

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 up to SEK 2,250,000,000 senior unsecured fixed rate notes due 2022 (ISIN SE0010520338) issued by the Issuer and guaranteed by Scandinavian Airlines System Denmark – Norway – Sweden (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 20 November 2017 as amended and restated by an amendment and restatement agreement dated 4 June 2018 (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 6 (*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 capital securities issued by 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 6.6 (*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 6.6 (*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 the Notes, 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 Issuers’ 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 subordinated perpetual floating rate callable capital securities (ISIN SE0012193910) issued by the Issuer pursuant to terms and conditions dated 17 October 2019 (the “**Hybrid Notes**”) and (b) an amendment regarding the conversion of the Notes, now to be converted into new commercial hybrid notes or common shares at the option of the Noteholder pursuant to a separate offer to the holders of the Notes. Holders of 53.25% of the Hybrid Notes and holders of 41.51% of the Notes 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 SAS 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 Hybrid Notes and Notes 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 Hybrid Notes and the Notes as set out above requires approval by the Meeting and the noteholders’ meeting amongst the holders of the Hybrid Notes scheduled to be held on 2 September 2020. If the Revised Recapitalization Plan is not implemented and fails, SAS 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 SAS 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 Hybrid Notes and the Notes 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 4 (*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 perpetual unsubordinated, unsecured, unguaranteed floating rate callable capital securities, each with the initial nominal amount of SEK 1,000 (the “**Capital Securities**”) issued by the Issuer as follows (the “**Mandatory Conversion**”):

- (a) All Notes shall be exchanged for capital securities at 100 per cent. of the Nominal Amount per Note by way of setting off the Notes against the subscription price of the Capital Securities. Each Noteholder will receive one thousand (1,000) Capital Securities per Note.
- (b) Accrued and unpaid interest on the Notes will be paid in cash to the Noteholders’ on the Conversion Date (as defined below) in accordance with the Terms and Conditions.
- (c) The guarantee provided by Scandinavian Airlines System Denmark – Norway – Sweden will be released on the Conversion Date.
- (d) The conversion of Notes to Capital Securities shall occur on or around 23 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.

The terms and conditions of the Capital Securities proposed by the Issuer will be substantially in the form set forth in Schedule 3 (*Terms and Conditions*).

Notes which has been validly tendered and exchanged for newly subscribed shares in the Issuer in the upcoming offer described under Section 4 (*Upcoming offer to subscribe for common shares*) will not be subject to the Mandatory Conversion.

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 Capital Securities the Noteholder are entitled to in accordance with the resolutions adopted by 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 6.4 (*Majority*) below);
- (b) the requisite majority of the holders of the Hybrid Notes consent to the proposal set out in the notice of meeting of holders of such capital securities 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 shares subscribed for under the Noteholder Offer;
- (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 shares subscribed for under the Noteholder Offer) 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 or the subsequent Noteholder Offer;
- (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 41.51% of the Notes (including all of the major holders that the Issuer has negotiated with, representing 27.11% of the Notes,) has expressed its 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	1 September 2020
Meeting	2 September 2020
Extraordinary General Meeting of the Issuer	22 September 2020
Last day of trading of the Notes	15 October 2020
Conversion Record Date	19 October 2020
Conversion Date	23 October 2020
Delivery of the BTAs	23 October 2020
Payment of Early Bird Fee	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 2,000 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. UPCOMING OFFER TO SUBSCRIBE FOR COMMON SHARES

As set out in the press release announced by the Issuer on 14 August 2020, the Issuer will, after the Meeting but prior to the Conversion Date, present the Noteholders' with an offer to subscribe for common shares in the Issuer at a subscription price of SEK 1.16 per share by setting off the claim under their Notes as consideration (the "**Noteholder Offer**"). The Noteholders will be able to subscribe for approximately 862,068.96 shares per Note. Noteholders will not be able to subscribe for fractions of shares. Each Note can either be used as consideration in the Noteholder Offer or be subject to the Mandatory Conversion.

The aggregate number of new common shares to be issued under the Noteholder Offer will be limited to 969,827,586 shares and, in case of oversubscription, the allotment will be scaled down on a *pro-rata* basis. If the Noteholder Offer is fully subscribed Noteholders will receive shares representing approximately 12.6 per cent. of the shares in the Issuer.

The CSD will distribute a securities notification confirming the registration of paid subscription shares (*betalda tecknade aktier* – "**BTA**") to Noteholders which participate in the Noteholder Offer. The BTAs will be delivered on or around 23 October 2020. The BTAs will be admitted to trading on Nasdaq Stockholm.

The acceptance period for the Noteholder Offer will run concurrently with the subscription period in the rights issue of new common shares available to eligible shareholders announced by the Issuer currently expected during the period 5 October – 19 October 2020. Announcement of the outcome of the Noteholder Offer is expected to occur on 23 October 2020 and settlement is expected to occur on 5 November 2020. Further details on the Noteholder Offer will be included in the prospectus to be made public on 1 October 2020.

Provided that no fractions of shares or Capital Securities will be delivered, there is a risk that Noteholders will not be able to convert the full value of their Notes and as a result certain value will be lost. This risk can be mitigated by not subscribing for new shares.

5. INFORMATION TO THE NOTEHOLDERS, CONSEQUENCES AND RISKS

5.1 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.

5.2 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 Hybrid Notes to common shares in the Issuer 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.

5.3 Consequences of the Mandatory Conversion

If the Proposal is accepted by the Noteholders and the Revised Recapitalization Plan is implemented, the Noteholders will become holders of Capital Securities issued by a well-capitalised airline with a strong sustainability focus with a potential for full recovery of their original claims under the Notes.

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 under the Terms and Conditions will cease.

5.4 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.

5.5 Risks

The Proposals and an investment in the Capital Securities issued by 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 Capital Securities. 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 4 (*Investor presentation*). The Issuer does not represent that the risks of the Mandatory Conversion and/or of the Proposals are exhaustive.

6. 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.

6.1 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 6.6 (*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/>).

6.2 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.

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.

6.3 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.

6.4 Majority

The Agent must receive votes in favour of the Proposals in the Meeting representing **at least 80 per cent.** of the Adjusted Nominal Amount of the Noteholders voting in the Meeting in order for the Proposals to be approved.

6.5 Effective date

The Proposals shall be deemed approved immediately at the Meeting if the required majority set forth in Section 6.4 (*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 Capital Securities 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.

6.6 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

7. 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.

8. 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.

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 senior unsecured fixed rate notes due 2022 (ISIN SE0010520338) issued by the SAS AB (publ) and guaranteed by Scandinavian Airlines System Denmark – Norway – Sweden

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.

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

Name of the Voting Person: _____

Capacity of the Voting Person: Directly registered ☐ ¹ 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): _____

¹ When voting in this capacity, no further evidence is required

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

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 senior unsecured fixed rate notes due 2022 (ISIN SE0010520338) issued by the SAS AB (publ) and guaranteed by Scandinavian Airlines System Denmark – Norway – Sweden

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)*

☐	Registered as Noteholder on the Securities Account
☐	Other intermediary and holds the Notes through <i>(specify below)</i> :

Place, date: _____

Name:

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

Schedule 3
Terms and Conditions



TERMS AND CONDITIONS FOR

SAS AB (PUBL)

**SEK [2,250,000,000] UNSUBORDINATED PERPETUAL
FLOATING RATE CALLABLE CAPITAL SECURITIES**

ISIN: SE[●]

ISSUE DATE: [23 October] 2020

SELLING RESTRICTIONS

No action is being taken that would or is intended to permit a public offering of the Capital Securities or the possession, circulation or distribution of this document or any other material relating to the Issuer or the Capital Securities in any jurisdiction other than Sweden, where action for that purpose is required. Persons into whose possession this document comes are required by the Issuer to inform themselves about, and to observe, any applicable restrictions.

No person, other than a holder of Existing Notes, can subscribe for Capital Securities. The Capital Securities subscribed for by holders of Existing Notes can only be paid for by setting-off the amounts outstanding under the Existing Notes.

PRIVACY NOTICE

The Issuer, the Agent and the Issuing Agent may collect and process personal data relating to the Holders, the Holders' representatives or agents, and other persons nominated to act on behalf of the Holders pursuant to the Terms and Conditions (name, contact details and, when relevant, holding of Capital Securities). The personal data relating to the Holders is primarily collected from the registry kept by the CSD. The personal data relating to other persons is primarily collected directly from such persons.

The personal data collected will be processed by the Issuer, the Agent and the Issuing Agent for the following purposes:

- (a) to exercise their respective rights and fulfil their respective obligations under the Terms and Conditions;
- (b) to manage the administration of the Capital Securities and payments under the Capital Securities;
- (c) to enable the Holders' to exercise their rights under the Terms and Conditions; and
- (d) to comply with their obligations under applicable laws and regulations.

The processing of personal data by the Issuer, the Agent and the Issuing Agent in relation to items (a) - (c) is based on their legitimate interest to exercise their respective rights and to fulfil their respective obligations under the Terms and Conditions. In relation to item (d), the processing is based on the fact that such processing is necessary for compliance with a legal obligation incumbent on the Issuer, the Agent or the Issuing Agent. Unless otherwise required or permitted by law, the personal data collected will not be kept longer than necessary given the purpose of the processing.

Personal data collected may be shared with third parties, such as the CSD, when necessary to fulfil the purpose for which such data is processed.

Subject to any legal preconditions, the applicability of which have to be assessed in each individual case, data subjects have the rights as follows. Data subjects have right to get access to their personal data and may request the same in writing at the address of the Issuer, the Agent and the Issuing Agent, respectively. In addition, data subjects have the right to (i) request that personal data is rectified or erased, (ii) object to specific processing, (iii) request that the processing be restricted and (iv) receive personal data provided by themselves in machine-readable format. Data subjects are also entitled to lodge complaints with the relevant supervisory authority if dissatisfied with the processing carried out.

The Issuer's, the Agent's and the Issuing Agent's addresses, and the contact details for their respective Data Protection Officers (if applicable), are found on their websites www.sas.se, www.intertrustgroup.com and www.seb.se.

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1. DEFINITIONS AND CONSTRUCTION

1.1 Definitions

In these terms and conditions (the “**Terms and Conditions**”):

“**1986 Subordinated Bond**” means the CHF 200,000,000 subordinated bond issued by the Scandinavian Airlines System Denmark – Norway – Sweden on January 14, 1986.

“**Account Operator**” means a bank or other party duly authorized to operate as an account operator pursuant to the Financial Instruments Accounts Act and through which a Holder has opened a Securities Account in respect of its Capital Securities.

“**Adjusted Nominal Amount**” means the Total Nominal Amount less the Nominal Amount of all Capital Securities owned by a Group Company, irrespective of whether such person is directly registered as owner of such Capital Securities.

“**Agency Agreement**” means the agency agreement entered into on or before the Issue Date, between the Issuer and the Agent, or any replacement agency agreement entered into after the Issue Date between the Issuer and an agent.

“**Agent**” means Intertrust (Sweden) AB, Swedish Reg. No. 556625-5476, or another party replacing it, as Agent, in accordance with these Terms and Conditions.

“**Business Day**” means a day in Sweden other than a Sunday or other public holiday. Saturdays, Midsummer Eve (*midsommarafton*), Christmas Eve (*julafton*) and New Year’s Eve (*nyårsafton*) shall for the purpose of this definition be deemed to be public holidays.

