




Scandinavian Airlines

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SAS enters into investment agreement and replacement facility for existing debtor-in-possession financing

SAS announces that it has entered into an investment agreement with the winning bidder consortium in its exit financing solicitation process, consisting of Castlelake, L.P., on behalf of certain funds or affiliates (“Castlelake”), Air France-KLM S.A. (“Air France-KLM”) and Lind Invest ApS (“Lind Invest”), together with the Danish state (collectively, the “Investors”). As part of the agreed transaction structure, SAS has also entered into a new debtor-in-possession (“DIP”) financing credit agreement for USD 500 million (SEK 5.5 billion)¹ with Castlelake (the “New DIP Financing”) to, among other things, refinance SAS’ existing DIP term loan, increase liquidity, and support SAS’ path to exit from its voluntary restructuring proceedings. The agreements are subject to review and approval by the U.S. Bankruptcy Court for the Southern District of New York (the “U.S. Court”).

On October 3, 2023, SAS announced that it had selected the Investors as the winning bidder consortium in its exit financing solicitation process, and that the parties were in agreement on a transaction structure including a total investment in the reorganized SAS corresponding to USD 1,175 million (SEK 12.925 billion). The winning bidder consortium has now increased its proposed investment by USD 25 million (SEK 275 million) to a total of USD 1,200 million (SEK 13.2 billion), which includes USD 475 million (SEK 5.225 billion) in new unlisted equity and USD 725 million (SEK 7.975 billion) in secured convertible debt, as well as Castlelake providing a USD 500 million (SEK 5.5 billion) facility to refinance SAS’ Existing DIP Financing (as defined below).

The investment agreement entered into by SAS and the Investors includes the final terms of the Investors’ equity investment, as well as the key terms for the secured convertible debt and SAS’ chapter 11 plan of reorganization (the “Chapter 11 Plan”). The agreed investment structure, which (save for the increased convertible debt amount) is consistent with the key terms set out in the press release announced by SAS on October 3, 2023, will result in a shareholder structure post-reorganization (based on total equity, but pre-conversion of the convertible debt) where:

- (i) Castlelake holds approximately 32.0% of the equity and 55.2% of the convertible debt;
- (ii) the Danish State holds approximately 25.8% of the equity and 30.0% of the convertible debt;
- (iii) Air France-KLM holds approximately 19.9% of the equity and 4.8% of the convertible debt;
- (iv) Lind Invest holds approximately 8.6% of the equity and 10.0% of the convertible debt; and
- (v) the remaining approximately 13.6% of the equity will be distributed among and held by certain creditors who may receive recovery in equity.

The New DIP Financing will be provided under a term loan agreement by way of a non-amortizing senior secured super-priority debtor-in-possession term loan facility in an aggregate principal

¹ All amounts cited are based upon a USD/SEK exchange rate of 11.00.



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amount of USD 500 million, entered into by Scandinavian Airlines System Denmark-Norway-Sweden (the SAS Consortium), as borrower, SAS AB and all wholly-owned subsidiaries of SAS AB that are debtors in the chapter 11 cases as guarantors, and Castlelake as lender. The New DIP Financing will refinance and replace SAS' existing DIP financing credit agreement in the amount of USD 700 million (SEK 7.7 billion) entered into with funds managed by Apollo Global Management (the "Existing DIP Financing"), under which an initial tranche of USD 350 million (SEK 3.85 billion) was drawn by SAS in September 2022. The terms of the New DIP Financing are substantially similar to the Existing DIP Financing (the principal terms of which are described in the press release announced by SAS on August 14, 2022), with some key differences, including a lower interest rate and the removal of certain fees and equity-linked features. The New DIP Financing has an initial term of nine months, subject to two additional three-month extensions at the election of SAS (as well as payment of certain escalating extension fees), and will be repaid in connection with emergence from the chapter 11 process. The New DIP Financing will be available to SAS subject to approval by the U.S. Court and following the satisfaction of certain conditions precedent.

SAS will seek U.S. Court approval of the investment agreement and the New DIP Financing as soon as possible in November 2023.

Anko van der Werff, President & Chief Executive Officer of SAS, says:

"By entering into this investment agreement, SAS is taking the next step in its chapter 11 process in the US. The investment is a key milestone in our SAS FORWARD plan, and it shows that our new investors believe in SAS and our potential to remain at the forefront of the airline industry for years to come."

Conditionality of the transaction and expected recoveries in the chapter 11 process

The agreed transaction will need to be approved in connection with the confirmation of the Chapter 11 Plan. SAS currently aims to receive approval from the U.S. Court of the Chapter 11 Plan in early 2024, to be followed by obtaining regulatory approvals and the implementation of a Swedish company reorganization (Sw. *företagsrekonstruktion*) at the SAS AB level (likely to be filed by SAS AB during 2024). The effectiveness of the transaction will occur upon the fulfilment of certain conditions precedent, including receipt of all relevant regulatory approvals, as further set out in the press release announced by SAS on October 3, 2023. No approval is expected to be required from the existing shareholders of SAS AB for the transaction.

SAS reiterates its expectation set out in the press release announced by SAS on October 3, 2023, that there will be only a modest recovery for general unsecured creditors, no recovery for subordinated unsecured creditors and no value for SAS AB's existing shareholders upon emergence from the chapter 11 process. Any payment of recoveries to creditors will be made only after the completion of the transaction and the fulfilment of any conditions for payment to creditors. All of SAS AB's common shares and listed commercial hybrid bonds are further expected to be cancelled, redeemed and delisted (currently expected to occur during the second quarter of 2024).



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Information regarding chapter 11 cases

Additional information regarding SAS' voluntary chapter 11 cases is available on SAS' dedicated restructuring website, <https://sasgroup.net/transformation>. U.S. Court filings and other documents related to the chapter 11 cases 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.

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, and Seabury Securities LLC is also serving as restructuring advisor to SAS. Skadden, Arps, Slate, Meagher & Flom LLP is serving as legal counsel, Rothschild & Co is serving as investment banker, and SkyWorks Holdings LLC is serving as aviation consultant to Castlelake. White & Case LLP, Paul McGeown and Sheppard, Mullin, Richter & Hampton LLP are serving as co-legal counsel to Air France-KLM. Bech-Bruun Law Firm P/S is serving as legal counsel and Latham & Watkins LLP is serving as US legal counsel to Lind Invest.

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SAS, Scandinavia's leading airline, with main hubs in Copenhagen, Oslo and Stockholm, flies to destinations in Europe, USA and Asia. Spurred by a Scandinavian heritage and sustainable values, SAS aims to be the driving force in sustainable aviation and in the transition toward net zero emissions. We are continuously reducing our carbon emissions through using more sustainable aviation fuel, investing in new fuel-efficient aircraft and technology innovation together with partners – thereby contributing towards the industry target of net zero CO2 emissions by 2050. In addition to flight operations, SAS offers ground handling services, technical maintenance and air cargo services. Learn more at <https://www.sasgroup.net>

ADDITIONAL INFORMATION

The press release does not constitute an offer to sell or issue, or the solicitation of an offer to buy or acquire, or subscribe for, shares or any other financial instruments in SAS.

This press release contains forward-looking statements that reflect SAS' current view of future events as well as financial and operational development. These statements may include, without limitation, any statements preceded by, followed by or including words such as "intend", "assess",



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