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ANNOUNCEMENT BY THE GOVERNMENT OF THE DEMOCRATIC
SOCIALIST REPUBLIC OF SRI LANKA (THE "ISSUER") IN
RELATION TO THE FOLLOWING SERIES OF BONDS ISSUED BY
THE ISSUER:

U.S.\$1,000,000,000 5.875% BONDS DUE 2022

Rule 144A ISINs: US85227SAK24; Reg S ISIN: USY2029SAH77

U.S.\$1,250,000,000 5.75% BONDS DUE 2023

Rule 144A ISINs: US85227SAV88; Reg S ISIN: USY8137FAK40

U.S.\$1,000,000,000 6.85% BONDS DUE 2024

Rule 144A ISINs: US85227SAY28; Reg S ISIN: USY8137FAN88

U.S.\$500,000,000 6.35% BONDS DUE 2024

Rule 144A ISINs: US85227SBA33; Reg S ISIN: USY8137FAQ10

U.S.\$1,500,000,000 6.850% BONDS DUE 2025

Rule 144A ISINs: US85227SAQ93; Reg S ISIN: USY8137FAE89

U.S.\$650,000,000 6.125% BONDS DUE 2025

Rule 144A ISINs: US85227SAN62; Reg S ISIN: USY8137FAC24

U.S.\$1,000,000,000 6.825% BONDS DUE 2026

Rule 144A ISINs: US85227SAR76; Reg S ISIN: USY8137FAF54

U.S.\$1,500,000,000 6.20% BONDS DUE 2027

Rule 144A ISINs: US85227SAT33; Reg S ISIN: USY8137FAH11

U.S.\$1,250,000,000 6.75% BONDS DUE 2028

Rule 144A ISINs: US85227SAW61; Reg S ISIN: USY8137FAL23

U.S \$1,400,000,000 7.85% BONDS DUE 2029

Rule 144A ISINs: US85227SAZ92; Reg S ISIN: USY8137FAP37

U.S \$1,500,000,000 7.55% BONDS DUE 2030

Rule 144A ISINs: US85227SBB16; Reg S ISIN: USY8137FAR92

(the "Bonds")

SRI LANKA REACHES AGREEMENT IN PRINCIPLE WITH EACH OF THE AD HOC GROUP OF BONDHOLDERS, THE LOCAL CONSORTIUM OF SRI LANKA AND CHINA DEVELOPMENT BANK ON DEBT RESTRUCTURING TERMS

Colombo, Sri Lanka, 19 September 2024 – The Government of the Democratic Socialist Republic of Sri Lanka ("Sri Lanka") announces today that it has held restricted discussions between 12 September 2024 and 18 September 2024 (the "**Restricted Period**") with nine members of the steering committee (the "**Steering Committee**") of the Ad Hoc Group of Bondholders (the "**Group**") who agreed to take part in such restricted

discussions (the "**Restricted Members of the Steering Committee**"). Sri Lanka was joined by its legal and financial advisors, Clifford Chance LLP and Lazard, respectively, and the Restricted Members of the Steering Committee were joined by the Group's legal and financial advisors, White & Case LLP and Rothschild & Co, respectively. The Steering Committee, as a whole, comprises ten of the largest members of the Group, with the Group controlling approximately 40% of the aggregate outstanding amount of the Bonds.

Sri Lanka also announces today that in the last year it has held restricted discussions with members of the Local Consortium of Sri Lanka ("**LCSL**"), joined by its legal and financial advisors, Baker McKenzie and Newstate Partners LLP, respectively. The LCSL comprises 11 members, controlling approximately 12% of the aggregate outstanding amount of the Bonds.

During the discussions with the Restricted Members of the Steering Committee, the parties discussed the conclusions of the consultations carried out throughout the summer between Sri Lanka, its advisors, the Group's advisors, the International Monetary Fund (the "**IMF**") and Sri Lanka's Official Creditor Committee (the "**OCC**"), in respect of the joint working framework on a debt treatment agreed between Sri Lanka and the Restricted Members of the Steering Committee, on behalf of the Group, in June 2024 (as announced on 3 July 2024) (the "**JWF**"). During these consultations, IMF staff determined that the JWF was not consistent with the parameters of Sri Lanka's IMF-supported Program and the OCC expressed concerns regarding the consistency of the JWF with the comparability of treatment principle ("**Comparability of Treatment**"). It became clear, during these consultations, that further work was necessary to arrive at an agreement in principle between the parties which would receive a favourable assessment from both IMF staff and the OCC.

