



## Notice convening the Annual General Meeting of SAS AB

Shareholders in SAS AB (publ) (hereinafter the “Company”) are hereby invited to attend the Annual General Meeting on **Wednesday 13 March 2019**. The Annual General Meeting will be held at 3:00 p.m. at the Company’s Head Office, Frösundaviks allé 1, Solna, Sweden. The meeting venue will open at 2:15 p.m. for registration. Registration of participants at the meeting ends when the meeting is called to order.

***Instructions to holders of common shares registered with Euroclear Sweden AB in Sweden (other than holders of common shares registered with VP Securities A/S, the Danish Central Securities Depository, or with Verdipapirsentralen, the Norwegian Central Securities Depository)***

Shareholders who wish to attend the Annual General Meeting must be registered in the share register of the Company maintained by Euroclear Sweden AB on Thursday 7 March 2019, and must notify the Company no later than Thursday 7 March 2019, preferably before 4:00 p.m, through the Company’s website [www.sasgroup.net](http://www.sasgroup.net) (under About SAS/Corporate Governance) or by telephone to +46709971058 on weekdays between 9:00 a.m. and 4:00 p.m. Notification may also be made at the following address: SAS AB (publ), Attn: SAS Investor Relations, Britta Eriksson/STODL, SE-195 87 Stockholm.

Shareholders whose shares are registered in the name of a nominee must temporarily have their shares registered in the shareholder’s own name to be entitled to participate in the Annual General Meeting. This registration process with Euroclear Sweden AB must be completed by Thursday 7 March 2019. This means that shareholders must notify their nominees in sufficient time prior to this date.

***Instructions to holders of common shares registered with VP Securities A/S in Denmark***

Shareholders of common shares in Denmark who wish to attend the Annual General Meeting must notify VP Investor Services A/S (VP) of this in writing through filling in and signing relevant form to the following address:

Weidekampsgade 14, P.O. 4040, DK-2300 København S, per email to [vpinvestor@vp.dk](mailto:vpinvestor@vp.dk), per telefax +4543588867 or through VP InvestorPortalen at [www.sasgroup.net](http://www.sasgroup.net) (under About SAS/Corporate Governance) or [www.vp.dk/gf](http://www.vp.dk/gf), by 3:00 p.m. on Wednesday 6 March 2019.

The following rules also apply to participation. Shareholders who wish to attend the Annual General Meeting must be registered in the share register of the Company maintained by Euroclear Sweden AB by Thursday 7 March 2019. Accordingly, shareholders whose common shares are registered with VP Securities A/S in Denmark must request that VP temporarily registers the common shares in the shareholder’s own name with Euroclear Sweden AB to be entitled to participate in the Annual General Meeting.

A request for such registration along with a notification of attendance at the Annual General Meeting must be submitted in sufficient time and no later than 3:00 p.m. on Wednesday 6 March 2019 to VP through Internet as set out above or at the address above. Forms for notification of attendance and proxy forms are provided by VP and are available at [www.sasgroup.net](http://www.sasgroup.net) (under “About SAS/Corporate Governance”) and will also be sent out to registered shareholders who have notified their email address to the Company. The registration application should include the account operating institution in Denmark (with the custody account number) with which the shareholder’s common shares are deposited.

Shareholders whose common shares are already registered in the name of the owner with Euroclear Sweden AB may send in a notification of attendance to the Company at a later date, but no later than Thursday 7 March 2019, preferably before 4:00 p.m, in the manner prescribed above.

***Instructions to holders of common shares registered with Verdipapirsentralen (VPS) in Norway***

Shareholders of common shares in Norway who wish to attend the Annual General Meeting must notify Nordea Bank Abp, filial Norge, Securities Services – Issuer Services, of this in writing to P.O. Box 1166 Sentrum, NO-0107, Oslo, Norway, Attn: René Herskedal, by facsimile to +4722369703 or by email to [nis@nordea.com](mailto:nis@nordea.com), by 3:00 p.m. on Wednesday 6 March 2019 at the latest.

The following rules also apply for participation. Shareholders who wish to attend the Annual General Meeting must be registered in the share register of the Company maintained by Euroclear Sweden AB by Thursday 7 March 2019. Accordingly, shareholders whose common shares are registered with VPS in Norway must request that Nordea Norway temporarily register the common shares in the shareholder's own name with Euroclear Sweden AB to be entitled to participate in the Annual General Meeting.

A request for such registration along with a notification of attendance at the Annual General Meeting must be submitted in sufficient time and no later than 3:00 p.m. on Wednesday 6 March 2019, to Nordea Norway at the address above. Forms for notification of attendance and proxy forms are provided by Nordea Norway and are available at [www.sasgroup.net](http://www.sasgroup.net) (under About SAS/Corporate Governance) and will also be sent out to registered shareholders who have notified their email address to the Company.

Shareholders whose common shares are already registered in the name of the owner with Euroclear Sweden AB may send in a notification of attendance to the Company at a later date, but no later than Thursday 7 March 2019, preferably before 4:00 p.m, in the manner prescribed above.

