



Scandinavian Airlines

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A STAR ALLIANCE MEMBER 

## **SAS reaches major milestone in SAS FORWARD – announces the winning consortium, including details of the transaction structure**

*SAS has reached a major milestone in its ongoing chapter 11 process in the U.S. and has selected Castlake, L.P., on behalf of certain funds or affiliates (“Castlake”), Air France-KLM S.A. (“Air France-KLM”) and Lind Invest ApS (“Lind Invest”), together with the Danish state (collectively, the “Investors”) as the winning bidder consortium in its exit financing solicitation process. The agreed transaction structure includes a total investment in the reorganized SAS corresponding to USD 1,175 million (SEK 12.925 billion<sup>1</sup>), including USD 475 million (SEK 5.225 billion) in new unlisted equity and USD 700 million (SEK 7.7 billion) in secured convertible debt, as well as a USD 500 million (SEK 5.5 billion) refinancing by Castlake of SAS’ current debtor-in-possession (“DIP”) term loan. As part of the transaction, SAS is intended to eventually join the SkyTeam Alliance (“SkyTeam”), of which Air France-KLM is a founding member, and exit the Star Alliance, subject to any relevant approvals and emergence from the chapter 11 process.*

*The details and final documentation for the agreed transaction structure remain to be finalized between the Investors and SAS. The transaction will also need to be approved as part of SAS’ chapter 11 plan of reorganization (the “Chapter 11 Plan”). The confirmation and effectiveness of the Chapter 11 Plan remain subject to various conditions precedent, including approval by the U.S. Bankruptcy Court for the Southern District of New York (the “U.S. Court”), which will require the solicitation of votes on the Chapter 11 Plan from certain creditors, approvals from various regulatory authorities and the completion of a Swedish company reorganization (as described below). No approval is expected to be required from the existing shareholders of SAS AB for the transaction.*

*SAS will continue to operate and serve its customers as usual throughout the implementation of the transaction, which is likely to entail a filing by SAS AB (i.e., the listed parent company for the SAS group) for a company reorganization in Sweden (Sw. företagsrekonstruktion) (the “Swedish Reorganization”) in 2024. As a result of that process, all of SAS AB’s common shares and listed commercial hybrid bonds are expected to be cancelled, redeemed and delisted (currently expected to occur during the second quarter of 2024). Consequently, no value is expected for existing shareholders in SAS AB and only a modest recovery is expected for the holders of commercial hybrid bonds.*

*In parallel to the transaction, and further to its joining of SkyTeam, SAS AB will seek to establish a commercial cooperation with Air France-KLM and its airlines (subject to customary approvals), to the benefit of Scandinavian customers through increased connectivity.*

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



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Carsten Dilling, Chairman of the Board of SAS, says:

“This is a significant achievement of our transformation plan, SAS FORWARD. We have carried out a broad, competitive and thoroughly evaluated equity solicitation process, and we are confident that the selected bid is the most favourable for SAS, its creditors and other stakeholders. Securing new capital is one of the key pillars in the SAS FORWARD plan and will provide a strong financial foundation to help drive our airline forward and facilitate our emergence from the U.S. chapter 11 process. While there is still work remaining, I am pleased to see the great progress we are making to be a competitive and financially strong company.”

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

“The agreed 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. Further, our move towards a partnership with SkyTeam determines a clear path forward for the company. Through the completion of this process and the opportunities presented by being part of SkyTeam, we will be able to further enhance SAS’ offerings for the benefit of our colleagues, customers and communities. We look forward to building a bright future for SAS together.”

Joe McConnell, Partner and Deputy Co-Chief Investment Officer of Castlelake, says:

“Castlelake is pleased to lead this investment in SAS’ future through a tailored financing solution that demonstrates our 18 years of aviation experience, creative structuring capabilities and relationship-focused approach. With an iconic brand, great people and strong service offerings, we believe SAS is well-positioned as Scandinavia’s leading airline. We look forward to being part of SAS’ continued journey.”

Benjamin Smith, CEO of Air France-KLM, says:

“This is an important day for SAS and for Air France-KLM. We are pleased to be part of the winning bidding consortium selected by the board of SAS. Air France-KLM looks forward to establishing strong commercial ties with SAS. With its well-established position in Scandinavia and strong brand, SAS offers tremendous potential to Air France-KLM. This cooperation will allow Air France-KLM to enhance its position in the Nordics and improve connectivity for Scandinavian and European travellers. We look forward to being a part of this new chapter in SAS’ history and thank the board of SAS for their trust.”

