



SAS AB (publ)

Prospectus for the admission to trading on NASDAQ OMX Stockholm of

SEK 1,500,000,000 9%

**Fixed Rate Senior Unsecured Notes 2013/2017
guaranteed by**

Scandinavian Airlines System Denmark – Norway – Sweden

Joint Coordinators



IMPORTANT INFORMATION

In this prospectus, the “**Issuer**”, the “**Company**” or “**SAS**” means SAS AB (publ) or, depending on the context, the group in which SAS AB (publ) is a parent company. The “**SAS Consortium**” means Scandinavian Airlines System Denmark – Norway – Sweden. The “**Group**” means the Issuer with all its subsidiaries (including the SAS Consortium) from time to time (each a “**Group Company**”). The “**Joint Coordinators**” means, Nordea Bank AB (publ) (“**Nordea**”) and Danske Bank A/S (“**Danske Bank**”).

“**Euroclear Sweden**” refers to Euroclear Sweden AB. “**NASDAQ OMX**” refers to NASDAQ OMX Stockholm AB. “**SEK**” refers to Swedish kronor, and “**USD**” refers to U.S. dollars. “**M**” refers to million(s) and “**K**” refers to thousand(s).

Words and expressions defined in the Terms and Conditions beginning on page 40 have the same meanings when used in this Prospectus, unless expressly stated or the context requires otherwise.

Notice to investors

On 26 September 2013 (the “**Issue Date**”) the Issuer issued a note loan in the amount of SEK 1,500,000,000, represented by Notes, each with a nominal value of SEK 1,000,000 (the “**Nominal Amount**”) (the “**Initial Notes**”). The payment obligations under the Notes are guaranteed by the SAS Consortium. The Issuer may also at one or several occasions issue subsequent notes (the “**Subsequent Notes**” and together with the Initial Notes, the “**Notes**”). This prospectus (the “**Prospectus**”) has been prepared for the admission to trading of the Notes on NASDAQ OMX. This Prospectus does not contain and does not constitute an offer or a solicitation to buy or sell Notes.

The Prospectus has been approved and registered by the Swedish Financial Supervisory Authority (*Finansinspektionen*) (the “**SFSA**”) pursuant to the provisions of Chapter 2, Sections 25 and 26 of the Swedish Financial Instruments Trading Act (*lagen (1991:980) om handel med finansiella instrument*) (the “**Trading Act**”). Approval and registration by the SFSA do not imply that the SFSA guarantees that the information provided in the Prospectus is correct and complete.

This Prospectus is governed by Swedish law. The courts of Sweden have exclusive jurisdiction to settle any dispute arising out of or in connection with this Prospectus.

This Prospectus may not be distributed in any jurisdiction where such distribution would require any additional prospectus, registration or measures other than those required under Swedish law, or otherwise would conflict with regulations in such jurisdiction. Persons into whose possession this Prospectus may come are required to inform themselves about, and comply with such restrictions. Any failure to comply with such restrictions may result in a violation of applicable securities regulations. The Notes have not been, and will not be, registered under the United States Securities Act of 1933 (the “**Securities Act**”) or the securities laws of any state or other jurisdiction outside Sweden. Subject to certain exemptions, the Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons.

No person has been authorized to provide any information or make any statements other than those contained in this Prospectus. Should such information or statements nevertheless be furnished, it/they must not be relied upon as having been authorized or approved by the Issuer and the Issuer assumes no responsibility for such information or statements. Neither the publication of this Prospectus nor the offering, sale or delivery of any Note implies that the information in this Prospectus is correct and current as at any date other than the date of this Prospectus or that there have not been any changes in the Issuer’s or the Group’s business since the date of this Prospectus. If the information in this Prospectus becomes subject to any material change, such material change will be made public in accordance with the provisions governing the publication of supplements to prospectuses in the Trading Act.

Each potential investor in the Notes must in light of its own circumstances determine the suitability of the investment. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this document or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor’s currency;
- (d) understand thoroughly the terms of the Notes and be familiar with the behavior of any relevant indices and financial markets; and
- (e) scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Forward-looking statements and market data

The Prospectus contains certain forward-looking statements that reflect the Issuer’s current views or expectations with respect to future events and financial and operational performance. The words “intend”, “estimate”, “expect”, “may”, “plan”, “anticipate” or similar expressions regarding indications or forecasts of future developments or trends, which are not statements based on historical facts, constitute forward-looking information. Although the Issuer believes that these statements are based on reasonable assumptions and expectations, the Issuer cannot give any assurances that such statements will materialize. Because these forward-looking statements involve known and unknown risks and uncertainties, the outcome could differ materially from those set out in the forward-looking statement.

Factors that could cause the Issuer’s and the Group’s actual operations, result or performance to differ from the forward-looking statements include, but are not limited to, those described in “Risk factors”. The forward-looking statements included in this Prospectus apply only to the date of the Prospectus. The Issuer undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law. Any subsequent forward-looking information that can be ascribed to the Issuer and the Group or persons acting on the Issuer behalf is subject to the reservations in or referred to in this section.

The Prospectus contains market data and industry forecasts, including information related to the sizes of the markets in which the Group participates. The information has been extracted from a number of sources. Although the Issuer regards these sources as reliable, the information contained in them has not been independently verified and therefore it cannot be guaranteed that this information is accurate and complete. However, as far as the Issuer is aware and can assure by comparison with other information made public by these sources, no information has been omitted in such a way as to render the information reproduced incorrect or misleading. In addition to the above, certain data in the Prospectus is also derived from estimates made by the Issuer.

TABLE OF CONTENTS

Risk factors..... 4

Description of the Notes and use of proceeds 14

Industry overview and business description 20

The Issuer 24

The Guarantor..... 29

Legal considerations and supplementary information 31

Terms and Conditions of the Notes 39

Guarantee 73

Addresses 79

Risk factors

The SAS Consortium is an indirect wholly-owned subsidiary of the Issuer, the ultimate holding company and parent company of the Group.

Risk and risk-taking are inevitable parts of investing in the senior unsecured notes (the “Notes”). There are risks both regarding circumstances linked to the Issuer, the SAS Consortium or the Group and those which bear no specific relation to the Issuer, the SAS Consortium or the Group. In addition to the other information in this document as well as a general evaluation of external factors, investors should carefully consider the following risk factors before making any investment decision. The occurrence of any of the events discussed below could materially adversely affect the Issuer’s, the SAS Consortium’s and/or the Group’s operations, financial position and results of operations. Moreover, the trading price of the Notes could decline and the Issuer may not be able to pay interest or principal on Notes when due, and investors could lose all or part of their investment. The risks described below are not the only ones the Issuer, the SAS Consortium and the Group are exposed to. Additional risks that are not currently known to the Issuer, or that the Issuer currently considers to be immaterial, could have a material adverse effect on the Issuer’s, the SAS Consortium’s and the Group’s business and the Issuer’s ability to fulfil its obligations under the Notes. The order in which the risks are presented is not intended to provide an indication of the likelihood of their occurrence or of their relative significance.

RISK RELATING TO THE ISSUER AND THE GROUP

The airline industry is highly susceptible to adverse economic developments

General economic and industry conditions significantly affect the Group’s business, financial condition and results of operations. Strong demand for air travel depends on various factors including, but not limited to, favourable general economic conditions, low unemployment levels, strong consumer confidence, and the availability of consumer and business credit. Conversely, the airline industry tends to experience significant adverse financial results during general economic downturns. Changing corporate travel policies can change corporate travel patterns. Leisure travellers often choose to reduce, delay or eliminate the volume of their air travel during difficult economic times, and businesses also tend to reduce their spending on air travel due to cost savings initiatives or as a result of decreased business activity requiring travel. The Group’s operations and revenues are predominantly focused in Denmark, Norway and Sweden. A potential slowdown in the economies of these countries may bring about a decrease in demand for the Group’s services.

