

## NOTICE OF NOTEHOLDERS' MEETING – REQUEST OF APPROVAL OF MANDATORY CONVERSION OF NOTES

**THIS NOTICE IS IMPORTANT AND REQUIRES THE IMMEDIATE ATTENTION OF NOTEHOLDERS. IF NOTEHOLDERS ARE IN ANY DOUBT AS TO THE ACTION THEY SHOULD TAKE, THEY SHOULD CONSULT THEIR OWN INDEPENDENT PROFESSIONAL ADVISERS, INCLUDING IN RESPECT OF TAX CONSEQUENCES.**

### **SAS AB (publ)**

*(incorporated with limited liability in Sweden with registered number 556606-8499)*  
(the “Issuer”)

14 August 2020

**Notice of noteholders’ meeting (the “Meeting”) to the noteholders of the SEK 1,500,000,000 subordinated perpetual floating rate callable capital securities (ISIN SE0012193910) issued by the Issuer (the “Notes”)**

*Capitalised terms not otherwise defined in this notice shall have the meaning given to them in the terms and conditions for the Notes dated 17 October 2019 (the “Terms and Conditions”). References to clauses and paragraphs are references to clauses and paragraphs of the Terms and Conditions.*

**This notice of a noteholders’ meeting on 2 September 2020 has been sent on 14 August 2020 to noteholders directly registered in the debt register (Sw. *skuldbok*) kept by Euroclear Sweden AB (“Euroclear”). If you are an authorised nominee under the Swedish Financial Instruments Accounts Act (Sw. *lag (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument*) or if you otherwise are holding Notes on behalf of someone else on a securities account (i.e. an account for dematerialised securities maintained by Euroclear pursuant to the Financial Instruments Account Act), please forward this notice to the holder you represent as soon as possible. For further information, please see below under Section 5 (*Summons*).**

At the request of the Issuer, Intertrust (Sweden) AB (the “Agent”), acting in its capacity as agent for and on behalf of the Noteholders under the Terms and Conditions, hereby convenes the Noteholders to the Meeting for the purpose of considering and, if thought fit, passing an extraordinary resolution pursuant to which the Notes shall be converted to shares in the Issuer.

If the extraordinary resolution regarding the mandatory conversion of Notes are approved at the Meeting (or at any Second Meeting (as defined below)), the conversion will be made upon the satisfaction of the conditions for completion set out in Section 2.3 (*Conditions for completion*). The proposals to approve the mandatory conversion of Notes are described below under the section “*Proposals*”.

**The Meeting will take place at 13:00 (CEST) on 2 September 2020, at the offices of the Agent at Sveavägen 9, Stockholm, Sweden. Registration will start at 12:30 (CEST).**

Noteholders who are duly registered as a Noteholder on 21 August 2020 can participate in the Meeting by authorising the Agent to vote on your behalf by completing and sending the voting form and power of attorney, attached hereto as Schedule 1 (the “**Voting Form and PoA**”).

Noteholders may alternatively attend the Meeting in person or by proxy, a form of which is attached hereto as Schedule 2 (the “**Proxy**”). However, due to COVID-19, Noteholders are

strongly encouraged to participate by executing and submitting the Voting Form and PoA rather than attending the Meeting in person or by proxy.

Noteholders that intend to attend the Meeting in person or by proxy should notify the Agent that they will attend the Meeting no later than on 12:00 (CEST) on 1 September 2020 either by regular mail, courier or e-mail to the Agent using the contact details set out in Section 5.6 (*Address for sending replies*) below.

The Agent must receive the Voting Form and PoA no later than 12:00 (CEST) on 1 September 2020 either by regular mail, courier or e-mail to the Agent using the contact details set out in Section 5.6 (*Address for sending replies*) below. Voting Form and PoAs received thereafter may be disregarded. To be eligible to participate in the Meeting, a person must meet the criteria for being a Noteholder on 21 August 2020 (the “**Voting Record Date**”). This means that the person must be either registered on a securities account (Sw. *avstämningskonto*) with the CSD (being Euroclear Sweden AB), as a direct registered owner (Sw. *direktregistrerad ägare*) (“**Direct Registered Owner**”) or be registered as an authorised nominee (Sw. *förvaltare*) (“**Nominee**”) with respect to one or several Notes.

In addition, Noteholders may be required to take certain actions in order to be eligible to attend the Meeting. For further information regarding who is eligible to participate and the steps that may need to be taken to participate, please see the sections “*Voting Procedure*” and “*Notification of Participation in the Meeting Required*” below.

If, among other things, the quorum requirement described in this Notice is met and the Proposals are approved in accordance with the Meeting, the Issuer will instruct Skandinaviska Enskilda Banken AB (publ) in its capacity as paying agent (the “**Paying Agent**”) to pay an Early Bird Fee (as defined in Section 3 (*Early Bird Fee*)) to eligible Noteholders as of the Record Date that have provided irrevocable Voting Form and PoAs to the Agent no later than 12:00 CEST on 26 August 2020 (the “**Early Bird Deadline**”). For the avoidance of doubt, also Noteholders voting against the Proposal are eligible to receive the Early Bird Fee.

Noteholders that (i) vote but whose Voting Form and PoA is not received by the Agent before the Early Bird Deadline, or (ii) otherwise fail to vote will not be eligible to receive the Early Bird Fee. Please see the Section 3 (*Early Bird Fee*) below for further information about the Early Bird Fee and conditions applicable to the payment thereof.

Please note that in order to receive the Early Bird Fee, you as a Noteholder may need to take prompt action taking into account the early deadlines that may be applied by your Nominee or other intermediary, if any.

Notwithstanding anything to the contrary contained herein or in any other document related to the Proposals (as defined below), the Issuer reserves the right, in its sole discretion, to cancel or postpone the Meeting.

*The information in this notice (including enclosures) is provided by the Issuer, and the Agent expressly disclaims all liability whatsoever related to the content of this notice and the Proposals (as defined below).*

## 1. BACKGROUND

The Issuer announced on 30 June 2020 a recapitalization plan to tackle the expected effects of the COVID-19 pandemic (the “**Initial Recapitalization Plan**”). Following the announcement on 7 August 2020 regarding that the Issuer has reached an agreement in principle with holders of the existing hybrid notes and bonds, the Board of Directors of the Issuer has decided to amend parts of the Initial Recapitalization Plan, including the time plan for the implementation, and has therefore approved a revised recapitalization plan (the “**Revised Recapitalization Plan**”). The Revised Recapitalization Plan is supported by the Issuer’s two largest shareholders, the governments of Sweden and Denmark (jointly the “**Major Shareholders**”), and the third largest shareholder, the Knut and Alice Wallenberg Foundation (“**KAW**”).

As set out in the Issuer’s announcement on 7 August 2020, the revision of the recapitalization plan includes (a) revised conversion terms for the Notes and (b) an amendment regarding the conversion of the senior unsecured fixed rate notes due 2022 (ISIN SE0010520338) issued by the Issuer and guaranteed by Scandinavian Airlines System Denmark – Norway – Sweden pursuant to terms and conditions 20 November 2017 as amended and restated by an amendment and restatement agreement dated 4 June 2018 (the “**Bonds**”) now to be converted into new commercial hybrid notes or common shares at the option of the bondholder pursuant to a separate offer to the holders of the Bonds. Holders of 53.25% of the Notes and holders of 41.51% of the Bonds have to the noteholders’ committee led by Spiltan Fonder expressed their support for the agreement in principle.

An additional revision of the recapitalization plan announced on 7 August 2020 is an increase of the interest rate by 90 bps per annum for the new MSEK 6,000 state hybrid notes that the Issuer proposes to issue to the Major Shareholders. The other components of the Initial Recapitalization Plan, including the business plan, the rights issue and the directed issue of common shares to the Major Shareholders remain unchanged as set out in the announcement on 30 June 2020. The time plan for completion of the Revised Recapitalization Plan has however been extended as further set out below.

The Revised Recapitalization Plan remains subject to necessary general meeting approvals at an extraordinary general meeting scheduled to be held on or around 22 September 2020. The Major Shareholders’ participation is conditional on inter alia the conversion of the outstanding Notes and Bonds as set out above, the approval by the European Commission and exemptions from the mandatory bid obligation from the Swedish Securities Council. The participation by KAW is conditional on the participation by the Major Shareholders.

Conversion of the Notes and the Bonds as set out above requires approval by the Meeting and the noteholders’ meeting amongst the holders of the Bonds scheduled to be held on 2 September 2020. If the Revised Recapitalization Plan is not implemented and fails, the Issuer will not be able to remedy the liquidity shortage and the negative equity caused by the COVID-19 outbreak, which would have a material adverse effect on the Issuer’s financial condition. Should the Issuer as a result of such material adverse effect on its financial condition be forced to file for bankruptcy, it is likely that the holders of the Notes and the Bonds will not be able to recover any of their claims under the notes.

For further information about the background and the Revised Recapitalization Plan, please see the investor presentation attached hereto as Schedule 3 (*Investor presentation*).

## 2. PROPOSALS

Based on the details set out above, the Issuer proposes that the Noteholders adopt the proposals set-out below in Section 2.1 (*Proposed terms of conversion*), subject to the due fulfilment of the terms and conditions set out herein, (the “**Proposals**”).