Henrik Lind, CEO of Lind Invest, says:


“SAS is making substantial progress with its transformation plan SAS FORWARD and we see great opportunities for the company ahead. We are proud to be part of this new much needed transformative step for SAS, and look forward to support the company as owners going forward.”



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## Overview of key terms and conditionality of the transaction

The transaction structure agreed by SAS and the Investors is expected to include, among other things and subject to final documentation, the following key features:

- a total investment in the reorganized SAS corresponding to USD 1,175 million (SEK 12.925 billion), including USD 475 million (SEK 5.225 billion) in new unlisted equity and USD 700 million (SEK 7.7 billion) in secured convertible debt, which would 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 55.1% of the convertible debt;
  - (ii) the Danish State holds approximately 25.8% of the equity and 29.9% of the convertible debt;
  - (iii) Air France-KLM holds approximately 19.9% of the equity and 5.0% 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 is most likely to be distributed among and held by certain creditors who may receive recovery in equity.<sup>2</sup>

The convertible debt is expected to be secured and have a maturity of seven years and an interest of SOFR<sup>3</sup> + 650bps per year, and may be converted into common shares based upon certain terms and valuation metrics. The convertible debt is further expected to be subject to an upfront fee corresponding to 1.5% of the committed amount, payable to the Investors by the reorganized SAS;

- refinancing of the existing DIP term loan with a new USD 500 million (SEK 5.5 billion) DIP loan provided by Castlelake, to be repaid in connection with emergence from the chapter 11 process;
- implementation of the Chapter 11 Plan in Sweden by way of SAS AB (i.e., the listed parent company for the SAS group) filing for a Swedish Reorganization in 2024, but not in respect of any other entity in the SAS group or the airline as such; and
- cancellation and redemption of all of SAS AB's common shares (for zero consideration) and all listed commercial hybrid bonds (expected to receive only a modest recovery) and, consequently, a delisting from Nasdaq Stockholm, Nasdaq Copenhagen and Oslo Børs following completion of the Swedish Reorganization (currently expected to occur during the second quarter of 2024).

<sup>2</sup> Percentage of equity to be distributed to general unsecured creditors as part of the expected total USD 325 million recovery is subject to change, which may lead to minor adjustments on the equity percentage holdings for all Investors.


<sup>3</sup> Secured Overnight Financing Rate.



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Following an agreement with the Investors on the final terms and conditions of the investment, including the future governance of the reorganized SAS, the confirmation and effectiveness of the Chapter 11 Plan will remain subject to various conditions precedent, including obtaining certain approvals, including from the U.S. Court, antitrust authorities, civil aviation authorities, the European Commission, and EFTA Surveillance Authority (as applicable), SAS leaving Star Alliance, the implementation of a Swedish Reorganization at the SAS AB level, and other customary conditions. There currently remains uncertainty in respect of satisfying such conditions and obtaining required approvals, as well as the terms and timing thereof (particularly in respect of the approval from the European Commission related to State aid and the participation by Denmark and Sweden in the restructuring process).

The Investors' winning bid, which is pursuant to the U.S. Court approved equity raise process, is affirmatively supported by the Official Committee of Unsecured Creditors and indicates that USD 325 million (SEK 3.575 billion) is expected to be allocated to general unsecured creditors in cash and equity. Based on initial estimates, which remain subject to material change, this indicates a recovery for the majority of the general unsecured creditors of approximately 5–20% of the nominal value of such claims; however, such recoveries will vary further depending upon (i) which entities such claims are asserted against, (ii) if such claims have any guarantee claims, and (iii) which entities the guarantee claims are to be asserted against. Additional details related to the transaction structure and expected recoveries for creditors, including to which extent (if any) the creditors will receive cash or equity consideration, will be announced separately and be included in the disclosure statement and the Chapter 11 Plan to be filed with the U.S. Court after finalization of the negotiations related to the transaction. Negotiations with stakeholders will continue until emergence from the chapter 11 process. In line with what has been previously communicated, SAS currently expects that there will be no recovery for subordinated unsecured creditors and no value for SAS AB's existing shareholders.