Moreover, economic downturns in the airline industry generally result in a lower overall number of passengers, which, in turn, leads to excess capacity (or increase existing excess capacity) and price pressure in the affected markets. This situation is exacerbated by the fact that flight operations have a high percentage of fixed costs. The share of total flight costs accounted for by fuel costs, air traffic control fees as well as take-off and landing fees, which are the same regardless of the number of passengers flying, is very high compared with the marginal cost for each additional passenger, whereas the revenue from a flight is primarily dependent on the number of passengers or the volume of cargo transported and the fares or freight rates paid. This means that any decline in passenger numbers, cargo volumes or fares or freight rates can lead to a disproportionate decline in profits, since the aforementioned fixed costs generally cannot be reduced on short notice, and some of these costs cannot be reduced by any meaningful amount or at all. Furthermore, reducing flight frequency through the ad hoc cancellation of flights to reduce the fixed costs associated with flights is not always a viable option. After a certain point, decreasing the frequency of flights significantly decreases the attractiveness of the offers for the Group’s customers, since the necessary minimum flight frequency is no longer assured. The susceptibility of the airline industry to adverse economic developments can also lead to price pressure along the entire value chain, that is, to pressure on cargo fees, the price of passenger tickets, and the prices the Group can charge for the services that it provides to its customers. The Group has implemented an ambitious cost savings plan (4XNG, as described below) and continuously seek to improve its cost structure to address increased competition from low cost carriers and the significant decrease in passenger demand and yield. Notwithstanding this, both a failure to implement and realise the benefits from the 4XNG program and the high levels of fixed costs and low profit margins that characterise the industry may have a material adverse effect on the Group’s business, financial condition and results of operations.

Demand for airline travel and the Group's business is subject to strong seasonal variations

The airline industry tends to be seasonal in nature and the Group, like other airlines, has historically experienced substantial seasonal fluctuations. Generally, demand is relatively lower in the period from December to February and higher in the period from April to June and from September to November. Further, there is a reduced volume of business and short-haul travel in the Nordic region (the Group's key geographic market) throughout March and/or April each year associated with the Easter holidays. Should fluctuations be greater than expected, this could have a material adverse effect on the Group's business, financial condition and results of operation.

The airline industry is highly competitive

The Group operates in a highly competitive market and is in intense competition with a number of other air carriers for both leisure and business travellers. Airlines also face competition from other sources of transportation, such as trains, buses, ferries and cars. Given that the Group relies on business travellers in addition to leisure travellers, it also faces competition from alternatives to business travel such as video conferencing and other methods of electronic communication as these technologies continue to develop and become more widely used. The Group cannot give any assurance that this competition could not have a material adverse effect on the Group's business, financial condition and results of operation.

The Group is exposed to risks associated with the price and availability of jet fuel

Fuel comprises a significant portion of airlines' costs. The Issuer cannot predict the development of either short or long-term jet fuel prices. Jet fuel prices have historically fluctuated widely, and are likely to continue to do so in the future. Hedging does not fully protect the Group against the effects of jet fuel price increases as there can be no assurance that, at any given time, the Group will have derivatives in place to provide any particular level of protection against increased jet fuel costs or that the assumptions and estimates the Group has made with respect to the future development of jet fuel prices will prove to be correct. Moreover, to the extent the Group has hedged its exposure to jet fuel price increases in the future, the Group will be unable to participate fully in the economic benefits should jet fuel prices subsequently decrease. Due to potential time lag between any increase in the price of jet fuel and the corresponding increase in fares, fuel surcharges passed on to passengers may not fully protect against sudden changes in fuel prices. Further, such surcharges may also have a negative effect on passenger revenues if higher surcharges cause demand for air travel to decline.

If hedging is not in place, or the Group otherwise is unsuccessful in protecting against price fluctuations, this could have a material adverse impact on the Group's business, financial condition and results of operations.

Airlines are dependent on access to suitable airports and on such airports meeting the operational needs of the industry

The success of the Group's strategy depends on, among other things, the operation and development of the Copenhagen – Kastrup Airport, the Stockholm – Arlanda Airport and the Oslo - Gardermoen Airport. The Group's business would be harmed by any circumstances causing a reduction in demand for air transportation at any of these three airports, such as adverse changes in transportation links to these airports, deterioration in local economic conditions, the occurrence of a terrorist attack or other security concerns, or price increases associated with airport access costs or fees imposed on passengers.

Air traffic is limited by airport infrastructure, crowded skies, inadequate air traffic coordination, applicable environmental rules and regulations and, in particular, the limited number of slots available at many primary airports. Airports operated by the Group can also impose other operating restrictions such as curfews, limits on aircraft noise levels, mandatory flight paths, runway restrictions and limits on the number of average daily departures as well as increase user fees.

In addition, there can be no assurance that the Group will be able to secure additional attractive slots on a temporary or long-term basis at primary airports in the future. Any loss of the Group's existing key slots (or failure to obtain new slots) or inability to meet the requirements laid down by airports could have a material adverse effect on the Group's business, financial condition and results of operations.

Airlines are exposed to the risk of losses from air crashes and similar disasters, design defects and operational malfunctions

Airlines can suffer significant losses if an aircraft is lost or subject to an accident. There can be no assurance that the Group will not be involved in any such event in the future. Losses can take the form of passenger claims and repair and replacement costs, as well as losses connected to any public perception that the Group's fleet is unsafe or unreliable, causing air travellers to be reluctant to fly on the Group's aircraft. The Issuer cannot guarantee that its insurance will be adequate to cover the resulting losses in the event of an air crash or similar disaster. In particular, the Group's insurance does not cover losses from decreasing revenues caused by negative public perception resulting from air crashes or similar incidents. Should such problems affect any of the Group's fleet, or any aircraft that the Group subsequently acquires, resulting in an accident or the grounding of such aircraft, this could have a material adverse effect on the Group's business, financial condition and results of operations.

Volcanic activity and other natural disasters have had a material adverse effect on the airline industry in the past and may do so again – The airline industry could also be adversely affected by an outbreak of disease or the occurrence of a natural or man-made disaster that affects travel behaviour

Activity from volcanoes, other natural or man-made disasters and extreme weather conditions, in particular if such occur in the European airspace or otherwise in the region around any of the Group's major flight destinations, could materially and adversely affect the business, financial condition and results of operations of the Group and the airline industry.

An outbreak of a disease that affects travel demand or travel behaviour such as Severe Acute Respiratory Syndrome (SARS), avian flu, swine flu or other illness could have a material adverse impact on the Group's business, financial condition and results of operations.

The adoption of new regional, national and international regulations, or the revision of existing regulations, could have a material adverse effect on the Group's business, financial condition and results of operations

There are currently numerous regulatory initiatives in the markets in which the Group operates, including in relation to ticket taxes, airport and airspace infrastructure, safety measures and passenger rights. Regulations can impose costs on the Group, either directly if fees are levied or indirectly due to compliance costs, which the Group may not be able to pass on to passengers and which could, as a result, have an adverse effect on the Group's business, financial condition and results of operation. The European Union has by now passed legislation for compensating airline passengers who have been denied boarding on a flight for which they hold a valid ticket. The European Court of Justice (ECJ) has extended this right of passengers to monetary compensation to cases where passengers reach their final destination after the scheduled arrival time. There can be no assurance that the Group will not incur a significant increase in costs in the future in connection with cancelled or delayed flights, which could have an adverse effect on the Group's business, financial condition and results of operation.

Environmental laws and regulations including, but not limited to, restrictions regarding noise pollution and greenhouse gas emissions, could adversely affect the Group

On 2 February 2009, Directive 2008/101/EC entered into force. Pursuant to this Directive, from 1 January 2012 all flights that arrive or depart from an airport situated in the territory of an EU Member State were included in the EU emissions trading scheme. This scheme, which has historically applied mainly to energy producers, is a cap and trade system for carbon emissions to encourage industries to reduce their CO₂ emissions.

The principle of this scheme consists of setting an annual budget of quotas or CO₂ emission rights, with each airline being allocated a number of personalized quotas (one quota corresponding to one ton of CO₂). At the end of each year, companies must return an amount of emission allowances that is equivalent to the tons of CO₂ they have emitted in that year. Depending on their emissions, they can also purchase or sell allowances (exchangeable quotas). For the aviation sector, the free quotas were distributed to each operator on a *pro rata* basis based on their revenue ton-kilometers (RTK) generated in 2010.

The European directive applies to all European and non-European airlines flying into and out of the European Economic Area. This has raised strong opposition from governments around the world and,

primarily, from the US, China, Russia and India. As a consequence, the European Commission decided in November 2012 to freeze the application with respect to traffic to and from the EU, pending progress with a global agreement under the auspices of the International Civil Aviation Organisation (ICAO) in autumn 2013. However, as the system has been applied in the European Union since 1 January 2012, the Group, together with all other European airlines, is therefore at a competitive disadvantage in relation to non-European competitors.