Following an iterative process with IMF staff at technical level and taking account of the feedback received from the OCC regarding the terms of the JWF, Sri Lanka and its advisors designed a revised debt treatment. The revised debt treatment was based on the JWF, with amendments designed to ensure compliance with the parameters of Sri Lanka's IMF-supported Program and the Comparability of Treatment principle, while preserving the Group's and Sri Lanka's interests to the fullest possible extent. The revised debt treatment was presented to and discussed with the Restricted Members of the Steering Committee, in conjunction with the terms of an alternative restructuring option (the "**Local Option**"), which was concurrently presented and discussed with the LCSL. The Local Option was developed in response to a request by the LCSL over a number of months in which Sri Lanka, its advisors, the LCSL and its advisors exchanged alternative proposals.

At the conclusion of the Restricted Period, Sri Lanka is pleased to report that it has reached an agreement in principle with the Restricted Members of the Steering Committee, on behalf of the Group, on the terms of a comprehensive restructuring of the Bonds (the "**Agreement in Principle**"), the key financial terms of which are included in the Annex to this announcement.

During the discussions with the Restricted Members of the Steering Committee during the Restricted Period, the parties thereto also discussed and agreed the inclusion of governance-linked bond features in the terms of the plain vanilla bond instrument that forms part of the revised debt treatment.

At the same time, Sri Lanka is also pleased to report that it has reached an agreement in principle with the LCSL on the key financial terms of the Local Option, the key financial terms of which are also included in the Annex to this announcement. It has further been agreed that the Local Option would be offered to all holders of the Bonds, subject to a cap tentatively set at 25% of the aggregate outstanding amount of the Bonds, with priority given to local holders of the Bonds, and pro-rata allocation of the balance between consenting international holders of the Bonds who have opted for the Local Option.

During the Restricted Period, Sri Lanka also progressed discussions and reached an agreement in principle with the Restricted Members of the Steering Committee on certain non-financial provisions relating to the restructuring of the Bonds, including a loss reinstatement provision, a most favoured creditor clause and certain ongoing information disclosure requirements. A mechanism to change the governing law of the New York law governed new securities to English or Delaware law with the consent of a supermajority of bondholders if proposed by holders of 20% of any particular series of the new securities was also agreed. In addition, Sri Lanka agreed with the Restricted Members of the Steering Committee and the LCSL on matters relating to the reimbursement of certain expenses of the Steering Committee and the LCSL.

In respect of the Local Option, Sri Lanka and the LCSL have agreed the USD Bond (as defined in the Annex to this announcement) shall include a provision whereby Sri Lanka would have the option, at its sole discretion, to

make debt service payments in LKR rather than USD, at the then prevailing exchange rate, if Sri Lanka is, in its determination, unable to make such debt service payments in USD on the contractual payment dates.

Sri Lanka has agreed with the Restricted Members of the Steering Committee, on behalf of the Group, and the LCSL to proceed with the implementation of the restructuring of the Bonds on the basis of the Agreement in Principle and the Local Option.

Having received informal confirmation from IMF staff during the Restricted Period, Sri Lanka now expects to receive formal confirmation from IMF staff that the Agreement in Principle and the Local Option, taken together, are fully consistent with the parameters of Sri Lanka's IMF-supported Program. In parallel, Sri Lanka will continue to work with the OCC and its Secretariat to secure confirmation of compliance of the Agreement in Principle and the Local Option with the Comparability of Treatment principle. Upon receiving such confirmations, Sri Lanka commits to use its best efforts to expedite the implementation of the restructuring in respect of the Bonds.

Finally, Sri Lanka is pleased to report having finalized agreement in principle with China Development Bank ("**CDB**") on the key financial terms of the restructuring of approximately U.S.\$3.3bn of debt, based on an initial set of terms agreed in May 2024 following several months of good faith engagement. While the terms initially agreed in principle were confirmed to be compatible with Sri Lanka's IMF-supported Program parameters, further consultations with the OCC over the summer were necessary in relation to the Comparability of Treatment principle. Following the finalization of this agreement in principle, Sri Lanka expects to receive formal confirmation from IMF staff and the OCC and to be able to move to documentation shortly thereafter.

