



Scandinavian Airlines

195 87 Stockholm
Telephone: +46 8-797 0000
www.sasgroup.net

A STAR ALLIANCE MEMBER 

SAS initiates court-supervised process in the United States by a Chapter 11 filing to implement key elements of SAS FORWARD Plan and will continue to serve its customers throughout the process

SAS AB (“SAS”) announces it is taking the next step in the comprehensive business transformation plan SAS FORWARD. To proceed with the implementation of key elements of the plan, SAS and certain of its subsidiaries have voluntarily filed for chapter 11 in the U.S., a legal process for financial restructuring conducted under U.S. federal court supervision. SAS’ operations and flight schedule are unaffected by the chapter 11 filing, and SAS will continue to serve its customers as normal, although the strike by SAS Scandinavia pilots’ unions will impact the flight schedule. The Company expects to meet its go forward business obligations in the near term. SAS’ cash-balance was SEK 7.8 billion as of June 30, 2022. The strike has a negative impact on the liquidity and financial position of the Company and, if prolonged, such impact could become material. The Company is in well advanced discussions with a number of potential lenders with respect to obtaining additional debtor-in-possession financing for up to USD 700 million (the equivalent of approximately SEK 7.0 billion), to support its operations throughout this court-supervised process. Debtor-in possession financing is a specialized type of bridge financing for businesses that are restructuring through a chapter 11 process.

SAS and certain of its subsidiaries today filed voluntary petitions under chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of New York, in the United States. The purpose of the filing is to accelerate SAS’ transformation by implementing key elements of its SAS FORWARD plan. These steps are consistent with SAS’ announcement on May 31, 2022, that SAS FORWARD involves complex multiparty negotiations and that the Company might seek to utilize one or more court restructuring proceedings designed to assist in the resolution of SAS’ financial difficulties and help accelerate the implementation of SAS FORWARD.

Chapter 11 is a well-established and flexible legal framework for restructuring businesses with operations in multiple jurisdictions, and has been used by a number of large international airlines to restructure. Through this process, SAS aims to reach agreements with key stakeholders, restructure the Company’s debt obligations, reconfigure its aircraft fleet, and emerge with a significant capital injection. SAS expects to complete its court-supervised process in the U.S. in 9-12 months.

“We have been working closely with the SAS management team to progress SAS FORWARD. As part of that process, SAS has also been preparing for the option to utilize court restructuring proceedings in order to address the Company’s financial situation. The on-going strike poses significant challenges to our ability to succeed with our transformation. The Board has concluded that legal tools are required to make progress in our ongoing negotiations with key stakeholders, and ultimately to succeed in making SAS a competitive and financially strong business. The process we have commenced will enable SAS to continue our more than 75-year legacy of being integral to Scandinavian infrastructure and societies. We are confident that the actions we are



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taking will strengthen SAS' ability to capture the significant opportunities ahead as the industry continues to recover from the pandemic" said Carsten Dilling, Chairman of the Board of SAS.

Anko van der Werff, President and Chief Executive Officer of SAS, said, "Over the last several months, we've been working hard to improve our cost structure and improve our financial position. We are making progress, but a lot of work remains and the on-going strike has made an already challenging situation even tougher. The chapter 11 process gives us legal tools to accelerate our transformation, while being able to continue to operate the business as usual. We will continue to build back the network connectivity, products and service our customers expect, and we will continue to do so throughout this process and beyond. I am convinced that this process will enable us to become an even better airline for our customers and a stronger business partner in the years to come. Becoming a more competitive airline will require the full team's effort and burden-sharing from all stakeholders. We urge SAS Scandinavia pilots' unions to end their strike and engage constructively as part of this process."

Strengthening SAS' Ability to Deliver on SAS FORWARD

SAS FORWARD was launched to secure long-term competitiveness for SAS in the global aviation industry through a full transformation of its business. The plan aims to strengthen SAS' financial position, and to achieve a sustainable cost structure with an annual cost reduction of approximately SEK 7.5 billion. The plan also encompasses raising at least SEK 9.5 billion in new equity capital as well as reducing or converting more than SEK 20 billion of debt into common equity (of which a majority is on-balance sheet debt), including state hybrid notes, commercial hybrid notes, Swiss bonds, term loans from states, aircraft lease liabilities and maintenance contract obligations and other executory contract obligations.

SAS has made progress in these efforts, having identified the vast majority of the SEK 7.5 billion in reduced annual costs, continued to invest in its digital capacities and sustainability efforts, and received support from the Swedish, Danish and Norwegian governments. The Company has also met with potential investors and engaged actively with multiple stakeholders to improve its overall financial strength. The chapter 11 process is intended to accelerate the transformation process.

Reduction or conversion of state-owned debt is subject to approval by the EU Commission and EFTA Surveillance Authority, respectively, under applicable state aid rules. As previously announced, a major part of the new equity capital is expected to be sought from new investors. The intended reductions or conversions of debt to equity and issuance of new shares are expected to result in substantial dilution to existing shareholders. Any issuance of new shares will be subject to approval by the general meeting as well as regulatory approvals.