“**Business Day Convention**” means the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day.

“**Capital Security**” means a debt instrument (*skuldförbindelse*) for the Nominal Amount and of the type set forth in Chapter 1 Section 3 of the Financial Instruments Accounts Act and which are governed by and issued under these Terms and Conditions.

“**Change of Control Event**” means an event where:

- (a) any person or group of persons (other than the Major Investors), acting in concert gains Control of the Issuer; or
- (b) all shares of the Issuer cease to be listed on a Regulated Market;

For this purpose, “**Control**” of the Issuer means:

- (i) the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to directly or indirectly:
 - (A) cast, or control the casting of, more than fifty (50) percent of the maximum number of votes that might be cast at a general meeting of the shareholders of the Issuer; or

- (B) having the right to appoint or remove all, or the majority, of the directors or other equivalent officers of the Issuer; or
- (ii) the holding of more than fifty (50) percent of the issued share capital of the Issuer (excluding any part of that issued share capital that carries no right to participate beyond a specific amount in a distribution of either profits or capital).

For the purpose of this definition, “**acting in concert**” means, a group of persons who, pursuant to an agreement or understanding (whether formal or informal), actively cooperate, through the acquisition directly or indirectly of shares in the Issuer by any of them, either directly or indirectly, to obtain or consolidate control of the Issuer.

“**Change of Control Step-up Date**” means the date falling six (6) months after the date on which a Change of Control Event has occurred.

“**CSD**” means the Issuer’s central securities depository and registrar in respect of the Capital Securities, Euroclear Sweden AB, Swedish Reg. No. 556112-8074, P.O. Box 191, 101 23 Stockholm, Sweden, or another party replacing it, as CSD, in accordance with these Terms and Conditions.

“**CSD Regulations**” means the CSD’s rules and regulations applicable to the Issuer, the Agent and the Capital Securities from time to time.

“**Danish State Capital Securities**” means the SEK 1,000,000,000 subordinated floating rate callable capital securities ISIN [●], to be issued by the Issuer to the Kingdom of Denmark on or about [5 November] 2020.

“**Debt Register**” means the debt register (*skuldbok*) kept by the CSD in respect of the Capital Securities in which (i) an owner of Capital Securities is directly registered or (ii) an owner’s holding of Capital Securities is registered in the name of a nominee.

“**Deferred Interest**” has the meaning ascribed to in Clause 10.1.2.

“**Deferred Interest Payment Event**” means any one or more of the following events:

- (a) declaration or payment of any distribution or dividend or any other payment made by the Issuer on its share capital or any other obligation of the Issuer which ranks or is expressed by its terms to rank junior to the Capital Securities (including, for the avoidance of doubt, the Danish State Capital Securities and the State Capital Securities) or any Parity Securities;
- (b) declaration or payment of any distribution or dividend or any other payment made by the Issuer or any Subsidiary of the Issuer, as the case may be, on any Parity Securities;
- (c) redemption, repurchase, repayment, cancellation, reduction or other acquisition by the Issuer or any Subsidiary of the Issuer of any shares of the Issuer or any other obligation of the Issuer which ranks or is expressed by its terms to rank junior to the Capital Securities or any Parity Securities; and /or
- (d) redemption, repurchase, repayment, cancellation, reduction or other acquisition by the Issuer or any Subsidiary of the Issuer of any Parity Securities,

save for:

- (i) in each case, any compulsory distribution, dividend, other payment, redemption, repurchase, repayment, cancellation, reduction or other acquisition required by the terms of such securities or by mandatory operation of applicable law;
- (ii) in each case, any payment of interest under the 1986 Subordinated Bond;
- (iii) in the case of paragraph (c) above only, any redemption, repurchase, repayment, cancellation, reduction or other acquisition that is executed in connection with, or for the purpose of:
 - (A) any reduction of the quota value of the share capital of the Issuer without a corresponding return of cash, capital or assets to shareholders of the Issuer or
 - (B) (i) any share buyback programme then in force and duly approved by the shareholders' general meeting of the Issuer or the relevant Subsidiary of the Issuer (as applicable) or (ii) any existing or future stock option plan or free share allocation plan or other incentive plan,

in all cases, reserved for directors, officers and/or employees of the Issuer or the relevant Subsidiary of the Issuer or any associated hedging transaction.

“Eurobonus” means a travel-related loyalty program operated by the Issuer and its Subsidiaries.

“Existing Notes” means the SEK 2,250,000,000 senior unsecured fixed rate notes due 2022 (ISIN SE0010520338) issued by the SAS AB (publ) and guaranteed by Scandinavian Airlines System Denmark – Norway – Sweden.

“Final Step-Up Date” means the date falling ten (10) years after the Issue Date.

“Financial Instruments Accounts Act” means the Swedish Central Securities Depositories and Financial Instruments Accounts Act (*lag (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument*).

“First Step-Up Date” means the date falling one (1) year after the Issue Date.

“Force Majeure Event” has the meaning set forth in Clause 23.1.

“Fourth Step-Up Date” means the date falling seven (7) year after the Issue Date.

“Group” means the Issuer and its Subsidiaries from time to time (each a **“Group Company”**).

“Holder” means the person who is registered on a Securities Account as direct registered owner (*direktregistrerad ägare*) or nominee (*förvaltare*) with respect to a Capital Security.

“Holders’ Meeting” means a meeting among the Holders held in accordance with Clauses 15.1 (*Request for a decision*), 15.2 (*Convening of Holders’ Meeting*) and 15.4 (*Majority, quorum and other provisions*).

“**Initial Nominal Amount**” has the meaning set forth in Clause 2.3.

“**Insolvent**” means, in respect of a relevant person, that it is deemed to be insolvent, or admits inability to pay its debts as they fall due, in each case within the meaning of Chapter 2, Sections 7-9 of the Swedish Bankruptcy Act (*konkurslagen (1987:672)*) (or its equivalent in any other relevant jurisdiction).

“**Interest**” means the interest on the Capital Securities calculated in accordance with Clauses 9.1.1 to 9.1.3.

“**Interest Payment**” means, in respect the payment of interest on an Interest Payment Date, the amount of interest payable for the relevant Interest Period in accordance with Clause 9 (*Interest*).

“**Interest Payment Date**” means subject to Clause 10 (*Optional Interest Deferral*), [23 April] and [23 October] of each year or, to the extent such day is not a Business Day, the Business Day following from an application of the Business Day Convention. The first Interest Payment Date for the Capital Securities shall be [23 April] 2021 and the last Interest Payment Date shall be the relevant Redemption Date.

“**Interest Period**” means (i) in respect of the first Interest Period, the period from (but excluding) the Issue Date to (and including) the first Interest Payment Date or, if the Capital Securities are redeemed before, the Redemption Date, and (ii) in respect of subsequent Interest Periods, the period from (but excluding) an Interest Payment Date to (and including) the next succeeding Interest Payment Date or, if the Capital Securities are redeemed before, the Redemption Date.

“**Interest Rate**” means STIBOR plus the applicable Margin.

“**Issue Date**” means [23 October] 2020.

“**Issuer**” means SAS AB (publ), a public limited liability company incorporated under the laws of Sweden with Reg. No. 556606-8499.

“**Issuer Winding-up**” has the meaning set forth in Clause 3.2.

“**Issuer Re-Construction**” has the meaning set forth in Clause 3.3.

“**Issuing Agent**” means, initially, Skandinaviska Enskilda Banken AB (publ) and thereafter each other party appointed as Issuing Agent in accordance with these Terms and Conditions and the CSD Regulations.

“**Listing Failure Event**” means (i) that the Capital Securities are not registered and admitted to trading on Nasdaq Stockholm or another Regulated Market within sixty (60) calendar days after the Issue Date or (ii) that a de-listing is made to the contrary of Clause 13.1 (*Admission to trading*).

“**Major Investor**” means each of (i) the Swedish government, (ii) the Danish government, (iii) Knut and Alice Wallenberg’s foundation, a foundation registered in Sweden, with Reg. No. 802005-9773 and (iv) any person under the direct or indirect control of one or more of the persons mentioned under sub-paragraphs (i)-(iii) above.

“Margin” means:

- (a) in respect of the period from (but excluding) the Issue Date to (and including) the First Step-Up Date, 3.40 percent *per annum*;
- (a) in respect of the period from (but excluding) the First Step-Up Date to (and including) the Second Step-Up Date, 4.40 percent *per annum*;
- (b) in respect of the period from (but excluding) the Second Step-Up Date to (and including) the Third Step-Up Date, 5.90 percent *per annum*;
- (c) in respect of the period from (but excluding) the Third Step-Up Date to (and including) the Fourth Step-Up Date, 10.90 percent *per annum*;
- (d) in respect of the period from (but excluding) the Fourth Step-Up Date to (and including) the Final Step-Up Date, 14.40 percent *per annum*; and
- (e) in respect of the period from (but excluding) the Final Step-Up Date until the relevant Redemption Date, 15.90 percent *per annum*.

“Nominal Amount” means in respect of each Capital Security the Initial Nominal Amount, less the aggregate amount by which that Capital Security has been redeemed in part pursuant to Clause 11.4 (*Voluntary partial redemption (call option)*).

“Parity Securities” means any obligations arising under perpetual, unsubordinated, unsecured capital securities with the possibility for the Issuer to defer Interest Payments and which are accounted for as equity in the Issuer’s accounts of:

- (a) the Issuer, issued directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with the Capital Securities; and
- (b) any Subsidiary of the Issuer having the benefit of a guarantee or support agreement from the Issuer which ranks or is expressed to rank *pari passu* with the Capital Securities.

“Quotation Day” means, in relation to any period for which an interest rate is to be determined, two (2) Business Days before the first day of that period.

“Record Date” means the fifth (5) Business Day prior to (i) an Interest Payment Date, (ii) a Redemption Date, or (iii) another relevant date, or in each case such other Business Day falling prior to a relevant date if generally applicable on the Swedish bond market.

“Redemption Date” means the date on which the relevant Capital Securities are to be redeemed or repurchased in accordance with Clause 11 (*Redemption and repurchase of the Capital Securities*).

“Reference Banks” means Danske Bank A/S, Danmark, Sverige Filial, Skandinaviska Enskilda Banken AB (publ) and Swedbank AB (publ) (or such other banks as may be appointed by the Issuing Agent in consultation with the Issuer).

“Regulated Market” means any regulated market (as defined in Directive 2014/65/EU on markets in financial instruments).

“Second Step-Up Date” means the date falling three (3) years after the Issue Date.

“Securities Account” means the account for dematerialized securities (*avstämningsregister*) maintained by the CSD pursuant to the Financial Instruments Accounts Act in which (i) an owner of such security is directly registered or (ii) an owner’s holding of securities is registered in the name of a nominee.

“Security” means a mortgage, charge, pledge, lien, security assignment or other security interest securing any obligation of any person, or any other agreement or arrangement having a similar effect.

“Senior Debt” means (a) moneys borrowed, or (b) the issue of bonds (but not any performance bonds, advance payment bonds, documentary letters of credit or similar instruments issued in respect of the obligations of any member of the Issuer’s group arising in the ordinary course of trading), notes or any similar instrument, in each case ranking senior (including direct, general, unconditional, unsubordinated and unsecured debt obligations of the Issuer but excluding Parity Securities) to the Capital Securities.

“Senior Debt Event” has the meaning set forth in Clause 9.3.1.