***Instructions applicable to all shareholders***

Shareholders with shares registered in more than one country should state this when submitting their notifications. Shareholders or their representatives may be accompanied by no more than two assistants at the Annual General Meeting. Assistants to shareholders will be admitted to the Annual General Meeting only if the shareholder notifies the number of

assistants in accordance with the notification instructions provided above for shareholders' participation in each country.

Shareholders represented by proxy must issue a dated written proxy for their representative. If possible, the proxy should be based on the proxy form provided by the Company. The proxy in original should be sent in sufficient time prior to the Annual General Meeting and no later than Thursday 7 March 2019, to one of the addresses provided in this notice.

Representatives of a legal entity must also submit a certified copy of the registration certificate or equivalent authorizing documentation. At the Annual General Meeting, a list is to be prepared of the present shareholders, representatives and assistants with details of the number of shares and votes each shareholder or proxy represents at the Annual General Meeting (voting list). A list of shareholders, proxies and assistants who have submitted notification of their attendance with the stated details (list of participants) will be distributed at the registration for the Annual General Meeting.

***Admission cards for the Annual General Meeting***

Admission cards, to be presented when entering the Annual General Meeting venue, will be sent out around 7-8 March 2019 to all shareholders who have submitted a notification of attendance in accordance with the instructions above.

***Number of shares and votes in the Company***

The Company has at the time of publication of this Notice issued 382,582,551 common shares, 0 preference shares and 0 subordinate shares, equivalent to a total of 382,582,551 votes. No shares are held by the Company itself.

***Proposed agenda***

1. 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. Presentation of the annual accounts and auditors' report as well as the consolidated accounts and consolidated auditors' report.
8. Report on the work of the Board, the Remuneration Committee and the Audit Committee, followed by the CEO's address and in conjunction with this, the opportunity for shareholders to put questions to the Board and Group Management.
9. Resolutions on:
  - a. the approval of the income statement and balance sheet and the consolidated income statement and consolidated balance sheet,
  - b. the dispositions of the Company's earnings in accordance with the approved balance sheet, and
  - c. discharge from liability for the Board members and the CEO.
10. Resolutions on:
  - a) the number of Board members,
  - b) remuneration for Board members, and
  - c) remuneration for the auditor.
11. Election of Board members and Chairman of the Board.
12. Election of auditor.
13. Resolution on the Nomination Committee and the Instruction for the Nomination Committee.
14. Resolution on the Board's proposed guidelines for remuneration of senior executives.
15. The Board's proposal for approval of extension of the consortium agreement regarding Scandinavian Airlines System Denmark-Norway-Sweden.
16. Resolution on amendments of the articles of association.
17. Resolution on the Board's proposal on:
  - A. implementation of a long-term incentive plan and
  - B. hedging arrangements in respect of the plan, consisting of
    - I. authorization for the Board of Directors to resolve on directed issue of redeemable and convertible series C shares;
    - II. authorization for the Board of Directors to resolve on repurchase of all issued redeemable and convertible series C shares;
    - III. transfers of own common shares to Plan participants; and
    - IV. entering into an equity swap agreement with a third party to primarily hedge the cash amount to be paid under the Cash component; or
    - C. entering into an equity swap agreement with a third party if required majority for approval of the proposal in item B. is not reached.
18. Meeting is adjourned.

### PROPOSALS FOR RESOLUTIONS

#### *The Board's proposal on a dividend (Item 9b)*

The Board proposes that no dividend be paid to SAS AB's shareholders for the financial year 1 November 2017 – 31 October 2018.

#### *The Nomination Committee's proposals regarding General Meeting Chairman, Board, Auditor, Remuneration, Nomination Committee, etc. (items 2, 10 a-c, 11, 12 and 13)*

The Nomination Committee, which consists of the Chairman of the Board Carsten Dilling and the shareholder representatives Carl Rosén, Ministry of Enterprise, Energy and Communications for the Swedish government (Chairman); Peder Lundquist, Ministry of Finance, for the Danish government; Jacob Wallenberg, for the Knut and Alice Wallenberg Foundation and Gerald Engström, representing himself and Färna Invest AB, makes the following proposals:

#### Election of Chairman for the General Meeting Attorney-at-law Eva Hägg.

Resolution on the number of Board members  
The number of Board members elected by the Annual General Meeting shall consist of seven Board members, with no deputies.

#### Resolution on remuneration to Board members

It is proposed that the fees for the period until the end of the next Annual General Meeting shall amount to SEK 630,000 for the Chairman of the Board and, if any, SEK 420,000 for the First Vice Chairman and the Second Vice

Chairman respectively, and SEK 320,000 for each of the other Board members elected by the Annual General Meeting and ordinary employee representatives.

It is also proposed that each deputy for ordinary employee representatives receive a study fee of SEK 1,000 per Board meeting and an attendance fee of SEK 3,500 for each Board meeting they attend.

In addition to this remuneration, it is proposed that remuneration be paid for work on the Board Remuneration Committee shall amount to SEK 80,000 for the Remuneration Committee Chairman and SEK 27,000 each for the Remuneration Committee's other members, as well as for work on the Board's Audit Committee, in the amount of SEK 100,000 for the Audit Committee Chairman and SEK 50,000 for each of the Audit Committee's other members.

