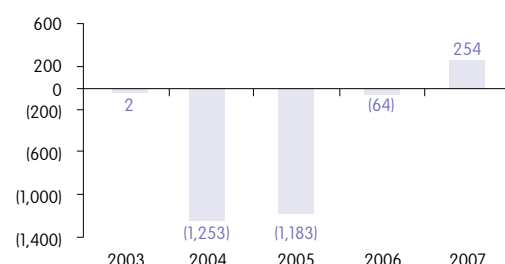
EBIT Rs mn



EBITDA Rs mn



NPAT Rs mn



Financial and Market Indicators (Group)

BASIC DATA		2003	2004	2005	2006	2007
Revenue	<i>Rs.mill</i>	25,553	29,516	32,515	40,691	43,234
EBITDA	<i>Rs.mill</i>	14,629	15,031	17,003	22,712	22,486
Operating profit	<i>Rs.mill</i>	5,678	3,275	6,087	9,895	9,176
Taxation	<i>Rs.mill</i>	(993)	(148)	(1,719)	(3,789)	(2,759)
Net profit (after tax)	<i>Rs.mill</i>	2,249	1,293	3,093	5,438	5,640
Income tax rate		30%	30%	30%	33%	33%
Cash	<i>Rs.mill</i>	4,624	10,845	14,468	15,315	17,195
Other current assets	<i>Rs.mill</i>	10,027	11,299	9,327	11,977	11,414
Fixed assets	<i>Rs.mill</i>	55,763	54,360	56,151	54,202	53,881
Other long term assets	<i>Rs.mill</i>	1,984	2,368	1,574	2,548	2,882
Current liabilities	<i>Rs.mill</i>	12,440	11,378	13,892	16,370	15,930
Borrowings	<i>Rs.mill</i>	21,081	25,370	22,840	20,785	19,285
Share capital	<i>Rs.mill</i>	18,049	18,049	18,049	18,049	18,049
Shareholders funds	<i>Rs.mill</i>	30,600	31,064	33,793	37,866	41,900

CASH FLOWS

Working capital increase / (Decrease)	<i>Rs.mill</i>	(1,738)	8,589	(863)	1,019	1,757
Cash tax (Paid)	<i>Rs.mill</i>	-	38	715	4,334	6,332
Cash interest (Paid)	<i>Rs.mill</i>	3,040	2,829	2,294	2,142	2,265

SUBSCRIBER DATA

Total SLT lines in service	<i>No.s</i>	822,997	860,468	954,060	1,179,232	1,428,683
SLT market share in fixed lines		88%	87%	77%	71%	54%*
Mobitel subscribers	<i>No.s</i>	142,704	284,430	420,062	885,042	1,401,180

INVESTMENTS AND FINANCING INDICATORS

Capex	<i>Rs.mill</i>	7,282	7,623	11,460	9,197	10,073
Net gearing		54%	47%	25%	15%	5%
Cash flow coverage ratio		0.5	0.62	1.55	1.08	1.99
Total Capex as a % of Sales		28%	26%	35%	23%	23%
Gearing (Borrowings/Share capital)		69%	82%	68%	55%	46%
Total debt/Capital	<i>Times</i>	1.17	1.41	1.27	1.15	1.07
Interest coverage	<i>Times</i>	2.27	1.70	4.35	11.88	9.88

EARNINGS AND PROFITABILITY INDICATORS

Sales growth rate		1%	16%	10%	25%	6%
EBITDA margin (ITL is not included in Op. expe.)		57%	51%	52%	56%	52%
EBITDA growth rate		(6%)	3%	13%	34%	(1%)
Net margin		9%	4%	10%	13%	13%
ROA		9%	4%	7%	12%	11%
ROE		8%	4%	10%	15%	14%
Reported EPS	<i>Rs.</i>	1.25	0.72	1.71	3.01	3.12
EPS growth rate		(16%)	(43%)	139%	76%	4%

*Estimated