“Slots” means the scheduled time of arrival or departure allocated to an aircraft movement on a specific date at an airport.

“State Capital Securities” means the SEK 5,000,000,000 subordinated floating rate callable capital securities ISIN [●], to be issued by the Issuer to the Kingdom of Denmark and the Kingdom of Sweden on or about [5 November] 2020.

“State Capital Securities Redemption Event” has the meaning set forth in Clause 9.4.

“STIBOR” means:

- (a) the applicable interest rate *per annum* calculated and distributed by the Swedish Financial Benchmark Facility (or the replacing administrator or calculation agent) for the current day and published on the information system Reuters page “STIBOR = Q” (or through such other system or on such other page as replaces the said system or page) as of or around 11.00 a.m. on the Quotation Day for the offering of deposits in Swedish Kronor and for a period equal to the relevant Interest Period;
- (b) if no rate as described in paragraph (a) above is available for the relevant Interest Period, the rate determined by the Issuing Agent (rounded upwards to four decimal places) by interpolation between the two closest rates displayed on the information system Reuters page “STIBOR = Q” (or through another website replacing it) as of or around 11.00 a.m. on the Quotation Day for the offering of deposits in Swedish Kronor;
- (c) if no rate as described in paragraph (b) above is available for the relevant Interest Period, the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Issuing Agent at its request quoted by the Reference Banks, for deposits of SEK 100,000,000 for the relevant period; or
- (d) if no quotation is available pursuant to paragraph (c) above, the interest rate which according to the reasonable assessment of the Issuing Agent best reflects the interest rate for deposits in Swedish Kronor offered in the Stockholm interbank market for the relevant period,

if any such rate is below zero, STIBOR will be deemed to be zero (0).

“**Subsidiary**” means, in relation to any person, any Swedish or foreign legal entity (whether incorporated or not), which at the time is a subsidiary (*dotterföretag*) to such person, directly or indirectly, as defined in the Swedish Companies Act (*aktiebolagslagen (2005:551)*).

“**Swedish Kronor**” and “**SEK**” means the lawful currency of Sweden.

“**Third Step-Up Date**” means the date falling five (5) years after the Issue Date.

“**Total Nominal Amount**” means the total aggregate Nominal Amount of the Capital Securities outstanding at the relevant time.

“**Written Procedure**” means the written or electronic procedure for decision making among the Holders in accordance with Clauses 15.1 (*Request for a decision*), 15.3 (*Instigation of Written Procedure*) and 15.4 (*Majority, quorum and other provisions*).

1.2 Construction

1.2.1 Unless a contrary indication appears, any reference in these Terms and Conditions to:

- (a) “**assets**” includes present and future properties, revenues and rights of every description;
- (b) any agreement or instrument is a reference to that agreement or instrument as supplemented, amended, novated, extended, restated or replaced from time to time;
- (c) a “**regulation**” includes any law, regulation, rule or official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organization;
- (d) a provision of regulation is a reference to that provision as amended or re-enacted; and
- (e) a time of day is a reference to Stockholm time.

1.2.2 When ascertaining whether a limit or threshold specified in Swedish Kronor has been attained or broken, an amount in another currency shall be counted on the basis of the rate of exchange for such currency against Swedish Kronor for the previous Business Day, as published by the Swedish Central Bank (*Riksbanken*) on its website (www.riksbank.se). If no such rate is available, the most recently published rate shall be used instead.

1.2.3 A notice shall be deemed to be sent by way of press release if it is made available to the public within Sweden promptly and in a non-discriminatory manner.

1.2.4 No delay or omission of the Agent or of any Holder to exercise any right or remedy under the Terms and Conditions shall impair or operate as a waiver of any such right or remedy.

1.2.5 The selling restrictions, the privacy notice and any other information contained in this document before the table of contents section do not form part of these Terms and Conditions and may be updated without the consent of the Holders and the Agent.

2. THE CAPITAL SECURITIES

- 2.1 The Capital Securities are denominated in Swedish Kronor and each Capital Security is constituted by these Terms and Conditions. The Issuer undertakes to comply with these Terms and Conditions.
- 2.2 By subscribing for Capital Securities, each initial Holder agrees that the Capital Securities shall benefit from and be subject to the Terms and Conditions and by acquiring Capital Securities, each subsequent Holder confirms such agreement.
- 2.3 The initial nominal amount of each Capital Security is SEK 1,000 (the “**Initial Nominal Amount**”). The Total Nominal Amount of the Capital Securities is SEK [2,250,000,000]. All Capital Securities are issued on a fully paid basis at an issue price of 100 percent of the Initial Nominal Amount.
- 2.4 The Capital Securities are freely transferable, but the Holders may be subject to purchase or transfer restrictions with regard to the Capital Securities, as applicable, under local regulation to which a Holder may be subject. Each Holder must ensure compliance with such restrictions at its own cost and expense.
- 2.5 No action is being taken in any jurisdiction that would or is intended to permit a public offering of the Capital Securities or the possession, circulation or distribution of any document or other material relating to the Issuer or the Capital Securities in any jurisdiction other than Sweden, where action for that purpose is required. Each Holder must inform itself about, and observe, any applicable restrictions to the transfer of material relating to the Issuer or the Capital Securities.

3. STATUS OF THE CAPITAL SECURITIES

- 3.1 The Capital Securities, including the obligation to pay interest thereon, constitute direct, unsecured and unsubordinated obligations of the Issuer.
- 3.2 In the event of a voluntary or involuntary liquidation (*likvidation*) or bankruptcy (*konkurs*) of the Issuer (each an “**Issuer Winding-up**”), the Holders (or the Agent on their behalf) shall, in respect of their Capital Securities, have a claim for the principal amount of their Capital Securities and any accrued and unpaid interest (including any Deferred Interest) thereon and such claims will rank:
- (a) *pari passu* without any preference among themselves and with any present or future claims in respect of obligations of the Issuer in respect of all other direct, general, unconditional, unsubordinated and unsecured obligations of the Issuer, except obligations which are preferred by mandatory regulation; and
 - (b) in priority to all present and future claims in respect of:
 - (A) the ordinary shares of the Issuer; and
 - (B) any other obligation of the Issuer expressed by its terms as at its original issue date to rank junior to the Capital Securities (including the Danish State Capital Securities and the State Capital Securities).
- 3.3 In the event of a company re-construction (*företagsrekonstruktion*) of the Issuer under the Swedish Company Reorganization Act (*lag (1996:764) om företagsrekonstruktion*)

(an “**Issuer Re-Construction**”), the Holders (or the Agent on their behalf) shall, in respect of their Capital Securities, have a claim for the principal amount of their Capital Securities and any accrued and unpaid interest (including any Deferred Interest) thereon and such claims will rank *pari passu* without any preference among themselves and with any present or future claims in respect of obligations of the Issuer in respect of all other direct, general, unconditional, unsubordinated and unsecured obligations of the Issuer, except obligations which are preferred by mandatory regulation. For the avoidance of doubt, all the Holders’ claims shall rank in priority to all present and future claims in respect of any other obligation of the Issuer expressed by its terms as at its original issue date to rank junior to the Capital Securities (including the Danish State Capital Securities and the State Capital Securities).

Claims in respect of the share capital of the Issuer are not subject to loss absorbing measures under an Issuer Re-Construction.

4. USE OF PROCEEDS

The Capital Securities shall be used to refinance the Existing Notes by way of setting off the relevant Existing Notes against the subscription price of the Capital Securities.

5. CONDITIONS FOR ISSUE DATE

5.1 The Issuer shall provide to the Agent, no later than 9.00 a.m. two (2) Business Days prior to the Issue Date (or such later time as agreed by the Agent), the following:

- (a) the Terms and Conditions and the Agency Agreement duly executed by the Issuer;
- (b) a copy of a resolution from the board of directors of the Issuer approving the issue of the Capital Securities, the terms of the Terms and Conditions and the Agency Agreement, and resolving to enter into such documents and any other documents necessary in connection therewith;
- (c) copies of the articles of association and an up-to-date certificate of registration of the Issuer;
- (d) evidence that the person(s) who has/have signed the Terms and Conditions, the Agency Agreement and any other documents in connection therewith on behalf of the Issuer is/are duly authorized to do so; and
- (e) such other documents and evidence as is agreed between the Agent and the Issuer.

5.2 The Agent shall confirm to the Issuing Agent when it is satisfied that the conditions in Clause 5.1, as the case may be have been fulfilled (or amended or waived in accordance with Clause 16 (*Amendments and waivers*)). The relevant Issue Date shall not occur (i) unless the Agent makes such confirmation to the Issuing Agent no later than 9.00 a.m. one (1) Business Days prior to the relevant Issue Date (or later, if the Issuing Agent so agrees), or (ii) if the Issuing Agent and the Issuer agree to postpone the relevant Issue Date.

5.3 Following receipt by the Issuing Agent of the confirmation in accordance with Clause 5.2, the Issuing Agent shall settle the issuance of the Capital Securities.

6. CAPITAL SECURITIES IN BOOK-ENTRY FORM

- 6.1** The Capital Securities will be registered for the Holders on their respective Securities Accounts and no physical Capital Securities will be issued. Accordingly, the Capital Securities will be registered in accordance with the Financial Instruments Accounts Act. Registration requests relating to the Capital Securities shall be directed to an Account Operator. The Debt Register shall constitute conclusive evidence of the persons who are Holders and their holdings of Capital Securities.
- 6.2** Those who according to assignment, Security, the provisions of the Swedish Children and Parents Code (*föräldrabalken (1949:381)*), conditions of will or deed of gift or otherwise have acquired a right to receive payments in respect of a Capital Security shall register their entitlements to receive payment in accordance with the Financial Instruments Accounts Act.
- 6.3** The Issuer and the Agent shall at all times be entitled to obtain information from the Debt Register. At the request of the Agent, the Issuer shall promptly obtain such information and provide it to the Agent. For the purpose of carrying out any administrative procedure that arises out of the Terms and Conditions, the Issuing Agent shall be entitled to obtain information from the Debt Register.
- 6.4** The Issuer and the Agent may use the information referred to in Clause 6.3 only for the purposes of carrying out their duties and exercising their rights in accordance with the Terms and Conditions and the Agency Agreement and shall not disclose such information to any Holder or third party unless necessary for such purposes.

7. RIGHT TO ACT ON BEHALF OF A HOLDER

- 7.1** If any person other than a Holder wishes to exercise any rights under the Terms and Conditions, it must obtain a power of attorney or other authorization from the Holder or a successive, coherent chain of powers of attorney or authorisations starting with the Holder and authorizing such person.
- 7.2** A Holder may issue one or several powers of attorney or other authorizations to third parties to represent it in relation to some or all of the Capital Securities held by it. Any such representative may act independently under the Terms and Conditions in relation to the Capital Securities for which such representative is entitled to represent the Holder.
- 7.3** The Agent shall only have to examine the face of a power of attorney or other authorization that has been provided to it pursuant to Clause 7.2 and may assume that such document has been duly authorized, is valid, has not been revoked or superseded and that it is in full force and effect, unless otherwise is apparent from its face or the Agent has actual knowledge to the contrary.
- 7.4** These Terms and Conditions shall not affect the relationship between a Holder who is the nominee (*förvaltare*) with respect to a Capital Security and the owner of such Capital Security, and it is the responsibility of such nominee to observe and comply with any restrictions that may apply to it in this capacity.