#### Resolution on remuneration to the Company's auditor

The fees for the Company's auditor shall be paid in accordance with approved invoice.

#### Election of Board members and Chairman of the Board

It is proposed to re-elect the current seven Board members Dag Mejdell, Monica Caneman, Carsten Dilling, Lars-Johan Jarnheimer, Sanna Suvanto-Harsaae, Liv Fiksdahl and Oscar Stege Unger.

Furthermore, it is proposed that Carsten Dilling be re-elected as Chairman of the Board.

#### Election of Auditor

It is proposed to elect KPMG AB as auditor, in accordance with the Audit Committee's recommendation.

#### Resolution on the Nomination Committee

It is proposed that the Annual General Meeting resolve that a Nomination Committee be elected that is tasked in accordance with the proposal for Instruction for the Nomination Committee.

The Nomination Committee shall comprise five members.

The Nomination Committee shall comprise the Chairman of the Board and the following shareholder representatives: Carl Rosén,

Ministry of Enterprise, Energy and Communications for the Swedish government; Peder Lundquist, Ministry of Finance, for the Danish government; Jacob Wallenberg, for the Knut and Alice Wallenberg Foundation; and Gerald Engström, representing himself and Färna Invest AB.

It is furthermore proposed that the Annual General Meeting adopts instructions for the Nomination Committee, including provisions regarding election of Chairman of the Nomination Committee, replacement of members during their terms of office and replacement of shareholder representative owing to a substantial reduction in shareholding, and other provisions concerning the Nomination Committee's composition and work to apply for the Nomination Committee appointed by the Annual General Meeting and for its mission until the end of the next Annual General Meeting. The instruction is consistent with the current instruction.

#### ***The Board's proposed guidelines for remuneration of senior executives (item 14)***

The Board of Directors proposes guidelines for the determination of salaries and other remuneration of senior executives with the following principal content. Senior executives comprise the CEO and other members of Group Management.

The guidelines shall be applied for employment agreements entered into after the Annual General Meeting 2019 and for changes made to existing employment agreements thereafter.

The proposed guidelines are changed in relation to the remuneration guidelines adopted by the Annual General Meeting 2018.

#### ***Salaries and other benefits***

The total salary for senior executives shall comprise a fixed annual base salary. The fixed salary shall reflect the demands of the position with respect to qualifications, responsibilities, complexity and the manner in which it serves to reach business objectives. The fixed salary shall also reflect the performance attained by the senior executive and thus be individual and differentiated.

Apart from fixed salary, senior executives reporting to the CEO may, according to separate agreements, receive annual variable salary corresponding to 20 percent of the fixed

salary when fulfilling agreed performance targets and provided that the senior executive's fixed salary is frozen for review until the salary review for 2021.

Other benefits, such as a company car and health insurance, are to be market-based and comprise only a limited portion of the total remuneration.

#### *Pension*

Pension benefits shall be defined contribution based and premiums shall not exceed 30 percent of the fixed annual salary.

#### *Conditions regarding termination of employment*

The notice period for the CEO and other members of Group Management is six months if the employee resigns. A notice period of a maximum of 12 months applies if the company terminates the employment. In the event of termination of employment by the company and, in certain specific cases, by the senior executive, severance pay shall be paid in an amount corresponding to a maximum of one year's fixed salary, with full deduction if the senior executive receives remuneration from a new position or assignment.

#### *Departures*

The Board of Directors may depart from these guidelines, if there are special reasons to do so in a specific case.

#### *The Board's proposal for approval of extension of the consortium agreement regarding Scandinavian Airlines System Denmark-Norway-Sweden (item 15)*

The airline operations of SAS AB are primarily conducted in the airline company Scandinavian Airlines System Denmark-Norway-Sweden. The consortium agreement governs the operations of Scandinavian Airlines System Denmark-Norway-Sweden and has been entered into by SAS AB's subsidiaries SAS Danmark A/S, SAS Norge AS and SAS Sverige AB.

The Board proposes that the Annual General Meeting, in accordance with article 3 of the articles of association, approves the amendments of article 17 of the consortium agreement between SAS Danmark A/S, SAS Norge AS and SAS Sverige AB regarding Scandinavian Airlines System

Denmark-Norway-Sweden, as amended and restated on 5 June 2012, so that the consortium agreement is extended by 20 years. The agreement shall continue and be binding on the parties for a period up to and including 30 September 2040, instead of cease to be binding on the parties after 30 September 2020.

A valid resolution requires that shareholders representing at least two thirds of the votes cast as well as of the shares represented at the Annual General Meeting approve the resolution.

#### *The Board's proposed amendments of the articles of association (item 16)*

Due to the completed redemption of all preference shares in SAS, the Board proposes amendments to articles 5, 15B and 16 of the articles of association, meaning that all provisions regarding preference shares are removed. Further, it is proposed that a new share class, Series C shares, is introduced as a part of the hedging arrangements for the long-term incentive program (item 17) through amendments of articles 5, 15 and 16 of the articles of association. The Board also proposes editorial amendments of articles 1 and 14 due to minor changes in statutory law.