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 Reorganization at the SAS AB level during 2024. The effectiveness of the transaction will occur upon the fulfilment of the conditions precedent, including receipt of all relevant regulatory approvals.

### **Effects on SAS AB's listed securities**

Holders of SAS AB's listed commercial hybrid bonds are expected to receive only a modest recovery on account of such claims (as described above) and the instruments are expected to be delisted from Nasdaq Stockholm following the Swedish Reorganization. The expected dates for payment and last day of trading in the commercial hybrid bonds will be announced in due time before approval of the Swedish plan of reorganization (the "Swedish Plan") (currently expected to occur during the second quarter of 2024). Until then, SAS' expectation is that the trading in the commercial hybrid bonds will continue in the ordinary course.



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Holders of common shares in SAS AB are expected to receive *no* value and, by operation of the Swedish Reorganization, all common shares are expected to be cancelled for zero consideration and delisted from Nasdaq Stockholm, Nasdaq Copenhagen and Oslo Børs. This is intended to be carried out through a reduction of SAS AB's share capital, combined with a redemption of all common shares in SAS AB as set out in a Swedish Plan to be approved by the District Court of Stockholm (currently expected to occur during the second quarter of 2024), and will accordingly not require any approval from the general meeting of shareholders in SAS AB. The expected last day of trading in the common shares of SAS AB on the respective exchanges, as well as the expected date of completion of the redemption, will be announced in due time before approval of the Swedish Plan. Until then, SAS' expectation is that trading in the common shares will continue in the ordinary course.

### **Continued operations**

SAS will continue to operate the business and serve its customers as usual and with due care throughout this process. SAS' operations and services, customer services, corporate benefits, etc., will all continue in the ordinary course.

### **About Castlelake**

Castlelake is a global alternative investment manager focused on investments in aviation, specialty finance and real assets across the risk spectrum, from value-oriented to income and investment grade credit. Founded in 2005, Castlelake manages approximately \$22 billion of assets. The Castlelake team comprises more than 200 experienced professionals, including 90 investment professionals, across seven offices in North America, Europe and Asia. For more information, please visit <https://www.castlelake.com/>.

### **About Air France-KLM Group**

A global player with a strong European base, the Air France-KLM Group's main areas of business are passenger transport, cargo transport and aeronautical maintenance. Air France-KLM is a leading airline Group in terms of international traffic on departure from Europe. It offers its customers access to a worldwide network, covering over 300 destinations thanks to Air France, KLM Royal Dutch Airlines and Transavia, mainly from its hubs at Paris-Charles de Gaulle and Amsterdam-Schiphol. Its Flying Blue frequent flyer programme is one of the leaders in Europe with over 20 million members. Air France-KLM is a member of the SkyTeam, the alliance dedicated to providing passengers with a more seamless travel experience at every step of their journey 19 member airlines working together across an extensive global network.

### **About Lind Invest**

Lind Invest is a single family office and acts as an independent long-term investor and business owner. Lind Invest was founded by Henrik Lind in 2002, and the company today has \$1,2 billion of equity. Part of the investment strategy is to be opportunistic with a strong ability to execute as an active owner and add value in company transformations and in complex company matters.

### **Information Regarding Chapter 11 Cases**



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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](mailto: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 consultants to Castlake. White & Case LLP is serving as legal counsel to Air France-KLM. Bech-Bruun is serving as legal counsel to Lind Invest.

### **For further information, please contact:**

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This is information that SAS AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of Erno Hildén, at 17:55 CEST on October 3, 2023.

*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", "expect", "may", "plan", "estimate" and other expressions involving indications or predictions regarding future developments or trends and other words and terms of similar meaning or the



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negative thereof. These forward-looking statements have been prepared for illustrative purposes only, are not based on historical facts, are not guarantees of future performance, reflect SAS' beliefs and expectations, and are subject to known and unknown risks, uncertainties and assumptions and other factors that could cause actual events and performance to differ materially from any expected future events or performance expressed or implied by such forward-looking statements. As a result of these risks, uncertainties, assumptions and other factors, you should not place undue reliance on these forward-looking statements as a prediction of actual future events or otherwise. The information contained in this press release is subject to change without notice and, except as required by applicable law, SAS does not assume any responsibility or obligation to update publicly or review any of the forward-looking statements contained in it, whether as a result of new information, future events or otherwise.