8. PAYMENTS IN RESPECT OF THE CAPITAL SECURITIES

- 8.1** Any payment or repayment under the Terms and Conditions, or any amount due in respect of a repurchase of any Capital Securities, shall be made to such person who is registered as

a Holder on the Record Date prior to an Interest Payment Date or other relevant payment date, or to such other person who is registered with the CSD on such Record Date as being entitled to receive the relevant payment, repayment or repurchase amount.

- 8.2** If a Holder has registered, through an Account Operator, that principal, interest or any other payment shall be deposited in a certain bank account, such deposits will be effected by the CSD on the relevant payment date. In other cases, payments will be transferred by the CSD to the Holder at the address registered with the CSD on the Record Date. Should the CSD, due to a delay on behalf of the Issuer or some other obstacle, not be able to effect payments as aforesaid, the Issuer shall procure that such amounts are paid to the persons who are registered as Holders on the relevant Record Date as soon as possible after such obstacle has been removed.
- 8.3** If, due to any obstacle for the CSD, the Issuer cannot make a payment or repayment, such payment or repayment may be postponed until the obstacle has been removed.
- 8.4** If payment or repayment is made in accordance with this Clause 8, the Issuer and the CSD shall be deemed to have fulfilled their obligation to pay, irrespective of whether such payment was made to a person not entitled to receive such amount.
- 8.5** The Issuer is not liable to gross-up any payments under the Terms and Conditions by virtue of any withholding tax, public levy or the similar.

9. INTEREST

9.1 Interest

- 9.1.1 Each Capital Security carries Interest at the applicable Interest Rate applied to the Nominal Amount from (but excluding) the Issue Date up to (and including) the relevant Redemption Date.
- 9.1.2 Interest accrues during an Interest Period. Subject to Clause 10 (*Optional Interest Deferral*), payment of Interest in respect of the Capital Securities shall be made to the Holders on each Interest Payment Date for the preceding Interest Period.
- 9.1.3 Interest shall be calculated on the basis of the actual number of days in the Interest Period in respect of which payment is being made divided by 360 (actual/360-days basis).
- 9.1.4 Payment of Interest in respect of each Interest Period may be deferred in accordance with Clause 10 (*Optional Interest Deferral*).

9.2 Step-up after a Change of Control Event

Notwithstanding any other provision of this Clause 9, if the Issuer does not elect to redeem the Capital Securities in accordance with Clause 11.3 (*Voluntary total redemption (call option)*) following the occurrence of a Change of Control Event prior to the Change of Control Step-up Date, the then prevailing Interest Rate, and each subsequent Interest Rate otherwise determined in accordance with the provisions of this Clause 9, on the Capital Securities shall be increased by 500 basis points *per annum* with effect from (but excluding) the Change of Control Step-up Date up to (and including) the relevant Redemption Date.

9.3 Step-up after a Senior Debt Event

- 9.3.1 If the Issuer issues or incurs Senior Debt (excluding any Senior Debt (i) being issued and/or incurred for the purpose of financing aircraft objects (including engines) or aircraft pre-delivery payments, (ii) refinancing of up to EUR 50,000,000 any financial indebtedness falling due under SAS' EMTN programme, or (iii) being guaranteed by the Norwegian government (or the relevant Norwegian authority) in a maximum amount of NOK 1,666,666,667 or asset backed through e.g. Slots or Eurobonus, in order for the Issuer to over time maintain robust financial preparedness and a strong liquidity position) (a “**Senior Debt Event**”), then the Issuer shall (without assuming any legal or contractual obligation) apply the net proceeds from such issuance or incurrence of Senior Debt towards redemption of the Capital Securities as soon as possible but no later than within two (2) months of the Senior Debt Event.
- 9.3.2 If the Issuer does not elect to redeem the Capital Securities in accordance with Clause 9.3.1, the then prevailing Interest Rate, and each subsequent Interest Rate, on the Capital Securities shall be increased by 500 basis points per annum with effect from (but excluding) the date when such redemption should have been made up to (and including) the relevant Redemption Date. Such step-up applies for each Senior Debt Event but can only occur once in relation to a single Senior Debt Event. For the avoidance of doubt, a failure to redeem does not constitute a default unless the Issuer has provided notice, in accordance with the terms set out in Clause 11.5, to the Holders in which case failure to redeem shall constitute a non-payment of principal.

9.4 Step-up after a State Capital Securities Redemption Event

If the Issuer redeems any outstanding State Capital Securities or Danish State Capital Securities prior to redeeming the outstanding Capital Securities in full (a “**State Capital Securities Redemption Event**”), the then prevailing Interest Rate, and each subsequent Interest Rate, on the Capital Securities shall be increased by 500 basis points *per annum* with effect from (but excluding) the date when such redemption is made up to (and including) the relevant Redemption Date. Such step-up applies for each State Capital Securities Redemption Event but can only occur once in relation to a single State Capital Securities Redemption Event.

9.5 Step-up after a Listing Failure Event

Upon the occurrence of a Listing Failure Event the prevailing Interest Rate, and each subsequent Interest Rate, on the Capital Securities shall be increased by 500 basis points *per annum* with effect from (but excluding) the date of the Listing Failure Event up to (and including) the date when such Listing Failure Event has been remedied or waived.

9.6 Default interest

If the Issuer fails to pay any amount payable by it pursuant to Clause 10.3 (*Mandatory settlement*) or Clause 11 (*Redemption and repurchase of the Capital Securities*) (except for Clause 11.1 (*No maturity*), Clause 11.2 (*Purchase of Capital Securities by Group Companies*) and Clause 11.6 (*Cancellation of Capital Securities*)) on its due date, default interest shall accrue on the overdue amount from (but excluding) the due date up to (and including) the date of actual payment at a rate which is 200 basis points higher than the Interest Rate. No default interest shall accrue where the failure to pay was solely attributable to the Agent or the CSD, in which case the Interest Rate shall apply instead.

9.7 Notice of an interest rate step-up

Upon becoming aware that a Change of Control Event or a Listing Failure Event has occurred or of an interest rate step-up following a Change of Control Step-up Date in accordance with Clause 9.2 (*Step-up after a Change of Control Event*), a Listing Failure Event in accordance with Clause 9.5 (*Step-up after a Listing Failure Event*), a State Capital Securities Redemption Event in accordance with Clause 9.4 (*Step-up after a State Capital Securities Redemption Event*), or a Senior Debt Event in accordance with Clause 9.3 (*Step-up after a Senior Debt Event*), the Issuer shall, without undue delay, give notice to the Agent, the Issuing Agent and the Holders in accordance with Clause 22 (*Notices*) specifying the nature of such event.

10. OPTIONAL INTEREST DEFERRAL

10.1 Deferral of Interest Payments

10.1.1 The Issuer may, at any time and at its sole discretion, elect to defer any Interest Payment, in whole or in part, which is otherwise scheduled to be paid on an Interest Payment Date (except on any Interest Payment Date on which the Capital Securities are to be redeemed) by giving notice of such election to the Holders, the Issuing Agent and the Agent in accordance with Clause 22 (*Notices*) not less than seven (7) Business Days prior to the relevant Interest Payment Date. Notwithstanding the foregoing, failure to give such notice shall not prejudice the right of the Issuer to defer any Interest Payment as described above.

10.1.2 Any Interest Payment so deferred pursuant to this Clause 10 shall, from (but excluding) the Interest Payment Date on which such Interest Payment would (but for its deferral) have been payable to (and including) the date on which it is paid in full, itself bear interest at the Interest Rate prevailing from time to time (which interest shall compound on each Interest Payment Date) and, for so long as the same remains unpaid, such deferred interest (together with the interest accrued thereon) shall constitute “**Deferred Interest**”.

10.1.3 The deferral of an Interest Payment in accordance with this Clause 10 shall not constitute a default pursuant to Clause 14 (*Default and Enforcement*) by the Issuer under the Capital Securities or for any other purpose.

10.2 Optional Settlement

Deferred Interest may be paid, in whole or in part, at any time at the option of the Issuer following delivery of a notice (which notice shall be irrevocable) to such effect given by the Issuer to the Holders, the Issuing Agent and the Agent in accordance with Clause 22 (*Notices*) not less than seven (7) Business Days prior to the date (to be specified in such notice) on which the Issuer will pay such Deferred Interest.

10.3 Mandatory settlement

The Issuer shall pay any Deferred Interest, in whole but not in part, on the first to occur of the following dates:

- (a) the tenth (10th) Business Day following the date on which a Deferred Interest Payment Event occurs;
- (b) any Interest Payment Date in respect of which the Issuer does not elect to defer all of the interest accrued in respect of the relevant Interest Period; and

- (c) the date on which the Capital Securities are redeemed or repaid in accordance with Clause 11 (*Redemption and repurchase of the Capital Securities*) or Clause 14 (*Default and Enforcement*).

Notice of any Deferred Interest Payment Event shall be given by the Issuer to the Holders, the Issuing Agent and the Agent in accordance with Clause 22 (*Notices*) within three (3) Business Days of such event.

11. REDEMPTION AND REPURCHASE OF THE CAPITAL SECURITIES

11.1 No maturity

The Capital Securities are perpetual and have no specified maturity date. The Issuer may only redeem the Capital Securities in the circumstances described in this Clause 11 (*Redemption and repurchase of the Capital Securities*). The Capital Securities are not redeemable at the option of the Holders at any time.

11.2 Purchase of Capital Securities by Group Companies

11.2.1 The Issuer or any other Group Company may, subject to applicable regulations, at any time and at any price purchase Capital Securities on the market or in any other way.

11.2.2 Capital Securities held by the Issuer or a Group Company may at such Group Company's discretion be retained or sold or, if held by the Issuer, cancelled by the Issuer, 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.

11.3 Voluntary total redemption (call option)

The Issuer may, at any time, redeem all, but not some only, of the outstanding Capital Securities in full on any Business Day at an amount per Capital Security equal to 100 percent of the Nominal Amount together with any Deferred Interest and any other accrued and unpaid interest up to (and including) the Redemption Date.

11.4 Voluntary partial redemption (call option)

The Issuer may, 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 each Capital Security *pro rata* (rounded down to the nearest SEK 1) at a price equal to 100 percent of the Nominal Amount, together with any Deferred Interest and any other accrued and unpaid interest up to (and including) the Redemption Date on the redeemed amount.

11.5 Notice of redemption

Redemption of the Capital Securities shall be made by the Issuer giving not less than thirty (30) Business Days' notice and not more than sixty (60) Business Days' notice to the Holders and the Agent, in each case calculated from the effective date of the notice. The notice from the Issuer shall specify the Redemption Date and also the Record Date on which a person shall be registered as a Holder to receive the amounts due on such Redemption Date. The notice is irrevocable but may at the Issuer's discretion, contain one or more conditions precedent that shall be satisfied prior to the Record Date. Upon fulfilment of the conditions

precedent (if any), the Issuer shall redeem the Capital Securities at the applicable amount on the specified Redemption Date.

11.6 Cancellation of Capital Securities

All Capital Securities which are redeemed pursuant to this Clause 11 (except for a partial redemption in accordance with Clause 11.4 (*Voluntary partial redemption (call option)*)) and all Capital Securities purchased and elected to be cancelled pursuant to Clause 11.2 (*Purchase of Capital Securities by Group Companies*) will be cancelled and may not be reissued or resold. The Issuer shall promptly inform the Holders, the Agent and the Issuing Agent in accordance with Clause 22 (*Notices*) of any such cancellation and for so long as the Capital Securities are admitted to trading on Nasdaq Stockholm or another Regulated Market, as the case may be, and the rules of such exchange so require, the Issuer shall promptly inform Nasdaq Stockholm or the Regulated Market, as the case may be, of the cancellation of any Capital Securities under this Clause 11.