### 2.1 Proposed terms of conversion

100 per cent. of the Total Nominal Amount shall be converted to shares in the Issuer as follows (the “**Mandatory Conversion**”):

- (a) The Agent (acting on behalf of the Noteholders) shall subscribe for a number of shares in the Issuer (the “**Subscription Amount**”) equal to the quotient (rounded downwards) of (x) ninety (90) per cent. of the Nominal Amount per Note divided by (y) a subscription price of SEK 1.16 per share (the “**Subscription Price**”). The Subscription Amount shall be settled by the Agent setting off the Notes against the aggregate Subscription Price.
- (b) The reduction of the Notes caused by the conversion and the distribution of the Subscription Amount will be made on a *pro rata* basis among the Noteholders based on the holdings registered in Debt Register at the record date. Each Noteholder will receive 969,827.58 shares per Note. No fractions of shares will be delivered.
- (c) The conversion of Notes to shares in the Issuer shall occur on or around 16 October 2020 (the “**Conversion Date**”) with the record date being at close of business on 4 Business Days prior to the Conversion Date and trading in the Notes being halted 6 Business Days prior to the Conversion Date.
- (d) After payment and subscription, the CSD will distribute a securities notification confirming the registration of paid subscription shares (*betalda tecknade aktier* – “**BTA**”) on the Noteholders securities accounts. The newly subscribed shares are entered as BTAs on the securities accounts until the shares have been registered at the Swedish Companies Registration Office (*Bolagsverket*). The BTAs will be delivered on or around 23 October 2020. The BTAs will be admitted to trading on Nasdaq Stockholm.
- (e) The new shares are expected to be registered with the Swedish Companies Registration Office around 2 November 2020 (the “**New Shares**”). Subsequently, the BTAs will be re-classified as ordinary shares. Delivery of the new ordinary shares is expected around 5 November 2020.

After the conversion of Notes to shares in the Issuer, the Noteholders will receive 1,163,793,103 shares in the Issuer, representing approximately 15.1 per cent. of the shares in the Issuer.

Accrued and unpaid interest on the Notes (including the interest payment deferred by the Issuer on 22 July 2020) will be paid to the Noteholders’ in cash on the Conversion Date in accordance with the Terms and Conditions.

### 2.2 Authority for the Agent to implement the Proposals

For the purpose of carrying out the Proposals set out in Section 2.1 (*Proposed terms of conversion*) above the Issuer requests that the Noteholders irrevocably authorise and assign to the Agent, or whoever the Agent appoint in its place, to, on the Noteholders’ behalf, do all such acts and things and to execute such other agreements

or documents as may be necessary or desirable to give effect to the Proposals including but not limited to:

- (a) subscribe for the New Shares the Noteholder are entitled to in accordance with the resolutions adopted by the extraordinary general meeting and/or the board of directors of the Issuer regarding the Mandatory Conversion; and
- (b) take any and all measures and actions that are deemed necessary in order to complete the Mandatory Conversion and/or the Proposals.

### 2.3 Conditions for completion

Completion of the Proposals is conditional upon:

- (a) the requisite majority of the Noteholder consent to the Proposals (please refer to Section 5.4 (*Majority*) below);
- (b) the requisite majority of the holders of the Bonds consent to the proposal set out in the notice of meeting of holders of the Bonds dated 14 August 2020, unless the Issuer in its sole discretion, decides to waive this condition (b);
- (c) a resolution by the extraordinary general meeting of the Issuer to authorise the board of directors to issue the New Shares;
- (d) a resolution by the board of directors of the Issuer to approve the Mandatory Conversion;
- (e) a resolution by the board of directors of the Issuer to issue new common shares (including the New Shares) and capital securities in accordance with the Revised Recapitalization Plan;
- (f) approval by the European Commission of the Revised Recapitalization Plan, including no objections to the terms of the Mandatory Conversion;
- (g) the absence of an announcement from the Issuer stating that a Major Shareholder or KAW has expressed an intention not to support the Revised Recapitalization Plan as expressed in the press release announced on 14 August 2020; and
- (h) the absence of an announcement from the Issuer stating that any event has or series of events have occurred which would reasonably likely result in that the Revised Recapitalization Plan will not be implemented. For the avoidance of doubt, the rights issue of new common shares in the Issuer available to eligible shareholders in an amount of approximately MSEK 3,994 (the “**Rights Issue**”) is underwritten to approximately 81% and the Issuer’s announcement of the outcome of the Rights Issue will not be deemed a non-implementation of the Revised Recapitalization Plan provided that the Rights Issue is subscribed to at least 81%.

### 2.4 Support from Noteholders

Noteholders representing 53.25% of the Notes (including all of the major holders that the Issuer have negotiated with, representing 22.25% of the Notes,) has expressed their support for the Proposals.

## 2.5 Timing

The timetable below shows and concludes certain important dates in relation to the Proposals.

Voting Record Date (for being eligible to attend the Meeting and vote)	21 August 2020
Early Bird Deadline	26 August 2020
Deadline for submissions of power of attorney	1 September 2020
Deadline for submission of notice of attendance Meeting	1 September 2020
Extraordinary General Meeting of the Issuer	2 September 2020
Last day of trading of the Notes	22 September 2020
Conversion Record Date	15 October 2020
Conversion Date	19 October 2020
Delivery of the BTAs	23 October 2020
Trading in New Shares commences	23 October 2020
Delivery of New Shares	3 November 2020
Payment of Early Bird Fee	5 November 2020
	6 November 2020

## 3. EARLY BIRD FEE

Subject to satisfaction of the conditions set forth below, the Issuer will pay an early bird fee to Noteholders eligible to receive such fee if the Proposals are approved at the Meeting. The early bird fee will be zero point two (0.2) per cent. of the Nominal Amount of each Note (equal to SEK 2,500 per Note) and shall be calculated on the principal amount which the relevant Noteholder has provided a Voting Form and PoA for (the “**Early Bird Fee**”). For the avoidance of doubt, also Noteholders voting against the Proposal are eligible to receive the Early Bird Fee.

In order to be eligible to receive the Early Bird Fee, a Noteholder must be eligible to vote in the Meeting and the following conditions for payment of the Early Bird Fee must be satisfied (unless waived by the Issuer):

- (a) The conditions for completion described in Section 2.3 (*Conditions for completion*) being fulfilled;
- (b) the Noteholder has issued a complete and duly executed Voting Form and PoA using the designated format of voting form set out in Schedule 1;
- (c) the Voting Form and PoA issued by the Noteholder include the full payment details of a bank account to which the Early Bird Fee may be paid, details of which the Noteholder expressly consents therein to be disclosed by the Agent to the Paying Agent; and
- (d) the Agent has received the Noteholder’s complete and duly executed Voting Form and PoA prior to the Early Bird Deadline.

Payment of the Early Bird Fee will be made by the Paying Agent. In relation to eligible Noteholders that (i) are direct registered owners, (ii) qualify for payment of the Early Bird Fee and (iii) submitted a Voting Form and PoA to the Agent prior to the Early

Bird Deadline, payment will be made to the account designated by the relevant Noteholder in its Voting Form and PoA. In relation to Nominees that (i) have voted on behalf of their customers (sub-holders of Notes), (ii) qualify for payment of the Early Bird Fee and (iii) submitted a Voting Form and PoA to the Agent prior to the Early Bird Deadline, payment will be made to the account designated by the relevant Nominee in its Voting Form and PoA and such Nominee will receive the Early Bird Fee and will be responsible for distributing the Early Bird Fee among its relevant customers (sub-holders of Notes).

The expected settlement date for payment of the Early Bird Fee will be within ten (10) Business Days following the Mandatory Conversion. Payments will be made without withholding or deduction for any applicable taxes and each Noteholder must make its own determination as to whether or not it is required to pay tax on any amounts it receives in connection with the Proposals.

For the purpose of payment of the Early Bird Fee in accordance with this Notice, the Noteholders explicitly acknowledge that the Agent may disclose to the Paying Agent any relevant Voting Form and PoA and its contents and by signing and submitting a Voting Form and PoA, the Noteholder expressly consents to such disclosure.

#### **4. INFORMATION TO THE NOTEHOLDERS, CONSEQUENCES AND RISKS**

##### **4.1 Information to the Noteholders**

Information to the Noteholders will be communicated, if relevant, through the Agent in accordance with the Terms and Conditions and be published by way of press release by the Issuer.

##### **4.2 Consequences if there is no Mandatory Conversion**

As set out in Section 1 (*Background*), the Major Shareholders have made the Mandatory Conversion and the conversion of the Bonds to capital securities an express condition to their commitment to participate in the Revised Recapitalization Plan. Without the Major Shareholders' participation in the Revised Recapitalization Plan, the Revised Recapitalization Plan will fail.

If the Revised Recapitalization Plan is not implemented and fails, the Issuer will not be able to re-capitalise and remedy the liquidity shortage and the negative equity caused by the COVID-19 outbreak resulting in a material adverse effect on the financial condition of the Issuer.

If the Issuer, as a result of a material adverse effect on its financial condition, files for bankruptcy, it is likely that the Noteholders will not be able to recover any of their claims under the Notes against the Issuer.

##### **4.3 Consequences of the Mandatory Conversion**

If the Proposal is accepted by the Noteholders and the Revised Recapitalization Plan is implemented, the Noteholders will become shareholders of a well-capitalised airline with a strong sustainability focus with a potential for full recovery of their original claims under the Notes. As shareholders in the Issuer, the Noteholders' will not have the right to receive any Interest on their investment in the Issuer.

Further, following the Mandatory Conversion the Notes will cease to exist, the Terms and Conditions will no longer be applicable and Intertrust (Sweden) AB's appointment as Agent will cease.