Business Operations Unaffected – Continuing to Serve Customers

SAS' operations and flight schedule are unaffected by the chapter 11 filing, and its Board of Directors and management continue to be in charge of the Company's affairs. SAS' reservations, customer service, SAS EuroBonus and all other customer services and systems will continue as normal. Separate from the chapter 11 process, the strike undertaken by the SAS Scandinavia pilots' unions will impact the flight schedule.



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SAS will continue to issue ticket refunds and honor travel coupons and payments or credits associated with baggage or service claims in adherence with its current policies.

Meeting Business Obligations

SAS' assessment is that it has sufficient liquidity, including SEK 7.8 billion in cash as of June 30, 2022, to meet its business obligations in the near term. The strike has a negative impact on the liquidity and financial position of the Company and, if prolonged, such impact could become material. To ensure the Company has sufficient funds to complete its restructuring, the Company is in well advanced discussions with a number of potential lenders with respect to obtaining additional debtor-in-possession ("DIP") financing for up to USD 700 million (the equivalent of approximately SEK 7.0 billion) to support its operations. DIP financing is a specialized type of bridge financing for businesses that are restructuring through a chapter 11 process, subject to certain conditions precedent for accessing all of such commitments.

As is typical in chapter 11 proceedings, the Company has filed a number of routine motions seeking court authorization to continue to support its business operations during the court-supervised process, including the continued payment of employee wages and benefits without interruption. As part of these motions, the Company has requested authority from the Court to continue honoring its customer programs in the ordinary course. SAS has also requested authority to honor various prepetition obligations owed to certain of its critical travel agency partners, vendors and suppliers from before the filing date. The Company will pay vendors and suppliers in full under normal terms for goods and services provided on or after the filing date.

The Company expects these motions to be heard at a "First Day" hearing, which is expected to be held in the coming days. SAS expects to receive Court approval for all of its requests.

Information about the Chapter 11 Process and Additional Resources

The chapter 11 restructuring process in the U.S. is different than a bankruptcy or administration proceeding in other parts of the world. The process provides the Company time and flexibility to reorganize its capital structure, reduce costs, and complete a financial restructuring under the supervision of the U.S. court system. The board of directors and management continue to run the Company and the restructuring process is overseen by a U.S. federal court. Many companies, including a number of large international airlines based outside of the U.S., have used the chapter 11 process to reorganize their financial obligations and emerge as stronger organizations.

Additional information about this process is available at the Company's dedicated restructuring website, <https://sasgroup.net/transformation>. Court filings and other documents related to the chapter 11 process in the U.S. are available on a separate website administered by SAS' claims agent, Kroll Restructuring Administration LLC, at <https://cases.ra.kroll.com/SAS>. Information is also available by calling (844) 242-7491 (U.S./Canada) or +1 (347) 338-6450 (International), as well as by email at SASInfo@ra.kroll.com.



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Invitation to press conference with webcast

A press conference with webcast will be held at 08.45 AM CEST on July 5, 2022. No advance notification is necessary.

Speakers: Carsten Dilling, Chairman of the Board of SAS and Anko van der Werff, President and Chief Executive Officer of SAS

Language: English

Location for physical attendance: SAS Head office, Frösundaviks allé 1, 169 70 Solna, Sweden

Webcast link: <https://live.sasgroup.net>

(for broadcasters, please contact studio@sas.se to request access to the video and audio feed)

Dial-in details for the press conference:

DK: +45 354 455 77

FI: +358 981 710 310

NO: +47 235 002 43

SE: +46 8 566 426 51

UK: +44 3333 0008 04

PIN: 11653156#

Advisors

Weil, Gotshal & Manges LLP is serving as global legal counsel and Mannheimer Swartling Advokatbyrå AB is serving as Swedish legal counsel to SAS. Seabury Securities LLC and Skandinaviska Enskilda Banken AB are serving as investment bankers, Seabury is also serving as restructuring advisor. FTI Consulting is serving as financial advisor.

For further information, please contact:

SAS Press office, +46 8 797 29 44

Louise Bergström, VP Investor Relations, +46 70 997 0493

This is information that SAS AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication by Louise Bergström at [07:45] a.m. CEST on July 5, 2022.

About SAS

SAS, Scandinavia's leading airline, with main hubs in Copenhagen, Oslo and Stockholm, is flying to destinations in Europe, USA and Asia. Spurred by a Scandinavian heritage and sustainable values, SAS aims to be the global leader in sustainable aviation. We will reduce total carbon emissions by 25 percent by 2025, by using more sustainable aviation fuel and our modern fleet with fuel-efficient aircraft. In addition to flight operations, SAS offers ground handling services, technical maintenance and air cargo services. SAS is a founder member of the Star Alliance™, and together with its partner airlines offers a wide network worldwide. Learn more at <https://www.sasgroup.net>



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