A valid resolution requires that shareholders representing at least two thirds of the votes cast as well as of the shares represented at the Annual General Meeting approve the resolution.

The wording proposed by the Board is set out below.

#### **Article 1**

The name of the Company is SAS AB. The Company is public (publ).

**Article 5****A. Share capital and number of shares**

The share capital shall be at least SEK 4,000,000,000 and not more than SEK 16,000,000,000, divided into at least 200,000,000 shares and not more than 800,000,000 shares.

**B. Share class and voting rights etc.**

Shares may be issued in three classes, ordinary shares, subordinated shares and shares of series C. Each ordinary share and subordinated share entitles the holder to one (1) vote. Each share of series C entitles the holder to one-tenth (1/10) of a vote.

Ordinary shares and subordinated shares may be issued up to a number corresponding to 100 percent of the Company's share capital. Shares of series C may be issued up to a number corresponding to 5 percent of the share capital.

Shares of series C do not entitle to dividends. If the Company is dissolved, shares of series C carry an equal right to the Company's assets as ordinary shares, however not to an amount exceeding the share's quotient value.

The Board of Directors may resolve on reduction of the share capital by redemption of all shares of series C. In case of a resolution on redemption, holders of shares of series C shall be obliged to redeem all shares of series C against a redemption amount corresponding to the share's quotient value. Payment of the redemption amount shall be made as soon as possible.

Shares of series C held by the Company itself may, upon request by the Board of Directors, be converted (reclassified) into ordinary shares. Immediately thereafter, the Board of Directors shall report the reclassification to the Swedish Companies Registration Office (Sw. Bolagsverket) for registration. The reclassification is effected when it has been registered in the Swedish Register of Companies and the reclassification been noted in the Swedish Central Securities Depository Register.

**C. Preferential rights**

Shareholders' preferential rights in relation to the issue of shares, warrants or convertibles are defined in Article 16.

**Article 14**

The Company shall be a CSD (central securities depository) registered company and the Company's shares shall be registered in a CSD register pursuant to the Central Securities Depository and Financial Instruments Accounts Act (SFS 1998:1479).

**Article 15**

[...]

**B. Subordinated shares**

In addition to ordinary shares and shares of series C, the Company shall be able to issue subordinated shares. Subordinated shares shall be redeemable. If not all outstanding subordinated shares are redeemed, subordinated shares shall be redeemed from their holders in proportion to the number of subordinated shares they already own and to the extent this cannot take place by drawing lots. In the event of redemption, redeemed subordinated shares shall be refunded with an amount corresponding to the subordinated share's quota value plus interest calculated from the first day the subordinated shares were registered up until the date the amount of redemption was paid, with an interest rate factor corresponding to two percentage points over the 90-day STIBOR rate.

A subordinated share does not entitle a holder to dividends. If the Company is dissolved, a subordinated share entitles the holder to a share of the Company's assets equal to that of an ordinary share, however not exceeding an amount corresponding to the subordinated share's quota value plus interest calculated from the first day the subordinated share was registered up until the day the of the distribution, with an interest rate factor corresponding to two percentage points over the 90-day STIBOR rate.

**Article 16**

If the Company issues new ordinary shares, shares of series C and subordinated shares in a cash issue or an issue to set off claims, the holder of ordinary shares, shares of series C and subordinated shares shall have the preferential right to subscribe for new shares in the same class in proportion to the number of shares the holder already owns (primary preferential right). Shares not subscribed for through a primary preferential right shall be offered to all shareholders for subscription (subsidiary preferential right). If the shares so offered are insufficient to cover the subscription

taking place through a subsidiary preferential right, the shares shall be distributed among the shareholders in proportion to the number of shares they already own, irrespective of being ordinary shares, shares of series C or subordinated shares, and if this cannot be done, by drawing lots.

If the Company decides, through a cash issue or an issue setting off claims, to issue only ordinary shares, only shares of series C or only subordinated shares, only the owners of the shares in that class have the preferential right to subscribe to shares in proportion to the number of shares the owners already own of the same class issued (primary preferential right). Shares not subscribed for through a primary preferential right shall be offered to all shareholders for subscription (subsidiary preferential right). If the shares so offered are insufficient to cover the subscription taking place through a subsidiary preferential right, the shares shall be distributed among the subscribers in proportion to the number of shares they already own, irrespective of being ordinary shares, shares of series C or subordinated shares, and if this cannot be done, by drawing lots.

If the Company decides to issue warrants or convertibles pertaining to either ordinary shares, shares of series C or subordinated shares or shares of all classes through a cash issue or an issue to set off claims, shareholders have preferential rights to subscribe for warrants as if the issue applied to the shares of either or all classes that could be subscribed for as a result of options or preferential rights to subscribe for convertibles, as if the issue had applied to the shares of either or all classes for which the convertibles carry the right of receipt in exchange.

What is stated above shall not imply any limitation in respect of the Company's ability to decide on cash issues or issues setting off claims that deviate from the shareholders' preferential rights.

An increase of the share capital through a bonus issue with issuance of new shares may only be made by issuing ordinary shares. Accordingly, only holders of ordinary shares have preferential rights to subscribe for such issued ordinary shares in proportion to the number of ordinary shares already held. What is stated above shall not imply any limitation in

respect of the Company's ability to issue shares of a new class through a bonus issue following the appropriate changes to the Articles of Association.

