

The Board of Directors' supplementary comments at Cimber Sterling Group's Annual General Meeting held on 19 August 2010

Introduction

Jacob Krogsgaard, the CEO of Cimber Sterling, and I have split the report between us and I will start out by reviewing the company's performance during the past financial year and recent events in the new financial year. Moreover, I will discuss a number of special conditions and issues as well as our forecasts for the current financial year. Jacob will review the financial statements and, thus, also conditions of special interest to the company and the shareholders.

Initially, I would like to say that 2009/10 was a highly eventful year, and also a dramatic year. The start-up of the Sterling activities under the auspices of Cimber, the IPO followed by two profit warnings, the new competitive situation in Denmark, unprecedented price competition, "Donald Duck" tickets, an unusual winter, and the ash cloud: all of this was heavy stuff that shook the company and affected our bottom line as well as the price of our shares.

It is obvious that the year was highly unsatisfactory to everybody. In spite of this, there were also some bright spots, and we demonstrated a strong ability to adapt to the new times, which I will revert to later.

We believe that, with a number of significant forward-looking activities during the past financial year and a number of similar new activities in the current financial year, we have offset the dramatic market developments so that our goal of being "back in black" at the end of the current financial year can be met. "Back in black" and "profitable growth" are the two key goals of the current financial year. And that is what is expressed on page 8 of the annual report as "lowering unit costs", "increasing process efficiency", "increasing passenger numbers" and "increasing revenue"

Cash flow

These rough "weather conditions" resulted in strong pressure on our cash flow, as can be seen from the annual report. It is therefore a pleasure for me to inform you that the company is in a positive dialogue about a bank commitment for a so-called "ash cloud loan", a government initiative to help companies overcome the strain on their cash flow as a result of the ash cloud. We are very pleased about this as it will strengthen the company's cash resources. It is expected that the ash cloud loan will be finally formalised within a short period of time.

The company's fleet refinancing programme is also progressing according to plan and along schedule that had been laid down for this process by the time of the presentation of our annual report. Moreover, the company is in the process of assessing and completing a number of activities relating to a recapitalisation of the company's activities.

All of this and good intermediate funding ensures that the company has satisfactory capital resources. It is a great pleasure to the company that these things are now expected to fall into place following the very competent work of the Executive Board.

Integration of the Sterling activities

At the beginning of the financial year, we focused on the integration of the Sterling activities acquired in late 2008, including the introduction of a new brand and rolling out a new and expanded route programme.

The acquisition of the Sterling activities secured Cimber the best possible growth platform. This was to be achieved through better utilisation of the combined aircraft fleet and by offering leisure passengers a broad European route and leisure programme seen in light of the changed demand for travel in Denmark. In 2009/10 Cimber thus became a regional European airline based in Denmark.

The integration was completed over a short period of time, very successfully and efficiently; and in the second quarter of the financial year, Cimber Sterling enjoyed great and positive interest from our stakeholders and society in general for the creation of our new brand and for our vision of being Denmark's leading airline. And most importantly: We achieved an important part of what we wanted to, i.e. a more equal split of business and leisure customers. That was the original goal of Cimber's Sterling activities and a key prerequisite for our business model.

The IPO

Cimber Sterling made an initial public offering in December 2009 to obtain equity capital for our growth strategy, including the Sterling integration. Moreover, we wanted to strengthen our capital base in general as we needed a strong capital base to support the major expansion of activities that was taking place. The preparation and completion of the IPO was obviously a key event for the company in the past financial year, and many questions have been asked and critical comments have been made regarding the timing, the terms and conditions and other issues. I would like to make it clear that it was the right and necessary decision at the time in order to secure the future operations of the company. The decision was made based on advice from Danish and international advisers and it was completed with the assistance of a highly reputed investment bank.

The subsequent comments on the IPO mainly concerned the two profit warnings we have unfortunately had to issue since the IPO. In late 2009, market conditions changed significantly, in particular in Denmark, in the aftermath of the general financial downturn. It was surely not a good start for a newly listed company, especially because the changes were due to external factors beyond Cimber's control.