11.7 Preconditions of redemption

Any redemption of the Capital Securities in accordance with this Clause 11 shall be conditional on all Deferred Interest being paid in full in accordance with the provisions of Clause 10.3 (*Mandatory settlement*) on or prior to the date of such redemption.

12. INFORMATION TO HOLDERS

12.1 Information from the Agent

12.1.1 Subject to the restrictions of a non-disclosure agreement entered into by the Agent in accordance with Clause 12.1.2, the Agent is entitled to disclose to the Holders any document, information, event or circumstance directly or indirectly relating to the Issuer or the Capital Securities. Notwithstanding the foregoing, the Agent may if it considers it to be beneficial to the interests of the Holders delay disclosure or refrain from disclosing certain information.

12.1.2 If a committee representing the Holders' interests under the Terms and Conditions has been appointed by the Holders in accordance with Clause 15 (*Decisions by Holders*), the members of such committee may agree with the Issuer not to disclose information received from the Issuer, provided that it, in the reasonable opinion of such members, is beneficial to the interests of the Holders. The Agent shall be a party to such agreement and receive the same information from the Issuer as the members of the committee.

12.2 Information among the Holders

Subject to applicable regulations, the Agent shall promptly upon the reasonable request by a Holder forward by post any information from such Holder to the Holders which relates to the Capital Securities. The Agent may require that the requesting Holder reimburses any costs or expenses incurred, or to be incurred, by it in doing so (including a reasonable fee for its work).

12.3 Availability of the Terms and Conditions

The latest version of these Terms and Conditions (including any document amending these Terms and Conditions) shall be available on the websites of the Issuer and the Agent. Failure by the Issuer to have these Terms and Conditions (including any document amending these Terms and Conditions) available on its website shall not constitute a default pursuant to

Clause 14 (*Default and Enforcement*) by the Issuer under the Capital Securities or for any other purpose.

13. ADMISSION TO TRADING ETC.

13.1 Admission to trading

The Issuer has the intention and shall use its best efforts (without assuming any legal or contractual obligation) to ensure (i) that the Capital Securities are admitted to trading on the corporate bond list of Nasdaq Stockholm or, if such admission to trading is not possible to obtain or maintain, admitted to trading on another Regulated Market within thirty (30) days after the Issue Date, and (ii) that the Capital Securities, once admitted to trading on the relevant Regulated Market, continue being listed thereon. The aforementioned shall however not apply from and including the last day on which the admission reasonably can, pursuant to the then applicable regulations of the Regulated Market and the CSD, subsist.

13.2 The Agency Agreement

The Issuer and the Agent shall not agree to amend any provisions of the Agency Agreement without the prior consent of the Holders if the amendment would be detrimental to the interests of the Holders.

14. DEFAULT AND ENFORCEMENT

14.1 Proceedings

14.1.1 Without prejudice to the Issuer's right to defer the payment of interest under Clause 10 (*Optional Interest Deferral*), if a default is made by the Issuer for a period of thirty (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, then the Issuer shall be deemed to be in default under the Capital Securities and the Agent (acting on instructions of the Holders in accordance with these Terms and Conditions) or (subject to Clause 20.2) any Holder may institute proceedings for an Issuer Winding-up provided that such default is still continuing.

14.1.2 In the event of an Issuer Winding-up, a Holder may, provided such Holder does not contravene a previously adopted resolution in accordance with Clause 15.4.2 or 15.4.3 (if any), either independently or through the Agent prove and/or claim in such Issuer Winding-up in respect of the Capital Securities, such claim being for such amount, and being subordinated in such manner, as is provided under Clause 3.2.

14.2 Enforcement

The Agent (acting on the instructions of the Holders in accordance with these Terms and Conditions) may institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Capital Securities but in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

14.3 Extent of Holders' Remedy

No remedy against the Issuer, other than as referred to in this Clause 14, shall be available to the Agent and the Holders in relation to the Capital Securities, whether for the recovery

of amounts owing in respect of the Capital Securities or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Capital Securities.

15. DECISIONS BY HOLDERS

15.1 Request for a decision

- 15.1.1 A request by the Agent for a decision by the Holders on a matter relating to the Terms and Conditions shall (at the option of the Agent) be dealt with at a Holders' Meeting or by way of a Written Procedure.
- 15.1.2 Any request from the Issuer or a Holder (or Holders) representing at least ten (10) percent of the Adjusted Nominal Amount (such request shall, if made by several Holders, be made by them jointly) for a decision by the Holders on a matter relating to the Terms and Conditions shall be directed to the Agent and dealt with at a Holders' Meeting or by way a Written Procedure, as determined by the Agent. The person requesting the decision may suggest the form for decision making, but if it is in the Agent's opinion more appropriate that a matter is dealt with at a Holders' Meeting than by way of a Written Procedure, it shall be dealt with at a Holders' Meeting.
- 15.1.3 The Agent may refrain from convening a Holders' Meeting or instigating a Written Procedure if (i) the suggested decision must be approved by any person in addition to the Holders and such person has informed the Agent that an approval will not be given, or (ii) the suggested decision is not in accordance with applicable regulations.
- 15.1.4 The Agent shall not be responsible for the content of a notice for a Holders' Meeting or a communication regarding a Written Procedure unless and to the extent it contains information provided by the Agent.
- 15.1.5 Should the Agent not convene a Holders' Meeting or instigate a Written Procedure in accordance with these Terms and Conditions, without Clause 15.1.3 being applicable, the Issuer or the Holder(s) requesting a decision by the Holders may convene such Holders' Meeting or instigate such Written Procedure, as the case may be, instead. The Issuer or the Issuing Agent shall upon request provide the convening Holder(s) with the information available in the Debt Register in order to convene and hold the Holders' Meeting or instigate and carry out the Written Procedure, as the case may be. The Issuer or Holder(s), as applicable, shall supply to the Agent a copy of the dispatched notice or communication.
- 15.1.6 Should the Issuer want to replace the Agent, it may (i) convene a Holders' Meeting in accordance with Clause 15.2 (*Convening of Holders' Meeting*) or (ii) instigate a Written Procedure by sending communication in accordance with Clause 15.3 (*Instigation of Written Procedure*). After a request from the Holders pursuant to Clause 17.4.3, the Issuer shall no later than ten (10) Business Days after receipt of such request (or such later date as may be necessary for technical or administrative reasons) convene a Holders' Meeting in accordance with Clause 15.2. The Issuer shall inform the Agent before a notice for a Holders' Meeting or communication relating to a Written Procedure where the Agent is proposed to be replaced is sent and supply to the Agent a copy of the dispatched notice or communication.
- 15.1.7 Should the Issuer or any Holder(s) convene a Holders' Meeting or instigate a Written Procedure pursuant to Clause 15.1.5 or 15.1.6, then the Agent shall no later than five (5) Business Days' prior to dispatch of such notice or communication be provided with a draft thereof. The Agent may further append information from it together with the notice or communication, provided that the Agent supplies such information to the Issuer or the

Holder(s), as the case may be, no later than one (1) Business Day prior to the dispatch of such notice or communication.

15.2 Convening of Holders' Meeting

15.2.1 The Agent shall convene a Holders' Meeting by way of notice to the Holders as soon as practicable and in any event no later than five (5) Business Days after receipt of a complete notice from the Issuer or the Holder(s) (or such later date as may be necessary for technical or administrative reasons).

15.2.2 The notice pursuant to Clause 15.2.1 shall include (i) time for the meeting, (ii) place for the meeting, (iii) a specification of the Record Date on which a person must be registered as a Holder in order to be entitled to exercise voting rights, (iv) a form of power of attorney, and (v) the agenda for the meeting. The reasons for, and contents of, each proposal as well as any applicable conditions and conditions precedent shall be specified in the notice. If a proposal concerns an amendment to the Terms and Conditions, such proposed amendment must always be set out in detail. Should prior notification by the Holders be required in order to attend the Holders' Meeting, such requirement shall be included in the notice.

15.2.3 The Holders' Meeting shall be held no earlier than ten (10) Business Days and no later than thirty (30) Business Days after the effective date of the notice.

15.2.4 Without amending or varying these Terms and Conditions, the Agent may prescribe such further regulations regarding the convening and holding of a Holders' Meeting as the Agent may deem appropriate. Such regulations may include a possibility for Holders to vote without attending the meeting in person.

15.3 Instigation of Written Procedure

15.3.1 The Agent shall instigate a Written Procedure by way of sending a communication to the Holders as soon as practicable and in any event no later than five (5) Business Days after receipt of a complete communication from the Issuer or the Holder(s) (or such later date as may be necessary for technical or administrative reasons).

15.3.2 A communication pursuant to Clause 15.3.1 shall include (i) a specification of the Record Date on which a person must be registered as a Holder in order to be entitled to exercise voting rights, (ii) instructions and directions on where to receive a form for replying to the request (such form to include an option to vote yes or no for each request) as well as a form of power of attorney, and (iii) the stipulated time period within which the Holder must reply to the request (such time period to last at least ten (10) Business Days and not longer than thirty (30) Business Days from the effective date of the communication pursuant to Clause 15.3.1). The reasons for, and contents of, each proposal as well as any applicable conditions and conditions precedent shall be specified in the notice. If a proposal concerns an amendment to the Terms and Conditions, such proposed amendment must always be set out in detail. If the voting is to be made electronically, instructions for such voting shall be included in the communication.

15.3.3 If so elected by the person requesting the Written Procedure and provided that it is also disclosed in the communication pursuant to Clause 15.3.1, when consents from Holders representing the requisite majority of the total Adjusted Nominal Amount pursuant to Clauses 15.4.2 and 15.4.3 have been received in a Written Procedure, the relevant decision shall be deemed to be adopted pursuant to Clause 15.4.2 or 15.4.3, as the case may be, even if the time period for replies in the Written Procedure has not yet expired.

15.4 Majority, quorum and other provisions

15.4.1 Only a Holder, or a person who has been provided with a power of attorney or other authorization pursuant to Clause 7 (*Right to act on behalf of a Holder*) from a Holder:

- (a) on the Business Day specified in the notice pursuant to Clause 15.2.2, in respect of a Holders' Meeting, or
- (b) on the Business Day specified in the communication pursuant to Clause 15.3.2, in respect of a Written Procedure,

may exercise voting rights as a Holder at such Holders' Meeting or in such Written Procedure, provided that the relevant Capital Securities are included in the Adjusted Nominal Amount. Each whole Capital Security entitles to one vote and any fraction of a Capital Security voted for by a person shall be disregarded. Such Business Day specified pursuant to paragraph (a) or (b) above must fall no earlier than one (1) Business Day after the effective date of the notice or communication, as the case may be.