***The Board's proposed implementation of a long-term incentive plan in accordance with (A) and hedging arrangements in respect thereof in accordance with (B) or (C) (item 17)***

***Background***

The Board of Directors proposes that the Annual General Meeting 2019 resolves on the implementation of a long-term incentive plan (the "**Plan**") under (A) below and hedging arrangements in respect thereof under (B) or (C) below.

During the last three years SAS has been able to complete an impressive financial turnaround and is now delivering positive results thanks to the performance of its employees. The proposed Plan gives all permanent employees of the SAS Group the opportunity to become shareholders in SAS, provided that certain future conditions are fulfilled.

SAS has and will continue to invest in the renewal of the aircraft fleet, which means that the invested capital increases considerably. This entails increased profit requirements to secure return on the invested capital («ROIC») exceeding 12 percent, which is SAS's average total cost of capital. In this context SAS wishes to create an incentive plan with a clear link to value creation and alignment of the employees' and the shareholders' interests.

All employees contribute and are key for SAS's future development and success. In an increasingly competitive market, SAS must continue to be an attractive employer. SAS wishes to create an incentive plan that in principle includes all employees and that together with other measures to create engagement in the Company, contributes to SAS's success by creating shareholder engagement among the employees. According to the Board of Directors' assessment, an incentive plan, with the principal terms and conditions set out below, will create value for the Company's shareholders and contribute to SAS's long-term development as a company.

Making the SAS employees shareholders in the Company will have a positive impact on the

employees' engagement and will make the employees feel more involved with the Company and the Company's performance, and thereby increasing their willingness and the incentive to work and remain within SAS. The Board of Directors finds it important and in all shareholders' interest that employees of the Group have a long-term interest of the Company having a good share price performance. The Board of Directors of SAS is confident that increased engagement through the proposed Plan will have positive impact on both the financial performance and the culture within SAS. The combination of engagement and ownership among the employees will provide a strong foundation for the journey towards sustainable profitability to the benefit of all stakeholders.

SAS has no other share-related incentive plans. The Board of Directors' proposal regarding the Plan has been prepared by the Board of Directors and its Remuneration Committee in consultation with major shareholders. The intention of the Board of Directors is to propose long-term incentive plans ahead of future Annual General Meetings as well.

#### **A. Resolution on implementation of the Plan**

The Board of Directors proposes that the Annual General Meeting 2019 resolves on the implementation of the Plan in accordance with the principal terms and conditions set out below.

##### **Terms and conditions for the Plan**

- (a) It is proposed that the Plan be open to all full-time and part-time employees (with the exception of senior executives) as per 28 February 2019 within the SAS Group, approximately 13,000 individuals<sup>1</sup> (the "**Participants**").
- (b) Under the Plan, each participant will, as soon as practically possible after the Annual General Meeting 2019, receive a certain number of rights ("**Performance Rights**") that each may entitle the Participant to receive not more than one (1) common share (the "**Share Component**") and a certain maximum cash amount (the "**Cash Component**")

free of charge following the expiration of the vesting period of approximately three years, which expires on the date of the announcement of the interim report for the first quarter November 2021 – January 2022 (the "**Vesting Period**"), provided that the conditions under item (d) and (e) below are fulfilled. The total nominal value of the Performance Rights that each Participant will receive, will initially amount to approximately SEK 20,000 (evenly distributed between the Share Component and the Cash Component). The number of Performance Rights that each Participant receives will be calculated as SEK 10,000 divided by the volume weighted average price paid for the SAS common share on Nasdaq Stockholm during the 5 trading days immediately preceding SAS Annual General Meeting 2019. The amount to be paid under the Cash Component will correspond to the value of the Share Component under each Performance Right when the Share Component is delivered to the Participant (in order to compensate for the tax effect that the Participant may be subject to upon delivery of common shares under the Share Component of the Plan). Participants that are part-time employees will receive a reduced number of Performance Rights in proportion to the level of employment.

- (c) The number of common shares and the cash amount that each Performance Right entitles to after the expiry of the Vesting Period will depend on to which extent the conditions under item (d) and (e) below are fulfilled, and may be subject to reduction or adjustment under items (g), (i), (j) and (m) below.
- (d) The number of common shares that the Share Component in each Performance Right entitles to after the expiry of the Vesting Period will: (i) depend on to which extent the below performance target, linked to SAS's return on invested capital ("**ROIC**")<sup>2</sup>, is fulfilled during the financial year 2018/19 (i.e. 1

<sup>1</sup> Approximately 10,000 FTE.

<sup>2</sup> ROIC is currently defined as SAS's EBIT plus the standard interest portion corresponding to 33% of net operating leasing costs in relation to average shareholders' equity, net financial debt and net capitalized leasing costs.



November 2018 – 31 October 2019) (the “*Performance Period*”); and (ii) require that the Annual General Meeting 2020 resolves that a cash dividend is to be paid to holders of common shares. To which extent the performance target under (i) above is fulfilled, is determined by the Board of Directors when the year-end report for the financial year 2018/19 is announced.

