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**ANNOUNCEMENT BY THE GOVERNMENT OF THE DEMOCRATIC
SOCIALIST REPUBLIC OF SRI LANKA 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 ANNOUNCES CONCLUSION OF INITIAL RESTRICTED DISCUSSIONS WITH MEMBERS OF
THE AD HOC GROUP OF BONDHOLDERS**

Colombo, Sri Lanka, 16 April 2024 – The Government of the Democratic Socialist Republic of Sri Lanka ("**Sri Lanka**") announces today that it has held restricted discussions over the past three weeks (the "**Restricted Period**") with nine members of the steering committee who agreed to take part in the restricted discussions (the "**Steering Committee**") of the Ad Hoc Group of Bondholders (the "**Group**", and together with Sri Lanka, the "**Parties**") of its International Sovereign Bonds ("**ISBs**"). Sri Lanka was joined by its legal and financial advisors, Clifford Chance and Lazard, respectively, and the restricted members of the Steering Committee were joined by the Group's legal and financial advisors, White & Case and Rothschild & Co, respectively. The Steering Committee as a whole comprises ten of the largest members of the Group, with the Group controlling approximately 50% of the aggregate outstanding amount of ISBs. Despite constructive discussions, the Parties did not come to an agreement on restructuring terms. The Steering Committee did not agree to an extension of the restricted discussions upon expiration of the current Restricted Period.

During the Restricted Period, Sri Lanka, the Steering Committee and its advisors met during a two-day working session in London on 27 and 28 March 2024 (the "**Meetings**") to discuss the Group's latest debt treatment proposal, sent to Sri Lanka's advisors on 11 March 2024 (the "**Group's March Proposal**"). Prior to the meetings, on 25 March 2024, Sri Lanka had also sent, through its advisors, its own debt treatment proposal to the Group's advisors ("**Sri Lanka's Proposal**") which was rejected by the Steering Committee. Both the Group's March Proposal and Sri Lanka's Proposal are attached in the Annex hereto.

Prior to the Meetings, staff at the International Monetary Fund (the "**IMF**") provided their preliminary and informal assessment of both Parties' proposals' consistency with Sri Lanka's IMF-supported program (the "**IMF-Supported Program**") parameters and debt sustainability objectives. The IMF staff assessment included an analysis of the sum total of restructuring proposals (for official and private creditors) based on agreed deals with certain creditors and the Sri Lankan authorities' restructuring scenario for other creditors. On that basis, the IMF staff concluded that the debt treatment scenario included in Sri Lanka's Proposal was consistent with the IMF-Supported Program debt sustainability targets, while the scenario included in the Group's March Proposal was not. IMF staff noted that these were preliminary assessments and the IMF staff would provide final assessments only after the Parties had reached a tentative agreement in principle.

During the Meetings, it was agreed that the primary basis for the discussions would be the Group's March Proposal. Sri Lanka articulated the main reservations it had in relation to the Group's proposed Macro-Linked Bond ("**MLB**") – while members of the Steering Committee articulated the reasons why they believed the terms of their MLB proposal were fair and reasonable.

The Steering Committee also suggested the possible introduction of a Governance Linked Bond, which Sri Lanka said it would consider subject to being provided with more details of this proposal. Such details on the possible structure of a Governance Linked Bond were subsequently shared with Sri Lanka's advisors on 3 April 2024.

The discussions narrowed down to four features of the MLB:

1. ***The baseline parameters of the instruments proposed by the Group were calibrated by reference to the Group's "alternative baseline", rather than Sri Lanka's IMF-Supported Program baseline.***
2. ***The balance of risks between Sri Lanka and holders of its ISBs*** - While the Group had already updated its original MLB structure to include a scenario where Sri Lanka might underperform IMF-Supported Program GDP projections, Sri Lanka invited the Group to consider a structure that would provide greater protections to Sri Lanka in such a scenario.
3. ***The test for triggering upward/downward adjustments in the MLB.***
4. ***The share of additional value in an upward adjustment scenario*** - Sri Lanka invited the Group to consider lower bondholder allocation in the scenario in which the country outperformed IMF-Supported Program GDP projections and satisfied the upward adjustment test in the MLB.

Over the course of the Meetings, the Parties came closer to a meeting of minds on Items 1 and 2, with the Steering Committee willing to agree to Sri Lanka's request for amendments in relation to these two key structural aspects, subject to Sri Lanka (i) agreeing to a consent fee (with the Steering Committee proposing a fee of 1.8% of the outstanding principal amount of the ISBs) with a view to offsetting the Group's perceived reduction of the market value of their proposal as result of such amendments and (ii) agreeing with the Group's proposal on Items 3 and 4.

Following the Meetings, on 3 April 2024, the Group shared an updated version of its debt treatment proposal (the "**Group's April Proposal**"), which addressed Items 1 and 2 in the manner described above. The Group's April Proposal is also attached in the Annex hereto. The Group's April Proposal is yet to be assessed by the IMF staff.

While recognising the efforts made by the Group in accommodating some of its key observations, Sri Lanka reiterated its reservations regarding the structure of the MLB trigger test and the cashflows associated with the baseline and upside scenarios (Items 3 and 4).

Sri Lanka would like to thank the Steering Committee, the Group and their advisors for their constructive stance, and looks forward to continued engagement in good faith as soon as feasible, with a view to reaching common ground in the next few weeks, ahead of the second review of the IMF-Supported Program being considered by the IMF Executive Board.

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"). For the purposes of UK MAR and Article 2 of Commission Implementing Regulation (EU) 2016/1055 as it forms part of domestic law in the United Kingdom by virtue of the EUWA, this announcement is made by R M P Rathnayake, Deputy Secretary to the Treasury of Sri Lanka.

This announcement does not constitute an offer of securities for sale in the United States. This announcement does not constitute an offer of 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.

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Forward-Looking Statements

All statements in this announcement, other than statements of historical fact, are forward-looking statements. These statements are based on expectations and assumptions on the date of this announcement 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.