



Scandinavian Airlines

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SAS Secures USD 700 Million in Debtor-in-Possession Financing

SAS AB (“SAS” or the “Company”) announces that it has entered into a debtor-in-possession (“DIP”) financing credit agreement for USD 700 million (the equivalent of approximately SEK 7.0 billion) with funds managed by Apollo Global Management (“Apollo”). DIP financing is a specialized type of bridge financing used by businesses that are restructuring through a chapter 11 process. The DIP financing, along with cash generated from the Company’s ongoing operations, enables SAS to continue meeting its obligations throughout the chapter 11 process. The DIP financing is subject to approval by the U.S. Bankruptcy Court for the Southern District of New York (the “Court”). The DIP financing is structured as a delayed draw term loan with a nine-month maturity from the Closing Date. The maturity date can be extended incrementally up to an 18-month term (see further below). SAS selected Apollo’s DIP financing proposal following a competitive process and considers the terms of the DIP financing to be on market terms.

“We are pleased to have secured this financing commitment from investment firm Apollo Global Management, which follows an extensive and competitive process”, says Carsten Dilling, Chairman of the Board of SAS. “With this financing, we will have a strong financial position to continue supporting our on-going operations throughout our voluntary restructuring process in the U.S. Apollo Global Management has a long track record of helping build stronger, more competitive businesses and extensive experience in the aviation sector. With their substantial financing commitment, we can now focus entirely on accelerating the implementation our SAS FORWARD plan, and to continue our more than 75-year legacy of being the leading airline in Scandinavia.”

“SAS is one of Europe’s leading airlines and we are pleased to support the business operations as they implement their restructuring plans to emerge a stronger company,” said Apollo Partner Antoine Munfakh. “At Apollo we have a wealth of experience in commercial aviation and fully support the comprehensive SAS FORWARD plan as well as the goals of recapitalizing the Company upon its emergence from the chapter 11 process.”

SAS anticipates receiving Court approval for its DIP financing by mid-September 2022.

About Apollo Global Management

Apollo Global Management is a leading alternative asset manager, headquartered in the U.S. and operating globally. Apollo is listed on the New York Stock Exchange (NYSE: APO). Apollo has more than three decades of experience investing in and working with leading management teams to build and transform their businesses. Apollo provides companies with innovative capital solutions and support to fund their growth and position businesses for long-term success.

Key Terms for the DIP financing

The DIP financing will be provided by Apollo under a term loan agreement (the “**DIP Term Loan Agreement**”) by way of non-amortizing senior secured super-priority debtor-in-possession delayed-



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draw term loan facility (the “**DIP Facility**”) in an aggregate principal amount of USD 700 million (the “**Total Aggregate Commitment**”), of which USD 350 million will be available following the Court’s approval of the DIP Term Loan Agreement, which is expected to take place in mid-September, and satisfaction of certain conditions precedent under the DIP Term Loan Agreement (the “**Closing Date**”). The remaining USD 350 million will be available upon the satisfaction of certain other conditions precedent under the DIP Term Loan Agreement.

Loans under the DIP Facility will bear interest at a rate per annum equal to adjusted term SOFR (Secured Overnight Financing Rate) plus 9.0 percent, payable in cash or in kind at the borrower’s election, which may be increased by 2.0 percent per annum during the continuance of any event of default under the DIP Term Loan Agreement.

The DIP Term Loan Agreement requires the payment of certain fees to Apollo on the Closing Date; an upfront fee of 1.0 percent of the Total Aggregate Commitment, an advisor fee of 1.0 percent of the Total Aggregate Commitment, an unused commitment fee of 2.0 percent of the unused amount of the Total Aggregate Commitment per annum and an initial work fee of USD 1 million. Moreover, certain fees are payable upon the occurrence of specific events, including a break-up fee of 1.0 percent of the Total Aggregate Commitment, and an exit fee of 4.0 percent of the Total Aggregate Commitment.

Moreover, under the terms of the DIP Term Loan Agreement, in the event Apollo elects, but is not provided the opportunity, to subscribe for equity interests of the Company on the effective date of the chapter 11 plan of reorganization (the “**Effective Date**”), with the amount of such equity interests calculated assuming a total enterprise value of the Company of USD 3.2 billion, SAS shall pay Apollo a fee equal to (a) if such fee event occurs within 12 months of the Closing Date, USD 19.5 million; or (b) if such fee event occurs after the 12-month anniversary of the Closing Date, an amount such that Apollo receives an all-in internal rate of return of 23.2 percent on the DIP financing.