The airline industry is subject to numerous environmental regulations and laws relating, amongst other things, to aircraft noise and engine emissions, the use of dangerous substances and the treatment of waste products and contaminated sites. Environmental regulations and laws can impose costs on the Group either directly if fees are levied or indirectly due to compliance costs and, as a result, could have an adverse effect on the Group's business, financial condition and results of operation.

Terrorist attacks or the threat of such attacks or conflicts, as well as their aftermath, have had a materially adverse effect on the Group's business and may do so again

The terrorist attacks of 11 September 2001 in the United States, and subsequent terrorist attacks in the Middle East, Southeast Asia and Europe as well as more recent incidents and threats related to terrorist activity and political events in Arabic and African countries, have had a significant adverse impact on the airline industry. The adverse consequences of such events, and the threat of such events, include reduced demand for air travel, limitations on the availability of insurance coverage, increased costs associated with security precautions, and flight restrictions over war zones. It can be very expensive or impossible to insure against many of these risks. These risks have materially adversely affected the Group's business, financial condition and results of operations and may do so in the future. These concerns could continue and will increase significantly if new wars commence or are perceived as likely to commence, or if acts of terrorism, bioterrorism or sabotage occur or are perceived as likely to occur, which could have a material adverse impact on the Group's business, financial condition and results of operations.

The airline industry is subject to extensive taxes, aviation and licence fees, charges and surcharges, which can affect demand

The airline industry is subject to extensive fees and costs such as taxes (including ticket tax and value added taxes), aviation and licence fees, charges and surcharges such as take-off charges, emission charges, noise charges, terminal navigation charges and security charges, which are typically levied on the basis of national legislation and thus vary among countries and represent a significant part of the Group's operational costs. New charges may be introduced and if the Group is unable to pass any increases in charges, fees or other costs on to its customers, these increases could have material adverse effects on the Group's cash flows, financial condition and results of operations.

The Group has set up efficiency improvement and restructuring programmes, the implementation of which may not be successful

In September 2011, the Group launched the *4Excellence* strategy with the goal of achieving excellence in four core areas by 2015; Commercial Excellence, Sales Excellence, Operational Excellence and People Excellence. In November 2012, the Group launched a new aggressive plan - *4Excellence Next Generation (4XNG)* – which addresses the Group's structural and financial challenges.

Should the Group be unable to fully implement, or realise the benefits of, these programmes, or should these programmes fail to meet the Group's expectations, this could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group has a history of reported losses, and the Group's future profitability and financial condition depend on, among other things, the successful implementation of 4Excellence and 4XNG

The Issuer cannot make assurances that the Group will be able to achieve or maintain profitability in the future. The Group has a history of reported losses, and the Group's future profitability and financial condition depend on, among other things, the successful implementation of the 4Excellence and 4XNG programmes. If the Issuer's or the Group's financial condition should decline, this could have material adverse effects on the Group's cash flows or otherwise put the Issuer in a position where it will not be able to fulfil its obligations under the Notes.

The Group will require future financing to renew its aircraft fleet and refinance existing indebtedness and financing cost may increase, especially in case of a credit rating downgrade

The Group is dependent upon its ability to obtain financing to acquire additional aircraft to meet capacity needs and to replace existing aircraft as they age and to refinance existing obligations as they fall due. Whether the Group will be successful in the longer term in obtaining the required financing on commercially acceptable terms is dependent on a range of factors including the condition of capital and credit markets, the general availability of credit, prevailing interest rates and the Group's credit-worthiness. There can be no assurance that the Group will be able to secure such financing on commercially acceptable terms, or at all. To the extent that the Group cannot secure such financing, the Group may be required to modify its aircraft acquisition plans, incur higher than anticipated financing costs and/or implement further programmes in addition to 4Excellence and 4XNG.

The Group's debt levels could have significant effects on the Group's operations and liquidity, and the Group's liquidity position is vulnerable to adverse economic and competitive conditions. The Group's ability to make scheduled payments under its indebtedness depends on, among other things, its future operating performance and its ability to refinance its debt. Each of these factors is, to a large extent, subject to economic, financial, competitive, regulatory, operational and other influences, many of which are beyond the control of the Group. Further, the Group's expectations regarding its ability to finance its current obligations, including current debt, are based on forecasts of its cash flows and liquidity needs for the coming twelve months. Due to the number of assumptions necessary to develop these forecasts, the Group's actual cash flows may differ significantly from its forecasts.

At present the Group is rated by three credit rating agencies; Standard and Poor's, Moody's and the Japanese credit rating agency Rating and Investment. A downgrade in the Group's credit ratings could increase the Group's borrowing costs, reduce the availability of finance and liquidity, limit access to capital markets by adversely affecting sales and the perception of the Group, affect the Group's ability to attract passengers and counterparties, and impair the ability of the Group to successfully implement 4Excellence and 4XNG.

All of the above factors could have a material adverse effect on the Group's business, financial condition and results of operations.

Labour disruptions could adversely affect the Group's operations

Around thirty unions represent the Group's employees, with some unions representing more than one category of employee. Substantially all of the Group's pilots, and a large percentage of the cabin crew and ground crew, belong to unions. The Group has collective bargaining agreements with the unions, some of which have been recently renegotiated; however, these agreements are subject to renegotiation in the coming years.

The Group and the industry have a history of strikes and work stoppages. The effect of such strikes can be substantial and the Issuer cannot give any assurance that labour disputes with the trade unions will not arise in connection with the renegotiation of union contracts, outsourcing efforts or other activities involving its unionised employees. Any prolonged strikes or labour action by employees or external suppliers may have a material adverse effect on the Group's business, financial condition and results of operations.

The inability to maintain labour costs at competitive levels may harm the Group's financial performance

Despite the implementation of recent and on-going cost saving programmes, after taking into account differences in products and services as provided by the Group in comparison with its local low cost competitors, the Group estimates that its annual cost base will continue to exceed the annual cost base of its principal low cost carrier competitors significantly. This difference primarily reflects higher salary, pension and allowances for cabin personnel, as well as administrative costs, in comparison with the Group's principal competitors. The Issuer can provide no assurance that the Group will be successful in achieving further cost savings, meet targets previously announced in this regard, or that it will be able to achieve, or maintain, competitive labour costs in future. Inability to maintain labour costs at competitive levels could have a material adverse impact on the Group's business, financial condition and results of operations.

The Group is exposed to currency exchange rate risk

The Group has currency exposure to both transaction risk and translation risk. Transaction risk arises on net cash flows denominated in currencies other than Swedish Kronor. As a significant portion of the Group's revenues and expenses are denominated in currencies other than Swedish Kronor, the Group's results for each period are impacted by changes in exchange rates. Translation risk arises due to the conversion of balance sheet items denominated in foreign currencies to Swedish Kronor, the Group's reporting currency. Given the international nature of the Group's business, a significant portion of its assets, liabilities, revenues and expenses are denominated in currencies other than Swedish Kronor, particularly in U.S. dollars, Norwegian Kroner and Danish Kroner. In addition, the financial statements of SAS AB's subsidiaries that use a currency other than Swedish Kronor for financial reporting purposes must be translated into Swedish Kronor for the preparation of the Group's consolidated financial statements.

The Issuer cannot make any assurance that current or future hedging will sufficiently protect the Group from the adverse effects of currency movements. Moreover, the success of the Group's hedging is highly dependent on the accuracy of its assumptions and forecasts. If these assumptions and forecasts prove to be incorrect, this could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is exposed to interest rate risk

The Group is exposed to interest rate movements through its variable rate financing arrangements, for instance, movements in the yield curve (market interest rates at different maturities) impact the market value of the Group's financial net debt (interest-bearing assets and liabilities). Interest rates are sensitive to numerous factors not in the Group's control including, but not limited to, government and central bank monetary policy in the jurisdictions in which the Group operates. An increase in interest rates would also cause the Group's interest obligations to increase and could have an adverse effect on the Group's business, financial condition and results of operations.