15.4.2 The following matters shall require the consent of Holders representing at least sixty-six and two thirds (66⅔) percent of the Adjusted Nominal Amount for which Holders are voting at a Holders' Meeting or for which Holders reply in a Written Procedure in accordance with the instructions given pursuant to Clause 15.3.2:

- (a) a change of Issuer;
- (b) a change to the currency, denomination, status or transferability of the Capital Securities;
- (c) a change to the Interest Rate (including, for the avoidance of doubt, changes to the Margin or STIBOR) or the Nominal Amount;
- (d) any delay of the due date for payment of any interest on the Capital Securities other than as permitted pursuant to Clause 10 (*Optional Interest Deferral*);
- (e) a reduction of the premium payable upon the redemption or repurchase of any Capital Security pursuant to Clause 11 (*Redemption and repurchase of the Capital Securities*);
- (f) a change to the terms dealing with the requirements for Holders' consent set out in this Clause 15.4 (*Majority, quorum and other provisions*);
- (g) an extension of the tenor of the Capital Securities or any delay of the due date for payment of any principal or interest on the Capital Securities;
- (h) a mandatory exchange of the Capital Securities for other securities; and
- (i) early redemption of the Capital Securities, other than as otherwise permitted or required by these Terms and Conditions (for the avoidance of doubt including but not limited to a change to the terms dealing with a step up after a Senior Debt Event set out in Clause 9.3 (*Step-up after a Senior Debt Event*) and a change to the terms dealing with a step up after a State Capital Securities Redemption Event set out in Clause 9.4 (*Step-up after a State Capital Securities Redemption Event*)).

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- 15.4.3 Any matter not covered by Clause 15.4.2, including for the avoidance of doubt the initiation of an Issuer Winding-up, shall require the consent of Holders representing more than fifty (50) percent of the Adjusted Nominal Amount for which Holders are voting at a Holders' Meeting or for which Holders reply in a Written Procedure in accordance with the instructions given pursuant to Clause 15.3.2. This includes, but is not limited to, any amendment to, or waiver of, the terms of the Terms and Conditions that does not require a higher majority (other than an amendment permitted pursuant to Clause 16.1(a) or (c)).
- 15.4.4 Quorum at a Holders' Meeting or in respect of a Written Procedure only exists if a Holder (or Holders) representing at least fifty (50) percent of the Adjusted Nominal Amount in case of a matter pursuant to Clause 15.4.2, and otherwise twenty (20) percent of the Adjusted Nominal Amount:
- (a) if at a Holders' Meeting, attend the meeting in person or by other means prescribed by the Agent pursuant to Clause 15.2.4 (or appear through duly authorized representatives); or
 - (b) if in respect of a Written Procedure, reply to the request.
- 15.4.5 If a quorum exists for some but not all of the matters to be dealt with at a Holders' Meeting or by a Written Procedure, decisions may be taken in the matters for which a quorum exists.
- 15.4.6 If a quorum does not exist at a Holders' Meeting or in respect of a Written Procedure, the Agent or the Issuer shall convene a second Holders' Meeting (in accordance with Clause 15.2.1) or initiate a second Written Procedure (in accordance with Clause 15.3.1), as the case may be, provided that the person(s) who initiated the procedure for Holders' consent has confirmed that the relevant proposal is not withdrawn. For the purposes of a second Holders' Meeting or second Written Procedure pursuant to this Clause 15.4.6, the date of request of the second Holders' Meeting pursuant to Clause 15.2.1 or second Written Procedure pursuant to Clause 15.3.1, as the case may be, shall be deemed to be the relevant date when the quorum did not exist. The quorum requirement in Clause 15.4.4 shall not apply to such second Holders' Meeting or Written Procedure.
- 15.4.7 Any decision which extends or increases the obligations of the Issuer or the Agent, or limits, reduces or extinguishes the rights or benefits of the Issuer or the Agent, under the Terms and Conditions shall be subject to the Issuer's or the Agent's consent, as applicable.
- 15.4.8 A Holder holding more than one Capital Security 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.
- 15.4.9 The Issuer may not, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any owner of Capital Securities (irrespective of whether such person is a Holder) for or as inducement to any consent under these Terms and Conditions, unless such consideration is offered to all Holders that consent at the relevant Holders' Meeting or in a Written Procedure within the time period stipulated for the consideration to be payable or the time period for replies in the Written Procedure, as the case may be.
- 15.4.10 A matter decided at a duly convened and held Holders' Meeting or by way of Written Procedure is binding on all Holders, irrespective of them being present or represented at the Holders' Meeting or responding in the Written Procedure. The Holders that have not adopted or voted for a decision shall not be liable for any damages that this may cause the Issuer or the other Holders.

- 15.4.11 All costs and expenses incurred by the Issuer or the Agent for the purpose of convening a Holders' Meeting or for the purpose of carrying out a Written Procedure, including reasonable fees to the Agent, shall be paid by the Issuer.
- 15.4.12 If a decision is to be taken by the Holders on a matter relating to the Terms and Conditions, the Issuer shall promptly at the request of the Agent provide the Agent with a certificate specifying the number of Capital Securities owned by Group Companies as per the Record Date for voting, irrespective of whether such person is a Holder. The Agent shall not be responsible for the accuracy of such certificate or otherwise be responsible for determining whether a Capital Security is owned by a Group Company.
- 15.4.13 Information about decisions taken at a Holders' Meeting or by way of a Written Procedure shall promptly be published on the websites of the Issuer and the Agent, provided that a failure to do so shall not invalidate any decision made or voting result achieved. The minutes from the relevant Holders' Meeting or Written Procedure shall at the request of a Holder be sent to it by the Issuer or the Agent, as applicable.

16. AMENDMENTS AND WAIVERS

- 16.1** The Issuer and the Agent (acting on behalf of the Holders) may agree in writing to amend or waive any provision in the Terms and Conditions or any other document relating to the Capital Securities, provided that the Agent is satisfied that such amendment or waiver:
- (a) is not detrimental to the interest of the Holders as a group;
 - (b) is made solely for the purpose of rectifying obvious errors and mistakes;
 - (c) is required by any applicable regulation, a court ruling or a decision by a relevant authority; or
 - (d) has been duly approved by the Holders in accordance with Clause 15 (*Decisions by Holders*) and it has received any conditions precedent specified for the effectiveness of the approval by the Holders.
- 16.2** Any amendments to the Terms and Conditions shall be made available in the manner stipulated in Clause 12.3 (*Availability of the Terms and Conditions*). The Issuer shall ensure that any amendments to the Terms and Conditions are duly registered with the CSD and each other relevant organization or authority. The Issuer shall promptly publish by way of press release any amendment or waiver made pursuant to Clause 16.1(a) or (c), in each case setting out the amendment in reasonable detail and the date from which the amendment or waiver will be effective.
- 16.3** An amendment to the Terms and Conditions shall take effect on the date determined by the Holders Meeting, in the Written Procedure or by the Agent, as the case may be.

17. THE AGENT

17.1 Appointment of the Agent

- 17.1.1 By subscribing for Capital Securities, each initial Holder appoints the Agent to act as its agent in all matters relating to the Capital Securities and the Terms and Conditions, and authorizes the Agent to act on its behalf (without first having to obtain its consent, unless

such consent is specifically required by these Terms and Conditions) in any legal or arbitration proceedings relating to the Capital Securities held by such Holder, including the winding-up, dissolution, liquidation, company reorganization (*företagsrekonstruktion*) or bankruptcy (*konkurs*) (or its equivalent in any other jurisdiction) of the Issuer. By acquiring Capital Securities, each subsequent Holder confirms such appointment and authorization for the Agent to act on its behalf.

- 17.1.2 Each Holder shall immediately upon request provide the Agent with any such documents, including a written power of attorney (in form and substance satisfactory to the Agent), that the Agent deems necessary for the purpose of exercising its rights and/or carrying out its duties under the Terms and Conditions. The Agent is under no obligation to represent a Holder which does not comply with such request.
- 17.1.3 The Issuer shall promptly upon request provide the Agent with any documents and other assistance (in form and substance satisfactory to the Agent), that the Agent deems necessary for the purpose of exercising its rights and/or carrying out its duties under the Terms and Conditions.
- 17.1.4 The Agent is entitled to fees for all its work in such capacity and to be indemnified for costs, losses and liabilities on the terms set out in the Terms and Conditions and the Agency Agreement and the Agent's obligations as Agent under the Terms and Conditions are conditioned upon the due payment of such fees and indemnifications.
- 17.1.5 The Agent may act as agent or trustee for several issues of securities issued by or relating to the Issuer and other Group Companies notwithstanding potential conflicts of interest.

17.2 Duties of the Agent

- 17.2.1 The Agent shall represent the Holders in accordance with the Terms and Conditions.
- 17.2.2 When acting pursuant to the Terms and Conditions, the Agent is always acting with binding effect on behalf of the Holders. The Agent is never acting as an advisor to the Holders or the Issuer. Any advice or opinion from the Agent does not bind the Holders or the Issuer.
- 17.2.3 When acting pursuant to the Terms and Conditions, the Agent shall carry out its duties with reasonable care and skill in a proficient and professional manner.
- 17.2.4 The Agent shall treat all Holders equally and, when acting pursuant to the Terms and Conditions, act with regard only to the interests of the Holders as a group and shall not be required to have regard to the interests or to act upon or comply with any direction or request of any other person, other than as explicitly stated in the Terms and Conditions.
- 17.2.5 The Agent is always entitled to delegate its duties to other professional parties and to engage external experts when carrying out its duties as agent, without having to first obtain any consent from the Holders or the Issuer. The Agent shall however remain liable for any actions of such parties if such parties are performing duties of the Agent under the Terms and Conditions.
- 17.2.6 The Issuer shall on demand by the Agent pay all costs for external experts engaged by it in (i) a matter relating to the Issuer or the Terms and Conditions which the Agent reasonably believes may be detrimental to the interests of the Holders under the Terms and Conditions, and (ii) connection with any Holders' Meeting or Written Procedure, or (iii) in connection with any amendment (whether contemplated by the Terms and Conditions or not) or waiver under the Terms and Conditions.

- 17.2.7 The Agent shall, as applicable, enter into agreements with the CSD, and comply with such agreement and the CSD Regulations applicable to the Agent, as may be necessary in order for the Agent to carry out its duties under the Terms and Conditions.
- 17.2.8 Other than as specifically set out in the Terms and Conditions, the Agent shall not be obliged to monitor (i) the performance, default or any breach by the Issuer or any other party of its obligations under the Terms and Conditions, or (ii) whether any other event specified in the Terms and Conditions has occurred. Should the Agent not receive such information, the Agent is entitled to assume that no such event or circumstance exists or can be expected to occur, provided that the Agent does not have actual knowledge of such event or circumstance.
- 17.2.9 The Agent shall ensure that it receives evidence satisfactory to it that the Terms and Conditions are duly authorized and executed. The Issuer shall promptly upon request provide the Agent with such documents and evidence as the Agent reasonably considers necessary for the purpose of being able to comply with this Clause 17.2.9. Other than as set out above, the Agent shall neither be liable to the Issuer or the Holders for damage due to any documents and information delivered to the Agent not being accurate, correct and complete, unless it has actual knowledge to the contrary, nor be liable for the content, validity, perfection or enforceability of such documents.
- 17.2.10 Notwithstanding any other provision of the Terms and Conditions to the contrary, the Agent is not obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any regulation.
- 17.2.11 If in the Agent's reasonable opinion the cost, loss or liability which it may incur (including reasonable fees to the Agent) in complying with instructions of the Holders, or taking any action at its own initiative, will not be covered by the Issuer, the Agent may refrain from acting in accordance with such instructions, or taking such action, until it has received such funding or indemnities (or adequate Security has been provided therefore) as it may reasonably require.
- 17.2.12 The Agent shall give a notice to the Holders (i) before it ceases to perform its obligations under the Terms and Conditions by reason of the non-payment by the Issuer of any fee or indemnity due to the Agent under the Terms and Conditions or the Agency Agreement, or (ii) if it refrains from acting for any reason described in Clause 17.2.11.