For any allotment of common shares to be made under the Share Component after the expiry of the Vesting Period, the ROIC must exceed 12 percent during the Performance Period. Maximum allotment (corresponding to one (1) common share per each Performance Right when the Plan is launched) will be received at a ROIC during the Performance Period of 15 percent or higher. If the ROIC outcome is between 12 percent and 15 percent a proportionally reduced allotment of common shares under the Share Component will be made.

Since the amount to be paid under the Cash Component is to correspond to the value of the Share Component, this amount will be subject to change accordingly.

- (e) A condition for the Performance Rights to entitle the Participant to allotment of the Share Component and the Cash Component is, with certain specific exceptions, that the Participant has been employed full-time or part-time within the SAS Group for the duration of the whole Vesting Period, and that the Participant has not terminated his/her employment.
- (f) Allotment of the Share Component and the Cash Component for each Performance Right may be made only after the expiry of the Vesting Period, unless the Board of Directors in an individual case decides otherwise.
- (g) If the combined value of the Share Component and the Cash Component for the Performance Rights an individual Participant has received under the Plan exceeds SEK 60,000 following the expiration of the Vesting Period, the allotment of common shares under the Share Component (and thereby also the Cash Component) shall be reduced to such extent that the value amounts to maximum SEK 60,000 per Participant (depending on employment rate).
- (h) The Board of Directors shall be entitled to decide that the Performance Rights shall in whole or in part be cash-settled for all or some Participants, e.g. if it is deemed to be justified by administrative or regulatory purposes.
- (i) If significant changes in the SAS Group or in the market occur which, in the opinion of the Board of Directors, would result in a situation where the conditions for allotment of the Share Component and/or the Cash Component under the Plan becomes unreasonable, the Board of Directors shall be entitled to make adjustments to the Plan, including, among other things, be entitled to resolve on a reduced allotment of the Share Component and/or the Cash Component, or that no Share Component and/or Cash Component shall be allotted at all.
- (j) Based on the share price in connection with the announcement of the notice, the Plan is expected to comprise approximately 4,115,000 common shares in SAS under the Share Component. The Plan shall however comprise no more than 4,782,282 common shares in SAS under the Share Component. In addition, the Cash Component of the Plan comprises of a value equivalent to the same number of common shares in SAS, which is intended to be hedged by an equity swap agreement with a third party. The swap agreement is intended to be entered in order to cover the cash flow effects associated with the Plan which, besides the Cash Component, primarily is social security charges. The total dilution effect of the Plan (i.e. which is related to the Share Component) is in any case limited to a maximum of 1.25 percent (corresponding to 4,782,282 shares based on the number of issued shares as per the day of this notice). If the total allotment of common shares to the Participants would exceed this, a

proportionally reduced allotment will be made so the dilution does not exceed this limit.

- (k) The Board of Directors shall be entitled to resolve on the detailed terms and conditions for the Plan. The Board of Directors may, in that regard, make necessary adjustments to satisfy certain regulations or market conditions outside Sweden.
- (l) Participation in the Plan presupposes that such participation is legally possible in the various jurisdictions concerned and that the administrative costs and financial efforts are reasonable in the opinion of the Board of Directors. The Board of Directors may resolve on the implementation of an alternative incentive solution for employees in countries where participation in the Plan is not appropriate, for example for employees outside of Sweden, Norway or Denmark. Such alternative incentive solution shall to the extent practically possible and appropriate be designed to correspond to the terms of the Plan.
- (m) The number of common shares under the Share Component of each Performance Right will be subject to recalculation as a result of intervening bonus issue, split, dividend, preferential rights issue and/or other similar corporate events. Since the amount to be paid under the Cash Component shall correspond to the value of the Share Component, this amount will change accordingly.

#### *Costs for the Plan etc.*

The costs for the Plan, which are charged in the profit and loss account, are calculated according to accounting principles for share-based payments (IFRS 2 and for synthetic share programs) and are distributed over the Vesting Period. The calculation has been made based on the following assumptions: (i) an unchanged value of the Share Component of the Performance Rights of SEK 24.30 (based on the closing price for the SAS common share as of 5 February 2019) during the term of the Plan, (ii) fulfilment of the performance target of 50 percent, (iii) a total employee turnover of 10 percent during the Vesting Period and (iv) average social security charges of 20 percent.

Based on the assumptions above, the accounting effect of the program during the Vesting Period is estimated to total MSEK 108 (costs related to share-related remuneration of MSEK 90 and social security charges of MSEK 18), which is estimated to only have a marginal effect on key performance indicators such as the EBIT margin and the equity/assets ratio.

If the cap of SEK 60,000 per FTE is met, the highest level for the performance target is reached, all Participants remain in the Plan and the SAS share price has increased with 200 percent, the total maximum accounting effect during the Vesting Period is MSEK 520 (share-related remuneration of MSEK 400 and social security charges of MSEK 120).

