

SRILANKAN AIRLINES AND THE GOVERNMENT REACH AGREEMENT IN PRINCIPLE ON THE TERMS OF THE SRILANKAN AIRLINES BOND RESTRUCTURING WITH MEMBERS OF THE AD HOC GROUP OF BONDHOLDERS

Colombo, Sri Lanka, 20 November 2025 – SriLankan Airlines (the "**Company**") and the Government of Sri Lanka (the "**Government**") announced today that the Company held restricted discussions between 23 October and 19 November 2025 (the "**Restricted Period**") with six members of the Ad Hoc Group of Bondholders (the "**Group**", and together with the Company and the Government, the "**Parties**") relating to its US\$ 175,000,000 Guaranteed Bonds due June 2024 (the "**Notes**"). The Company was joined by its financial and legal advisors, Lazard and Norton Rose Fulbright LLP, respectively, and the restricted members of the Group were joined by their legal advisor, Akin Gump Strauss Hauer & Feld. The Group controls approximately 55% of the aggregate outstanding amount of the Notes.

The Government and the Company are pleased to report that they have reached agreement in principle with the Group on the financial parameters of the restructuring of the Notes. The in-principle agreed terms remain subject to final approval from Sri Lanka's Cabinet of Ministers as well as the non-objection from the International Monetary Fund and Sri Lanka's Official Creditor Committee, pursuant to the Government's commitments taken in the context of Sri Lanka's overall public debt restructuring exercise.

The implementation of the in-principle agreed terms, as further described in the appendix, will allow the Company to complete the full normalization of its relations with its external creditors and to focus on ensuring the continuation of its operations.

Mr Sarath Ganegoda, the Company's Chairman issued the following statement: *"We are very pleased to have finally reached an agreement with the Ad Hoc Group of Bondholders, allowing us to now look to the future of our Company with greater optimism. We thank them for their patience and for the pragmatic approach they adopted to avoid an unnecessary escalation of this situation, which would have been detrimental to everyone. Our island nation should rely on a well-functioning airline company for its economic prosperity."*

Under the in-principle agreed terms, and subject to the successful implementation of the restructuring in accordance with such terms, the Government will be discharged from its liability pursuant to the guarantee and benefit from substantial debt and immediate liquidity relief to maintain the hard-fought long-term sustainability of its public finances. The agreement in principle includes a haircut of 15% of the total claim amount pertaining to the Notes while the balance will be exchanged for a mix of cash and medium-term bonds issued by the Government at an interest rate of 4%.

Dr Harshana Suriyapperuma, Secretary to the Treasury at the Ministry of Finance, reacted to the announcement with the following statement: *“Today we are taking a new step in the full normalization of our relations with our external partners and in our efforts to restore our public finances. Thanks to this agreement, 99% of our external debt will now be settled. We count on the support of our official partners to assist us in this crucial new phase, which should also enable us to bolster our credit rating and prepare our eventual return to international capital markets.”*

The terms of the in-principle agreed restructuring have been communicated to Sri Lanka’s Official Creditor Committee for their non-objection, as well as the International Monetary Fund to ensure compliance with Sri Lanka’s long term debt sustainability. Upon their confirmation, the Parties expect to be able to implement the transaction by the end of the year.

The Company and the Government would like to thank the Group and their advisors for their patience and constructiveness throughout the discussions and look forward to the prompt implementation of the transaction.

Appendix: Terms of the agreement-in-principle reached with the Group

The agreement-in-principle consists of an offer to noteholders to participate in a mandatory and concurrent (i) cash tender offer, and (ii) exchange offer for Government bonds issued under a tap of the Sri Lankan Government 2028 USD 1.20 billion 4.00% bond:

- **Cash Tender Offer**

- Under the tender offer, the Company and the Government will allocate USD 60 million in cash to finance the voluntary tender of the Notes at a fixed price equivalent to 85% of noteholders' total claim amount (principal, accrued interest and past due interest of the Notes), as of the effective closing date.
- If the offer is undersubscribed, any allocated and unutilized cash will be used in priority to cover the agreed Group work fee (see below), with the balance re-allocated to buy back additional Notes from consenting noteholders at the same fixed price and on a pro-rata basis.
- Non-consenting noteholders will not receive any cash.

- **Exchange Offer**

- Under the exchange offer, noteholders will exchange their Notes remaining outstanding after the cash tender for Government bonds of Sri Lanka (2028 USD 1.20 billion 4% bond – the “**Government bonds**”), which amortize in three installments: April 2026 (~27.4%), April 2027 (~27.4%), and April 2028 (~45.2%). Government bonds distributed as part of the exchange will be issued via a tap of the existing Government bonds.
- Noteholders who voluntarily exchange their Notes will receive USD 0.85 in principal amount of the Government bonds for every USD 1 of their total claim amount (principal, accrued interest and past due interest) offered and accepted or reallocated into the exchange offer. The exchange offer ratio will be adjusted to reflect the first full interest coupon paid in April 2026 to avoid double-counting of interest.
- Any Notes not voluntarily tendered or exchanged will be mandatorily exchanged for Government bonds, with holders receiving USD 0.75 in principal amount of Government bonds for each USD 1 in total claim (principal, accrued interest and past

due interest). The same adjustment in respect of the April interest coupon on the Government bonds will also apply.

- **Other key features**

- In addition to the approvals set out above, the transaction will only be implemented once an extraordinary resolution of noteholders is passed at a meeting of noteholders to implement the in-principle agreed terms. The extraordinary resolution requires noteholders holding at least 75% in principal amount of the Notes present and voting to vote in favour.
- Members of the Group will also receive a work fee to compensate the Group for the time, cost and expertise devoted throughout the negotiations.