17.3 Liability for the Agent

- 17.3.1 The Agent will not be liable to the Holders for damage or loss caused by any action taken or omitted by it under or in connection with these Terms and Conditions, unless directly caused by its negligence or wilful misconduct. The Agent shall never be responsible for indirect or consequential loss.
- 17.3.2 The Agent shall not be considered to have acted negligently if it has acted in accordance with advice from or opinions of reputable external experts provided to the Agent or if the Agent has acted with reasonable care in a situation when the Agent considers that it is detrimental to the interests of the Holders to delay the action in order to first obtain instructions from the Holders.
- 17.3.3 The Agent shall not be liable for any delay (or any related consequences) in crediting an account with an amount required pursuant to the Terms and Conditions to be paid by the Agent to the Holders, provided that the Agent has taken all necessary steps as soon as

reasonably practicable to comply with the regulations or operating procedures of any recognized clearing or settlement system used by the Agent for that purpose.

- 17.3.4 The Agent shall have no liability to the Issuer or the Holders for damage caused by the Agent acting in accordance with instructions of the Holders given in accordance with the Terms and Conditions.
- 17.3.5 Any liability towards the Issuer which is incurred by the Agent in acting under, or in relation to, the Terms and Conditions shall not be subject to set-off against the obligations of the Issuer to the Holders under the Terms and Conditions.

17.4 Replacement of the Agent

- 17.4.1 Subject to Clause 17.4.6, the Agent may resign by giving notice to the Issuer and the Holders, in which case the Holders shall appoint a successor Agent at a Holders' Meeting convened by the retiring Agent or by way of Written Procedure initiated by the retiring Agent.
- 17.4.2 Subject to Clause 17.4.6, if the Agent is Insolvent, the Agent shall be deemed to resign as Agent and the Issuer shall within ten (10) Business Days appoint a successor Agent which shall be an independent financial institution or other reputable company which regularly acts as agent under debt issuances.
- 17.4.3 A Holder (or Holders) representing at least ten (10) percent of the Adjusted Nominal Amount may, by notice to the Issuer (such notice shall, if given by several Holders, be given by them jointly), require that a Holders' Meeting is held for the purpose of dismissing the Agent and appointing a new Agent. The Issuer may, at a Holders' Meeting convened by it or by way of Written Procedure initiated by it, propose to the Holders that the Agent be dismissed and a new Agent appointed.
- 17.4.4 If the Holders have not appointed a successor Agent within ninety (90) days after (i) the earlier of the notice of resignation was given or the resignation otherwise took place or (ii) the Agent was dismissed through a decision by the Holders, the Issuer shall within thirty (30) days thereafter appoint a successor Agent which shall be an independent financial institution or other reputable company with the necessary resources to act as agent under debt issuances.
- 17.4.5 The retiring Agent shall, at its own cost, make available to the successor Agent such documents and records and provide such assistance as the successor Agent may reasonably request for the purposes of performing its functions as Agent under the Terms and Conditions.
- 17.4.6 The Agent's resignation or dismissal shall only take effect upon the earlier of (i) the appointment of a successor Agent and acceptance by such successor Agent of such appointment and the execution of all necessary documentation to effectively substitute the retiring Agent, and (ii) the period pursuant to Clause 17.4.4 (ii) having lapsed.
- 17.4.7 Upon the appointment of a successor, the retiring Agent shall be discharged from any further obligation in respect of the Terms and Conditions but shall remain entitled to the benefit of the Terms and Conditions and remain liable under the Terms and Conditions in respect of any action which it took or failed to take whilst acting as Agent. Its successor, the Issuer and each of the Holders shall have the same rights and obligations amongst themselves under the Terms and Conditions as they would have had if such successor had been the original Agent.

- 17.4.8 In the event that there is a change of the Agent in accordance with this Clause 17.4, the Issuer shall execute such documents and take such actions as the new Agent may reasonably require for the purpose of vesting in such new Agent the rights, powers and obligation of the Agent and releasing the retiring Agent from its further obligations under the Terms and Conditions and the Agency Agreement. Unless the Issuer and the new Agent agree otherwise, the new Agent shall be entitled to the same fees and the same indemnities as the retiring Agent.

18. THE ISSUING AGENT

- 18.1 The Issuer shall when necessary appoint an Issuing Agent to manage certain specified tasks under these Terms and Conditions and in accordance with the legislation, rules and regulations applicable to and/or issued by the CSD and relating to the Capital Securities. The Issuing Agent shall be a commercial bank or securities institution approved by the CSD.
- 18.2 The Issuer shall ensure that the Issuing Agent enters into agreements with the CSD, and comply with such agreement and the CSD Regulations applicable to the Issuing Agent, as may be necessary in order for the Issuing Agent to carry out its duties relating to the Capital Securities.
- 18.3 The Issuing Agent will not be liable to the Holders for damage or loss caused by any action taken or omitted by it under or in connection with the Terms and Conditions, unless directly caused by its gross negligence or wilful misconduct. The Issuing Agent shall never be responsible for indirect or consequential loss.

19. THE CSD

- 19.1 The Issuer has appointed the CSD to manage certain tasks under these Terms and Conditions and in accordance with the CSD Regulations and the other regulations applicable to the Capital Securities.
- 19.2 The CSD may retire from its assignment or be dismissed by the Issuer, provided that the Issuer has effectively appointed a replacement CSD that accedes as CSD at the same time as the old CSD retires or is dismissed and provided also that the replacement does not have a negative effect on any Holder or the admission to trading of the Capital Securities on the Regulated Market. The replacing CSD must be authorized to professionally conduct clearing operations pursuant to the Swedish Securities Markets Act (*lag (2007:528) om värdepappersmarknaden*) and be authorized as a central securities depository in accordance with the Financial Instruments Accounts Act.

20. NO DIRECT ACTIONS BY HOLDERS

- 20.1 A Holder may not take any steps whatsoever against the Issuer to enforce or recover any amount due or owing to it pursuant to the Terms and Conditions, or to initiate, support or procure the winding-up, dissolution, liquidation, company reorganization or bankruptcy in any jurisdiction of any Group Company in relation to any of the obligations and liabilities of the Issuer or any Subsidiary under the Terms and Conditions. Such steps may only be taken by the Agent.
- 20.2 Clause 20.1 shall not apply if the Agent has been instructed by the Holders in accordance with the Terms and Conditions to take certain actions but fails for any reason to take, or is unable to take (for any reason other than a failure by a Holder to provide documents in

accordance with Clause 17.1.2), such actions within a reasonable period of time and such failure or inability is continuing. However, if the failure to take certain actions is caused by the non-payment of any fee or indemnity due to the Agent under the Terms and Conditions or the Agency Agreement or by any reason described in Clause 17.2.11, such failure must continue for at least forty (40) Business Days after notice pursuant to Clause 17.2.12 before a Holder may take any action referred to in Clause 20.1.

21. PRESCRIPTION

21.1 The right to receive repayment of the principal of the Capital Securities shall be prescribed and become void ten (10) years from the relevant Redemption Date. The right to receive payment of interest (excluding any capitalized interest) shall be prescribed and become void three (3) years from the relevant due date for payment. The Issuer is entitled to any funds set aside for payments in respect of which the Holders' right to receive payment has been prescribed and has become void.

21.2 If a limitation period is duly interrupted in accordance with the Swedish Act on Limitations (*preskriptionslag (1981:130)*), a new limitation period of ten (10) years with respect to the right to receive repayment of the principal of the Capital Securities, and of three (3) years with respect to receive payment of interest (excluding capitalized interest) will commence, in both cases calculated from the date of interruption of the limitation period, as such date is determined pursuant to the provisions of the Swedish Act on Limitations.

22. NOTICES

22.1 Any notice or other communication to be made under or in connection with the Terms and Conditions:

- (a) if to the Agent, shall be given at the address specified on its website www.intertrustgroup.com on the Business Day prior to dispatch or, if sent by email by the Issuer, to the email address notified by the Agent to the Issuer from time to time;
- (b) if to the Issuer, shall be given at the address registered with the Swedish Companies Registration Office on the Business Day prior to dispatch or, if sent by email by the Agent, to the email address notified by the Issuer to the Agent from time to time; and
- (c) if to the Holders, shall be given at their addresses registered with the CSD on a date selected by the sending person which falls no more than five (5) Business Days prior to the date on which the notice or communication is sent, and by either courier delivery (if practically possible) or letter for all Holders. A notice to the Holders shall also be published on the websites of the Issuer and the Agent.

22.2 Any notice or other communication made by one person to another under or in connection with the Terms and Conditions shall be sent by way of courier, personal delivery or letter, or, if between the Issuer and the Agent, by email, and will only be effective, in case of courier or personal delivery, when it has been left at the address specified in Clause 22.1, in case of letter, three (3) Business Days after being deposited postage prepaid in an envelope addressed to the address specified in Clause 22.1, or, in case of email, when received in readable form by the email recipient.

22.3 Any notice or other communication pursuant to the Terms and Conditions shall be in English.

22.4 Failure to send a notice or other communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.

23. FORCE MAJEURE

23.1 Neither the Agent nor the Issuing Agent shall be held responsible for any damage arising out of any legal enactment, or any measure taken by a public authority, or war, strike, lockout, boycott, blockade, natural disaster, insurrection, civil commotion, terrorism or any other similar circumstance (a “**Force Majeure Event**”). The reservation in respect of strikes, lockouts, boycotts and blockades applies even if the Agent or the Issuing Agent itself takes such measures, or is subject to such measures.

23.2 Should a Force Majeure Event arise which prevents the Agent or the Issuing Agent from taking any action required to comply with these Terms and Conditions, such action may be postponed until the obstacle has been removed.

23.3 The provisions in this Clause 23 apply unless they are inconsistent with the provisions of the Financial Instruments Accounts Act which provisions shall take precedence.

24. GOVERNING LAW AND JURISDICTION

24.1 These Terms and Conditions, and any non-contractual obligations arising out of or in connection therewith, shall be governed by and construed in accordance with the laws of Sweden.

24.2 The Issuer submits to the non-exclusive jurisdiction of the District Court of Stockholm (*Stockholms tingsrätt*).

SIGNATURES

We hereby certify that the above terms and conditions are binding upon ourselves.

Place:

Date:

SAS AB (PUBL)
as Issuer

Name:

Name:

We hereby undertake to act in accordance with the above terms and conditions to the extent they refer to us.