The Issuer cannot make any assurance that current or future hedging will sufficiently protect the Group from the adverse effects of interest rate movement. Moreover, the success of the Group's hedging is highly dependent on the accuracy of its assumptions and forecasts. Any errors affecting such assumptions and forecasts could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group faces risks relating to adverse developments affecting the Group's strategic alliances and cooperation agreements with partner airlines

The Group derives significant benefits from its membership in the Star Alliance and other partner airlines, as it enables the Group to better serve international passengers through efficient and effective coordination of services, airport infrastructure and IT infrastructure. Any adverse developments affecting the Star Alliance, such as one or more principal members leaving the alliance, whether voluntarily or as a result of bankruptcy proceedings or a consolidation with a member of a competing alliance, could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's network and revenues are significantly dependent on the Group's membership in the Star Alliance and other partner airlines. Should the Group leave the Star Alliance, the Group would be subject to significant transition and integration costs, including termination of existing agreements with Star Alliance members; possible decreases in passenger revenue as the Group winds down its participation and transitions to a new alliance; the inability to join, or a delay in joining, a new alliance due to Star Alliance prohibitions preventing the Group from joining a competing alliance for a period of two years, lack of applicable approvals or difficulty in satisfying entrance requirements; difficulties integrating the Group's technology processes with members of any such new alliance; and other withdrawal and start-up costs, including a withdrawal fee, all of which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is involved in litigation and arbitration proceedings

The Group is, and may continue to be, involved in litigation and arbitration both as plaintiff and defendant. Many of these disputes relate to claims arising in the ordinary course of business including, but not limited to, litigation relating to competition law matters, service interruption, flight delays, lost or damaged luggage, flight accidents and personal injury claims. The Issuer can give no assurances as to the results of any pending or future investigation, proceeding, litigation or arbitration brought by private

parties, regulatory authorities or governments. In addition, if an unfavourable decision were to be given against the Group, significant fines, damages and/or negative publicity could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is exposed to tax-related risks

It cannot be ruled out that the tax authorities in Sweden and other relevant countries will assess that the Group does not conduct its business, including transactions between Group companies, in Scandinavia and a number of other countries in accordance with applicable tax laws, treaties and the requirements of tax authorities in such countries. The Group's prior or present tax position may change as a result of the decisions of tax authorities or changes in laws and regulations, possibly with retroactive effect, which may have a material adverse effect on the Group's results of operations and financial position. Losses of the Group carried forward cannot be used to reduce certain tax liabilities or payments, such as an increased VAT liability or administrative tax penalties. Decisions of tax authorities or changes in laws and regulations could have a material adverse impact on the Group's business, financial condition and results of operations.

Risks related to the Group's pension plans

The Group's defined benefit pension plans are reported in accordance with IAS 19, which requires pension commitments to be determined until the age of retirement of an employee, estimated on the basis of a present value calculation. The amendments related to the recognition of defined-benefit pension plans will be applied from fiscal years beginning on or after 1 January, 2013. The change in the Group's fiscal year means that the amended IAS 19 will be applied for the fiscal year starting on 1 November, 2013. Among other features, the revised IAS 19 no longer permits the deferral of the recognition of certain deviations in estimates (the "corridor approach" has been removed). Instead, all deviations in estimates are to be recognized immediately in other comprehensive income. As a result of the amendments, the accumulative unrecognized deviations (unrecognized actuarial gains and losses and plan amendments) will be recognized in its entirety in the Group's shareholders equity, which will have a significant negative effect. The shareholder's equity in SAS AB will not be affected by this amendments. Based on the Group's financial assumptions for 2013 regarding interest rates (based on official estimates), return on plan assets and inflation and the significant changes in the Group's pension plans (i.e. defined benefit pension plans have been replaced by defined contribution pension plans, the removal of previous right to early retirement and reductions in full-time employees according to plan etc), the Group estimates that the adoption of the revised IAS would have a negative impact of approximately SEK 8 billion on the Group's shareholder's equity. The negative impact on the Group's shareholder's equity is an estimate based on various assumptions by the Group's management. The actual impact of the adoption of the revised IAS 19 may be significantly lower or higher depending on adjustments to the financial assumptions underlying this estimate, including changes in market conditions.

The Group faces risks associated with losses from counterparties in certain financial and other transactions

The Group's financial transactions, for instance hedging contracts entered into with financial institutions, give rise to exposure to credit risk vis-à-vis financial counterparties. Credit risk or counterparty risk pertains to the risk of loss if a counterparty does not fulfil its contractual obligations, including where a counterparty should be forced to file for bankruptcy. The risk of such default has increased in light of the economic downturn. The Issuer cannot guarantee that limitations on the maximum amount the Group may deposit with individual institutions of particular credit ratings and the maximum permissible economic exposure to such institutions and, in addition, on the maximum aggregate amount that may be deposited with institutions of a particular credit rating band and the maximum permissible economic exposure to such institutions, will prevent significant losses arising from counterparty default. Exposure to counterparty risk exists also in respect of other contracts to which the Group is a party, for example in relation to its insurance providers. Any such materialised credit risk could have a material adverse impact on the Group's business, financial condition and results of operations.

In addition, the Group has made, and may continue to make, loans to third parties, including to the Group's subsidiaries and affiliates that have been, or are expected to be, divested. Such loans expose the Group to counterparty risk, including the risk of such loans not being repaid within the anticipated repayment schedule or at all. The Issuer can give no assurance that the overdue commercial receivables and loans described above will be repaid within the anticipated time schedule or at all. The failure to

receive these amounts will have a material adverse impact on the Group's cash flows and financial condition.

The Group is dependent on third-party services

The Group is dependent upon the services of various third parties, such as aircraft manufacturers, airport operators, IT service providers, maintenance support providers, ground services, aircraft leasing companies, and distributors such as travel agencies. The Group is generally dependent on these third party service providers, which are beyond the Group's control, for its operations and performance. An interruption, whether temporary or permanent, in the provision of any goods or services, whether by a member of the Group or a third party service provider or any inability to renew or renegotiate contracts with such service providers on commercially reasonable terms, could have a material adverse impact on the Group's business, financial condition and results of operations.

A significant failure of, or disruption relating to, the Group's computer systems could adversely affect the Group's business, financial condition and results of operations

The Group's ability to efficiently and securely process online ticket sales and reservations, as well as perform other business critical operations, relies on the seamless and uninterrupted operation of the Group's information technology systems and procedures. Such systems can be disrupted by, among other things, sabotage, computer viruses, software error and physical damage. The Issuer can make no assurance that any such disruption, due to its length or severity, will not have a material adverse effect on the Group's business, financial condition and results of operations.

Should the Issuer not remain substantially owned and effectively controlled by Scandinavian states, citizens, and/or corporations, the Group could be adversely affected

Most bilateral air transport agreements between the Scandinavian states and non-EU member states require that the Issuer remain majority owned or controlled by Scandinavian or EU (as the case may be) states, citizens and/or corporations at all times. If the Issuer were to cease to satisfy these restrictions, the contracting states under such bilateral agreements could deny the Issuer landing rights or the right to fly on certain routes under the terms of the agreements, which could have a material adverse effect on the Issuer's business, financial condition and results of operations.

RISKS RELATING TO THE NOTES

Restrictions of the Guarantee

The Notes are unsecured except for an upstream guarantee issued by the SAS Consortium for the Issuer's payment obligations under the Notes and the Finance Documents (the "**Guarantee**"). The Noteholders' right to payment from the SAS Consortium under the Guarantee is subject to, amongst other things, the availability of funds, corporate restrictions, the terms of the SAS Consortium's indebtedness and local law. In the event of insolvency, liquidation or a similar event relating to the SAS Consortium, all other creditors of the SAS Consortium would be entitled to payment out of its assets with the same priority as the Noteholders.

Since the obligations under the Notes are not secured by any other security the Issuer cannot assure that the proceeds of any enforcement sale of assets in connection with any insolvency procedure or winding-up of the Issuer, the SAS Consortium or the participating shareholders in the SAS Consortium would be sufficient to satisfy all amounts then due on or in respect of the Notes.

Security over assets granted to third parties

The members of the Group have incurred and will in the future incur debt secured with aircraft or other assets that, by being secured, will have priority in a possible foreclosure, dissolution, winding-up, liquidation, recapitalization, administrative or other bankruptcy or insolvency proceeding of the members of the Group. Further the Issuer, the SAS Consortium and their subsidiaries will have other secured and/or unsecured creditors. If a subsidiary of the Issuer becomes subject to any foreclosure, dissolution, winding-up, liquidation, recapitalization, administrative or other bankruptcy or insolvency proceeding, the Noteholders will not be entitled to proceed against the assets of any such subsidiary (save in relation to the SAS Consortium by virtue of the guarantee provided by it).