#### **4.4 Tax consequences related to the Proposals**

Each Noteholder must make its own determination as to the tax consequences of the Proposals and the Mandatory Conversion and is recommended to consult a tax adviser for information with respect to the special tax consequences that may arise in each individual case, including the applicability and effect of foreign income tax rules, provisions contained in double taxation treaties and other rules, which may be applicable.

#### **4.5 Risks**

The Proposals and an investment in the New Shares in the Issuer and the operations of the Issuer group due to the Mandatory Conversion, involve a number of inherent risks which could have a material adverse effect on the Noteholders' recovery on their investment in the Notes and, following the completion of the Mandatory Conversion, the New Shares. Each Noteholder must make its own determination as to the risks relating to the Proposals and is recommended to consult relevant advisers.

Each Noteholder should carefully review the risk factors set out in the investor presentation in Schedule 3 (*Investor presentation*). The Issuer does not represent that the risks of the Mandatory Conversion and/or of the Proposals are exhaustive.

## 5. SUMMONS

To enable the Issuer to receive the required approvals, the Issuer has requested the Agent to summon the Meeting to consider the Proposals.

The request is put forward to the Noteholders without further evaluation or recommendations from the Agent. The Noteholders must independently evaluate whether the Proposals are acceptable.

The Noteholders' are hereby summoned to the Meeting:

**Time:** 2 September 2020 at 13:00 (CEST), the meeting venue will open at 12:30 for registration.

**Location:** The Agent's office, Sveavägen 9, Stockholm, Sweden

### **Agenda:**

1. The Meeting is called to order.
2. Election of a chairperson for the Meeting.
3. Preparation and approval of the voting list.
4. Approval of the agenda.
5. Election of two persons to verify the minutes.
6. Determination of whether the meeting has been duly convened.
7. Information about the background of the Proposals.
8. Resolution on the approval of the Proposals.
9. The Meeting is adjourned.

### **5.1 Voting procedure**

Resolutions are passed through voting at the Meeting. A Noteholder holding more than one Note need not use all its votes or cast all the votes to which it is entitled in the same way and may in its discretion use or cast some of its votes only.

Only a person who is, or who has been provided with a power of attorney from a person who is, registered as a Noteholder on 21 August 2020 and who is included in the principal amount of outstanding Notes at such time may exercise voting rights as a Noteholder at the Meeting. This means that you must be registered in the debt register with the CSD (Sw. *skuldbok*) for the Notes (the "**Debt Register**") as Direct Registered Owner or as Nominee with respect to one or several Notes. Alternatively, you may request your Nominee to issue a power of attorney preferably in the format set out in Schedule 2 (Proxy) to this notice authorising you to vote. If your Notes are held through several intermediaries (i.e. your authorised Nominee is not registered in the Debt Register), you will need to obtain a power of attorney from the Noteholder listed in the Debt Register, or otherwise obtain a coherent chain of powers of attorney starting with the Noteholder listed in the Debt Register. Whether either of these options are available to you depends on the agreement between you and the authorised Nominee or other intermediary that holds the Notes on your behalf (and the agreement between the intermediaries, if there are more than one).

Noteholders who are duly registered as a Noteholder on 21 August 2020 can participate in the Meeting by authorising the Agent to vote on your behalf by completing and sending the Voting Form and PoA.

Noteholders may alternatively attend the Meeting in person or by proxy. However, due to COVID-19, it is recommended that Noteholders participate by executing and submitting the Voting Form and PoA rather than attending the Meeting in person or by proxy.

A Voting Form and PoA submitted by a Noteholder authorising the Agent to vote on its behalf at the Meeting will not be valid for any Second Meeting.

Noteholders that intend to attend the Meeting in person or by proxy should notify the Agent that they will attend the Meeting no later than on 12:00 (CEST) on 1 September 2020 either by regular mail, courier or e-mail to the Agent using the contact details set out in Section 5.6 (*Address for sending replies*) below.

The Agent recommends that you contact the securities firm that holds the Notes on your behalf for assistance if you wish to participate in the Meeting and do not know how your Notes are registered or need authorisation or other assistance to participate.

Notes owned by the Issuer, any other Group Company or an Affiliate do not entitle the holders to any voting rights and are not included in the Adjusted Nominal Amount.

Any matter decided upon at the Meeting will be binding for all Noteholders.

A notice of the outcome of the Meeting will promptly be sent by regular mail to the Noteholders and be published on the websites of the Issuer (<https://www.sasgroup.net/>) and the Agent (<https://www.intertrustgroup.com/>).

## **5.2 Notification of participation in the Meeting**

Noteholders who wish to attend the Meeting must notify the Agent of their participation in the Meeting no later than 12:00 on 1 September 2020. Notifications must be sent to the Agent by e-mail to [trustee@intertrustgroup.com](mailto:trustee@intertrustgroup.com).

Such notification to the Agent must specify the relevant Noteholder's:

- (a) name;
- (b) personal identity number (or equivalent)/company registration number;
- (c) the number of Notes held; and
- (d) where applicable, information about any representatives of the Noteholder.

If Notes are held by a legal entity, the right to act on behalf of the Noteholder must be proven to the satisfaction of the Agent through complete authorisation documents, such as powers of attorney, board minutes, registration certificates or corresponding documents. The relevant documents shall be submitted to the Agent in original or as certified copies of the originals. The Agent shall only have to examine the face of such documents and may assume that they have been duly authorised, is valid, has not been revoked or superseded and that they are in full force and effect, unless otherwise is apparent from its face or the Agent has actual knowledge to the contrary.

### 5.3 Quorum

Noteholders representing **at least 50 per cent.** of the Adjusted Nominal Amount must participate in the Meeting (by way of casting votes) in order to form quorum.

If the required quorum is not reached, the Agent shall, if requested by the Issuer, initiate a second Meeting for which no quorum requirement will apply (the “**Second Meeting**”). Please note that a Voting Form and PoA submitted by a Noteholder authorising the Agent to vote on its behalf at the Meeting will not be valid for any Second Meeting and Noteholders that wish to participate in the Second Meeting (by way of casting votes) must therefore submit a new Voting Form and PoA for any Second Meeting.

### 5.4 Majority

The Agent must receive votes in favour of the Proposals in the Meeting representing **at least sixty-six and two thirds (66⅔) per cent.** of the Adjusted Nominal Amount of the Noteholders voting in the Meeting in order for the Proposals to be approved.

### 5.5 Effective date

The Proposals shall be deemed approved immediately at the Meeting if the required majority set forth in Section 5.4 (*Majority*) has been received. The Proposals, once approved, will however only come into effect and be completed upon the fulfilment of the conditions set out in Section 2.3 (*Conditions for completion*).

In order to implement and effectuate the Proposals and the Mandatory Conversion, the Agent shall subscribe for the New Shares on behalf of the Noteholders when the conditions for completion set out in Section 2.3 (*Conditions for completion*) have been fulfilled. In addition to the aforementioned, the Issuer and the Agent may agree to take any other action deemed required in order to implement the Proposals.

The Issuer will notify the Noteholders, by way of press release on the date when the Mandatory Conversion has been completed.

### 5.6 Address for sending replies

Please send any Voting Form and PoA (*Schedule 1*) and/or Proxy (*Schedule 2*) by regular mail, scanned copy by e-mail, or by courier to:

***By regular mail:***

Intertrust (Sweden) AB  
Attn: Beatrice Gustafsson,  
P.O. Box 162 85,  
103 25 Stockholm

***By courier:***

Intertrust (Sweden) AB  
Attn: Beatrice Gustafsson,  
Sveavägen 9, 10th floor  
111 57 Stockholm

*By e-mail:*

trustee@intertrustgroup.com

**6. NON-RELIANCE**

The Proposals are presented to the Noteholders by the Issuer, without any evaluation, advice or recommendations from the Agent whatsoever related to the content of this notice and the Proposals. No independent advisor has been appointed to review and/or analyse the Proposals (and its effects) from the Noteholders' perspective. Each Noteholder is recommended to seek professional advice to independently evaluate whether the Proposals from the Issuer (and their effects) is acceptable or not.

**7. FURTHER INFORMATION**

For questions regarding the Proposals, please contact the Issuer at:

SAS press office, +46 8 797 2944

Michel Fischier, VP Investor Relations, +46 70 997 0673

For questions to the Agent regarding the administration of the Meeting and to submit a Voting Form and PoA or notice of attendance, please contact the Agent at trustee@intertrustgroup.com.

For questions in relation to consent solicitation, please contact the solicitation agents at:

Skandinaviska Enskilda Banken AB (publ), e-mail:  
SEBLiabilityManagement@seb.se.

Danske Bank A/S, Danmark, Sverige filial, e-mail: dcm\_admin@danskebank.se.

Swedbank AB (publ), e-mail: syndicate@swedbank.se.

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Stockholm, 14 August 2020

Intertrust (Sweden) AB  
as Agent

at the request of SAS AB (publ)

## Schedule 1 Voting Form and PoA

For the Meeting on 2 September 2020, at 13:00 (CEST) at Sveavägen 9, Stockholm, Sweden, for the holders of subordinated perpetual floating rate callable capital securities (ISIN SE0012193910) issued by the SAS AB (publ)

The undersigned Noteholder or authorised person/entity (the “**Voting Person**”), votes either **For** or **Against** the Proposals by marking the applicable box below.

Capitalised terms used and not otherwise defined herein shall have the meanings assigned to them in the notice of the Meeting dated 14 August 2020.