Market trends

During the winter of the 2009/10 financial year, Cimber Sterling faced the same market situation as the rest of the airline industry, namely:

Passenger numbers grew, but the growth fell short of expectations. The financial crisis continued to affect the level of travel activity in the business segment. Moreover, extraordinary events such as the unusually severe winter weather and the ash cloud resulted in significant drops in the level of activity we had expected.

Our profitability dropped as a consequence of the lower number of business passengers and the greater focus on lower fares in all segments.

Price competition intensified. New players in the market and surplus capacity were decisive factors in Denmark. The price competition affected both fares and the number of passengers on Cimber Sterling's flights.

Cimber Sterling carried 1.63 million own passengers in 2009/10, a 57% increase from the passenger number of 1.04 million in 2008/09. The main reason for this improvement was the growth in the leisure segment. The average fare per passenger kilometre dropped 53%. Again, the primary explanation was leisure production which accounted for 66% of the decline. Finally, revenue per available seat kilometre – RASK – was down 35%. Leisure traffic accounted for 47% of this decline. We did expect declines, but not these dimensions.

If we look towards the future, there is every indication that the number of passengers will continue to grow. The question is by how much, and what will the split be between business and leisure travellers. Furthermore, we must expect the price competition to continue unabated. We want to generate growth, but only profitable growth, and we can only achieve profitability by actively turning all handles to control the various parameters.

Special factors

As I mentioned in my introduction, Cimber Sterling's situation was further complicated by two special factors which adversely affected the number of passengers, average fares, and our results of operations and liquidity.

Winter

Fortunately, winter continues to fall during the winter period, but as you know the winter of 2009/10 was the most severe in 15 years. This led to an incredible number of flight cancellations, resulting in lower revenue, extra costs for aircraft maintenance, de-icing and accommodation of stranded passengers. To this should be added that many passengers presumably postponed or cancelled their travel plans or used other modes of transport due to fears of flight delays and cancellations. We determined the aggregate negative impact to be approximately DKK 10 million.

Ash cloud

When the winter was over at long last and the aviation industry finally felt that spring was coming, we were hit by the consequential effects of the Icelandic ash cloud in April 2010. We experienced a situation that no one had predicted or was able to predict: a total airspace closure of a duration and scope not seen since World War II. Cimber Sterling's employees handled the situation efficiently and professionally. And our customers, business partners and the politicians have praised the efforts and commitment shown by our company and employees during the airspace closure. We are pleased that we were able to make aircraft and pilots available for a test flight for the regulatory authorities, thereby contributing the facts that were decisive when the regulatory authorities decided to reopen Danish airspace.

Within the EU alone, 67,000 flights were cancelled and 5.5 million passengers were affected by the situation. The losses incurred by European airlines as a result of this force-majeure situation totalled close to DKK 20 billion. For Cimber Sterling, we have determined the negative impact on our results of operations in 2009/10 alone to be DKK 47 million.

Airlines such as Cimber Sterling were particularly hard hit for several reasons. Our geographic location meant that we were right in the eye of the storm – or rather of the ash cloud. Moreover, unlike some airlines, Cimber

Sterling elected to comply with all applicable rules and not disregard passenger rights. The sad situation, now months after the ash cloud hit us, is that the players in the airline industry who did not comply with the rules regarding payment of passenger expenses came out of the crisis in much better shape than airlines like Cimber Sterling. We elected to treat our passengers decently, but the effect was that our results of operations and liquidity were hit much harder. And the effects of the ash cloud are unfortunately also seen in the current financial year.

Right from the beginning of the situation, Cimber Sterling started up a dialogue with the other players in the aviation industry, the political decision makers and the regulatory authorities. This was done partly to make knowledge available that could remedy the situation for everybody and partly to ensure that the government would provide assistance to the airlines affected by the situation and facing a very large, extraordinary bill due to the airspace closure and the highly burdensome EU rules. The rules on airline obligations did not take into account a situation such as the one we experienced this spring, which resulted in a disproportionately heavy and unreasonable burden on airlines like Cimber Sterling.

