

# SAS buoyed by lessor support

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Scandinavian Airlines (SAS) says it has made "solid progress" in negotiations with lessors as part of its court-supervised restructuring process and that it is around 80-90% of the way through concluding negotiations with lessor partners.

"We're very happy to see the support from the lessor group. It is vital we maintain those relationships," SAS chief executive officer Anko van der Werff comments during an earnings call.

To date the company has reached agreements with 13 lessors for 46 aircraft.

He notes that widebody demand continues to struggle, especially for the Asia markets, indicating that more widebody rejections may occur.

"The need for some widebodies is simply not there, and so we have been able to reject some widebodies to that end."

During the August-October period, SAS rejected lease contracts on one Airbus A350-900, one Boeing 737-700, and three A321-200 aircraft. All of these lease contract rejections have been approved by the US court.

The airline will take delivery of 15 A320neos in fiscal-year 2023 and resume widebody A350-900 deliveries in FY2024, with units currently scheduled to be handed over to SAS.

The carrier recently reached an agreement with Bocomm Leasing to amend the terms of existing aircraft leases for three A330-300s built between 2015 and 2016 that were previously flagged for rejection from the SAS fleet, *Airfinance Journal* [reported](#) earlier this month.

## Currency headwinds

SAS reported a pre-tax loss of SEK1.7 billion for the fourth quarter of 2022, widening from a SEK945 million loss in the same period of 2021. In total, currency effects and revaluations of lease liabilities had a net negative impact of SEK1.2 billion on pre-tax income, SAS stated, highlighting the importance of restructuring leases.

"The US dollar has been a strong lever in driving up lease liabilities on our books, but it works the other way around as well," says chief financial officer Erno Hilden. "Lease liabilities and lease costs are US dollar-denominated, so any reductions we get will be worth more in kroners now that the dollar is so strong."

On 31 October 2022, interest-bearing liabilities amounted to SEK45.5 billion, an increase of SEK12.6 billion compared with 12 months prior.

Van der Werff goes on to say that the completion of the carrier's restructuring plan is vital in order to compete with low-cost airlines.

"We know the market is changing... based on our results for the year and the fourth quarter, it is clear that we are still loss-making and that we need to complete our transformation process to be a healthy company able to compete with low-cost carriers.

"We are not there yet but with all the elements of the SAS Forward plan, the DIP financing signed, pilot agreements and Norway cabin crew agreements, as well as all the lessor agreements, we are on our way to becoming a healthy airline and being able to grow again," Van der Werff continues.

The carrier is targeting an exit from Chapter 11 during the second half of the fiscal year 2023, between May and October next year but warns further legal action may arise post-restructuring.

"We have been very clear that we would always need one or more court-supervised processes to get to the other side of the restructuring plan, the implementation of which is likely to entail additional legal proceedings in other jurisdictions other than in the United States," Van der Werff continues.

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