The undersigned hereby confirm that the Agent (Sw. *befullmäktigad*) has the right to vote on my/our behalf at the Meeting as per this Voting Form and PoA and unconditionally and irrevocably approve that the Agent may disclose Voting Form and PoA to the Issuer, the Paying Agent and its respective advisors.

	<b><u>For</u></b> the Proposals
	<b><u>Against</u></b> the Proposals

Name of the Voting Person: \_\_\_\_\_

Capacity of the Voting Person: Directly registered  <sup>1</sup> Indirect holder:   
*(tick the applicable box)* holder:

Voting Person's reg.no/id.no and country of incorporation/domicile: \_\_\_\_\_

Securities Account number at Euroclear Sweden:  
*(if applicable)* \_\_\_\_\_

Name and Securities Account number of custodian(s):  
*(if applicable)* \_\_\_\_\_

Nominal Amount voted for (in SEK): \_\_\_\_\_

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<sup>1</sup> When voting in this capacity, no further evidence is required

Account details for payment of the Early Bird Fee (as applicable):

Account number: \_\_\_\_\_

Clearing number: \_\_\_\_\_

IBAN: \_\_\_\_\_

SWIFT: \_\_\_\_\_

Contact person, daytime telephone number and e-mail address: \_\_\_\_\_

Place, date: \_\_\_\_\_

\_\_\_\_\_  
Name:  
(*Authorised signature*)

## Schedule 2 Proxy

For the Meeting on 2 September 2020, at 13:00 (CEST) at Sveavägen 9, Stockholm, Sweden, for the holders of subordinated perpetual floating rate callable capital securities (ISIN SE0012193910) issued by the SAS AB (publ)

*NOTE: This Proxy and authorisation document shall be filled out if the voting person is not registered as Noteholder (as defined in the Terms and Conditions) in the debt register (Sw. skuldbok (direktregistrerade)), held with the CSD. If the voting person's Notes are held through several intermediaries, the voting person will need to obtain a power of attorney from the Noteholder, or otherwise obtain a coherent chain of powers of attorney starting with the Noteholder.*

Capitalised terms used and not otherwise defined herein shall have the meanings assigned to them in the notice of the Meeting dated 14 August 2020.

Name of person/entity that is given authorisation (Sw. <i>befullmäktigad</i> ) to vote as per the Voting Record Date:
Nominal Amount (in SEK) the person/entity is authorised to vote for as per the Voting Record Date:
Name of Noteholder or other intermediary giving the authorisation (Sw. <i>fullmaktsgivaren</i> ):

We hereby confirm that the person/entity specified above (Sw. *befullmäktigad*) has the right to vote for the Nominal Amount set out above.

We represent an aggregate Nominal Amount of: SEK \_\_\_\_\_

We are: *(tick the applicable box)*

<input type="checkbox"/>	Registered as Noteholder on the Securities Account
<input type="checkbox"/>	Other intermediary and holds the Notes through <i>(specify below)</i> :

\_\_\_\_\_

Place, date: \_\_\_\_\_

\_\_\_\_\_  
Name:

*(authorised signatory of Noteholder/other intermediary (Sw. fullmaktsgivaren))*

**Schedule 3**  
**Investor presentation**

*SAS*

**INVESTOR PRESENTATION  
REVISED RECAPITALIZATION PLAN**

**AUGUST 2020**



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# Summary of changes since Recapitalization plan announced 30 June

## Revised Recapitalization plan

- SAS announced on 30 June a Recapitalization plan to tackle the expected effects of the COVID-19 pandemic
  - Following the announcement on 10 July regarding the cancellation of the noteholders' meetings for holders of the Existing Hybrid Notes and the Bond, the Board of Directors has approved a Revised Recapitalization plan, including a new time plan for the implementation
  - An announcement was published on 7 August outlining the details of a revised proposal to bond and hybridholders, agreed in principle with Noteholders' Committee ("NHC" or "the Noteholders Committee"), led by Spiltan Fonder
- As such, the Revised Recapitalization plan, which structure is supported by the governments of Denmark and Sweden ("the Major Shareholders") and Knut and Alice Wallenberg Foundation ("KAW"), includes:
  - Revised conversion terms for the existing junior subordinated hybrids into common shares
  - An amendment regarding the conversion of the existing senior unsecured bonds, now to be converted into New Commercial Hybrid Notes or common shares at the option of the Bondholder pursuant to a separate offer to the bondholders ("the Bondholder Offer")
  - Increased interest payments for the State Hybrid Notes placed with the Major Shareholders
  - Directed issue of common shares to the Major Shareholders (unchanged from announcement 30 June)
  - Rights issue 81.5% subscribed/underwritten by the Major Shareholders and KAW (unchanged from announcement 30 June)
  - A revised time plan
- The agreement in principle with Noteholders is subject to approvals by noteholders' meetings. Noteholders have to the Noteholders Committee expressed their support for the agreement in principle in accordance with the following:
  - Holders of 53.25% of the Existing Hybrid Notes (including all of the major holders in the NHC that SAS has negotiated with, representing 22.25% of the Existing Hybrid Notes), as well as holders of 41.51% of the Bonds (including all of the major holders in the NHC that SAS has negotiated with, representing 27.11% of the Bonds)
  - 80% majority vote and 2/3 majority vote required for successful conversion of the Bonds and Existing Hybrid Notes respectively
- The Revised Recapitalization plan is conditional upon EGM approval
- The Major Shareholders' participation is conditional upon EU Commission approval and exemption from the mandatory bid obligation from the Swedish Securities Council
- The bond and hybrid conversion is conditional upon consent from noteholders

# Overview of the Revised Recapitalization plan

<i>Revised</i>			Rights Issue	Directed Issue
Bond conversion	Hybrid conversion	State Hybrid Notes	SEK 4.0bn	SEK 2.0bn
<p><b>SEK 2.25bn</b></p> <ul style="list-style-type: none"> <li>Optionality for bondholders to convert bond at 100% of par value into New Commercial Hybrids or into common shares at SEK 1.16 (up to a 50% cap of nominal amount)</li> </ul>	<p><b>SEK 1.5bn</b></p> <ul style="list-style-type: none"> <li>Hybrid converted at 90.0% of par value into common shares at a subscription price of SEK 1.16</li> </ul>	<p><b>SEK 6.0bn</b></p> <ul style="list-style-type: none"> <li>SEK 5bn of State Hybrid Notes placed with the Major Shareholders split equally</li> <li>SEK 1bn State Hybrid Notes placed with the government of Denmark</li> </ul>	<p><b>SEK 4.0bn</b></p> <ul style="list-style-type: none"> <li>Rights Issue 81.5% subscribed/underwritten by the Major Shareholders (SEK 1.2/3bn) and KAW (SEK 259m)</li> </ul>	<p><b>SEK 2.0bn</b></p> <ul style="list-style-type: none"> <li>Directed Issue of common shares placed with the Major Shareholders at a subscription price of SEK 1.16</li> </ul>

**Reduced total liabilities: SEK 2.25bn / New Equity: SEK 14.25bn**  
*+ 7,306m new shares and votes corresponding to a dilution of 95%<sup>1</sup>*

**Revised Recapitalization plan conditional upon:**

Successful bond and hybrid conversion

Approval from EU Commission

EGM approval

Exemption from mandatory bid obligation

1) Assuming that the Bondholder Offer to common shares and rights issue are fully subscribed

# Key terms and conditions of the Revised Recapitalization plan

Revised conversion terms of the outstanding Bond and Hybrid agreed with the Noteholders' Committee

Bond conversion	
<b>SEK 2.25bn</b>	
<b>Ranking</b>	Senior Unsecured
<b>Outstanding amount<sup>1</sup></b>	SEK 2.25bn
<b>Conversion</b>	100%
<b>Conversion ratio</b>	100% into New Commercial Hybrids <sup>2</sup> or common shares (50% cap)
<b>Debt haircut</b>	0%
<b>Principle amount converted</b>	SEK 2.25bn
<b>Conversion principal</b>	New Commercial Hybrid Notes or up to 970m ordinary shares
<b>Subscription price</b>	SEK 1.16
<b>Pro-forma ownership<sup>3</sup></b>	13%
<b>Quorum / Consent</b>	50% / 80% of adjusted nominal amount
<b>Governing law</b>	Swedish law

- Optionality for bondholders to convert bond into New Commercial Hybrids or into common shares at 100% of par value at SEK 1.16 (up to a 50% cap of nominal amount)

Hybrid conversion	
<b>SEK 1.5bn</b>	
<b>Ranking</b>	Junior Subordinated
<b>Outstanding amount</b>	SEK 1.5bn
<b>Conversion</b>	100%
<b>Conversion ratio</b>	90.0%
<b>Debt haircut</b>	10.0%
<b>Principle amount converted</b>	SEK 1.35bn
<b>Conversion principal</b>	1,164m ordinary shares
<b>Subscription price</b>	SEK 1.16
<b>Pro-forma ownership<sup>3</sup></b>	15%
<b>Quorum / Consent</b>	50% / 2/3 (~67%) of adjusted nominal amount
<b>Governing law</b>	Swedish law

- Hybrid converted at 90.0% of par value into common shares at a subscription price of SEK 1.16

5

1) Bond tapped in 2018  
 2) Refer to page 9 for details on the New Commercial Hybrid  
 3) In case the Rights Issue and Bondholder Offer to common shares are fully subscribed