The agreements in principle with the Group, the LCSL and CDB, which were approved by the Cabinet of Ministers of Sri Lanka earlier today, almost completes Sri Lanka's sovereign debt restructuring exercise, as agreed under Sri Lanka's IMF-supported Program to restore debt sustainability.

Sri Lanka would like to thank the Group and its advisors, the LCSL and its advisors, and CDB and its advisors, for their close collaboration and continuous support throughout the negotiations.

The restructuring of the Bonds will be implemented through an exchange offer and/or consent solicitation. Implementation of the restructuring of the Bonds remains subject to agreement between Sri Lanka, the Group and the LCSL on the definitive legal documentation for the new securities and exchange offer and/or consent solicitation. The restructuring of the abovementioned debt with CDB remains subject to agreement between Sri Lanka and CDB on the definitive legal documentation.

*This announcement is made by Sri Lanka and constitutes a public disclosure of inside information under Regulation (EU) 596/2014 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**") ("**UK MAR**").*

This press release does not constitute an offer of the new securities for sale in the United States, and the new securities (if issued) will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or the securities laws of any state of the United States and they may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities laws. This press release does not constitute an offer of the new securities for sale, or the solicitation of an offer to buy any securities, in any state or other jurisdiction in which any offer, solicitation or sale (if made) would be unlawful. Any person considering making an investment decision relating to any securities must inform itself independently based solely on an offering memorandum to be provided to eligible investors in the future in connection with any such securities before taking any such investment decision.

This announcement is directed only to beneficial owners of the Bonds who are (A) "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act or (B) outside the United States in offshore transactions in compliance with Regulation S under the Securities Act, that may lawfully participate in the restructuring of the Bonds in compliance with applicable laws of applicable jurisdictions.

No offer of any kind is being made to any beneficial owner of Bonds who does not meet the above criteria or any other beneficial owner located in a jurisdiction where the offer would not be permitted by law.

Forward-Looking Statements

All statements in this press release, other than statements of historical fact, are forward-looking statements. These statements are based on expectations and assumptions on the date of this press release and are subject to numerous risks and uncertainties which could cause actual results to differ materially from those described in the forward-looking statements. Risks and uncertainties include, but are not limited to, market conditions and factors over which Sri Lanka has no control. Sri Lanka assumes no obligation to update these forward-looking statements and does not intend to do so, unless otherwise required by law.

Notice to Investors in the European Economic Area and the United Kingdom

Notice to EEA and UK retail investors

The announcement contained in this press release is not being directed to any retail investors in the European Economic Area ("**EEA**") or in the United Kingdom ("**UK**"). As a result, no "offer" of new securities is being made to retail investors in the EEA or in the UK.

This announcement is only directed to beneficial owners of Bonds who are (i) within a Member State of the European Economic Area if they are "qualified investors" as defined in Regulation (EU) 2017/1129 and (ii) within the United Kingdom they are "qualified investors" as defined in Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

The new securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a "retail investor" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

The new securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a "retail investor" means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**EU PRIIPs Regulation**") or by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (as amended, the "**UK PRIIPS Regulation**") for offering or selling the new securities or otherwise making them available to retail investors in the EEA or the UK has been prepared and therefore offering or selling the new securities or otherwise making them available to any retail investor in the EEA or the UK may be unlawful under the EU PRIIPs Regulation and the UK PRIIPs Regulation.

United Kingdom

For the purposes of section 21 of the FSMA, to the extent that this announcement constitutes an invitation or inducement to engage in investment activity, such communication falls within Article 34 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "**Financial Promotion Order**"), being a non-real time communication communicated by and relating only to controlled investments issued, or to be issued, by Sri Lanka.

Other than with respect to distributions by Sri Lanka, this announcement is for distribution only to persons who (i) are outside the UK or (ii) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Promotion Order or (iii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**relevant persons**"). This announcement is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any

investment or investment activity to which the announcement relates is available only to relevant persons and will be engaged in only with relevant persons.

ANNEX

Agreement in Principle (1/3)

Figures assume that 100% of outstanding ISBs are exchanged under the below terms.