In addition, the DIP Term Loan Agreement requires the payment of a 4.0 percent fee of the Total Aggregate Commitment in the event Apollo elects, but is not provided the opportunity, to provide up to 30.0 percent of any new money equity or equity-like financing for the Company that is provided by any third party on the Effective Date, on the same terms and conditions made available to any such third parties.

The DIP Facility matures nine months after the Closing Date, but may be extended for an additional three-month period, at the election of the Company, up to three times, subject to the Company paying an escalating extension fee equal to 0.75 percent (first extension), 1.25 percent (second extension) and 1.50 percent (third extension), respectively, of the Total Aggregate Commitment, together with any accrued and unpaid interest or expenses.

The obligations of Scandinavian Airlines System Denmark-Norway-Sweden (the “**Consortium**”) as borrower under the DIP Term Loan Agreement will be entitled to super priority administrative expense claim status in the chapter 11 process and will be guaranteed by the Company and all



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wholly-owned subsidiaries of the Company that are or become debtors in the chapter 11 process (the “**Guarantors**”). All amounts owing by the Consortium and the Guarantors under the DIP Term Loan Agreement will be secured by substantially all property of the Consortium and the Guarantors, whether real or personal, tangible or intangible, now existing or hereafter acquired (subject to certain customary exclusions), including certain take-off and landing slots at Heathrow Airport; all shares in certain entities of the SAS group, including the Consortium and EuroBonus AB (which owns all rights to the EuroBonus loyalty program); all material registered intellectual property; certain unencumbered aircraft and engines; intercompany receivables; and the products and proceeds of the foregoing.

The DIP Term Loan Agreement contains customary covenants, events of default and representations and warranties. The Company has also undertaken to comply with certain milestones customary for chapter 11 proceedings.

As previously disclosed by the Company, the SAS FORWARD plan incorporates raising at least SEK 9.5 billion in a new equity capital as well as reducing or converting over SEK 20 billion of pre-petition debt, hybrid securities and other obligations into new shares or other forms of consideration. The Company intends to conduct a competitive capital raising process to secure the best available terms and conditions for such equity capital raise in the first half of 2023.

If, pursuant to the equity capital raise process, the Company determines that allowing Apollo to subscribe for shares as described above is in the best interests of the Company and its creditors, Apollo would be permitted to convert its DIP loans into new equity of the Company on the Effective Date, subject to required approvals (including from regulatory authorities, the Court and the Company’s shareholders). In such case, Apollo has agreed to negotiate with the Danish State terms and conditions under which the Danish State would acquire up to USD 250 million of equity interests of the Company associated with Apollo’s conversion of its DIP loans into new equity of the Company.

Because any conversion of the DIP financing commitments may be insufficient to fully meet the objectives of the equity capital raise, the Company may seek to raise the additional equity capital required to meet that level. Furthermore, the Company is the sole party that may negotiate and propose its plan of reorganization during the exclusivity period under the applicable provisions of the U.S. Bankruptcy Code, subject to required approvals (including from regulatory authorities, the Court and the Company’s shareholders). Given the Danish State’s expressed interest in possibly participating in the Company’s equity capital raise, the Company intends to work closely with the Danish State towards accommodating such an investment interest in the context of the equity capital raise process.

Additional information about the chapter 11 process

As previously announced on July 5, 2022, to accelerate the implementation of its comprehensive business transformation plan SAS FORWARD, SAS announced that it had voluntarily filed for chapter 11, a well-established and flexible legal framework for restructuring businesses with operations in multiple jurisdictions. Through this process, SAS aims to reach agreements with key stakeholders,



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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 from the initiation of the chapter 11 process in July 2022.

Additional information about the Company's voluntary chapter 11 process is available on 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.

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, and FTI Consulting is serving as financial advisor to SAS.

PJT Partners LP is acting as financial advisor to Apollo. Akin Gump Strauss Hauer & Feld LLP is acting as legal counsel to Apollo. Watson Farley & Williams LLP is acting as special aviation counsel to Apollo.

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 by Louise Bergström at 03:00 a.m. CEST on August 14, 2022.

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>

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.


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