# Revised process of Bond and Hybrid conversion

Early Bird Fee of 0.20% received if vote casted before 12:00 CEST on 26 August

Event	Timing
Voting Record Date (for being eligible to attend the Meeting and vote)	21 August
<b>Early Bird Deadline</b>	<b>26 August</b>
Deadline for submission of Voting Form & PoA & Notice of attendance	1 September
<b>Meeting</b>	<b>2 September</b>
<b>Extraordinary General Meeting</b>	<b>22 September</b>
<b>Last day of trading of the Notes</b>	<b>15 October</b>
<b>Conversion Date</b>	<b>23 October</b>
<b>Payment of Early Bird Fee</b>	<b>Around 6 November</b>

- As announced on July 10, the initial proposal to bond and hybridholders as presented on 30 June, was not expected to be approved and the noteholders' meetings were cancelled
- Following negotiations with representatives of the holders of the NHC, an agreement in principle between SAS and the NHC was announced on 7 August
- As in the previous proposal, both Bond and Hybridholders will receive an Early Bird Fee of 0.20% of the nominal amount of each note (for which a vote is being cast) if vote casted before 12:00 CEST on 26 August, regardless of voting in favor or against the new proposals
  - Fees will be paid within 10 business days after conversion and is (among other criteria) subject to proposals being passed at the Noteholders' meetings'
- Bondholders' and Hybridholders' meeting scheduled on 2 September at 13:00 CEST
  - **Bondholders' meeting: Quorum 50% / Consent 80%**<sup>1</sup>
  - **Hybridholders' meeting: Quorum 50% / Consent 2/3 (~67%)**<sup>2</sup>
- EGM to be held on or around 22 September, conditional upon approval of the conversion of the Bond and the Hybrid at the Noteholders' meetings'
- Conversion date for the Bond and Hybrid on or around 23 October

# Procedure for participating in the proposal

## Early Bird Fee structure

- Early Bird Fee of 0.20% of nominal amount to be received for Bond and Hybridholders casting votes before the Early Bird Deadline on 26 August, 12:00 CEST
  - Fee to be paid (for each note which has voted) regardless of voting in favor or against the new proposals
  - Conditional upon achieved quorum requirement and that both the Bond and Hybrid proposals are passed at the Noteholders' meetings'

## Voting instructions

- In order to be eligible to vote, Bond and Hybridholders must on the 21 August (the "Voting Record Date") be registered as a Direct Registered Owner or Nominee in Euroclear Sweden. Holders who are not direct registered, must instruct their respective Custodian to send the Voting Form and PoA to the Agent on their behalf, or obtain a power of attorney to submit the Voting Form and PoA directly to the Agent or to attend the Noteholders' meeting, for the vote to be considered valid
- Direct Registered Noteholders may submit their vote by delivering a Voting Instruction directly to the Agent or by attending the Noteholders' meeting

## Transfer of Notes

- Trading of the Bond and the Hybrid will be halted six business days prior to the conversion date of the Bond and Hybrid

# Key terms and conditions of the Revised Recapitalization plan

## Amendments of the coupon rate for the State Hybrid Notes

### State Hybrid Notes – Instrument 1

**SEK 5.0bn**

<b>Ranking</b>	Junior Subordinated
<b>Coupon</b>	6M STIBOR + 340 / 440 / 590 / 790 / 1,040bps 1 <sup>st</sup> / 2 <sup>nd</sup> – 3 <sup>rd</sup> / 4 <sup>th</sup> – 5 <sup>th</sup> / 6 <sup>th</sup> – 7 <sup>th</sup> / 8 <sup>th</sup> year and after (in accordance with the Temporary State Aid Framework in relation to 107.3 (b) TFEU plus additional 0.9% p.a.) <sup>1</sup>
<b>Maturity</b>	Perpetual
<b>Perpetual Call Date</b>	Callable at par at any time
<b>Listing</b>	No listing
<b>Governing law</b>	Swedish law

- Placed with the Major Shareholders in equal parts

### State Hybrid Notes – Instrument 2

**SEK 1.0bn**

<b>Ranking</b>	Junior Subordinated
<b>Coupon</b>	6M STIBOR + 440 / 540 / 690 / 890 / 1,140bps 1 <sup>st</sup> / 2 <sup>nd</sup> – 3 <sup>rd</sup> / 4 <sup>th</sup> – 5 <sup>th</sup> / 6 <sup>th</sup> – 7 <sup>th</sup> / 8 <sup>th</sup> year and after (in accordance with the Temporary State Aid Framework in relation to 107.3 (b) TFEU plus additional 1.9% p.a.) <sup>1</sup>
<b>Maturity</b>	Perpetual
<b>Perpetual Call Date</b>	Callable at par at any time
<b>Listing</b>	No listing
<b>Governing law</b>	Swedish law

- Placed with the government of Denmark

# Side-by-side comparison of the new issued hybrid notes

	New Commercial Hybrid Notes	State Hybrid Notes – Instrument 1	State Hybrid Notes – Instrument 2
<b>Principal amount</b>	SEK 1,125-2,250m (depending on conversion ratio)	SEK 5,000m	SEK 1,000m
<b>Accounting treatment</b>	Equity	Equity	Equity
<b>Maturity</b>	Perpetual	Perpetual	Perpetual
<b>Interest payment</b>	Non-mandatory	Non-mandatory	Non-mandatory
<b>Interest Rate</b>	A floating rate of STIBOR (6 months) and the following margin: Year 1: 3.40% p.a. Year 2-3: 4.40% p.a. Year 4-5: 5.90% p.a. Year 6-7: 10.90% p.a. Year 8-10: 14.40% p.a. Year 11-: 15.90% p.a.	A floating rate of STIBOR (6 months) and the following margin: Year 1: 3.40% p.a. Year 2-3: 4.40% p.a. Year 4-5: 5.90% p.a. Year 6-7: 7.90% p.a. Year 8- : 10.40% p.a.	A floating rate of STIBOR (6 months) and the following margin: Year 1: 4.40% p.a. Year 2-3: 5.40% p.a. Year 4-5: 6.90% p.a. Year 6-7: 8.90% p.a. Year 8-: 11.40% p.a.
<b>Ranking</b>	Senior Unsecured	Junior Subordinated	Junior Subordinated
<b>Perpetual Call Date</b>	Callable at par at any time	Callable at par at any time	Callable at par at any time
<b>Initial common shares conversion option</b>	Yes, the existing bondholders will, subject to an aggregated cap of 50%, be offered to convert all or parts of their respective bonds into common shares at par for a subscription price of SEK 1.16	No	No
<b>Listing</b>	Nasdaq Stockholm	No listing	No listing

# Key terms and conditions of the Revised Recapitalization plan

## Rights Issue and Directed Issue

Rights Issue		Directed Issue	
SEK 3,994m		SEK 2,006m	
Rights Issue terms	9:1		
New shares issued	3,443m	New shares issued	1,729m
Issue price	SEK 1.16		
Subscription undertakings and underwriting commitments	<ul style="list-style-type: none"> <li>Approximately SEK 2,994m covered by subscription undertakings and underwriting commitments from the Major Shareholders (split equally)</li> <li>Knut and Alice Wallenberg Foundation subscribing for its pro-rata share of approximately SEK 259m</li> </ul>	Issue price	SEK 1.16
<ul style="list-style-type: none"> <li>81.5% subscribed/underwritten by the Major Shareholders and KAW</li> </ul>		<ul style="list-style-type: none"> <li>Following completion of the share issues under the Revised Recapitalization plan, the Major Shareholders will end up holding the same number of shares and votes in the Company</li> </ul>	

# Revised Recapitalization plan resulting in somewhat increased financing cost

## Illustrative impact on financing cost

		ILLUSTRATIVE				
Financing cost (SEKm)		FY21	FY22	FY23	FY24	FY25
1 <sub>a</sub>	Bond conversion <sup>1</sup>	121	121	121	121	121
1 <sub>b</sub>	New Commercial Hybrid Notes <sup>2</sup>	-39 to -79	-51 to -101	-51 to -101	-67 to -135	-67 to -135
2	Hybrid conversion <sup>3</sup>	129	129	129	129	204
3	State Hybrid Notes (Instrument 1) <sup>4</sup>	-175	-225	-225	-300	-300
4	State Hybrid Notes (Instrument 2) <sup>5</sup>	-45	-55	-55	-70	-70
<b>Total</b>		<b>-10 to -49</b>	<b>-81 to -131</b>	<b>-81 to -131</b>	<b>-188 to -255</b>	<b>-113 to -180</b>

**1** 1<sub>a</sub> Positive impact of SEK 121m annually between FY21-FY25 as a result of no coupon payments (interest) on the bond<sup>1</sup>  
1<sub>b</sub> Coupon payments on New Commercial Hybrid, illustrating 50% – 100% conversion into hybrids<sup>2</sup>

**2** Positive impact of SEK 129m annually between FY21-FY24 and SEK 204m in FY25 as a result of no coupon payments (dividend) on the existing hybrid<sup>3</sup>

**3** Hybrid coupon (dividend) in accordance with the Temporary State Aid Framework in relation to 107.3 (b) TFEU plus additional 0.9% p.a.<sup>4</sup>

**4** Hybrid coupon (dividend) in accordance with the Temporary State Aid Framework in relation to 107.3 (b) TFEU plus additional 1.9% p.a.<sup>5</sup>

