



24th April 2020

Mr. Renuka Wijayawardhana,
Chief Regulatory Officer,
Colombo Stock Exchange,
#04-01, West Block,
World Trade Center,
Echelon Square,
Colombo 01.

Dear Sir,

Impact of COVID-19 pandemic on Sri Lanka Telecom PLC (SLTL)

We write with reference to the CSE circular No. 06-04-2020 and wish to make the following disclosure with regard to the impact on the business /operation due to the ongoing COVID -19 pandemic.

SLTL being the national telecommunication service provider in Sri Lanka is focusing on providing an uninterrupted service to the consumers at their customer support centers, call centers and exchanges with the help of essential support staff. This is to ensure smooth functioning of voice/data services and network quality during this COVID 19 crisis as telecommunication services has been identified as an essential service.

Operational arrangements;

Following the instructions of health authorities working from home arrangements have been made using access to the systems through remote VPN, from the initial stages of the pandemic situation in order to ensure the social distancing policy. However, it is essential to deploy some staff at their work places such as in call centers, exchanges etc, while the field staff attending on service provisioning and maintenance works. Such duties have been arranged clearly following the medical instructions such as utilization of sanitizers, face masks, hand gloves and less gatherings etc. Such employees were also motivated for their private transport modes rather than utilizing the public transport. More IT and communication modes such as conference calls are in used for operations to avoid gatherings.

It is also notable that when making all these arrangements, guidelines given in the Company's Business Continuity Plan (BCP) were effectively followed.

Further, the management has implemented several initiatives in terms of operational and financial aspects in an attempt to reduce Operational Costs and improve the cash flow of the Company. Meanwhile, a task force comprising SLT and Mobitel representatives has been formed to understand and share the learnings from COVID-19 pandemic with others in the teleco industry and the future opportunities.

Impact to the Company earnings;

Adverse impact to macro economy due to CoViD 19 and restrictions for business operations of many companies have caused pressure to our revenues, growth plans and scheduled investments. In the short run, the Company experiences positive impacts in areas such as Broadband, online services and IPTV related services due to the increased utilizations from residential sector. At the same time, there are opportunities for future as many understands and increased enthusiasm to online and distance services which are enriched by connectivity services.

We are yet to observe the variations of international business sector, as many global businesses tourism and potential change behaviors of Sri Lankan expatriates who are using our services. However, overall in the short and medium terms the Company expects some drawbacks for the earning capacities particularly from negatively affected industries such as tourism and also from worldwide adverse economic conditions.

Impact to the cash-flows;

Low disposable income levels of the customers coupled with regulatory instructions to refrain from disconnecting the unpaid subscribers, the collection of billed revenue is a challenge.

Nevertheless, the Government's decision on extending the due dates for the payment of some taxes and levies has eased the situation in the short term.

In order to mitigate the cash-flow related challenges, the Board of Directors have decided to limit capital nature expenditure only for the vital areas and to utilize the procurement models with deferred payment plans.

Impact from exchange rate variation;

Some of the expenses of the Company are in the form of foreign currencies. Prevailing depreciation of the Rupee is affecting to escalate the expenses in terms of local currency. Actions are being taken to minimize such expenses or to renegotiate with suppliers on prices.

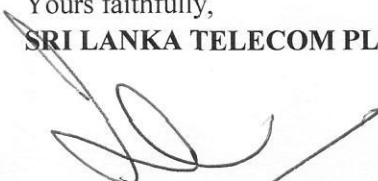
Since the foreign currency denominated loan balances are at low level, the associated risk is minimum.

Conclusion

Management of the Company is carefully observing the prevailing dynamic situation and engage in taking appropriate actions to overcome possible challenges and to face the COVID-19 pandemic situation, with confidence.

Yours faithfully,

SRI LANKA TELECOM PLC



K A K Perera
Chief Executive Officer