Dependence on subsidiaries

The Issuer is dependent on its subsidiaries' and, in particular, the SAS Consortium's ability to make payments to it in order to fulfil its payment obligations under the Notes. Most assets are owned by, and most revenues are generated in, the SAS Consortium. The SAS Consortium is legally separated from the Issuer and has no obligation to make payments to the Issuer of any surpluses generated from its business. The SAS Consortium's ability to make payments is restricted by, among other things, the availability of funds, corporate restrictions and local law. Furthermore, there can be no assurance that the Group and its assets would be protected from any actions by the creditors of the SAS Consortium or any other subsidiary of the Issuer, whether under bankruptcy law, by contract or otherwise.

There is no active trading market for the Notes

Although applications will be made for the Notes to be admitted to trading on the Regulated Market of NASDAQ OMX Stockholm, there can be no assurance that such application will be accepted or that the Notes will be so admitted. Prior to any admission to trading, there has been no public market for the Notes. There can be no assurance that an active trading market for the Notes will develop or, if developed, will be sustained. The Nominal Amount of the Notes may not be indicative of the market price for the Notes. Further, following listing of the Notes, the liquidity and trading price of the Notes may be subject to wide fluctuations in response to many factors, including those referred to in this section, as well as to market fluctuations and general economic conditions that may adversely affect the liquidity and price of the Notes, regardless of the actual performance of the Issuer and the Group.

Certain material interests

The Joint Bookrunners have engaged in, and may in the future engage in, investment banking and/or commercial banking or other services for the Issuer and the Group in the ordinary course of business. In particular, it should be noted that the Joint Bookrunners are lenders under certain credit facilities with the Group as borrower. Accordingly, conflicts of interest may exist or may arise as a result of the Joint Bookrunners having previously engaged, or in the future engaging, in transactions with other parties, having multiple roles or carrying out other transactions for third parties.

Interest rate risk

The Notes' value depends on several factors, one of the most significant over time being the level of market interest. Investments in the Notes involve a risk that the market value of the Notes may be adversely affected by changes in market interest rates.

Credit risk

As a credit risk with the Notes, a potential investor should assess credit risks associated with the Issuer and the Group as well as the credit risk of the Notes. As a credit risk is associated with the Issuer and the Group, events that undermine the creditworthiness of them should be considered. If the Issuer's or the Group's financial position should decline, there is a risk that the Issuer will not be able to fulfil its obligations under the Notes. A decrease in the Issuer's or the Group's creditworthiness could also mean a decrease in the market value of the Notes.

Refinancing risk

The Issuer's ability to successfully refinance its debt, including the Notes, is dependent on the conditions of the Issuer and the financial markets in general at such time. As a result, the Issuer's access to financing sources at a particular time may not be available on favourable terms, or at all. The Issuer's inability to refinance its debt obligations on favourable terms, or at all, could have a material adverse effect on the Group's business, financial condition and results of operations and on the Issuer's ability to repay amounts due under the Notes.

The Notes may be redeemed prior to maturity

Pursuant to the Terms and Conditions, the Issuer has the right to redeem all outstanding Notes prior to the final redemption date. If the Notes are redeemed before the final redemption date, the holders of the Notes will receive an early redemption amount which equals or exceeds the nominal amount of the Notes, together with accrued but unpaid Interest. However, there is a risk that the market value of the Notes is higher than the early redemption amount and that it may not be possible for Noteholders to reinvest such proceeds at an effective interest rate as high as the interest rate on the Notes and may only be able to do so at a significantly lower rate. In addition, the Terms and Conditions of the Notes contain certain

mandatory prepayment rights in favour of the Noteholders, however, it is possible that the Issuer will not have sufficient funds at the time of the mandatory prepayment to make the required redemption of Notes.

Noteholder representation

In accordance with the Terms and Conditions, the Agent represents all Noteholders in all matters relating to the Notes. However, this does not rule out the possibility that the Noteholders, in certain situations, could bring their own action against the Issuer. To enable the Agent to represent the Noteholders in court, the Noteholders may have to submit a written power of attorney for legal proceedings. The failure of all Noteholders to submit such a power of attorney could negatively impact the enforcement of the Notes. Under the Terms and Conditions the Agent has the right in some cases to make decisions and take measures that bind all Noteholders.

In addition, certain majorities of Noteholders are permitted to bind all Noteholders in relation to certain decisions, including those who vote in a manner contrary to the majority. Consequently, the actions of the majority and the Agent in such matters could impact a Noteholder's rights under the Terms and Conditions in a manner that would be undesirable for some of the Noteholders.

Restrictions on the transferability of the Notes

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, or any U.S. state securities laws. Subject to certain exemptions, a holder of the Notes may not offer or sell the Notes in the United States. The Issuer has not undertaken to register the Notes under the U.S. Securities Act or any U.S. state securities laws or to effect any exchange offer for the Notes in the future. Furthermore, the Issuer has not registered the Notes under any other country's securities laws. Each potential investor should read the discussion under the heading "Important information" for further information about the transfer restrictions that apply to the Notes. It is the Noteholder's obligation to ensure that the offers and sales of Notes comply with all applicable securities laws.

Clearing and settlement

The Notes are affiliated to Euroclear Sweden AB's ("**Euroclear**") account-based system. Clearing and settlement as well as payment of interest and the repayment of principal is carried out within the respective systems. Investors are therefore dependent on the functionality of Euroclear's system.

Change of law

The Notes are subject to Swedish and applicable European laws and administrative practice in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible change to Swedish or European law or administrative practice after the date of this Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Issuer to make payments under the Notes.

Description of the Notes and use of proceeds

CERTAIN TERMS AND CONDITIONS OF THE NOTES

The following is a summary description of the terms and conditions of the Notes and is qualified in its entirety by the full Terms and Conditions included in the section “Terms and conditions of the Notes”.

The Initial Notes and Subsequent Notes

The Notes are denominated in Swedish Kronor with a nominal value of SEK 1,000,000. The Initial Notes was issued in a number of 1,500. In addition to the Initial Notes, Subsequent Notes may be issued at one or several occasions provided that no Event of Default is continuing or would result from such issue. Subsequent Notes shall benefit from and be subject to the Finance Documents, and, for the avoidance of doubt, the ISIN, the interest rate and the nominal amount, as applicable, and the final maturity applicable to the Initial Notes shall apply to the Subsequent Notes. The price of the Subsequent Notes may be set at a discount or at premium compared to the relevant Nominal Amount.

ISIN and common code

The Notes have been allocated the ISIN code SE0005423597. The Notes will also be allocated a common code upon admission to trading. Such common code has not been allocated at the date of this Prospectus.

Form of the Notes

The Notes are issued in dematerialized book-entry form and registered on a Securities Account on behalf of the relevant Noteholders. Hence, no physical notes have been issued. The Notes are registered in accordance with the Financial Instruments Accounts Act (*lagen (1998:1479) om kontoföring av finansiella instrument*) and registration requests relating to the Notes shall be directed to an Account Operator.

Status of the Notes

The Notes constitute direct, unconditional, unsubordinated, freely transferable and unsecured obligations of the Issuer and shall at all times rank *pari passu* with all direct, unconditional, unsubordinated and unsecured obligations of the Issuer, except those obligations which are mandatorily preferred by law, and without any preference among them.

Guarantee

The payment obligations of the Issuer under the Notes and the Finance Documents are guaranteed by the SAS Consortium in accordance with the Guarantee. For further details see section “Guarantee” below.

Issue date and redemption

The Notes was issued on 26 September 2013. Unless previously redeemed or purchased and cancelled in whole or in part in accordance with the Terms and Conditions, the Issuer shall redeem all outstanding Notes at the Nominal Amount (together with any accrued but not yet paid interest) on 15 November 2017 (the “Final Maturity Date”).

Issuer’s purchase of Notes

The Issuer may, subject to applicable law, at any time and at any price purchase Notes on the market or in any other way. The Notes held by the Issuer may at the Issuer’s discretion be retained, sold or cancelled by the Issuer.

Voluntary total redemption by the Issuer (call option)

The Issuer may redeem all, but not only some, outstanding Notes in full:

Time

Price per Note

(a) any time prior to 26 September 2016

at an amount per Note equal to one-hundred (100) per cent. of the Nominal Amount together with accrued but unpaid Interest, plus the Applicable Premium;

(b) any time from and including 26 September 2016 to, but excluding, the Final Maturity Date

at an amount per Note equal to 102.25 per cent. of the Nominal Amount, together with accrued but unpaid Interest; and

(c) any time from and including the first Business Day falling three (3) months prior to, but excluding, the Final Maturity Date at an amount per Note equal to one-hundred (100) per cent. of the Nominal Amount, together with accrued but unpaid Interest, provided that the redemption (in whole or in part) is or will be financed by way of an issue of Securities.