Hybrid Notes coupon rates	1 <sup>st</sup> year	2 <sup>nd</sup> and 3 <sup>rd</sup> year	4 <sup>th</sup> and 5 <sup>th</sup> year	6 <sup>th</sup> and 7 <sup>th</sup> year	8 <sup>th</sup> to and 10 <sup>th</sup> year	11 <sup>th</sup> year and after
6M STIBOR+ Coupon (New Commercial Hybrid Notes)	340bps	440bps	590bps	1,090bps	1,440bps	1,590bps
6M STIBOR+ Coupon (Instrument 1)	340bps	440bps	590bps	790bps	1,040bps	1,040bps
6M STIBOR+ Coupon (Instrument 2)	440bps	540bps	690bps	890bps	1,140bps	1,140bps

1) Calculated as 5.375% coupon on SEK 2,250m nominal amount

2) Calculated using STIBOR 6M as of July 29, 2020 for the whole period. Coupon is calculated in accordance with the Temporary State Aid Framework in relation to 107.3 (b) TFEU (dated 8 May 2020) plus 0.9% p.a. for first five years (steps up after year five) on a SEK 1,125m / 2,500m nominal amount

3) Calculated as 8.569% coupon with a 500bps step-up in FY25 (in accordance to T&C) on SEK 1,500m nominal amount

4) Calculated using STIBOR 6M as of July 29, 2020 for the whole period. Coupon is calculated in accordance with the Temporary State Aid Framework in relation to 107.3 (b) TFEU (dated 8 May 2020) plus 0.9% p.a. on a SEK 5,000m nominal amount

5) Calculated using STIBOR 6M as of July 29, 2020 for the whole period. Coupon is calculated in accordance with the Temporary State Aid Framework in relation to 107.3 (b) TFEU (dated 8 May 2020) plus 1.9% p.a. on a SEK 1,000m nominal amount

# Revised Recapitalization strengthening the balance sheet for years to come

## Impact on equity and total liabilities (SEKm)

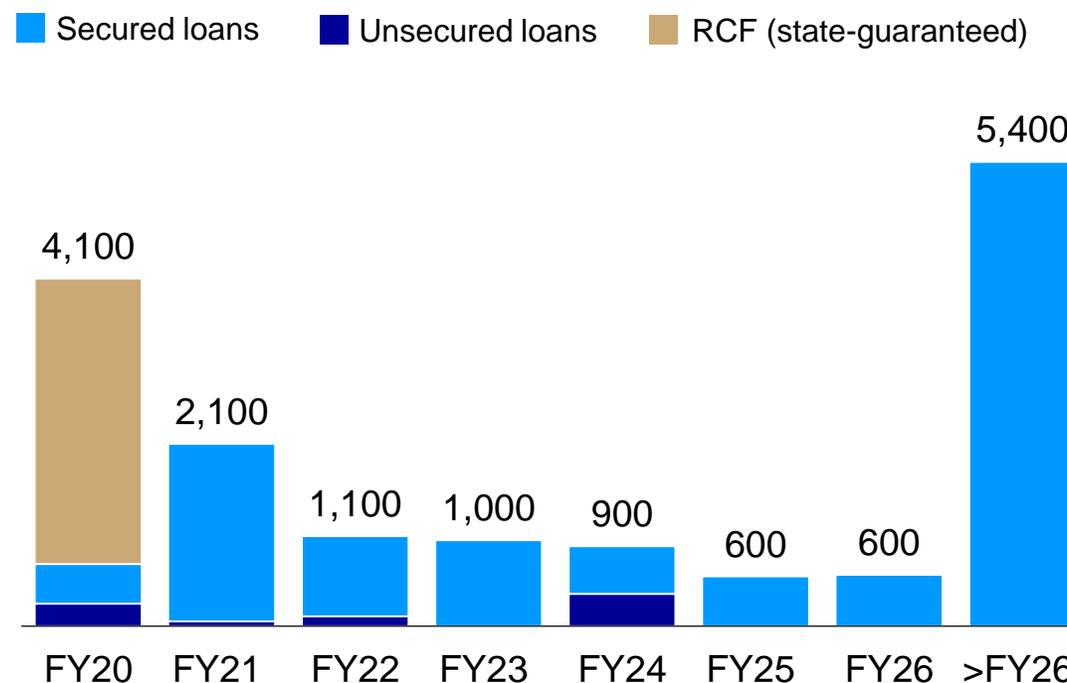
### Illustrative pro forma Equity bridge ILLUSTRATIVE

<b>Equity Q2 2020</b>	<b>-65</b>
Bond conversion	+2,250
Hybrid conversion	0 <sup>1</sup>
State Hybrid Notes (Instrument 1)	+5,000
State Hybrid Notes (Instrument 2)	+1,000
Rights issue	+3,994
Directed issue	+2,006
<b>Pro forma Q2 2020</b>	<b>14,185</b>

### Illustrative pro forma total liabilities bridge ILLUSTRATIVE

<b>Total liabilities Q2 2020</b>	<b>53,492</b>
Bond conversion	-2,250
<b>Pro forma Q2 2020</b>	<b>51,242</b>

## Debt maturity profile (SEKm)<sup>2</sup>

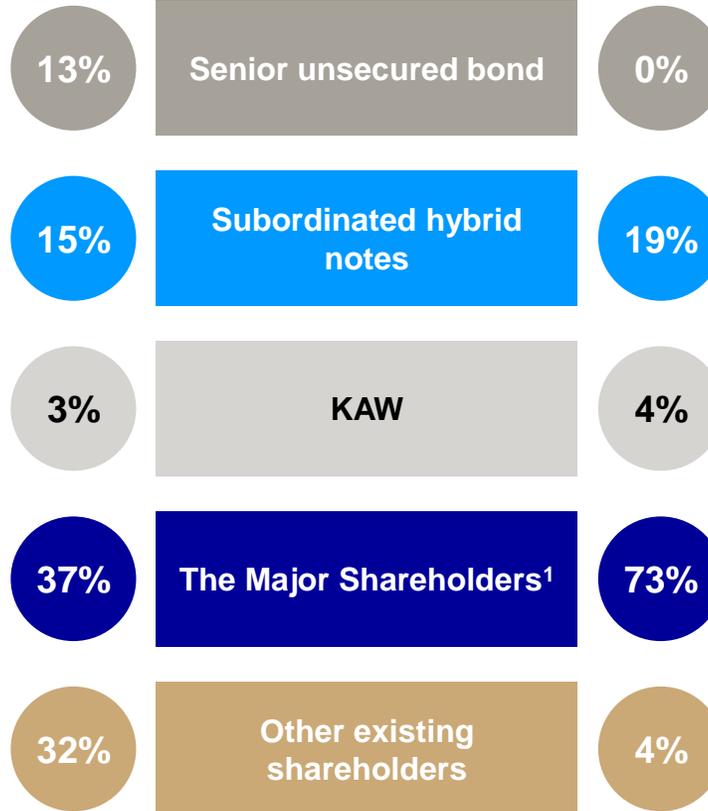
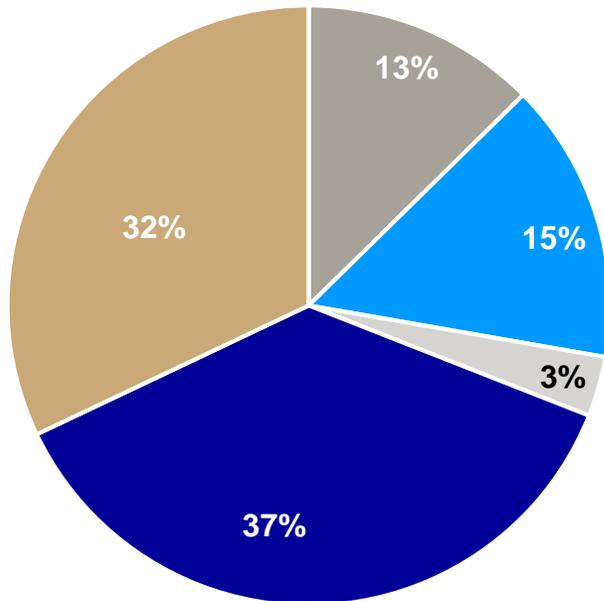


- SEK 3,333m RCF 90% guaranteed by the governments of Sweden and Denmark is cancelled and prepaid in full in accordance with its terms upon any equity or subordinated debt financing, bond or note issuances and private placements financing raised

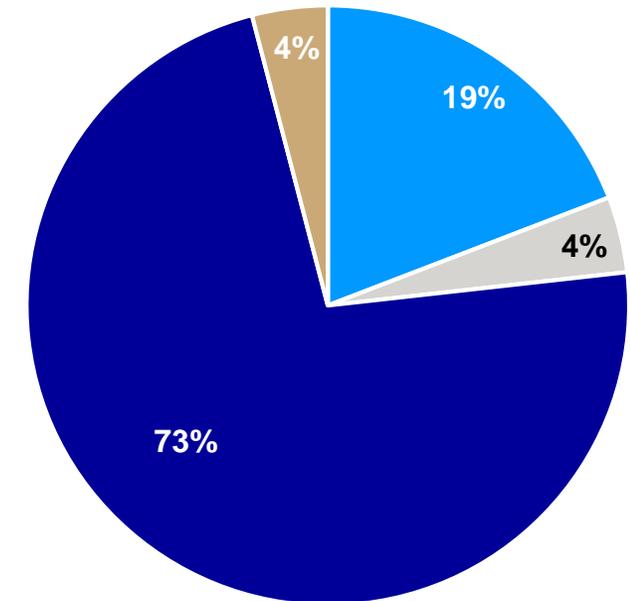
# Pro forma ownership post Revised Recapitalization plan