Depending on which hedging alternative used (if any), the cash flow effect is calculated according to the following: The cash flow effect totals MSEK 100 for 2019 if series C shares are issued in combination with an equity swap agreement. The cash flow effect totals MSEK 200 for 2019 if only an equity swap agreement is used. If no hedging is made, the maximum effect on cash flow totals MSEK 600 and arises when the Vesting Period expires (in 2022).

Notwithstanding the hedging alternatives, a cash flow effect for social security charges of not more than MSEK 120 will also apply when the Vesting Period expires.

Based on the assumptions above and that the highest level for the performance target is reached, the annual costs for the Plan over three years, including social security charges, corresponds to approximately 1.8 percent of SAS's total annual employee costs. In addition to the abovementioned costs, the Plan is expected to result in costs for external advice and administrative costs related to transfer of shares. These costs combined are expected not to exceed MSEK 7.

#### *Hedging arrangements*

The Board of Directors has considered different methods for hedging the financial exposure and for transfer of shares to the Participants under the Plan, in order to implement the Plan in a cost-effective and flexible manner. The Board of Directors has found the most cost-effective alternative to be a combination of arrangements, which also limits the dilution as far as possible, and thus proposes that the Annual General Meeting as a main alternative for the hedging of the Share Component

resolves on (i) a directed issue of redeemable and convertible series C shares and (ii) an authorization for the Board of Directors to resolve on the repurchase of all issued redeemable and convertible series C shares, as well as (iii) on transfers of own common shares free of charge to Participants. For the hedging of the financial exposure of the Cash Component it is proposed, as a main alternative, that the Annual General Meeting resolves on (iv) for SAS to enter into an equity swap agreement with a third party, whereby the third party in its own name acquires common shares in SAS and allocates a cash amount corresponding to the share price when common shares under the Share Component are allotted to the Participants. For the purpose of minimizing the dilution which the Plan results in, the equity swap agreement, to the extent it is not required to be used for delivery of the Cash Component, shall also enable transfers of common shares to the Participants and to cover the cash flow effects associated with the Plan, which (besides the Cash Component) consist primarily of social security charges. SAS will in such case keep the corresponding number of repurchased shares until they are required for delivery obligations under future incentive Plans. The detailed terms and conditions for the Board of Directors' main alternative are set out in item B. below.

Since the Plan, in principle, is not expected to give rise to any initial social security payments for the SAS Group, the Board of Directors has decided not to propose to the Annual General Meeting 2019 to resolve on transfers of own common shares on a regulated market in order to cover the cash flow effects in respect of social security payments. However, prior to the transfers of common shares to the Participants, the Board of Directors intends to propose to the Annual General Meeting 2021 that transfers be made of own common shares on a regulated market in order to cover such costs.

Should the majority required under item B. below not be reached, the Board of Directors proposes that SAS shall be able to enter into an equity swap agreement with a third party in respect of both the Share Component and the Cash Component, in accordance with item C. below.

#### ***B. Hedging arrangements in respect of the Plan***

#### ***I. Authorization for the Board of Directors to resolve on directed issue of redeemable and convertible series C shares***

Conditional upon the Annual General Meeting resolving to amend the articles of association under item 16 above, the Board of Directors proposes on authorization for the Board of Directors to resolve on issue of redeemable and convertible series C shares, on one or more occasions, until the next Annual General Meeting.

The issue shall be effected on the following terms:

- (a) An increase of the SAS share capital with no more than SEK 96,123,868.20.
- (b) The number of series C shares that may be issued may amount to no more than 4,782,282 shares.
- (c) The new shares shall – with deviation from the shareholders' preferential right to subscribe for shares – be subscribed for only by an external party who has been informed in advance.
- (d) The price to be paid for each new share shall correspond to the higher of the quotient value and the market value of the share at the time of the subscription of the shares.
- (e) The new shares shall be subscribed for during the period 15 March – 30 June 2019, with a right for the Board of Directors to extend the subscription period. Oversubscription is not permitted.
- (f) Payment for shares subscribed for shall be effected at subscription of the shares.
- (g) The new shares shall be entitled to dividends from and including the financial year 2019/20.
- (h) The new shares will be subject to restrictions as set forth in Chapter 4, Section 6 (conversion provision) and Chapter 20, Section 31 (redemption)

provision) in the Swedish Companies Act (SFS 2005:551).

**II. Authorization for the Board of Directors to resolve on repurchase of all issued redeemable and convertible series C shares**

Conditional upon the Annual General Meeting resolving to amend the articles of association under item 16 above, the Board of Directors proposes on authorization for the Board of Directors to resolve on repurchase of all issued redeemable and convertible series C shares in SAS on the following terms:

- (a) Repurchase may be made through a public offer directed to all owners of series C shares in SAS.
- (b) The authorization is valid and may be exercised on one or several occasions until the Annual General Meeting 2020.
- (c) The number of series C shares permitted to be repurchased shall amount to no more than 4,782,282.
- (d) Repurchase of shares shall be made at a lowest price per share of 100% and a highest price of 105% of the higher of the quotient value and the market value, applicable at the time of the subscription of shares according to item B.(I) above.
- (e) Payment for shares repurchased shall be made in cash.
- (f) The Board of Directors shall be authorized to establish additional terms for the repurchase.
- (g) Repurchase shall also include a so-called interim share, designated by Euroclear Sweden AB as a "paid subscription share" (Sw. BTA) relating to a series C share.

