



Fitch Affirms SriLankan Airlines' Government Guaranteed Bonds at 'B'

Fitch Ratings - Colombo, Singapore - 18 January 2019: Fitch Ratings has affirmed SriLankan Airlines Limited's (SLA) USD175 million 5.3% government guaranteed bonds due 2019.

RATING ACTIONS				
ENTITY/DEBT	RATING			PRIOR
HIDE RATING ACTIONS				
SriLankan Airlines Limited				
senior unsecured	LT	B	Affirmed	B
VIEW ADDITIONAL RATING DETAILS				

KEY RATING DRIVERS

The airline's bonds are rated at the same level as SLA's parent, the government of Sri Lanka (B/Stable) due to the unconditional and irrevocable guarantee provided by the government. The state held 99.5% of SLA as at end-2018 through direct and indirect holdings.

DERIVATION SUMMARY

Fitch has rated SLA's US dollar-denominated bonds at the same level as the sovereign due to the unconditional and irrevocable guarantee provided by government. The rating is not derived from its issuer's standalone credit profile, and is therefore not comparable with that of industry peers.

RATING SENSITIVITIES

Developments that May, Individually or Collectively, Lead to Positive Rating Action

- An upgrade of the sovereign rating

Developments that May, Individually or Collectively, Lead to Negative Rating Action

- A downgrade of the sovereign rating

For the sovereign rating of Sri Lanka, the following sensitivities were outlined by Fitch in its Rating Action Commentary of 3 December 2018

The main factors that individually, or collectively, could trigger a positive rating action are:

- Improvement in external finances supported by higher non-debt inflows, or a reduction in external sovereign refinancing risks from an improved liability profile
- Improved policy coherence and credibility
- Stronger public finances underpinned by a credible medium-term fiscal strategy

The main factors that, individually or collectively, could trigger negative rating action are:

- Further increases in external funding stresses that threaten the ability to repay external debt
- Continued political uncertainty that contributes to a loss of investor confidence, possibly affecting the macroeconomic outlook
- A deterioration in policy coherence and credibility that leads to an increase in general government debt and deficit levels.

Criteria Variation

The rating on SLA's bonds is derived from the rating of an entity covered by a group that does not assign Recovery Ratings. As a result, no Recovery Rating was assigned to SLA's bond.

Additional information is available on www.fitchratings.com

APPLICABLE CRITERIA

Corporate Rating Criteria (pub. 23 Mar 2018)

Sector Navigators (pub. 23 Mar 2018)

Corporates Notching and Recovery Ratings Criteria (pub. 23 Mar 2018)

Government-Related Entities Rating Criteria (pub. 25 Oct 2018)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

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