ILLUSTRATIVE

**Pro rata subscription in the rights issue & Bondholder Offer fully subscribed**



**No other investor participation & no subscription in Bondholder Offer**



# Indicative timeline with key dates

Event	Timing
Announcement of the Revised Recapitalization plan	14 August
Notice to Bondholders' / Hybridholders' meeting	14 August
Notice to EGM	20 August
SAS Q3 report release	25 August
Early Bird Deadline	26 August
Bondholders' / Hybridholders' meeting	2 September
EGM	22 September
Publication of rights issue and Bondholder Offer prospectus	1 October
Subscription period for the rights issue and Bondholder share offer	5 October – 19 October
Recapitalization completed and settlement of all instruments	On or around 5 November



# Risk factors (1/10)

*The Mandatory Conversion of the Notes involves inherent risk. Before making any decision on the proposed conversion terms, the noteholder should carefully consider all information in this presentation, including the risks described below as well as such relevant risk factors sourced from publicly available information or otherwise as publicly disclosed by SAS. The risks described or referenced herein are however not exhaustive, and there are additional risk relating to SAS and SAS' operations and industry as well as legal and financial risks. Each noteholder should hence consult his or her own expert advisors as to the suitability of the participation in the conversion and the holding of common shares and/or capital securities.*

## Risks relating to the mandatory conversion

Risks relating to the approval of the Mandatory Conversion

### **1. The mandatory conversion is conditional on approval by the extraordinary general meeting of SAS**

The conversion of Hybrids and Bonds is conditional on, inter alia, SAS' extraordinary general meeting authorizing the Board of Directors to issue the new common shares. Even if a sufficient number of noteholders vote in favour of the conversion of the Notes, the extraordinary ordinary general meeting could still vote against the resolutions required to carry out the conversion.

If the extraordinary general meeting votes against such resolutions, neither Hybrids nor Bonds will be converted to common shares. There is thus a risk that the conversion will not be completed, which would jeopardize the completion of the recapitalization plan contemplated by SAS, which in turn would have a material adverse effect on the financial position of SAS and pose a significant risk that the noteholders' may lose the whole, or parts, of their original investment in the Notes.

### **2. The mandatory conversion is conditional on approval by noteholders' meetings**

The conversion of the Notes is conditional on, inter alia, approval of the conversion of the Bonds and the Hybrids by each of the noteholders meetings. Even if a sufficient number of noteholders vote in favor of the conversion of the once set of notes, there is a risk that the holder of the other set of notes does not vote in favor of a conversion.

If any of the noteholders meetings votes against such resolutions, the mandatory conversions will not be completed. There is thus a risk that the mandatory conversions will not be completed, which would jeopardize the completion of the recapitalization plan contemplated by SAS, which in turn would have a material adverse effect on the financial position of SAS and pose a significant risk that the noteholders' may lose the whole, or parts, of their original investment in the Notes.

# Risk factors (2/10)

## Risks relating to the mandatory conversion

Risks relating to the approval of the Mandatory Conversion

### ***3. The terms of mandatory conversion is conditional on approval by the European Commission***

The terms of the conversion of Hybrids and Bonds is conditional on, inter alia, approval by the European Commission. Even if a sufficient number of noteholders vote in favour of the conversion of the Hybrids and the Bonds and the extraordinary ordinary general meeting approves the conversions, there is a risk that the terms of the conversions are not approved by European Commission.

If the European Commission does not approve the terms of mandatory conversions, the mandatory conversions will not be completed. There is thus a risk that the mandatory conversions will not be completed, which would jeopardize the completion of the recapitalization plan contemplated by SAS, which in turn would have a material adverse effect on the financial position of SAS and pose a significant risk that the noteholders' may lose the whole, or parts, of their original investment in the Hybrids and/or Bonds.

# Risk factors (3/10)

## Risks relating to the mandatory conversion

Risks relating to mandatory conversion to capital securities

### **4. *The capital securities are subordinated to most of SAS' liabilities***

The capital securities are intended to constitute deeply subordinated debt obligations of SAS. This means that if SAS is subject to any dissolution, winding-up, liquidation, company re-construction, administrative or other bankruptcy or insolvency proceedings, the bondholders normally receive payment after all other creditors have been paid in full. If SAS is declared insolvent and a winding up is initiated, it will be required to pay the holders of any senior debt and meet its obligations to all its other creditors (including unsecured creditors of all subordinated indebtedness) in full before it can make any payments on the capital securities. If this occurs, there is a risk that SAS won't have enough assets remaining after these payments to pay amounts due under the capital securities, which presents a significant risk for a single bondholder.

In the event of a company re-construction of SAS under the Swedish Company Reorganization Act (lag (1996:764) om företagsrekonstruktion), unsecured debt could be subject to a mandatory write-down provided that a qualified majority of the unsecured creditors has approved such write-down. There is a risk that claims in respect of the share capital of SAS are not subject to loss absorbing measures under a company re-construction. Consequently there is a significant risk that the capital securities be, partly or completely, written-off, resulting in bondholders not recovering its investment in capital securities upon a company re-construction and, thereby, presents a significant risk for the bondholders.

In the event of a shortfall of funds in the event of a voluntary or involuntary liquidation (likvidation), bankruptcy (konkurs) or company re-construction (företagsrekonstruktion) of SAS, there is a considerable risk that holders of the capital securities will lose all or most of its investment and will not receive any repayment of the principal amount or any accrued and unpaid interest (including any deferred interest). By virtue of such subordination, payments to a bondholder will, in the events described in the relevant terms and conditions, only be made after all obligations of SAS ranking higher having been satisfied in full. A bondholder may therefore recover less than the holders of unsubordinated or other subordinated liabilities of SAS that are senior to the capital securities.

Subject to applicable law, no bondholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by SAS in respect of, or arising under or in connection with the capital securities and each bondholder shall, by virtue of its holding of any capital security, be deemed to have waived all such rights of set-off, compensation or retention.

# Risk factors (4/10)

## Risks relating to the mandatory conversion

Risks relating to mandatory conversion to capital securities

### **5. Holders of the capital securities have very limited rights in relation to the enforcement of payments on the capital securities**

The bondholders' rights of enforcement in respect of payments under the capital securities are subject to significant limitations. If a default is continuing for a period of 30 days or more in relation to the payment of any interest, principal or premium in respect of the capital securities which is due and payable, the rights of the bondholder in respect of the capital securities are limited to instituting proceedings for a winding-up of SAS, and the bondholders may prove and/or claim in respect of the capital securities in a winding-up of SAS. In addition, the bondholders shall not be entitled to accelerate payments of interest or principal under the capital securities in any circumstances other than a winding-up of SAS which, present a risk that the bondholders does not recover their investments in the capital securities.

Furthermore, whilst the bondholders may institute other proceedings against SAS to enforce the terms of the capital securities, SAS shall not, by virtue of such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it under the terms of the capital securities.

Accordingly, the bondholders' rights of enforcement in respect of payments under the capital securities are very limited, thus presenting a significant risk for a single bondholder.

### **6. The capital securities have no maturity date**

The capital securities are perpetual meaning that the capital securities have no specified maturity date. SAS is not obliged to redeem the capital securities at any time and bondholders have no option to redeem the capital securities at any time. SAS may only redeem the capital securities in the circumstances described in of the terms and conditions of the capital securities.

Holders may be required to bear financial risks of the investment in the capital securities for a long period of time and may not recover the principal amount of their investment before a redemption (in particular if there is no active trading on the secondary market) of the capital securities (if any) and such redemption is at the discretion of SAS. Accordingly, there is a risk that bondholders may lose the whole, or parts of, their investment in the event SAS chooses not to redeem the capital securities.

# Risk factors (5/10)

## Risks relating to the mandatory conversion

Risks relating to mandatory conversion to capital securities

### **7. SAS may defer interest payments**

SAS may, at any time and in its sole discretion (except upon the occurrence of certain events stated in the terms and conditions of the capital securities), elect to defer any interest payment, in whole or in part, which would otherwise be paid on any interest payment date. If interest is deferred in accordance with the terms and conditions of the capital securities, SAS has no obligation to make such payment on the relevant interest payment date and any such non-payment of interest does not constitute a default or any other breach of obligations under the capital securities, and risks leading to the bondholders not receiving a return on their investment.

Any actual or anticipated deferral of interest payments will be likely to have an adverse effect on the market price of the capital securities. In addition, as a result of such interest deferral provisions of the capital securities, the market price of the capital securities may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to the above provisions and may be more sensitive generally to adverse changes in SAS' financial condition. The degree to which the market price of the capital securities may vary is uncertain and presents a significant risk to the value of, and the possibility to trade, the capital securities.

### **8. Redemption of the capital securities**

SAS may redeem all the capital securities, but not some only, at any time together with any deferred interest and any accrued and unpaid interest or at any time on one or several occasions, redeem in whole or in part outstanding capital securities on any business day by way of reducing the nominal amount of the capital securities. There is a risk that the market value of the capital securities is higher than the amount received at redemption and that it is not possible for bondholders to reinvest such proceeds at an effective interest rate as high as the interest rate on the capital securities. Accordingly, this presents a significant risk for bondholders.

# Risk factors (6/10)

## Risks relating to the mandatory conversion

Risks relating to mandatory conversion to capital securities

### ***9. There has been no active trading market for the capital securities and an established trading market for the capital securities may not develop***

Pursuant to the Terms and Conditions, SAS shall use its best efforts (without assuming any legal or contractual obligation) to apply for the capital securities to be admitted to trading on the corporate bond list of Nasdaq Stockholm (or another regulated market) but there is a risk that such application will not be accepted or that the capital securities will not be so admitted. A failure to obtain such listing risk having a negative impact on the market value of the capital securities.

