

Announcement no. 14 – 2011/12
29 July 2011

Chairman's presentation at the Extraordinary General Meeting of Cimber Sterling Group A/S on Friday, 29 July 2011

Dear shareholders,

Here we are again. This time, we are here to ask you to adopt a resolution on a capital increase directed at Mansvell Enterprises Ltd., with whom we have signed an agreement regarding the subscription for 110,500,000 new shares in Cimber Sterling against the payment of DKK 167 million. This will mean, that if the resolution is adopted, Mansvell will be the majority shareholder of Cimber Sterling and will hold up to 70% of the company's shares.

It has been only about 50 days since we last met to discuss a potential capital increase in Cimber Sterling. It has been 50 days of hard work for a number of people at and around Cimber Sterling, and it has also been a period of great media attention on our company. This is necessarily how it must be when the realm is in want of money, and the company's future as a going concern depends on a major contribution of capital to the company.

When we last met on 8 June, I informed the shareholders in general meeting that the Board of Directors had launched a two-stage rocket in order to obtain capital to secure the company's market position and future operations.

First, we asked the shareholders in general meeting to authorize the issuance of new shares and warrants to GEM. As you will remember, this was approved on 8 June. But I concurrently indicated quite clearly that the GEM agreement could not stand alone, and that further capitalization of Cimber Sterling in a more fundamental and forward-looking manner would be required.

Cimber Sterling needed – and still needs – a business partner who can provide an immediate capital contribution to the company and who can, either immediately or in the longer term, make the company an active participant in a consolidation of the airline industry. In other words, we had realized that we needed a new principal shareholder who would be able to strengthen Cimber Sterling financially and, preferably, also in terms of market position.

Since April, we have therefore held talks with a number of different potential industrial investors, one of them being Mansvell. From the start, we had two main priorities in the process: (i) to secure the best possible future potential for Cimber Sterling, and thus secure the values and the greatest possible number of jobs in the company; and (ii) to enter into an agreement within the time horizon essential to Cimber Sterling in view of the company's financial position.

After a number of explorations, it soon turned out that Mansvell was one of the potential investors who we believed could best meet our two main requirements. Mansvell indicated early in the process that they wanted to maintain Cimber Sterling as a listed company, that they wanted to subscribe for new shares and, thereby, as far as possible, keep the existing shareholders in the company, and that they wanted to use Cimber Sterling as a platform for establishing a larger Nordic airline in collaboration with the two Swedish-based airlines, Skyways and City Airline, already taken over by Mansvell. Finally, Mansvell also proved to be prepared to work according to the timetable that was necessary in order to successfully land the agreement.

After a number of negotiations on the terms of the agreement, including the subscription price for the new shares, we signed a non-binding term sheet with Mansvell Enterprises on 15 June.

After an intensive process during which Mansvell conducted thorough due diligence of the company, our financial position, budgets, contracts, etc., we signed an agreement regarding Mansvell's investment in Cimber Sterling on 7 July. This agreement implies that Mansvell after meeting the conditions of the agreement must subscribe for 110.5 million new shares at DKK 1.50 per share, equivalent to a total investment of just over DKK 167 million.

I will revert to the details of the agreement later on. But first, I would like to give you some information on Mansvell Enterprises and their intentions behind the investment in Cimber Sterling.

Mansvell is a Cypriot-based company and also the holding company of Swedish-based airlines Skyways and, through that company, also of City Airlines. Mansvell's principal shareholder is Igor Kolomoysky, who also holds interests in Ukrainian aviation through interests in companies such as Aerosvit and Dniproavia, and who is also the principal shareholder of a number of Portuguese-based leasing companies.

The strategy behind Mansvell's investment in Cimber Sterling is to consolidate, in the longer term, a number of regional players in the Nordic market and thereby, in the longer term, to establish a significant, Nordic-based airline [*based on Cimber Sterling's listed company*]. Through the ownership of Skyways, City Airlines

and Cimber Sterling, Mansvell will gain a strong position within regional traffic, i.e. domestic traffic and routes between the Nordic countries, especially in Denmark and Sweden, where it will become the absolutely largest player. In addition, Mansvell will use this platform to serve other European destinations.