Indicative terms on the Eurobonds – Baseline Scenario					
	Final maturity ⁽¹⁾	Nominal amount		Coupon rate ⁽²⁾	
	Year	In USDm	Up to 2027 (incl.)	From 2028 until 2032 (incl.)	From 2033 until maturity (incl.)
PDI Bond	2024-2028		1,678	4.0%	4.0%
	30-Sep-2024 ⁽³⁾ : 7.0%				
	31-Mar-2025: 20.0%				
	31-Mar-2026: 20.0%				
	31-Mar-2027: 20.0%				
31-Mar-2028: 33.0%					
MLB #1	31 March 2029	650	3.10%	3.35%	
	31 March 2030	650	3.10%	3.35%	
MLB #2	31 March 2031	850	3.35%	3.60%	
	31 March 2032	850	3.35%	3.60%	
	31 March 2033	850	3.35%	3.60%	8.75%
Plain Vanilla⁽⁵⁾	31 March 2034	861	3.60%	5.10%	9.25%
	31 March 2035	861	3.60%	5.10%	9.25%
MLB #3	31 March 2036	1,195	3.60%	3.85%	9.50%
MLB #4	31 March 2037	1,196	3.60%	3.85%	9.75%
	31 March 2038	1,196	3.60%	3.85%	9.75%
TOTAL AMOUNT (excl. PDIs)		9,158			

- Accrual start date on 31 March 2024, with first coupon payments due on 30 September 2024⁽³⁾ and principal instalments due in March of the relevant year
- 27% haircut on the nominal amount of existing bonds
- 11% haircut on PDI⁽⁴⁾
- Consent fee representing c.1.8% of original principal claim (excl. PDIs, US\$ 225m) to be paid upfront

Notes: (1) Principal payments will be made on 31-March of each relevant year. All bonds are amortizing bonds, with the exception of MLB #3 which is a bullet bond maturing in 2036.; (2) Coupon payment dates to be set on 31 March and 30 September of each relevant year; (3) The first payment date will be adjusted depending on the timing of the execution of the exchange offer; (4) Calculated as of end-March 2024; (5) May include Governance-Linked features

Agreement in Principle (2/3)

The test, subject to the control variable, will be conducted in 2028 and will trigger the adjustments to the MLBs as described in the following slide.

Overview of US\$ nominal GDP thresholds under the Agreement in Principle				
	US\$ nominal GDP (avg. 2025-2027, billion)	Nominal GDP upside vs. IMF baseline	Control Variable (real GDP cumulative growth in %, 2024-2027)	
			Observed cumulative growth greater than 11.5%	Observed cumulative growth lower than 11.5%
GDP threshold #1	107.0	+21%	Adjustment activated	No adjustment activated
GDP threshold #2	99.0	+12%	Adjustment activated	No adjustment activated
GDP threshold #3	94.0	+6%	Adjustment activated	No adjustment activated
IMF baseline	88.6	-	N/R	N/R
Threshold below IMF baseline #1	86.7	(2%)	No adjustment activated	Adjustment activated
Threshold below IMF baseline #2	84.7	(4%)	No adjustment activated	Adjustment activated

Additional protection for the authorities with a control variable activating or not the adjustments based on the observed cumulative real GDP growth

Agreement in Principle (3/3)

Adjustments to the terms of the new MLBs, depending on various US\$ nominal GDP thresholds and control variable											
Final maturity	Threshold below IMF baseline #2		Threshold below IMF baseline #1		GDP Threshold #3		GDP Threshold #2		GDP Threshold #1		
	Coupon adjustment (2028-2032) ⁽¹⁾	Nominal Reinstatement ⁽²⁾	Coupon adjustment (2028-2032) ⁽¹⁾	Nominal Reinstatement ⁽²⁾	Coupon adjustment (2028-2032) ⁽¹⁾	Nominal Reinstatement ⁽²⁾	Coupon adjustment (2028-2032) ⁽¹⁾	Nominal Reinstatement ⁽²⁾	Coupon adjustment (2028-2032) ⁽¹⁾	Nominal Reinstatement ⁽²⁾	
MLB #1	2029	-	(21.0%)	-	(5.0%)	0.25%	13.0%	0.75%	17.0%	1.25%	17.0%
	2030	-	(21.0%)	-	(5.0%)	0.25%	13.0%	0.75%	17.0%	1.25%	17.0%
MLB #2	2031	-	(21.0%)	-	(5.0%)	0.50%	13.0%	1.00%	17.0%	1.50%	17.0%
	2032	-	(21.0%)	-	(5.0%)	0.50%	13.0%	1.00%	17.0%	1.50%	17.0%
	2033	-	(21.0%)	-	(5.0%)	0.50%	13.0%	1.00%	17.0%	1.50%	17.0%
Plain Vanilla	2034	-	-	-	-	-	-	-	-	-	-
	2035	-	-	-	-	-	-	-	-	-	-
MLB #3	2036	-	(21.0%)	-	(5.0%)	0.75%	13.0%	1.25%	22.0%	2.00%	22.0%
	2037	-	(21.0%)	-	(5.0%)	0.75%	13.0%	1.25%	22.0%	2.00%	22.0%
MLB #4	2038	-	(21.0%)	-	(5.0%)	0.75%	13.0%	1.25%	22.0%	2.00%	22.0%
	AVERAGE	-	(17.1%)	-	(4.1%)	0.5%	10.6%	0.9%	15.8%	1.4%	15.8%