Prior to any admission to trading, there has been no public market for the capital securities. Even if a listing will occur, there is a risk that an active trading market for the capital securities will not evolve or, if evolved, will not be sustained. The nominal amount of the capital securities may not be indicative of their market value after being admitted for trading on Nasdaq Stockholm (or another regulated market). Furthermore, following a listing of the capital securities, the liquidity and trading price of the capital securities may vary substantially as a result of numerous factors, including market fluctuations and general economic conditions and irrespective of the performance of SAS and the group. Capital securities may be acquired by SAS and subsequently be cancelled by SAS, provided that the aggregate principal amount of the capital securities subject to such cancellation represents eighty (80) percent or more of the aggregate principal amount of the capital securities issued. The degree to which the liquidity and the trading price of the capital securities may vary is uncertain, and risks leading to the bondholders not recovering their investments in the capital securities. In addition, transaction costs in any secondary market may be high, which also presents a risk to the bondholders not recovering their investments in the capital securities.

Therefore, bondholders may not be able to sell their capital securities at the desired time or price level. The degree to which the market value of the capital securities may vary is uncertain, and presents a significant risk for bondholders' investment in the capital securities.

Further, if SAS fails to procure listing in time, bondholders holding capital securities on an investment savings account (investeringssparkonto) will no longer be able to hold the capital securities on such account and, thus, presents a significant risk to such bondholder's tax situation.

# Risk factors (7/10)

## Risks relating to the mandatory conversion

Risks relating to mandatory conversion to capital securities

### *10. European Benchmarks Regulation*

In order to ensure the reliability of reference rates (such as STIBOR), legislative action at EU level has been taken. Hence, the so-called Benchmark Regulation (Regulation (EU) 2016/1011) entered into force on January 1, 2018. The Benchmark Regulation regulates the provision of reference values, reporting of data bases for reference values and use of reference values within the EU. Since the Benchmark Regulation has only been applicable for a short period of time, the effects of it so far are difficult to assess. However, there are future risks that the Benchmark Regulation affects how certain reference rates are determined and how they are developed. This in conjunction with increased administrative requirements is likely to lead to a reduced number of entities involved in the determination of reference rates, which, in such case, would lead to a certain reference interest ceasing to be published. If this is the case for STIBOR, and e.g. the relevant fall-back solution evident from the Terms and Conditions should not work properly or negatively for either or both of SAS or the bondholders, this may lead to difficulties with determination and calculating interest which in turn risks leading to costly and time consuming discussions (and maybe even disputes) in respect of the matter, which in each case risks having an adverse effect on the capital securities, SAS and/or the bondholders.

# Risk factors (8/10)

## Risks relating to the mandatory conversion

Risks relating to mandatory conversion to common shares

### **11. Common shares do not carry coupon**

Following the conversion of the Hybrids, hybridholders will no longer be entitled to receive payment of coupon. No interest will accrue or be paid on the common shares. Instead the hybridholders' are entitled to receive future payments of dividends, if SAS makes any such payments. See further in the risk factor "SAS' ability to pay future dividends depends on several factors" below.

As the hybridholders will not be entitled to receive any coupon and it is not clear if or when SAS will resolve on any future dividends, hybridholders may not be able to receive a yield comparable to investments in other shares or debt instruments. Accordingly, the lack of yield a hybridholder can expect on the common shares presents a significant risk for hybridholders converting into common shares.

### **12. Common shares are subordinated to most of SAS' liabilities**

Common shares are subordinated to SAS' obligations against its creditors. This means that if SAS is subject to any dissolution, winding-up, liquidation, restructuring (företagsrekonstruktion), administrative or other bankruptcy or insolvency proceedings, shareholders normally receive payment after all other creditors have been paid in full. If SAS is declared insolvent and a winding-up is initiated, it will be required to pay the holders of senior debt and meet its obligations to all its other creditors (including unsecured creditors of all subordinated indebtedness) in full before shareholders will be entitled to receive any payments. If this occurs, there is a highly significant risk that SAS does not have enough assets remaining after these payments to pay any amounts to the shareholders.

### **13. Common shares has no maturity and will not be redeemed by SAS**

Common shares have no specified maturity date and SAS is under no obligation to buy back any common shares at any time.

Holders may be required to bear financial risks of the common shares for a long period of time and may not recover their original investment in the Hybrids. As SAS is under no obligation to buy back any common shares, each hybridholder will following the conversion be required to divest its common shares on the open market in order to regain all or parts its original investment. Consequently, there is a risk that hybridholders may lose the whole, or parts, of their original investment in the Hybrids.

# Risk factors (9/10)

## Risks relating to the mandatory conversion

Risks relating to mandatory conversion to common shares

### **14. *Certain hybridholders might not be able to hold common shares***

Some hybridholders may be prohibited (by law or investment mandate) from holding common shares and may therefore be under an obligation to sell the shares in SAS following the completion of the conversion or to sell their Hybrids before the conversion date. Therefore, hybridholders may be required to sell their Hybrids or common shares at an undesired time or at a price that will not provide them with a yield comparable to the anticipated yield when making its original investment in the Hybrids or of similar investments in other shares or debt instruments. Accordingly, the conversion of Hybrids to common shares presents a significant risk for the investments of hybridholders prohibited from holding common shares.

### **15. *The share price can be volatile and the share price development is affected by several factors***

Since the shares may decrease in value, there is a risk that hybridholders will not recover their original investment. SAS' ordinary shares are listed on Nasdaq Stockholm and secondarily listed on Nasdaq Copenhagen and Oslo Børs. During the period 1 January–13 August 2020, the lowest closing share price at Nasdaq Stockholm was SEK 7.3 and the highest closing share price was SEK 16.4. The subscription price in the forthcoming rights issue has been set at SEK 1.16. Accordingly, the share price may be volatile. The performance of a share depends on multiple factors, some of which are company specific, whilst others are related to the stock market in general. The share price may, for example, be affected by supply and demand, fluctuations in actual or projected results, failure to meet stock analysts' earnings expectations, failure to achieve financial and operational targets, changes in general economic conditions, changes in regulatory conditions and other factors. Moreover, stock exchanges worldwide have been very volatile and share prices subject to extraordinary swings as a result of the COVID-19 pandemic. The price of SAS' share is furthermore in some cases affected by competitors' activities and market positions. There is a risk that there will not always be an active and liquid market for trading in SAS' shares, which would affect hybridholders' possibilities to recover their invested capital. This presents a significant risk for a single hybridholder.

### **16. *SAS' ability to pay future dividends depends on several factors***

Payment of dividends may only take place if there are distributable funds held by SAS and by an amount that appears to be justified taking into consideration the demands with respect to the size of shareholder's equity, which are imposed by the nature, scope and risks associated with the operations as well as SAS' consolidation needs, liquidity and position in general for a certain fiscal year. Furthermore, future dividends, and the size of any such dividends, depend on the Group's future results, financial position, cash flows, working capital requirements and other factors.

The newly issued ordinary shares confer the right to dividends from, and including, the first record date after the rights issue has been registered with the Swedish Companies Registration Office. For the fiscal year 2019 no dividend was paid. No dividend has been paid since 2001. Accordingly, there is a risk that payable dividends are not available in any fiscal year.

# Risk factors (10/10)

## Risks relating to the mandatory conversion

Risks relating to mandatory conversion to common shares

### **17. Shareholders in the United States and other jurisdictions are subject to specific share-related risks**

SAS' reporting currency is SEK and thus any dividends will be paid in SEK. This means that shareholders outside of Sweden may experience a negative impact on the value of their holdings and dividends at conversion to other currencies if SEK declines in value against the relevant currency. The recent weak development of SEK has thus had a negative effect on shareholdings denominated in other currencies. Furthermore, tax legislation in both Sweden and the shareholder's home country may affect the income from any dividend.

In certain jurisdictions, there may be restrictions in national securities laws that mean that shareholders in such jurisdictions do not have the possibility to participate in new share issues and other offerings if securities are offered to the general public. SAS has shareholders located in, for example, the United States, Australia, Hong Kong, Canada and Singapore where securities laws impose such limitations. If SAS issues new shares with preferential rights for SAS' shareholders in the future, shareholders in some jurisdictions, including the aforementioned jurisdictions, may be subject to corresponding restrictions as apply in relation to the forthcoming rights issue, which, for example, means that they are unable to participate in such new share issues or that their participation is otherwise prevented or limited.

### **18. SAS' largest shareholders can exert a substantial influence over SAS**

Currently the Swedish state owns 14.82 percent and the Danish state owns 14.24 percent of the outstanding shares in SAS. These shareholders can thus exert a substantial influence over SAS in matters that are subject to the approval of the shareholders. This concentration of ownership could be disadvantageous for shareholders with other interests than those of the Swedish government and the Danish government. As a consequence of the participation by the Swedish government and the Danish government in the Revised Recapitalization Plan, and the subscription undertakings and underwriting commitments from them in respect of the rights issue, their respective shareholding could increase significantly to a minimum of approximately 18.5 percent and a maximum of approximately 36.4 percent of the total number of shares and votes each, corresponding to an aggregate of minimum 36.9 percent and maximum 72.7 percent of the total number of shares and votes in SAS. The influence by the Swedish government and the Danish government in matters that are subject to approval by the shareholders will thus be further magnified.

*SAS*