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நிதி, பொருளாதார உறுதிப்பாடு மற்றும் தேசியக் கொள்கைகள் அமைச்சு  
MINISTRY OF FINANCE, ECONOMIC STABILIZATION AND NATIONAL POLICIES

මහලේකම් කාර්යාලය, කොළඹ 01,  
ශ්‍රී ලංකාව

செயலகம், கொழும்பு 01,  
இலங்கை.

The Secretariat, Colombo 01,  
Sri Lanka.

කාර්යාලය } 011-2484500  
அலுவலகம் } 011-2484600  
Office } 011-2484700

ෆැක්ස් }  
தொலைநகல் } 011-2449823  
Fax }

වෙබ් අඩවිය }  
இணையதளம் } www.treasury.gov.lk  
Website }

මගේ අංකය }  
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**Sri Lanka's government confirms that SriLankan Airlines launched a Consent Solicitation to bondholders of a U.S.- denominated Bond due in 2024**

Colombo, 23 December 2022. The Sri Lankan authorities relay the announcement by SriLankan Airlines Limited that it has launched a Consent Solicitation to holders of its U.S.\$175,000,000 7.000 per cent. international bond due in 2024 and guaranteed by the Government of the Democratic Socialist Republic of Sri Lanka (the Bond).

SriLankan Airlines has requested a 12-month suspension of debt service payments, amongst other things, covering the upcoming two coupon payments due on 25 December 2022 and 25 June 2023 on the Bond, and a temporary 12-month waiver of events of default that are currently ongoing.

Sri Lanka is going through an unprecedented economic crisis caused by the Covid-19 pandemic, the resulting global economic downturn, former policy mistakes, and the rise in global energy and food prices. Therefore, since coming to power, Sri Lanka's government has been fully focused on stabilising the economy and optimising the use of the reduced level of foreign exchange reserves now available in the country.

Sri Lanka has embarked on an ambitious reform plan to address the difficulties it faces. On 1 September 2022, Sri Lanka reached a Staff-Level Agreement with the International Monetary Fund (IMF) for a c. U.S.\$2.9 billion Extended Fund Facility and has since been working to obtain the financing assurances from official bilateral creditors necessary for the IMF Board to approve and disburse IMF funding. This will also open further funding opportunities from International Financial Institutions.

As part of its ongoing plan to restore the country's economy and debt sustainability, the Sri Lankan authorities – in coordination with the IMF – are working with its State-Owned Enterprises (SOEs) on reform and reorganisation plans to limit the impacts on Sri Lanka's sovereign balance sheet. SriLankan Airlines is an SOE that, like other international airlines around the world, was severely affected by the pandemic. The recovery of international travel post-pandemic has had a positive impact on passenger numbers, however, the situation in Sri Lanka remains difficult which in turn continues to put pressure on the company's revenue and costs.

The deferral of the interest payments covered by this Consent Solicitation has been requested to provide SriLankan Airlines and the authorities sufficient time to develop a reorganisation plan and a long-term strategy for the company, and to hold discussions with the company's stakeholders.

The authorities strongly encourage investors to support this initiative which is part of the country's efforts to proactively overcome its debt issue. The specific terms and timings of the requested amendments by SriLankan Airlines to the Bonds are described in the announcement of the Consent Solicitation published on 22 December 2022.

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Lazard Frères and Clifford Chance are respectively acting as Sri Lanka's legal and financial advisors. For any investor enquiries, please contact [lk.investors@lazard.com](mailto:lk.investors@lazard.com) and [srilanka@cliffordchance.com](mailto:srilanka@cliffordchance.com). For any media enquiries, please contact [srilanka@highgate.ltd](mailto:srilanka@highgate.ltd)

[A link to the announcement from SriLankan Airlines be found here.](#)