SAS

INVESTOR PRESENTATION
REVISED RECAPITALIZATION PLAN

AUGUST 2020

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The Revised Recapitalization plan is a major achievement for SAS

- Equity and funding to counter COVID-19 effects
- Comprehensive solution involving numerous stakeholders
- Support from the Major Shareholders, KAW and the noteholders committee
- Clear expected timeline to completion

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

Revised

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**

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

Key terms and conditions of the Revised Recapitalization plan

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

Bond conversion

SEK 2.25bn

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

SEK 1.5bn

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

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

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

1) Of attending adjusted nominal amount
2) Of attending adjusted nominal amount

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 1st / 2nd – 3rd / 4th – 5th / 6th – 7th / 8th 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 1st / 2nd – 3rd / 4th – 5th / 6th – 7th / 8th 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

1) European Commission's temporary framework for State aid measures to support the economy in the current COVID-19 outbreak

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

ILLUSTRATIVE

	Financing cost (SEKm)	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 bond[1]

1_b Coupon payments on New Commercial Hybrid, illustrating 50% – 100% conversion into hybrids[2]

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

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

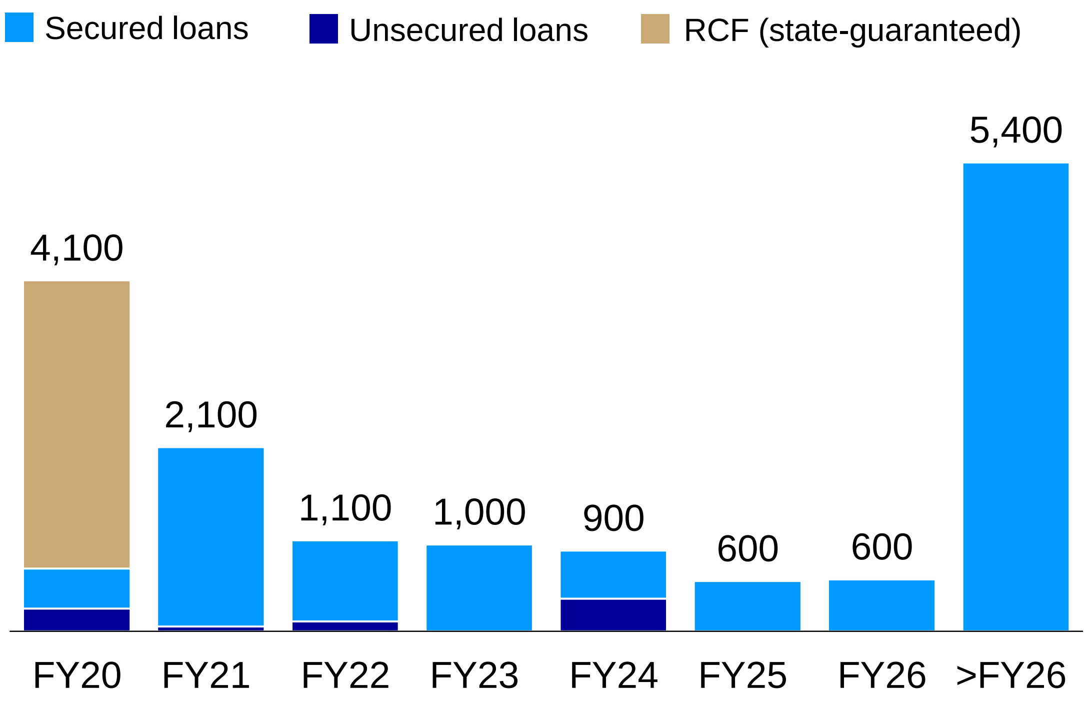
Equity Q2 2020	**-65**
Bond conversion	+2,250
Hybrid conversion	0[1]
State Hybrid Notes (Instrument 1)	+5,000
State Hybrid Notes (Instrument 2)	+1,000
Rights issue	+3,994
Directed issue	+2,006
Pro forma Q2 2020	**14,185**

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]



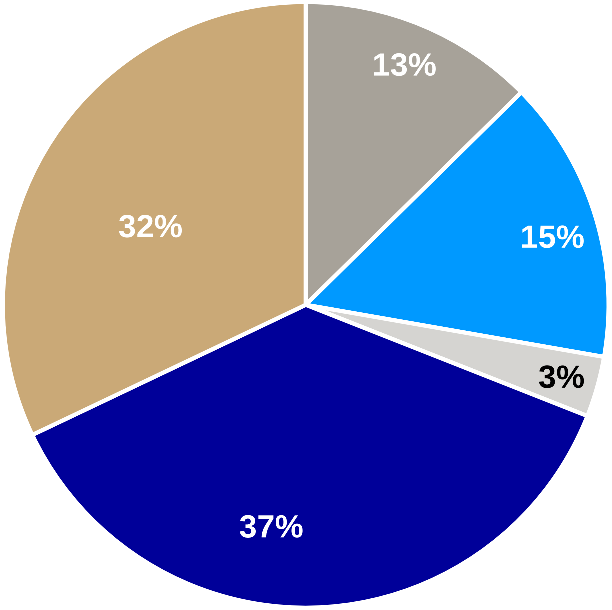
- SEK 3,333m RCF 90% guaranteed by the governments of Sweden and Denmark is cancelled and prepaid in full in accordance with its terms upon any equity or subordinated debt financing, bond or note issuances and private placements financing raised

1) Existing hybrid already accounted for as equity
2) Excl. hybrid and perpetual bond

Pro forma ownership post Revised Recapitalization plan

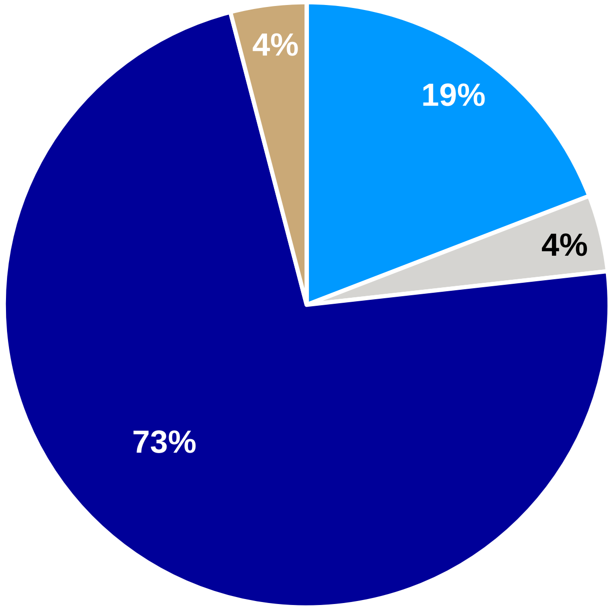
ILLUSTRATIVE

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



Pro rata subscription		No other investor participation
13%	Senior unsecured bond	0%
15%	Subordinated hybrid notes	19%
3%	KAW	4%
37%	The Major Shareholders[1]	73%
32%	Other existing shareholders	4%

No other investor participation & no subscription in Bondholder Offer



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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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.