Odin and Thor

We have initiated the project programmes Odin and Thor, which will have an aggregate effect of approximately DKK 140 million when fully rolled out in 2010/11. Thor, the cost-saving initiative, included agreements to reduce staff costs by 10%. In that connection, I would like to thank our staff for their strong support for enhancing our company's overall competitive strength. The fees and compensation to the members of the Board of Directors and the Executive Board have also been reduced. Moreover, Odin, the sales-promoting initiative, included the introduction of a new price policy for in-flight service, baggage and seat selection. As already mentioned, the combined EBIT effect for 2010/11 of the Odin and Thor programmes will be in the region of DKK 140 million, and the programmes are following our plans.

Routes

A change in our range of destinations is the key element of our "back in black" strategy. The route network has been expanded to include a number of new and unique destinations which will strengthen our earnings over time, whereas unprofitable routes have been closed down. Cimber Sterling continuously adapts its product to the market situation, and during the past year, we added 46 routes to our route network, and the number of frequencies was increased on a number of key routes, especially our important domestic routes. The prioritisation of the route network resulted in a 57% year-on-year improvement in the number of own passengers in 2009/10, and we will continue to expand our offering with new destinations and frequencies.

To this should be added our focus on flight optimisation. We have implemented efficiency improvements of our fleet utilisation in the expanded route programme to the effect that we produce more with each aircraft.

In our fuel-saving programme, we are aiming to reduce our annual fuel consumption by 7% for our ATR aircraft and by 2% for our Boeing-737s and CRJs. This will result in substantial cost savings. Moreover, the fuel-saving programme will reduce our CO2 emissions, which will be taxed when the new EU CO2 quota system comes into force in 2013. Cimber Sterling's documented emissions in 2010 and 2011 will determine how many quotas will be allotted to us over time.

Communications

Many views on and considerations regarding Cimber Sterling have been and are continuously being expressed. Some of them have been highly critical but fair, others have been less than fair and have not been based on actual facts. We can simply ascertain that we have received very great attention and interest, which is to be expected, given our position and base in Denmark, our recent IPO and the resulting greater awareness of our company and, of course, also due to the unfortunate affair with the "Donald Duck tickets" last winter.

We are determined to honour this increased interest. Cimber Sterling therefore gives priority to maintaining openness and facilitating dialogue with our stakeholders and society in general. We are committed to participating in looking after the interests of our industry, and we have strengthened our focus on communications and our dialogue with our large number of stakeholders such as journalists and analysts, business partners, customers and not least our shareholders.

Operating performance in 2009/10

Our financial performance for 2009/10 will be reviewed by Jacob Krogsgaard, and I will therefore just mention a few highlights here. From 2008/09 to 2009/10, revenue grew by 20% from DKK 1,298 million to DKK 1,551 million. EBIT for 2009/10 was a loss of DKK 197 million before special items affecting earnings of DKK 98 million. As previously stated, this performance was highly unsatisfactory and significantly worse than expected at the beginning of the financial year. On page 18 is a review of forecasts compared with actual results. Against that background, the Board of Directors obviously recommends that no dividends be declared in respect of the financial year.

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2010/11 and the future

For 2010/11, Cimber Sterling expects revenue growth of 29% to approximately DKK 2 billion. AT the beginning of the financial year in May 2010 we forecast EBIT to be at the level of approximately +/- DKK 30 million before the effects on EBIT of changes in the DKK/USD exchange rate and the price of fuel after 1 May.

The forecasts are based on the following:

- Growth in the number of passengers of about 42%.
- A fall in the average fare per passenger kilometre – the yield – by 0.05.

