SRILANKAN AIRLINES AND THE GOVERNMENT ANNOUNCE THE UNSUCCESSFUL CONCLUSION OF A FIRST ROUND OF RESTRICTED DISCUSSIONS WITH MEMBERS OF THE AD HOC GROUP OF BONDHOLDERS

Colombo, Sri Lanka, 4 August 2025 – SriLankan Airlines (the "**Company**") and the Government of Sri Lanka (the "**Government**") announced today that the Company held restricted discussions between 28 July 2025 and 01 August 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, respectively, and the restricted members of the Group were joined by their legal advisor, Akin Gump Strauss Hauer & Feld. The Group controls in excess of 50% of the aggregate outstanding amount of the Notes.

During the Restricted Period, the Parties discussed the terms of a potential restructuring transaction involving the Notes. Despite constructive discussions, the Parties did not come to an agreement on restructuring terms. As part of the discussions, the Company submitted to the Group an initial restructuring proposal (the "**Proposal**"), as described in appendix 1. The Proposal contemplates the exchange of the Notes against a mix of cash and a new instrument issued under a tap of the Government's outstanding US$ 1.20bn 4.00% bonds due 2028. The Proposal was made subject to the Company and the Government receiving no-objections from other stakeholders, including the International Monetary Fund (the "**IMF**") and the Official Creditor Committee of Sri Lanka (the "**OCC**").

In response to the Proposal, the Group shared its own restructuring proposal (the "**Counterproposal**"), as described in appendix 2. After careful review, the Company and its advisors, in coordination with the Government, concluded that the gap between the Proposal and the Counterproposal was too wide, and that the terms of the Counterproposal are far from what is expected from the Company's bondholders in the context of Sri Lanka's public sector debt restructuring. Accordingly, the Parties jointly agreed to terminate the restricted discussions.

The Company and the Government sought to offer the Group and more broadly the holders of the Notes the opportunity to contribute to a consensual resolution of the Company's ongoing payment default while significantly limiting their losses. The Company recognizes that the terms of such a resolution are necessarily constrained by its limited payment capacity as well as the country's commitments to maintain long-term public sector debt sustainability as per its current IMF program and to treat fairly all of its external creditors participating in its debt restructuring. The Company reminded the Group that, in the Company's view, the Notes have always and unequivocally been part of the perimeter of Sri Lanka's public debt sustainability assessment and included in the restructuring perimeter, therefore being subject to the same constraints as Sri Lanka's other restructured public external debt.

The Company and the Government would like to thank the Group and their advisors for their availability and look forward to future good-faith interactions in view of finding common ground. To date, The Government has already successfully completed debt restructuring negotiations covering more than 98% of the total amount of debt included in the restructuring perimeter of which close to 92% has been fully implemented. The Government remains committed to completing this crucial exercise as expeditiously as possible without, however, jeopardizing all efforts deployed for more than three years by granting better treatment to a particular category of participating creditors.

Appendix 1: Indicative Restructuring Proposal from the Company and the Government

The proposed liability management transaction involves an offer to noteholders to participate in: (i) **a cash tender offer**, and/or (ii) **an exchange offer for notes issued under a tap of the Sri Lankan Government 2028 USD 1.20 billion 4.00% bond**[1].

- **Cash Tender Offer**
  - Under the tender offer, **SLA and the Government will allocate up to USD 60 million in cash** to finance a partial tender of the notes, through an **unmodified reverse Dutch auction process**, with a **ceiling price equivalent to 80% of their total claim amount (principal, accrued interest and past due interest of SLA's bond), as of June 30, 2025**[2].
  - If the offer is oversubscribed, **notes tendered at the cut-off price will be allocated pro-rata**. Any notes tendered but not accepted will be **reallocated to the exchange offer**.
    - If the tender offer is not fully subscribed, **the remaining cash will not be deployed by Sri Lankan Airlines / the Government**.

- **Exchange Offer**
  - Noteholders will also have the option to exchange their notes for **Government bonds of the Sri Lankan 2028 USD 1.20 billion 4% bond**[3], which amortizes **in three installments**: April 2026 (~27.4%), April 2027 (~27.4%), and April 2028 (~45.2%)[4]. Government bonds distributed as part of the exchange will be raised via a tap of the existing bonds.
  - **Holders who voluntarily exchange their defaulted bonds will receive USD 0.80 in principal amount of the Government bonds for every USD 1 of their total claim amount (principal, accrued interest and past due interest) offered or reallocated into the exchange offer.**
  - Upon reaching the required level for triggering **collective action clauses** under the notes, **any notes not voluntarily tendered or exchanged will be mandatorily exchanged for Government bonds, with holders receiving USD 0.70 in principal amount of Government bonds** for each USD 1 in total claim (principal, accrued interest and past due interest).

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[1] *For reference, the ISIN for the Notes is XS2010609662*
[2] *Indicative date*
[3] *Upcoming coupon due in October 2025 will be paid in full regardless of the implementation date of the restructuring*
[4] *Amortization in % of the outstanding amount*

Appendix 2: Indicative Restructuring Counterproposal from the Group

The Group made the following indicative restructuring Counterproposal to the Company and the Government of Sri Lanka.

- **Principal**
  - Bondholders to have the option to **exchange US$1 in outstanding principal amount under the Notes** into an **equivalent principal amount in the Government 2028 USD 1.20 billion 4.00% bond (ISIN: XS2966242500)**[5]
- **Interest**
  - **All accrued and unpaid interest** (including default interest) on the Bonds up to but excluding the Completion Date[6] to be paid in **cash**
- **Early Bird Fee**
  - An early bird consent fee equivalent to **3% of the outstanding principal amount** of the Bonds held by each consenting Bondholder as at the Early Bird Consent Date

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[5] *Principal amount of the Amortizing PDI bonds due 2028 to be grossed up to reflect amortization to date. The interest coupon due on such bonds in October 2025 to be paid in full irrespective of the actual Completion Date*

[6] *"Completion Date" means, solely for the purposes of the Counterproposal, 30 September 2025. The amount of the cash payment in respect of accrued and unpaid interest is subject to adjustment if the Completion Date changes*