This position will make Mansvell, and the individual companies in the group, attractive business partners for other airlines and will, in the longer term, also create a number of synergies among the companies that will potentially reduce costs, e.g. through a consolidation of aircraft types, economies of scale in procurement, and by strengthening the market position. According to our information, Mansvell has not yet decided whether the three airlines will be merged, but the advantages and disadvantages thereof will be evaluated during the next few months.

The collaboration with the group's leasing companies is also expected to provide opportunities for Cimber Sterling in connection with a future streamlining of the fleet.

Overall, the Board of Directors considers Mansvell an attractive business partner for Cimber Sterling both from a financial and industrial point of view.

It has of course been crucial in the Board's selection of a partner to obtain the best possible contract terms for Cimber Sterling's shareholders and other stakeholders – making due allowance for the company's financial position and the immediate need for additional cash.

As mentioned earlier, Mansvell has committed to subscribe for approximately 110 million new shares at DKK 1.50 per share under the agreement after today's general meeting, which will result in a capital contribution of approximately DKK 167 million to Cimber Sterling. In view of the company's financial position, the Board of Directors considers this an attractive and fair offer as, first and foremost, it secures shareholder values and concurrently provides an opportunity for shareholders to achieve potential future gains as, according to our information, Mansvell intends to maintain the company's listing.

The agreement is subject to a number of elements, all of which are now in place. These elements include approval by the Norwegian competition authorities; approval by the Danish Public Transport Authority of the new majority shareholder; and approval by a number of our key contracting parties. Moreover, the agreement is subject to shareholder approval of a resolution to make a capital increase directed at Mansvell. And that is why we are here today.

If the shareholders in general meeting adopt the resolution today to issue the 110.5 million new shares to Mansvell, it is the intention that Mansvell shall subscribe for and pay for the new shares immediately after this EGM, so that we can finally close the agreement with Mansvell.

And we do not want to hide in any way that Cimber Sterling needs this contribution of capital. I explained most recently at the EGM 50 days ago how we are squeezed for cash, partly as a result of our lack of creditworthiness, resulting in demands for prepayments, guarantees and deposits and, altogether, very adverse terms of payments from our business partners.

The fact that Cimber Sterling is facing significant financial challenges in the very short term also appears from our annual report for 2010/11 released on 9 July, and also from the announcement we issued shortly before we entered into the agreement with Mansvell on 7 July.

For the second consecutive year, Cimber Sterling reported a loss in the region of DKK 200 million with the effect that the company's equity has been lost and that the company has great difficulties of paying its creditors and lenders in a timely manner. They have all been very patient with us and postponed payment dates again and again as they were confident we would be able to reach an agreement with an investor and, thus, obtain the capitalization the company needs.

Part of the proceeds from Mansvell will therefore be used to pay overdue creditors. Consequently, the agreement with Mansvell does not only serve the interests of our shareholders in the current situation, it will also serve to pay our overdue creditors.

As the company's financial situation has developed, our cash situation is very squeezed. Our creditors demand shorter and shorter terms of payment, airports demand higher and higher guarantees, credit card companies provide longer and longer payment terms, and our customers are offered bankruptcy insurance, with the effect to Cimber Sterling in the present situation that as much as 115% of the ticket price is deposited with the Danish Travel Guarantee Fund and not paid out to the company until the transport has been completed. All these factors contribute to maintaining Cimber in a cash squeeze, which is not a sustainable situation, neither in the short term, nor in the longer term.

Therefore, the proposed capital contribution from Mansvell is not only necessary for Cimber Sterling to survive in the short term, it is also crucial for our ability to obtain better terms of payment from our suppliers in the longer term.

So, we are convinced that, supported by the stronger capitalization and by Mansvell, we will be able to improve our terms with our suppliers, lenders and other business partners. And that is crucial to Cimber Sterling's ability to regain its competitiveness over the next few months and years.

