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No. } VAUXHALL STREET, COLOMBO 02, SRI LANKA.

8th July 2020

Mr. Renuke Wijayawardhane
Chief Regulatory Officer
Colombo Stock Exchange
04-01, West Block
World Trade Centre
Colombo 01

Dear Sir,

Corporate Disclosure on the Impact of Covid-19

We refer to the circular number 06/04/2020 dated 20th April 2020 and Circular No. 04/05/2020 dated 09th May 2020 issued by the Colombo Stock Exchange regarding the above and wish to make the following disclosure on the impact of Covid-19 Pandemic to the business of Sathosa Motors PLC (SML).

Impact of Covid-19 pandemic on the business / operations of the Company

The new limitations recently imposed on the importation of commercial vehicles by the Government gazette notification number 2176/19 dated 22nd May 2020, is negatively impacting our regular business; which is sales of vehicles and Spare parts.

Company operations were adversely affected due to the island wide curfew imposed since mid-march 2020, which resulted in a decrease in the Company's revenue and an increase in its expenses which in turn negatively affected the Company's performance. This has resulted in the Company's finances drastically reducing and incurring losses since March 2020.

More than 50% of the total trade receivables are represented by amounts due from the Government of Sri Lanka (GoSL) and GoSL related institutions. Since the entire economy has been severely affected by Covid-19, collection of this outstanding has been extremely difficult.. Similarly there is limited progress in the collection of debts which are due from corporates' and individual customers alike.

We have utilized banking facilities and have been servicing all borrowings in relation to both capital and interest. However due to the steep revenue drop and minimal cash inflows, maintaining our exposure with the banks further has become a challenging task.

Since there was a slow movement of the vehicle stock during this period, there is a significant impact on the stock holding cost due to financing the Company's working capital requirements through import loans and short term bank loans.

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Some of the vehicles had to be cleared in April 2020 at a higher exchange rate resulting in a negative impact on the expected profit on such vehicle sales.

Company's response to the impact of Covid -19 pandemic

As a responsible corporate body, SML has fully complied with the regulations and instructions given by the GoSL to mitigate the impact of Covid-19. Additionally, the Company continues to provide spare parts and vehicle maintenance and repairing services for customers who are providers of essential services.

SML has taken all recommended measures to ensure the safety of its employees, consumers and all other stakeholders and to support them during these unprecedented challenging times and continues to adhere to the guidelines issued by the GoSL and health authorities.

To mitigate the adverse financial impact, we have critically analysed and are in the process of following up the collection of dues from customers. Also we have carefully revisited the expenses and payments to suppliers and initiated required communications in negotiating much favourable payment plans & credit terms with Licensed Commercial Banks, for interest and loan repayment deferments. We have further discussed with all Commercial Banks to obtain the leasing outstanding dues from the respective customers through undertaking letters.

In order to minimize the negative impact of the recent limitations imposed on imports, the Company has negotiated with the Import Controller to get the required approvals for importation of commercial vehicles and spare parts in order to service all our customers who are in the provision of essential services to the nation.

Company's expectation of the future impact of Covid-19 pandemic on its future operations and financial condition

The Board of Directors' is of the view that the prevailing situation will continue until the end of the third quarter of the current financial year (2020/21), hence it is difficult to expect the ordinary operational result for this time period.

Due to the enactment of import restrictions on all types of vehicles by the GoSL, the Company is focusing more on generating revenue from the sale of spare parts and after sales services to mitigate the impact from this import limitation.

The Company has taken necessary actions to streamline its operations, eliminate unnecessary costs and to adopt best practices during this pandemic situation and is committed to ensure the sustainability of its operations.

Thanking you.

Yours Faithfully,
SATHOSA MOTORS PLC


Priyantha Perera
Executive Director