The "**Applicable Premium**" means the higher of:

- (a) 1.00 per cent. of the Nominal Amount; and
- (b) an amount equal to
 - (i) 102.25 per cent. of the Nominal Amount; plus
 - (ii) all remaining scheduled Interest payments on the Notes until the First Call Date, discounted (for the time period starting from the relevant Redemption Date to the First Call Date) using a discount rate equal to the yield of the Swedish Government Bond Rate with a maturity date on or about the First Call Date plus 0.50 per cent., minus
 - (i) accrued but unpaid Interest up to the relevant Redemption Date; and
 - (ii) the Nominal Amount.

Early redemption due to illegality (call option)

The Issuer may redeem all, but not only some, of the outstanding Notes at an amount per Note equal to the Nominal Amount together with accrued but unpaid Interest, on a date determined by the Issuer if it is or becomes unlawful for the Issuer to perform its obligations under the Finance Documents.

Repurchase in the event of a Change of Control Event or Listing Failure (put option)

Upon the occurrence of (i) a Change of Control Event or (ii) a Listing Failure Event, each Noteholder shall have the right to request that all, or only some, of its Notes be repurchased at a price per Note equal to 101 per cent. of the Nominal Amount together with accrued but unpaid Interest, during a period of thirty (30) days following a notice from the Issuer of the Change of Control Event or the Listing Failure Event pursuant to the Terms and Conditions (after which time period such right shall lapse).

The Issuer shall comply with the requirements of any applicable securities laws or regulations in connection with the repurchase of Notes. To the extent that the provisions of such laws and regulations conflict with the provisions of the Terms and Conditions, the Issuer shall comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Terms and Conditions by virtue of the conflict. Any Notes repurchased by the Issuer pursuant to a Change of Control Event or a Listing Failure may at the Issuer's discretion be retained, sold or cancelled.

Mandatory Redemption due to a Restricted Disposal

The Issuer shall procure that no less than ninety (90) per cent. of all Net Disposal Proceeds resulting from a Restricted Disposal are either:

- (i) applied or reinvested or committed (under a binding contractual arrangement) to be applied or reinvested, by the relevant seller, in the purchase of assets to be used in line with the business of the Group or used for capital expenditures, in each case within 365 days of receipt of such Net Disposal Proceeds;
- (ii) used to repay or prepay Financial Indebtedness (provided that such Financial Indebtedness repaid or prepaid may not be subsequently re-borrowed) owing by any Group Company no later than three (3) months after the expiry of the 365 day-period referred to in sub-paragraph (i); or
- (iii) used to make a partial redemption of the Notes no later than on the first Interest Payment Date after the expiry of the time periods referred to in sub-paragraph (ii).

A partial redemption in accordance item (i) above shall reduce the Nominal Amount of each Note *pro rata* (rounded down to the nearest SEK 1,000) (the "**Redemption Amount**"). For the avoidance of doubt, a partial redemption shall not occur where the amount to be repaid *pro rata* per Note is less than SEK 1,000.

The redemption price per Note shall be 101 per cent. of the Nominal Amount plus accrued but unpaid interest on the redeemed amount.

A "**Restricted Disposal**" means a sale or other disposal of (i) all shares or other ownership interests (including by merger or demerger, as applicable) in any Material Group Company or (ii) all or substantially all of a Material Group Company's assets or operations, in each case to any person not being a Group Company wholly owned (directly or indirectly) by the Issuer.

Interest-related information and payments

Each Initial Note carries Interest at nine (9) per cent. *per annum*, from (but excluding) the First Issue Date up to (and including) the relevant Redemption Date. Any Subsequent Note will carry Interest at nine (9) per cent. *per annum*, from (but excluding) the Interest Payment Date falling immediately prior to its issuance up to (and including) the relevant Redemption Date.

Interest accrues during an Interest Period. Payment of Interest in respect of the Notes shall be made to the Noteholders on each Interest Payment Date for the preceding Interest Period.

Interest shall be calculated on the basis of a 360-day year comprised of twelve months of 30 days each (30/360-days basis) and, in case of an incomplete month, the actual number of days elapsed.

If the Issuer fails to pay any amount payable by it on its due date, default interest shall accrue on the overdue amount from (but excluding) the due date up to (and including) the date of actual payment at a rate which is two (2) per cent. higher than the Interest Rate. Accrued default interest shall not be capitalised. No default interest shall accrue where the failure to pay was solely attributable to the Agent or the CSD, in which case the Interest Rate shall apply instead.

Acceleration and prepayment of the Notes

The Agent is entitled to, and shall following a demand in writing from a Noteholder (or Noteholders) representing at least 33.33 per cent. of the Adjusted Nominal Amount (such demand may only be validly made by a person who is a Noteholder on the Business Day immediately following the day on which the demand is received by the Agent and shall, if made by several Noteholders, be made by them jointly) or following an instruction given pursuant to the Terms and Conditions, on behalf of the Noteholders (i) by notice to the Issuer, declare all, but not only some, of the outstanding Notes due and payable together with any other amounts payable under the Finance Documents, immediately or at such later date as the Agent determines, and (ii) exercise any or all of its rights, remedies, powers and discretions under the Finance Documents, if:

- (a) the Issuer does not pay on the due date any amount payable by it under the Finance Documents, unless the non-payment:
 - (i) is caused by technical or administrative error; and
 - (ii) is remedied within three (3) Business Days (in the case of a failure to pay principal or interest) or five (5) Business Days (in the case of any other payment), in each case from the due date;
- (b) the Issuer does not comply with any terms or conditions of the Finance Documents to which it is a party (other than those terms referred to in paragraph (a) above), unless the non-compliance:
 - (i) is capable of remedy; and
 - (ii) is remedied within fifteen (15) Business Days of the earlier of the Agent giving notice and the Issuer becoming aware of the non-compliance;
- (c) any Finance Document becomes invalid, ineffective or varied (other than in accordance with the provisions of the Finance Documents), and such invalidity, ineffectiveness or variation has a detrimental effect on the interests of the Noteholders;

- (d) any Material Group Company is, or is deemed for the purposes of any applicable law to be, Insolvent;
- (e) any attachment, sequestration, distress or execution, or any analogous process in any jurisdiction, affects any asset of a Material Group Company having an aggregate value of USD 10,000,000 and is not discharged within thirty (30) Business Days of such proceedings having commenced, provided that there shall not be an Event of Default for so long as such proceedings are being contested in good faith;
- (f) any Financial Indebtedness of any Group Company is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described), provided that no Event of Default will occur under Clause 12 of the Terms and Conditions if the aggregate amount of Financial Indebtedness declared to be or otherwise becoming due and payable is less than USD 10,000,000;
- (g) the Issuer merges with any other person, or is subject to a demerger, with the effect that the Issuer is not the surviving entity; or
- (h) the licenses and operating permits of the Group to operate regular air traffic cease to be in full force and effect or is amended and such cessation or amendment has a detrimental effect on the interests of the Noteholders.

For further details on the provisions for acceleration and prepayment of the Notes, see Clause 12 of the Terms and Conditions.

General Undertakings

The Issuer makes certain undertakings in the Terms and Conditions. These include undertakings and limitations relating to:

- (a) Nature of Business;
- (b) Distributions;
- (c) Liquid Assets;
- (d) Disposal of Assets;
- (e) New Securities;
- (f) Negative Pledge;
- (g) Maintaining the Rating;
- (h) Listing of the Notes; and
- (i) Undertakings relating to the Agency Agreement.

The undertakings are subject to extensive qualifications. See Clause 11 of the Terms and Conditions for a detailed description of those undertakings.

Listing

The Issuer shall use its best efforts to ensure that the Notes are listed on NASDAQ OMX Stockholm or on another Regulated Market within two (2) months after the First Issue Date. It is expected that the total cost for the admission to trading of the Notes will not exceed SEK 200,000.

Following the listing, the Issuer shall take all actions on its part to maintain the listing as long as any Notes are outstanding, but, however, no longer than up to and including the last day on which the listing reasonably can, pursuant to the then applicable regulations of the Regulated Market and the CSD, subsist.

