

EXTRAORDINARY GENERAL MEETING OF SAS AB (PUBL) 10 JANUARY 2024

The Board's proposals on approvals of unilateral commitments towards the Kingdom of Denmark and the Kingdom of Sweden (items 7-8)

Background and reasons

In 2020, the Kingdom of Denmark and the Kingdom of Sweden (each a "State" and together the "States") participated in the recapitalisation of SAS through a subscription for hybrid notes issued by the Company (the "State Hybrid Notes Investments") and common shares in the Company (the "Share Investments" and, together with the State Hybrid Notes Investments, the "2020 Investments"). The 2020 Investments were approved by the European Commission (the "Commission") as compatible State aid under the Temporary Framework for State aid measures to support the economy in the COVID-19 outbreak (the "Temporary Framework"). However, in May 2023, the EU General Court held, following a third party challenge, that the Commission had erred in its initial approval decision by not requiring the States to include a "step-up mechanism", as required by the Temporary Framework, in relation to the Share Investments. As a consequence, the Commission's initial approval of the 2020 Investments was annulled, i.e. both in relation to the State Hybrid Notes Investments and the Share Investments.

On 29 November 2023, the Commission once again approved the 2020 Investments as compatible State aid under the Temporary Framework, subject to the introduction of a step-up mechanism in relation to the Share Investments within two months of the Commission's approval. The contemplated arrangements, as further described below, (the "Supplementary Step-up Mechanism"), have been carefully considered in order to find a mechanism that is acceptable to the States, compatible with the Temporary Framework, and possible to carry out under Swedish corporate law.

Under Chapter 16 a, section 7 of the Swedish Companies Act (2005:551), significant transactions between listed companies and their related parties, including shareholders holding more than 20% of a company's shares, must be submitted to the general

meeting for approval (unless certain exemptions are applicable). Consequently, the Board hereby proposes that the Extraordinary General Meeting resolves to approve (i) SAS' unilateral commitment towards the Kingdom of Denmark and (ii) SAS' unilateral commitment towards the Kingdom of Sweden, respectively, to effect the Supplementary Step-up Mechanism, and submits this joint report pursuant to Chapter 16 a, section 7 of the Swedish Companies Act.

Subject to the Extraordinary General Meeting's approval under agenda items 7 and 8, SAS intends to enter into the unilateral commitments towards the Kingdom of Denmark and the Kingdom of Sweden, respectively, on 11 January 2024.

Absent requisite shareholder approval, the contemplated Supplementary Step-up Mechanism may not be implemented and, as a consequence, SAS would not be able to rely on the Commission's approval from 29 November 2023. As a result, SAS may ultimately be required to repay all State aid provided by the States as part of the 2020 Investments in the aggregate amount of approximately SEK 9.5 billion, along with interest on such amount.

Description of the Supplementary Step-up Mechanism

The Supplementary Step-up Mechanism entails unilateral commitments from SAS to implement a "step-up" in relation to the Share Investments through the issuance of new hybrid notes ("New State Hybrid Notes") to the States without any consideration under certain conditions.

The step-up will be triggered if the portion of the relevant State's shareholdings related to the Share Investments in excess of such State's pro rata portion immediately prior to the Share Investments (the "Recapitalisation Shareholding")¹ has not been reduced by a certain percentage on specified dates, as set out below:

- *Firstly*, a step-up will be triggered if the relevant State's Recapitalisation Shareholding has not been reduced by at least 40% on 26 October 2024.

¹ The Kingdom of Denmark's and the Kingdom of Sweden's respective Recapitalisation Shareholdings correspond to 1,039,542,124 common shares and 1,017,296,144 common shares (based on the States' current shareholdings of 1,584,296,144 common shares each and their respective shareholdings prior to the 2020 Share Investments (but after the States' pro rata participation in SAS' rights issue 2020) of 544,754,020 common shares and 567,000,000 common shares, respectively).

- *Secondly*, an additional step-up will be triggered if the relevant State's Recapitalisation Shareholding has not been fully reduced on 26 October 2026.

Provided that a step-up is triggered, New State Hybrid Notes will be issued to the relevant State in a principal amount corresponding to 10% of the portion of such State's Recapitalisation Shareholding *still remaining at the time of the step-up*, multiplied by the higher of (i) SEK 1.16 (being the share subscription price for the Share Investments in 2020) or (ii) the volume-weighted average price paid for the common shares on Nasdaq Stockholm during a period of 20 trading days immediately preceding the fifth trading day prior to the step-up date.²

Assuming (i) that the States' respective Recapitalisation Shareholdings do not change prior to 26 October 2026 and (ii) that the share price of the Company's shares does not exceed SEK 1.16, the Supplementary Step-up Mechanism would be triggered on both step-up dates and the undertakings would entail the issuance of New State Hybrid Notes in a total principal amount of SEK 241,173,773 to the Kingdom of Denmark and SEK 236,012,705 to the Kingdom of Sweden (corresponding to an aggregate amount of SEK 477,186,478 to the States).

Terms and conditions of the New State Hybrid Notes

New State Hybrid Notes issued under the Supplementary Step-up Mechanism will mirror the SEK perpetual subordinated capital securities (ISIN SE0014958005) subscribed for by both States (in equal amounts) as part of the State Hybrid Notes Investments with respect to ranking, accounting treatment, and remuneration. Accordingly, any New State Hybrid Notes will be subordinated, accounted for as equity, and be subject to a floating interest rate of 6M STIBOR with an initial annual coupon margin of 590 basis points, increasing to 790 basis points on the first anniversary after the issuance of the New State Hybrid Notes and to 1,040 basis points on the third anniversary.

Related party transactions

Currently, the Kingdom of Denmark and the Kingdom of Sweden each hold approximately 21.8% of the votes and common shares in the Company and are, therefore, considered related parties to the Company pursuant to Chapter 16 a, section 3 of the Swedish Companies Act, which applies to Swedish listed companies. Consequently, and taking into account the value of each of the transactions, SAS' unilateral commitments to effect the Supplementary Step-up Mechanism towards each of the States must be submitted to the general meeting of the Company for approval.

Proposal on approval of unilateral commitment towards the Kingdom of Denmark (item 7)

The Board proposes that the Extraordinary General Meeting approves that SAS enters into the unilateral commitment towards the Kingdom of Denmark to effect the Supplementary Step-up Mechanism.

Majority requirement

A resolution in accordance with the Board's proposal under item 7 requires that shareholders representing more than half of the votes cast are in favour of the proposal, without taking into consideration the shares and votes held, directly or indirectly, by the Kingdom of Denmark.

Proposal on approval of unilateral commitment towards the Kingdom of Sweden (item 8)

The Board proposes that the Extraordinary General Meeting approves that SAS enters into the unilateral commitment towards the Kingdom of Sweden to effect the Supplementary Step-up Mechanism.

Majority requirement

A resolution in accordance with the Board's proposal under item 8 requires that shareholders representing more than half of the votes cast are in favour of the proposal, without taking into consideration the shares and votes held, directly or indirectly, by the Kingdom of Sweden.

² In each case the principal amount of the New State Hybrid Notes could be adjusted to account for the expected future coupons of the New State Hybrid Notes, discounted at an appropriate interest rate reflecting the terms and conditions of the New State Hybrid Notes and the credit risk of SAS at the time of the step-up.