We therefore definitely believe that the agreement with Mansvell is in the best interest of our shareholders, our many employees as well as our creditors. It would be very difficult for Cimber Sterling to survive as an independent airline without a strategic partner and, as the situation has developed, it is difficult for us to see an alternative to the agreement with Mansvell.

In addition to securing the crucial contribution of capital here and now, the ownership by Mansvell also offers a number of attractive perspectives, as I mentioned earlier in my report. With Mansvell, we are in the favourable situation that the partnership that is essential to our survival in the short term also represents a very attractive solution to our development potential in the longer term.

The alternative to approval of the subscription for new shares by Mansvell would in all likelihood be that the shareholder values would be lost and that Cimber Sterling would have to close down, with the loss of several hundred jobs as a consequence. This would certainly be a very unfortunate scenario.

We therefore ask the shareholders to approve the agreement with Mansvell by adopting the resolution to issue new shares to Mansvell on the terms stated in the notice convening this general meeting.

Finally, I would like to make some comments on Cimber Sterling's turbulent journey in the past couple of years, including the losses our shareholders have suffered by the fall of the price of our shares since our IPO.

Much has been said and written about Cimber Sterling's financial performance since the acquisition of the operations of Sterling and our subsequent IPO. Many people have made comments on the company's business model and strategy, and we have seen plenty of criticism as well as advice on which road we should follow.

Those are the conditions that follow from our decision to operate as an airline in the full blaze of publicity as a listed company with very highly unsatisfactory financial performance over a prolonged period of time.

The conditions for Cimber Sterling's performance have frankly been very harsh during the period. The financial crisis has raged and hit demand, while the supply of seat capacity has continued to increase in Cimber Sterling's near market. Even immediately after the IPO, Cimber Sterling had substantially less cash than our biggest competitors to withstand the effect of the falling travel activity and growing capacity in the market.

This naturally encouraged some of our competitors to adopt an aggressive strategy in their competition with Cimber Sterling in confidence that it would only be a matter of time before we had to give up. Well, Cimber Sterling is harder to kill than that, but this strategy undeniably almost killed us and, at any rate, the turbulent market conditions together with years of severe winter weather, an ash cloud and surging fuel costs, have hit us very hard, both financially and in terms of our cash position.

I don't want to claim that it is all due to aggressive competitors with fat wallets and to all sorts of trouble, and that we, the members of the Executive Board and the Board of Management, have not made any mistakes in our attempts to navigate through the difficulties. We must recognize that we have not been able to achieve the volume needed to profitably operate three different types of aircraft in three different market segments.

Cimber Sterling has a strong operational base, we have experience and competence to introduce new aircraft types, and we have generated substantial growth in the number of passengers carried over the past many years, especially since the acquisition of the activities of Sterling. But it is no good being competent at operating aircraft and generating growth if we can't make money doing it. And in spite of very hard efforts by everyone in the company, we have not been able to operate at a profit in the past two years, and that has had an adverse effect on the price of our shares. We cannot be – and we are not – satisfied with this performance.

All this said, we, the Executive Board and the Board of Directors, have to look ahead and work hard to find solutions. We have done so by investing in retaining our strong market position, especially on the Danish domestic market, and in a number of operational initiatives which we expect will provide a return in the current financial year. And we have done that by implementing the plan designed to secure the future of Cimber Sterling through a capital contribution and the support of a new principal shareholder who wants to give Cimber Sterling a leading role in the consolidation of regional air services.

Cimber Sterling has the market position and competencies and our employees have the skills and approach to the company that can make Cimber Sterling an important element in Mansvell's plans for the consolidation of the market. And we truly believe that Mansvell has the resources to successfully implement their plans.

And to the shareholders who, in spite of the company's turbulent journey, choose to maintain their shareholdings, this will hopefully mean that there will be an upside in the share price in the years ahead.

As I have said earlier, we are naturally not satisfied with our financial performance in recent years, but we are satisfied with the solution we are presenting to you our shareholders today, and we therefore ask you to support the agreement with Mansvell.

This announcement has been prepared in Danish and translated into English. In the event of any discrepancy between the Danish Announcement and the English version, 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 2.5 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.com