Information to Noteholders

The Issuer will make the following information available to the Noteholders by way of press release and by publication on the website of the Group:

- (i) as soon as the same become available, but in any event within four (4) months after the end of each financial year, its audited consolidated financial statements for that financial year;
- (ii) as soon as the same become available, but in any event within two (2) months after the end of each quarter of its financial year, its unaudited consolidated financial statements or the year-end report (*bokslutskommuniké*) (as applicable) for such period;
- (iii) as soon as practicable following an acquisition or disposal of Notes by a Group Company, the aggregate Nominal Amount held by Group Companies, or the amount of Notes cancelled by the Issuer; and
- (iv) any other information required by the Swedish Securities Markets Act (*lag (2007:582) om värdepappersmarknaden*) and the rules and regulations of the Regulated Market on which the Notes are admitted to trading.

For further information on the information undertakings of the Issuer, see Clause 10 of the Terms and Conditions.

Decisions by Noteholders

A request by the Agent for a decision by the Noteholders on a matter relating to the Finance Documents shall (at the option of the Agent) be dealt with at a Noteholders' Meeting or by way of a Written Procedure.

Any request from the Issuer or a Noteholder (or Noteholders) representing at least ten (10) per cent. of the Adjusted Nominal Amount (such request may only be validly made by a person who is a Noteholder on the Business Day immediately following the day on which the request is received by the Agent and shall, if made by several Noteholders, be made by them jointly) for a decision by the Noteholders on a matter relating to the Finance Documents shall be directed to the Agent and dealt with at a Noteholders' Meeting or by way a Written Procedure, as determined by the Agent. The person requesting the decision may suggest the form for decision making, but if it is in the Agent's opinion more appropriate that a matter is dealt with at a Noteholders' Meeting than by way of a Written Procedure, it shall be dealt with at a Noteholders' Meeting.

Only a person who is, or who has been provided with a power of attorney pursuant to the Terms and Conditions from a person who is, registered as a Noteholder:

- (a) on the Record Date prior to the date of the Noteholders' Meeting, in respect of a Noteholders' Meeting, or
- (b) on the Business Day specified in the communication pursuant to Clause 16(c) of the Terms and Conditions, in respect of a Written Procedure,

may exercise voting rights as a Noteholder at such Noteholders' Meeting or in such Written Procedure, provided that the relevant Notes are included in the definition of Adjusted Nominal Amount.

A matter decided at a duly convened and held Noteholders' Meeting or by way of Written Procedure is binding on all Noteholders, irrespective of them being present or represented at the Noteholders' Meeting or responding in the Written Procedure. The Noteholders that have not adopted or voted for a decision shall not be liable for any damages that this may cause other Noteholders.

Information about decisions taken at a Noteholders' Meeting or by way of a Written Procedure shall promptly be sent by notice to the Noteholders and published on the websites of the Group and the Agent, provided that a failure to do so shall not invalidate any decision made or voting result achieved. The minutes from the relevant Noteholders' Meeting or Written Procedure shall at the request of a Noteholder be sent to it by the Issuer or the Agent, as applicable.

Prescription

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

Governing law

The Terms and Conditions, and any non-contractual obligations arising out of or in connection therewith, shall be governed by and construed in accordance with the laws of Sweden. The Issuer submits to the non-exclusive jurisdiction of the City Court of Stockholm (*Stockholms tingsrätt*).

THE CSD

Euroclear Sweden, Swedish Corporate ID No. 556112-8074, P.O. Box 191, SE-101 23 Stockholm, Sweden, is acting as Central Securities Depository (CSD) and registrar in respect of the Notes.

The Issuer shall be entitled to obtain information from the debt register (*skuldbok*) kept by the CSD in respect of the Notes. At the request of the Agent, the Issuer shall promptly request and provide such information to the Agent or provide the Agent with a power of attorney to obtain the relevant information from the CSD. The Agent shall also be entitled to obtain information from the register kept by the CSD in respect of the Notes directly, if permitted by applicable laws at the date of such request.

THE ISSUING AGENT

Nordea Bank AB (publ), Swedish Corporate ID No. 516406-0120, with address SE-103 25 Stockholm, Sweden, is initially acting as issuing agent in accordance with the Terms and Conditions of the Notes.

THE AGENT AND THE AGENCY AGREEMENT

CorpNordic Sweden AB, Swedish Corporate ID No. 556625-5476, P.O. Box 16285, SE-103 25 Stockholm, Sweden, Fax: +46 8 402 72 99, email: trustee@corpnordic.com, is acting as Agent.

Pursuant to the Agency Agreement that was entered into on or before the First Issue Date between the Issuer and the Agent, the Agent has undertaken to represent the Noteholders in accordance with the Terms and Conditions and the Agency Agreement. The Issuer has undertaken to, among other things, pay certain fees to the Agent and to indemnify the Agent against costs, losses or liabilities incurred by the Agent in acting as Agent under any Finance Documents.

The Agency Agreement is governed by Swedish law.

RATINGS

The Notes have not been assigned an official credit rating by any credit rating agency.

USE OF PROCEEDS

The proceeds from the issue of the Notes, less the costs and expenses incurred by the Issuer in connection with the issue of the Notes, shall be on-lent from the Issuer to the SAS Consortium and used by the SAS Consortium to refinance outstanding financial indebtedness and for general corporate purposes.

Industry overview and business description

INDUSTRY OVERVIEW

The preconditions for operating an airline have undergone fundamental change over the past ten years. The airline sector has made a transition from a stringently regulated sector where international flight routes were based on bilateral agreements to a liberalized industry in Europe and, to an increasing degree, in the rest of the world.

The rise of new airlines and low cost carriers (LCCs) with pared-down service concepts have widened the customer offering and put pressure on existing network airline companies. In addition, many airlines have been consolidated, which has contributed to fundamental changes in market preconditions. The SAS Group has successively adapted its operations to meet these new conditions and, on completion of the 4XNG plan, will have a cost base in parity with the new airlines and LCCs for comparable routes and aircraft types.

Competition in the airline industry has increased in the early 21st century. LCCs have contributed to substantial growth in the air travel market. In many cases, network airline companies have continued to grow but LCCs have outpaced them and, accordingly, increased their relative market shares. The SAS Group has gradually increased its competitiveness and succeeded in retaining its market shares in key markets in recent years.

For example, the SAS Group's share of the Norwegian market was marginally higher in 2012 than it was in 2011 and 2010. The SAS Group's market shares also increased in Denmark and Sweden in 2012. However, LCCs continue to increase capacity in the Nordic market, albeit at a slightly reduced pace in 2012. Through its enhanced cost base, the SAS Group is favorably positioned to profitably compete with LCCs in their traditional leisure travel segment.

BUSINESS DESCRIPTION

The Issuer is the parent company of the Group. The Group's core business is to operate passenger flights on an extensive Nordic and international route network. The Group's three main operational hubs in Copenhagen, Stockholm and Oslo form the backbone of its flight network. In addition to passenger flights, the Group provides air cargo and other aviation services at selected airports in the Group's route network. The Group's airline operations is performed by the SAS Consortium (for these purposes "Scandinavian Airlines"). In addition to the airline operations, the Group comprises national subsidiaries for the ground handling business subsidiaries (with a 90 per cent ownership), SAS Cargo and Blue1 (as production company to Scandinavian Airlines). Besides these operations there are Group-wide functions and other operations.

Since 2002, the Group has announced a number of initiatives to decrease its cost base and improve its profitability. From 2003 to 2006, the Group implemented its "Turnaround 2005" cost saving program under which the Group successfully reduced its 2002 cost base, which included operations that have since been discontinued and/or divested, such as Spanair and the Rezidor Hotel Group, by approximately SEK 14.2 billion, before taking into account one-time restructuring costs of SEK 1.4 billion. In 2007, the Group announced its "Strategy 2011", including cost savings of the Group's 2007 cost base by an additional SEK 2.8 billion. As of 31 December 2008, the Group had implemented approximately SEK 2.5 billion of the cost savings under Strategy 2011, before taking into account one-time restructuring costs of SEK 500 million (the remaining measures, relating to approximately SEK 300 million, were implemented in 2009 under Core SAS). In 2008, the Group implemented its short-term earnings-enhancement program "Profit 2008" which encompassed measures to increase revenues and decrease costs in the short-term. In 2009, the Core SAS cost program was launched amounting to approximately SEK 4 billion. This program was expanded in 2009 to SEK 7.8 billion with earnings impacts during 2009-2012. In 2011, the 4Excellence strategy was launched and in November 2012, 4Excellence Next Generation was launched.

