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SAS reaches agreement in principle with certain holders of bonds and hybrid notes - work on revised recapitalization plan continues

SAS AB (“SAS” or the “Company”) announced on 30 June 2020 a recapitalization plan to tackle the expected effects of the COVID-19 pandemic. Following the announcement on 10 July 2020 regarding the cancellation of the noteholders’ meetings for holders of the existing hybrid notes and bonds, SAS has continued to work intensively on a revised recapitalization plan and has, after discussions and negotiations with certain major holders of hybrid notes and bonds, reached an agreement in principle which has been approved by the Board of Directors.

Discussions are currently ongoing with the governments of Sweden and Denmark (jointly the “Major Shareholders”) as regards the revised recapitalization plan. An additional component to the revised recapitalization plan will be an increase of the interest rate by 90 bps per annum for the new MSEK 6,000 state hybrid notes that SAS, in accordance with the Company’s press release on 30 June 2020, proposes to issue to the Major Shareholders. SAS will announce further information about the revised recapitalization plan and the time plan for the implementation thereof as soon as possible. The implementation of the revised recapitalization plan will also be subject to approval by the European Commission under applicable State aid rules and the approval by an extraordinary shareholders’ meeting.

SAS has conducted negotiations with certain major holders of the SAS MSEK 1,500 subordinated perpetual floating rate capital securities (the “Existing Hybrid Notes”) and the SAS MSEK 2,250 senior unsecured fixed rate bond due November 2022 (the “Bonds”), led by Spiltan Fonder (the “Noteholders’ Committee” or the “NHC”). These negotiations have resulted in an agreement in principle that mainly includes (a) revised conversion terms for the Existing Hybrid Notes into common shares and (b) an amendment regarding the conversion of the Bonds, now intended to be converted into new commercial hybrid notes or common shares at the option of the Bondholders pursuant to a separate offer to the holders of the Bonds (the “Bondholder Offer”). The Board of Directors of SAS has approved the agreement in principle, subject to approval by an extraordinary shareholders’ meeting.

The Existing Hybrid Notes are proposed to be exchanged for common shares in the Company at 90% of par value and at a subscription price of SEK 1.16 per share. As announced on 22 July 2020, the Company will pay the deferred interest on the Existing Hybrid Notes in connection with the conversion into common shares of the Existing Hybrid Notes.



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The Bonds are proposed to be exchanged for perpetual unsubordinated, unsecured, unguaranteed floating rate callable capital securities (the “**New Commercial Hybrid Notes**”) in the Company at 100% of par value. The New Commercial Hybrid Notes will have a floating interest rate of 6M STIBOR plus an initial margin of 340 bps per annum. The margin of the New Commercial Hybrid Notes will thereafter increase to the following: during the 2nd and 3rd year 440 bps per annum, during the 4th and 5th year 590 bps per annum, during the 6th and 7th year 1,090 bps per annum, during the 8th up to and including the 10th year 1,440 bps per annum, and during 11th year and thereafter 1,590 bps per annum.

Alternatively, and subject to approval by an extraordinary shareholders’ meeting, eligible holders of the Bonds are prior to the implementation of the proposed conversion to be presented with an offer, allowing holders of Bonds to subscribe for newly issued common shares in the Company at 100% of par value at a subscription price of SEK 1.16 per share by setting off the claim under their Bonds as consideration. However, the aggregate number of new common shares to be issued to holders of the Bonds under the Bondholder Offer will be limited to a number corresponding to 50% of the adjusted nominal amount of the Bonds and, in case of oversubscription, the allotment will be scaled down on a pro rata basis whereby any remaining claim under the Bonds not converted into common shares will be converted into New Commercial Hybrid Notes as described above.

The New Commercial Hybrid Notes will be treated as equity in SAS’ accounts, will rank senior to the new state hybrid notes, will be freely transferable and will be callable by SAS at any time at par value.

The above described agreement in principle is subject to approvals by noteholders’ meetings. Noteholders have to the NHC expressed their support for the agreement in principle in accordance with the following: holders of 51.42% of the Existing Hybrid Notes (including all of the major holders in the NHC that SAS has negotiated with, representing 21.17% of the Existing Hybrid Notes), as well as holders of 39.56% of the Bonds (including all of the major holders in the NHC that SAS has negotiated with, representing 27.11% of the Bonds).

The NHC strongly encourages all bond and hybrid holders to support and to vote in favor of the proposals at the coming noteholders’ meetings. The NHC believes that the current proposal preserves maximum value for the holders of the Bonds and the Existing Hybrid Notes whilst providing support to SAS at a difficult time for the industry due to COVID-19. Both SAS and the NHC welcome any bond or hybrid holders outside of the NHC who want to reach out to discuss the result of the negotiations and why the representatives of the NHC believe the result to be appropriate (see contact details below).

Discussions are currently ongoing with the Major Shareholders as regards the revised recapitalization plan. An additional component to the revised recapitalization plan will be an increase of the interest rate by 90 bps per annum for the new MSEK 6,000 state



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hybrid notes that SAS, in accordance with the Company's press release on 30 June 2020, proposes to issue to the Major Shareholders. SAS will announce further information about the revised recapitalization plan and the time plan for the implementation thereof as soon as possible. The implementation of the revised recapitalization plan will also be subject to approval by the European Commission under applicable State aid rules and the approval by an extraordinary shareholders' meeting. The Board of Directors intends to summon new meetings with the holders of the Existing Hybrid Notes and the Bonds as soon as possible for the purpose of approving the aforementioned proposals, as well as to convene an extraordinary shareholders' meeting.

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 could have a material adverse effect on the Company'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 Existing Hybrid Notes and the Bonds will not be able to recover any of their claims under the notes.

For further information, please contact:

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For more information about the agreement in principle between SAS and certain major noteholders led by Spiltan Fonder and about the exchange proposals, please contact:

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Advisors to the Company

Skandinaviska Enskilda Banken AB is financial advisor to SAS, Global Coordinator and Bookrunner in connection with the recapitalization plan.

Mannheimer Swartling Advokatbyrå AB and Davis Polk & Wardwell London LLP are legal advisors to SAS.



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This is information that SAS AB is obliged to disclose pursuant to the EU Market Abuse Regulation. The information was submitted by Michel Fischier for publication on 7 August 2020 at 08:00 a.m. CEST.

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This press release contains forward-looking statements that reflect SAS' current view of future events as well as financial and operational development. Words such as "intend", "assess", "expect", "may", "plan", "estimate" and other expressions involving indications or predictions regarding future development or trends, not based on historical facts, identify forward-looking statements and reflect SAS' beliefs and expectations and involve a number of risks, uncertainties and assumptions which could cause actual events and performance to differ materially from any expected future events or performance expressed or implied by the forward-looking statement. The information contained in this press release is subject to change without notice and, except as required by applicable law, SAS does not assume any responsibility or obligation to update publicly or review any of the forward-looking statements contained in it and nor does it intend to. You should not place undue reliance on forward-looking statements, which speak only as of the date of this press release. As a result of these risks, uncertainties and assumptions, you should not place undue reliance on these forward-looking statements as a prediction of actual future events or otherwise.