Notes: (1) Coupon adjustment applied over 2028-2032. For series maturing between 2033 and 2038, MLB coupons will revert to their original level from 2033 onwards, (2) 2028, % exchanged notional

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Local Option

PDI Bond	<p>Exchange of USD-denominated instruments into USD-denominated securities, with features identical to the PDIs treatment agreed with international bondholders:</p> <ul style="list-style-type: none"> • 11% haircut on claim as of end March-2024 • Nonlinear amortization as per the JWF amortization structure, with first amortization in 2024 and final maturity in 2028 (30-Sep-2024: 7.0%, 31-Mar-2025: 20.0%, 31-Mar-2026: 20.0%, 31-Mar-2027: 20.0%, 31-Mar-2028: 33.0%) • Fixed interest rate coupon at 4% 																																					
Terms of USD-denominated securities ("USD Bond") 70% of nominal value (before haircut)	<p>Exchange of USD-denominated instruments into USD-denominated securities, with the following features:</p> <ul style="list-style-type: none"> • Consent fee of c. 1.8% applied to the face value of ISB holdings (identical to the Agreement in Principle) • 10% nominal haircut on 70% of the face value of ISB holdings (face amount of the USD-denominated B bond at 63% of the original face value) <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th colspan="3">Amortization⁽¹⁾</th> <th rowspan="2">Maturity date</th> <th colspan="8">Coupon payments⁽²⁾</th> </tr> <tr> <th>2029-32</th> <th>2033-37</th> <th>2038</th> <th>2024</th> <th>2025</th> <th>2026</th> <th>2027</th> <th>2028</th> <th>2029-30</th> <th>2031-32</th> <th>2033-35</th> <th>2036-38</th> </tr> </thead> <tbody> <tr> <td>8.0%</td> <td>12.0%</td> <td>8.0%</td> <td>31-Mar-2038</td> <td>1.0%</td> <td>1.0%</td> <td>1.5%</td> <td>1.75%</td> <td>2.0%</td> <td>2.25%</td> <td>2.75%</td> <td>3.0%</td> <td>3.5%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> • Foreign law bond 	Amortization ⁽¹⁾			Maturity date	Coupon payments ⁽²⁾								2029-32	2033-37	2038	2024	2025	2026	2027	2028	2029-30	2031-32	2033-35	2036-38	8.0%	12.0%	8.0%	31-Mar-2038	1.0%	1.0%	1.5%	1.75%	2.0%	2.25%	2.75%	3.0%	3.5%
Amortization ⁽¹⁾			Maturity date	Coupon payments ⁽²⁾																																		
2029-32	2033-37	2038		2024	2025	2026	2027	2028	2029-30	2031-32	2033-35	2036-38																										
8.0%	12.0%	8.0%	31-Mar-2038	1.0%	1.0%	1.5%	1.75%	2.0%	2.25%	2.75%	3.0%	3.5%																										
Terms of LKR-denominated securities ("LKR Bond") 30% of nominal value	<p>Exchange of USD-denominated instruments into LKR-denominated securities, with the following features:</p> <ul style="list-style-type: none"> • Linear semi-annual amortization, with first amortization in 2036 and final maturity in 2043 • Floating interest rate coupon: Central Bank of Sri Lanka's SLFR + 0.5% margin • Governing law of Sri Lanka 																																					

Notes: (1) Principal payment dates to be set on 31 March of each relevant year (annual instalments); (2) Coupon payment dates to be set on 31 March and 30 September of each relevant year

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