

Announcement no. 50 - 2011/12
24 April 2012

Chairman's report at Cimber Sterling's extraordinary general meeting held on 24 April 2012

Dear Shareholders,

We are almost at the end of Cimber Sterling's accounting year 2011/12 which ends next Monday on 30 April and this year has been another eventful and challenging year for Cimber Sterling.

Unfortunately, we found ourselves in a position in December 2011 when publishing the interim report for the 2nd quarter of 2011/12 that Cimber Sterling had lost more than half of its share capital. In such a situation under the Danish Companies Act the management is required to call for a general meeting and on such general meeting give a report of the company's financial position and any measures to be made to address such financial position.

And that is why we are here today.

I would like to make a couple of comments on the challenges we have been facing recently and give you a brief update on where Cimber Sterling stands today.

As you know Cimber Sterling got a new major shareholder in August last year when Mansvell Enterprises Ltd. decided to invest in Cimber Sterling. Cimber Sterling was suffering severely before the Mansvell investment and it was clear that the company needed a new strategic direction and a more robust capital base.

Thus, management and the board of directors has been working hard since August to identify and correct the main reasons for the continued deficits, including adjusting the traffic program, closing down unprofitable routes and implementing other cost-saving initiatives while at the same time preparing a new three year strategy.

This new strategy comprises a simplification of the business, streamlining the Cimber Sterling fleet and optimizing the route profitability by focusing sharply on the profitable and strategically important routes. Several initiatives designed to reduce costs have been initialized, and the ambition is to make Cimber Sterling the leading regional airline in the Nordic region in close cooperation with our sister company, Skyways.

We will be working more closely together with our Swedish sister company, Skyways, and we will be focusing our core business which is traffic in Denmark and Sweden and regional traffic to and from Scandinavia. The objective of the strategy is clear: We want to simplify our business, produce better quality and deliver on our promises. In other words, we need to refocus on some of the qualities that historically have been characteristic of our company, and we must achieve a number of economies of scale in cooperation with Skyways.

For some time, Cimber Sterling has not managed to provide the proper quality in its flight programme, and we have had too many cancellations. We must ensure that this is improved permanently.

As part of the new strategy we have chosen to focus on two regional aircraft types, a turbo-prop and a jet. This means that the Boeing aircraft will be phased out. Instead of the current three types of aircraft in Cimber Sterling, we will have only two regional aircraft types, both of which are more cost-efficient and can be used for both feed traffic to hubs and point-to-point scheduled business and leisure traffic to and from our home market. We believe that this should give us the best platform for operating a competitive and focused regional airline.

Unfortunately, this shift in strategy and our focus on the smaller aircraft types means that we have to say goodbye to a large number of valued employees as we communicated in a company announcement last week. It is always very regrettable to have to lay off personnel but we do believe that it will be for the better in the long term to narrow our focus to the regional aircraft and focus on the regional routes.

In order to properly address and handle our transformation process we have upgraded the manpower at management level with three executive officers as well as a chief legal officer, Alex Dyrgaard, and a chief operating officer, Jørgen Nielsen, both with a long Cimber history and valuable insight in our business and our affairs.

Furthermore, we have already implemented a new fuel surcharge increase on tickets sold since 1 April and we are analyzing the potential effects on further increasing ticket prices on the entire network. Additionally, we are continuously adjusting capacity to meet the future demand.

These are just a few of the initiatives designed to give Cimber Sterling a strong position going forward. With the new strategy, Cimber Sterling should be well positioned to increase its earnings and reduce its costs, so that the company can return to profitability again.

Despite the cost saving measures that we have initialized since August, the cash injection of DKK 165,750,000 made by our major shareholder in August was not sufficient for Cimber Sterling to absorb the continued losses from operations.

Thus, during the second half of 2011 the major shareholder Mansvell Enterprises Ltd. has lent approximately DKK 89 million to the company and most recently in March this year Mansvell has agreed to another conditional loan facility of DKK 150 million divided into several tranches of which DKK 50 million have already been provided to the company.

As we reported in our interim report for the 3rd quarter 2011/12 which was published a little over a month ago on 14 March we have already been able to see the first effects of our new strategy in all our three areas of focus in Q3 2011/12 which was:

- *Domestic traffic in Denmark and Sweden and regional traffic to and from Scandinavia* were the areas we defined as our core business, and we have followed up on this by launching new services to Växjö and Stockholm.
- *Harmonization and streamlining of the fleet* has been accelerated through the conditional framework agreement we signed with Jet Time to take over some of our Boeing aircraft.
- *Adjustment of the route network and a resulting improvement of the route economy* can now be documented through our improved performance indicators such as the load factor, RASK and CASK.

The performance in Q3 2011/12 was in line with our expectations. We clearly improved our performance, which demonstrated that we are on the right course, but we have not reached our goal until we are profitable and generate returns to our shareholders.

As a result of our new ownership setup and the opportunities that arise in that connection, Cimber Air Data A/S recently sold its Amicos aircraft maintenance and MRO system together with support services to four Ukrainian Airlines with combined fleet of 70 aircraft. And we see other significant opportunities for diversified sales in Eastern Europe.

This brings us to up to the present time and the current financial position of Cimber Sterling.

The guidance for the full year as we previously reported is retained: consolidated revenue of DKK 2.0 billion and an EBIT loss in the range of DKK 160-200 million.

As at end of Q3 2012, equity was negative in the amount of DKK 82.5 million.

While the combination of improved revenues, reduced costs and the loans extended by Mansvell has improved Cimber Sterling liquidity the effect is not immediately sufficient to recover the equity position. Management has considered how the equity position is best addressed and has discussed this with the major shareholder. It is a clear goal for management to improve Cimber Sterling's equity position before the end of 2012 and this is intended to be achieved by way of a combination of conversion of debt and in the longer term from improved earnings from operations as a result of the new strategy.

With the proposed authorization management has the flexibility to structure the recapitalization in the most suitable way.

On this basis the board of directors has proposed that the shareholders grant the board authority to increase the share capital by up to DKK 300 million by conversion of debt.

For additional information, please see the attached or contact:

Gregory Gurtovoy, CEO
Tel.: +45 60 29 26 26
E-mail: ir@cimber.dk

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.