The repurchase of own shares is an integrated part of the hedging arrangements for the Plan. The reason for the proposed possibility to repurchase own shares is that SAS shall be able to fulfil its obligations pursuant to the Plan in a cost-effective manner. The Board of Directors has issued a statement in accordance with Chapter 19, Section 22 of the Swedish Companies Act.

**III. Resolution on transfers of own common shares to Plan participants**

Conditional upon the Annual General Meeting resolving to amend the articles of association under item 16 above, the Board of Directors proposes that 4,782,282 common shares, which have been issued and repurchased in accordance with items B.(I) and B.(II) above, following conversion to common shares, may be transferred under the Plan.

Transfers of SAS's own common shares to the Participants may be made on the following terms:

- (a) Transfers may be made only of common shares in SAS, whereby a maximum of 4,782,282 common shares in SAS may be transferred free of charge to the Participants.
- (b) Right to acquire common shares in SAS free of charge shall – with deviation from the shareholders' preferential rights – be granted to such persons within the SAS Group who are Participants.
- (c) Transfers of common shares in SAS shall be made free of charge at the time and on the other terms that the Participants are entitled to be allotted shares.
- (d) The number of common shares in SAS that may be transferred under the Plan will be subject to recalculation as a result of intervening bonus issues, splits, rights issues and/or other similar corporate events.

**IV. Resolution on entering into an equity swap agreement with a third party to primarily hedge the cash amount to be paid under the Cash component**

Conditional upon the Annual General Meeting resolving to amend the articles of association under item 16 above, the Board of Directors proposes that the Annual General Meeting resolves that the expected financial exposure of the Plan shall be hedged by SAS being able to enter into an equity swap agreement with a third party on terms in accordance with market practice, whereby the third party in its own name shall be entitled to acquire and transfer common shares in SAS corresponding to the value of the number of shares that are to be delivered to the Participants under the Share

Component, and for the part of the equity swap agreement that does not need to be used for delivery of the Cash Component, to also be used to enable delivery of common shares in SAS to the Participants and in order to cover the cash flow effects associated with the Plan which, besides the Cash Component, primarily is social security charges.

***C. Resolution on entering into an equity swap agreement with a third party if required majority for approval of the proposal in item B. is not reached***

As main alternative to hedge the expected financial exposure of the Plan, the Board of Directors has proposed item B. (I)-(IV) above, in accordance with the rationale given under *Hedging arrangements* above.

Should the majority required under item B. above not be reached, the Board of Directors proposes that the Annual General Meeting instead resolves that the expected financial

exposure of the Plan shall be hedged by SAS being able to enter into an equity swap agreement with a third party on terms in accordance with market practice, whereby the third party in its own name shall be entitled to acquire and transfer common shares in SAS and deliver cash amounts to the Participants.

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***Conditions***

The Annual General Meeting's resolution on the hedging arrangements under item B. above is conditional upon the meeting resolving to amend the articles of association under item 16 above.

***Majority requirements***

The Annual General Meeting's resolution according to item A. above requires a majority of more than half of the votes cast. A valid resolution under item B. above requires that shareholders representing at least nine-tenths of the votes cast as well as of the shares represented at the Annual General Meeting approve the resolution. A valid resolution under item C. above requires a majority of more than half of the votes cast.

***Authorization for the CEO***

The Board of Directors proposes that the CEO shall be authorized to make the minor adjustments to the above resolution regarding the directed issue of redeemable and convertible series C shares in connection with the registration thereof with the Swedish Companies Registration Office and Euroclear Sweden AB.

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The Company's annual accounts, auditor's report, consolidated accounts and consolidated auditor's report, the complete proposals and required Board statements in accordance with above (including new articles of association), the auditor's statement on the guidelines for remuneration for senior executives in the 2017/2018 financial year and proxy forms will be available at the Company and on the Company's website [www.sasgroup.net](http://www.sasgroup.net) (under About SAS/Corporate Governance) not later than from 20 February 2019. The

documents will be sent to shareholders who so request at the Company's address SAS AB (publ), SAS Investor Relations, Attn. Britta Eriksson/STODL, SE-195 87 Stockholm, stating their address. The documents will also be available at the Annual General Meeting venue before the meeting is called to order.

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If a shareholder so requests, and if the Board determines it can be made without significant harm to the Company, at the Annual General Meeting, the Board and the CEO shall provide information on circumstances that may affect the assessment of an agenda item and/or the Company's financial situation. The same applies to the consolidated group accounts and other group companies.

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The notice of this Annual General Meeting, including a proxy form will be distributed by e-

mail to all registered shareholders who have notified their e-mail address to the Company. The notice will also be held available at the Company's website [www.sasgroup.net](http://www.sasgroup.net) (under About SAS/Corporate Governance). The notice will further be sent by regular mail free of charge to shareholders who so request at the Company's address SAS AB (publ), SAS Investor Relations, Attn. Britta Eriksson/STODL, SE-195 87 Stockholm, stating their address.

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Stockholm in February 2019  
SAS AB  
*The Board of Directors*