Before we released our financial statements in early July, both the DKK/USD exchange rate and the fuel price had moved in directions that were unfavourable to Cimber, which resulted in a change of our EBIT forecast to a loss in the range of DKK 20 to DKK 80 million. Since then, the USD has fallen back, which is favourable for Cimber, but it is still highly volatile. On the other hand, the price of fuel has gone up. This forecast is subject to substantial sensitivity, and a change in the average fare per passenger kilometre by 1 percentage point would have a nominal effect on our results of operations of DKK 18 million, while a 5% change in the fuel price would have a nominal effect of DKK 16 million. The assumptions are stated on page 5 of the annual report, and the sensitivity is stated on page 11.

The traffic figures for June and July indicated a trend of continuing strong growth in passenger numbers, and it was the 14th consecutive month of double-digit growth in the domestic segment. The most important factor to Cimber Sterling is not how many passengers we carry, but how many passengers we carry at a given fare. And competition remains very aggressive. There is every indication that we will continue to see examples of tickets extensively being offered at below cost. Cimber Sterling is unwilling and unable to compete on these terms, but we intend to adapt and we remain convinced that, in the longer term, network carriers with a low cost base will be the winners, and that the number of frequencies is important to business passengers and others.

Incentives

One thing has been in great focus in connection with our annual report and the forecasts for the new year, namely the proposed changes to our general guidelines for incentive pay, i.e. bonus. Let us start with the current year. The members of the Executive Board receive low but fixed salaries. No bonus will be paid out if it is not based on the two profitability programmes, “back in black” and “profitable growth”. This ensures complete alignment of the interest of the Executive Board with those of the shareholders. And management has shown complete solidarity with the employees by accepting reductions of their personal salaries.

The bonus paid out in the 2009/10 financial year has been agreed as part of the IPO. The bonus to the CEO stated in note 5 on page 62 of the annual report solely relates to an old agreement between him and the original shareholders of the company and it is included in the annual report as it was also disclosed in the offering circular.

Employees, Executive Board and Board of Directors

I would like to thank the employees for their great loyalty and work for the company during a difficult period.

In the course of the financial year, we successfully established a broad and competent Executive Board which has helped bring the company back on track thanks to the members' drive and execution ability. Both the Odin and Thor programmes and the new "back in black" programme are exciting and realisable programmes which the Board of Directors is confident will be implemented with the necessary robustness. I would like to thank the current four members of the Executive Board as well as Jørgen Nielsen who resigned from his position after having been the CEO of the company for many years.

As to the Board of Directors, I would just like to compliment you all for your high level of activity and energy as well as your preparedness to respond, no matter when the Executive Board or others call on you.

As already announced, the Board of Directors has recommended that Christian Nielsen be elected as a new member of the Board of Directors. We believe Christian is the right type of person for the work that lies ahead. Moreover, the Board recommends that the other members of the existing Board of Directors be reelected, except for myself as I have decided, for personal reasons, not to offer myself for reelection. I have recommended to the Board of Directors that Vilhelm Hahn Petersen be elected Chairman of the Board, a very good choice. In addition to generally being highly competent, he has extensive knowledge about aviation and great insight in the industry. Furthermore, he has been a member of Cimber Sterling's Board of Directors for a number of years.

Conclusion

This year, Cimber Sterling Group A/S has existed for 60 years – a stormy year for Cimber and aviation in general. I and the entire Board of Directors are convinced that, with our competent and committed staff and competent Executive Board, the years ahead will be good.

Thank you.

This Announcement has been prepared in Danish and translated into English. In the event of any discrepancy between the Danish Announcement and the English translation, the Danish Announcement shall prevail.

Cimber Sterling is a Danish-based airline with more than 850 employees, offices at five Danish airports and a fleet of 26 large and small aircraft. Cimber Sterling operates more than 1,000 flights per week and carries some 2.4 million leisure and business passengers per year. In addition to flights to domestic and holiday destinations and to a number of selected European destinations, Cimber Sterling is engaged in aircraft maintenance, development and sale of software for logistics relating to aircraft maintenance, and leasing of aircraft on wet and dry leases. For more information, go to cimber.dk