Place:

Date:

INTERTRUST (SWEDEN) AB
as Agent

Name:

Schedule 4
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>				
Bond conversion	Hybrid conversion	State Hybrid Notes	Rights Issue	Directed Issue
SEK 2.25bn	SEK 1.5bn	SEK 6.0bn	SEK 4.0bn	SEK 2.0bn
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)	Hybrid converted at 90.0% of par value into common shares at a subscription price of SEK 1.16	- SEK 5bn of State Hybrid Notes placed with the Major Shareholders split equally - SEK 1bn State Hybrid Notes placed with the government of Denmark	Rights Issue 81.5% subscribed/underwritten by the Major Shareholders (SEK 1.2/3bn) and KAW (SEK 259m)	Directed Issue of common shares placed with the Major Shareholders at a subscription price of SEK 1.16

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

Revised Recapitalization plan conditional upon:

Successful bond and hybrid conversion

Approval from EU Commission

EGM approval

Exemption from mandatory bid obligation

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		Hybrid conversion	
SEK 2.25bn		SEK 1.5bn	
Ranking	Senior Unsecured	Ranking	Junior Subordinated
Outstanding amount ¹	SEK 2.25bn	Outstanding amount	SEK 1.5bn
Conversion	100%	Conversion	100%
Conversion ratio	100% into New Commercial Hybrids ² or common shares (50% cap)	Conversion ratio	90.0%
Debt haircut	0%	Debt haircut	10.0%
Principle amount converted	SEK 2.25bn	Principle amount converted	SEK 1.35bn
Conversion principal	New Commercial Hybrid Notes or up to 970m ordinary shares	Conversion principal	1,164m ordinary shares
Subscription price	SEK 1.16	Subscription price	SEK 1.16
Pro-forma ownership ³	13%	Pro-forma ownership ³	15%
Quorum / Consent	50% / 80% of adjusted nominal amount	Quorum / Consent	50% / 2/3 (~67%) of adjusted nominal amount
Governing law	Swedish law	Governing law	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 converted at 90.0% of par value into common shares at a subscription price of SEK 1.16	

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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
Early Bird Deadline	26 August
Deadline for submission of Voting Form & PoA & Notice of attendance	1 September
Meeting	2 September
Extraordinary General Meeting	22 September
Last day of trading of the Notes	15 October
Conversion Date	23 October
Payment of Early Bird Fee	Around 6 November

- 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%**¹
 - **Hybridholders' meeting: Quorum 50% / Consent 2/3 (~67%)**²
- 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	
Ranking	Junior Subordinated
Coupon	6M STIBOR + 340 / 440 / 590 / 790 / 1,040bps 1 st / 2 nd – 3 rd / 4 th – 5 th / 6 th – 7 th / 8 th year and after (in accordance with the Temporary State Aid Framework in relation to 107.3 (b) TFEU plus additional 0.9% p.a.) ¹
Maturity	Perpetual
Perpetual Call Date	Callable at par at any time
Listing	No listing
Governing law	Swedish law
Placed with the Major Shareholders in equal parts	

State Hybrid Notes – Instrument 2	
SEK 1.0bn	
Ranking	Junior Subordinated
Coupon	6M STIBOR + 440 / 540 / 690 / 890 / 1,140bps 1 st / 2 nd – 3 rd / 4 th – 5 th / 6 th – 7 th / 8 th year and after (in accordance with the Temporary State Aid Framework in relation to 107.3 (b) TFEU plus additional 1.9% p.a.) ¹
Maturity	Perpetual
Perpetual Call Date	Callable at par at any time
Listing	No listing
Governing law	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
Principal amount	SEK 1,125-2,250m (depending on conversion ratio)	SEK 5,000m	SEK 1,000m
Accounting treatment	Equity	Equity	Equity
Maturity	Perpetual	Perpetual	Perpetual
Interest payment	Non-mandatory	Non-mandatory	Non-mandatory
Interest Rate	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.
Ranking	Senior Unsecured	Junior Subordinated	Junior Subordinated
Perpetual Call Date	Callable at par at any time	Callable at par at any time	Callable at par at any time
Initial common shares conversion option	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
Listing	Nasdaq Stockholm	No listing	No listing

Key terms and conditions of the Revised Recapitalization plan

Rights Issue and Directed Issue

Rights Issue	
SEK 3,994m	
Rights Issue terms	9:1
New shares issued	3,443m
Issue price	SEK 1.16
Subscription undertakings and underwriting commitments	- Approximately SEK 2,994m covered by subscription undertakings and underwriting commitments from the Major Shareholders (split equally) - Knut and Alice Wallenberg Foundation subscribing for its pro-rata share of approximately SEK 259m
81.5% subscribed/underwritten by the Major Shareholders and KAW	

Directed Issue	
SEK 2,006m	
New shares issued	1,729m
Issue price	SEK 1.16
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	

Revised Recapitalization plan resulting in somewhat increased financing cost

Illustrative impact on financing cost

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

1 1_a Positive impact of SEK 121m annually between FY21-FY25 as a result of no coupon payments (interest) on the bond¹
1_b Coupon payments on New Commercial Hybrid, illustrating 50% – 100% conversion into hybrids²

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 hybrid³

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.⁴

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.⁵

Hybrid Notes coupon rates	1 st year	2 nd and 3 rd year	4 th and 5 th year	6 th and 7 th year	8 th to and 10 th year	11 th 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

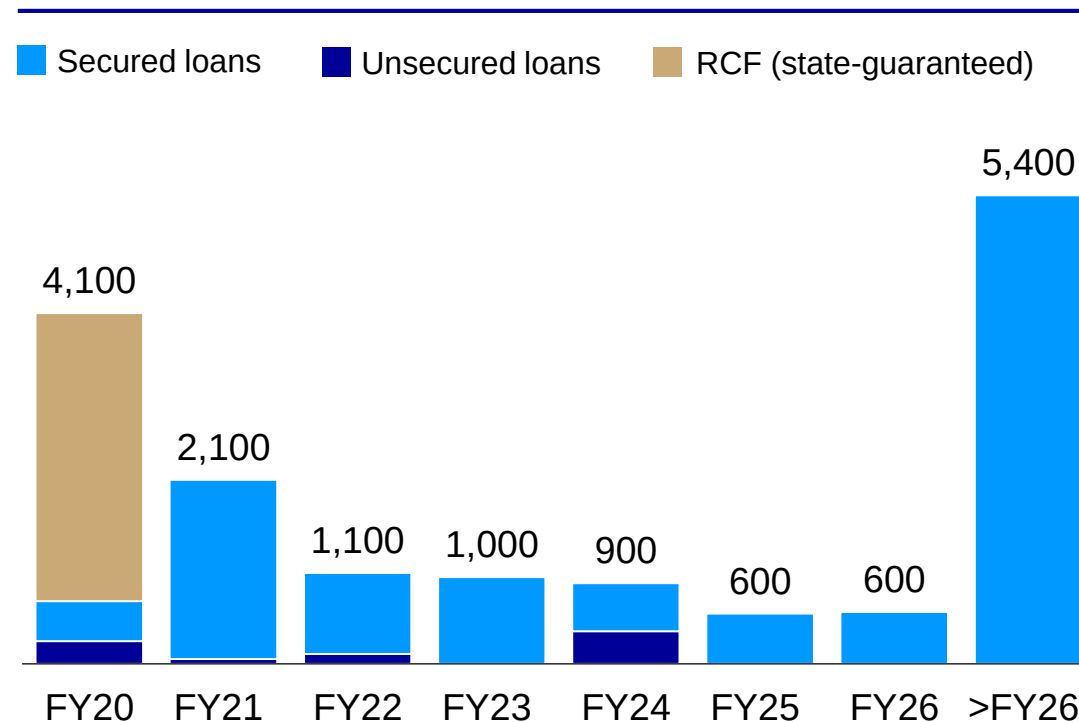
5) Calculated using STIBOR 6M as of July 29, 2020 for the whole period. Coupon is calculated in accordance with the Temporary State Aid Framework in relation to 107.3 (b) TFEU (dated 8 May 2020) plus 1.9% p.a. on a SEK 1,000m nominal amount

Revised Recapitalization strengthening the balance sheet for years to come

Impact on equity and total liabilities (SEKm)

ILLUSTRATIVE	
Illustrative pro forma Equity bridge	
Equity Q2 2020	-65
Bond conversion	+2,250
Hybrid conversion	0 ¹
State Hybrid Notes (Instrument 1)	+5,000
State Hybrid Notes (Instrument 2)	+1,000
Rights issue	+3,994
Directed issue	+2,006
Pro forma Q2 2020	14,185
ILLUSTRATIVE	
Illustrative pro forma total liabilities bridge	
Total liabilities Q2 2020	53,492
Bond conversion	-2,250
Pro forma Q2 2020	51,242

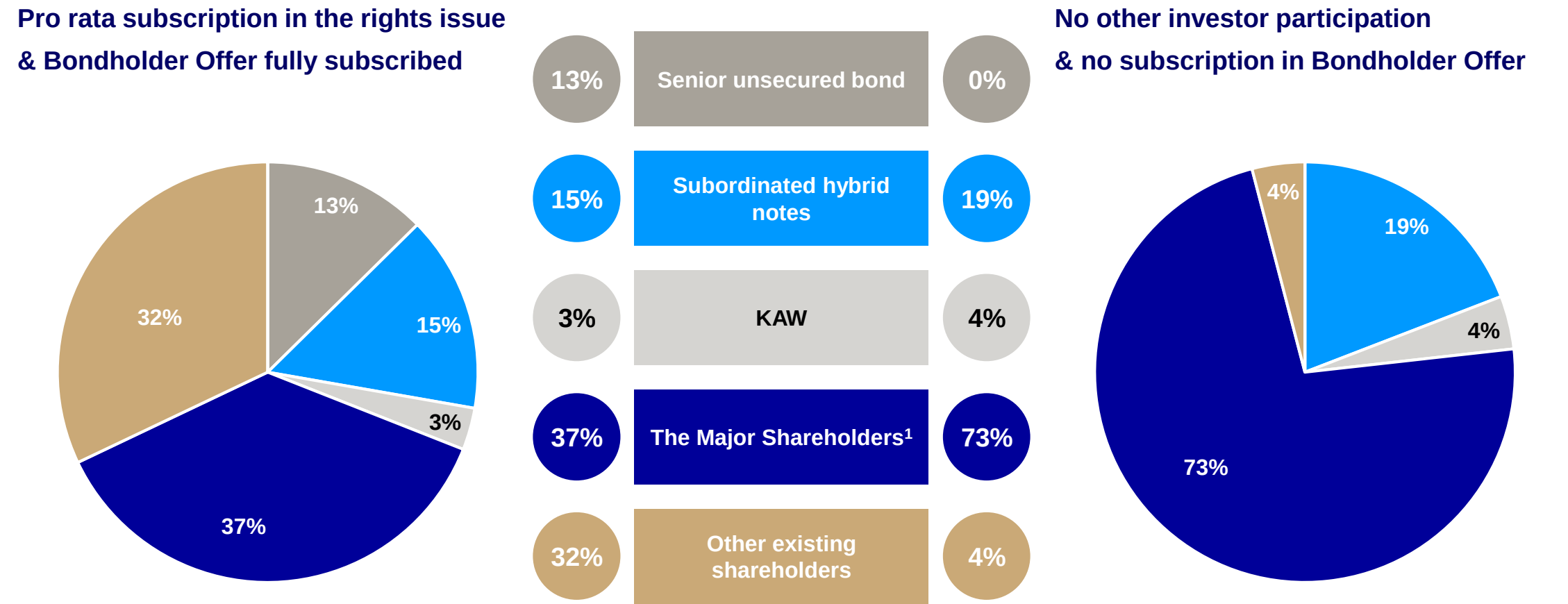
Debt maturity profile (SEKm)²



- 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



13

1) Following completion of the share issues under the Revised Recapitalization plan, the governments of Denmark and Sweden will end up holding the same number of shares and votes in the Company

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