In 2011, the "4Excellence" (4X) strategy was launched with the goal of achieving excellence in four core areas by 2015 – Commercial Excellence, Sales Excellence, Operational Excellence and People Excellence. The objective of 4Excellence is to reduce the unit cost by 3-5 per cent per year. This is implemented with the support of cost reductions and increased productivity. The part of the unit-cost reduction that is intended to be based on cost efficiency comprises reduced administration, lower IT costs, more efficient purchasing and centralization of international sales activities. 4Excellence started to deliver positive results in 2012 – both in the form of passenger growth and through a reduced cost base.

4Excellence Next Generation was launched with the aim of addressing the decisive structural and financial limitations in the SAS Group's operations. The plan encompasses a number of structural streamlining measures to improve cost structure with SEK 3 billion and divestment of assets to a value of around SEK 3 billion to reduce the dependence on credit facilities and lower the impact of the new pension accounting rules by changing from defined benefit pension plans to defined contribution pensions plans.

The Group's business structure

The Group has one main business segment: Scandinavian Airlines; and a minority ownership of 20 per cent of the shares in Widerøe. The Group has divested ten per cent of the ownership in its three national ground handling companies. In addition, there are certain non-core businesses, where the Group holds a minority ownership interest, which the Group intends to divest.

Scandinavian Airlines

The business segment comprises Scandinavian Airlines' flight operations, SAS Ground Handling (to be divested), SAS Cargo and air cargo handling. Scandinavian Airlines operates scheduled and charter flights primarily from three major hubs, Oslo - Gardermoen, Copenhagen - Kastrup and Stockholm - Arlanda. From these hubs and other airports, Scandinavian Airlines served 101 destinations in Scandinavia, the rest of Europe, North America and Asia as of 31 October 2012. For the year ended 31 October 2012, the business segment's total revenue was SEK 33,1 billion.

SAS Ground Handling provide services including baggage handling, a variety of automated and personal check-in services, boarding management and centralised departure and arrival control services. In addition, Ground Handling maintains agreements with certain external airlines for its ground services, primarily at the Group's hub airports, Copenhagen Kastrup, Stockholm Arlanda and Oslo Gardermoen. The outsourcing of Ground Handling is a long-term strategic measure aimed at achieving higher flexibility in the cost base and reducing the level of dependency on external revenue in parallel with providing enhanced conditions for the Ground Handling's operations to grow.

SAS Cargo provides air cargo, airmail, freight forwarding and cargo handling services to external airlines as well as to corporate and individual customers. The majority of SAS Cargo's business is derived from its Cargo Belly operations, which utilise the cargo holds of aircraft on the Group's passenger flights, particularly its intercontinental flights, to transport merchandise, spare parts and other items for a wide customer base that includes Scandinavian corporations and other third parties. In addition, SAS Cargo has entered into a number of commercial agreements and alliances with other cargo carriers.

Widerøe

The Group sold 80 per cent of its holding in Widerøe in September 2013, with an intention to divest the remaining 20 per cent of the shares during 2016. As part of the transaction, the Group sold seven Bombardier Q400 aircraft to Widerøe in the third quarter. The loans related to these aircraft were transferred to Widerøe. Additionally, three Bombardier Q400 aircraft were sold by SAS to Widerøe, which then sold them on to a leasing company.

The Group received about SEK 2 billion in conjunction with the sale of Widerøe, including aircraft transactions, of which, approximately SEK 1 billion will have a positive on liquidity. The total value of these various transactions may amount to SEK 2.3 billion with full divestment of the shares in 2016.

Blue 1

As of 2012 Blue 1 is a production company to Scandinavian Airlines' operations.

Fleet

As of 31 July 2013, the Group's fleet consisted of a total of 204 aircraft, of which 93 aircraft were owned, and 111 were leased. Scandinavian Airlines including Blue1 had 142 aircraft in operation at 31 July 2013 and the fleet operated by Scandinavian Airlines and Blue1 comprised 11 long-haul aircraft, 121 short-haul aircraft, and 21 regional jets. Widerøe operated 42 aircraft.

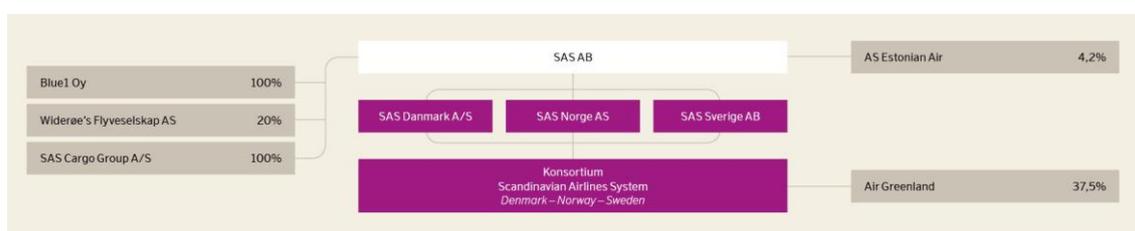
Alliances and strategic cooperation arrangements

The Group is a member of the Star Alliance, which is the cornerstone of the Group's global partner and network strategy, offering the Group's customers reliable travel products and services worldwide. The Star Alliance is the largest airline alliance in the world with 28 member airlines that operate approximately 21,900 daily flights to 195 countries.

The Group has also entered into certain bilateral agreements with airlines outside the Star Alliance, which include codesharing agreements, interlining agreements and special *pro rata* agreements.

Legal Group structure

The Issuer is the ultimate parent of each Group Company, together forming the Group. An overview of the Group structure as at the date of this Prospectus is illustrated in the organizational chart below.



Major shareholders

As of 31 October 2013, the ten largest shareholders held around 64,1 per cent of the share capital and the votes in the Issuer. The Issuer's largest shareholder as of 31 October 2013 was the Swedish government.

Shareholder	Share capital (per cent)	Votes (per cent)
Swedish government	21.4	21.4
Danish government	14.3	14.3
Norwegian government	14.3	14.3
Knut and Alice Wallenbergs Foundation	7.6	7.6
Försäkringsaktiebolaget, Avanza Pension	1.5	1.5
JPM Chase	1.3	1.3
Unionen	1.3	1.3
Robur Försäkring	0.9	0.9
CBNY-DFA-INT SML CAP V	0.8	0.8
Euroclear Bank S.A/N.V, W8-IMY	0.7	0.7

History of the Group

1918	Det Danske Luftfartselskab A/S (DLL), the Issuer's Danish parent company, is founded.
1920	DDL is listed on the Copenhagen Stock Market.
1924	AB Aerotransport (ABA), the Issuer's Swedish parent company, is founded.
1927	Det Norske Luftfartselskap A/S (DNL), the Issuer's Norwegian parent company is founded.
1946	The Issuer is formed from DDL, DNL and Svensk Interkontinental Lufttrafik AB (SILA). The first intercontinental flight Stockholm - New York.
1951	DDL, DNL and ABA form the present the SAS Consortium.
1955	SILA (which owned 50 per cent of ABA) was quoted on the "Stockbrokers' List" in Sweden.
1960	The Issuer opens its first hotel, the SAS Royal Hotel Copenhagen.
1967	DNL is listed on the Oslo Stock Exchange.
1980	SILA is listed on the Stockholm Stock Exchange.
1986	Spanair is founded.
1989	SAS International Hotels owns 40 per cent of Intercontinental Hotels Group. This stake is

	later sold in 1992.
1994	Focus on airline operations in the Group - sale of a number of subsidiaries.
1996	The Issuer celebrates its 50th anniversary on August 1. Harmonisation and name change of SAS parent company to SAS Danmark A/S, SAS Norge ASA and SAS Sverige AB.
1997	The Issuer is one of the founders of the Star Alliance.
1998	Air Botnia (now Blue1) becomes a wholly owned subsidiary of the Group.
1999	The Group becomes a majority owner of Widerøe.
2001	A single SAS share is established. On July 6, SAS AB is listed on the stock exchanges in Stockholm, Copenhagen and Oslo. Braathens is acquired by the Group in December.
2002	Rezidor SAS Hospitality signs a master franchise agreement with Carlson Hotels Worldwide and SAS acquires majority control over Spanair S.A.
2003	Acquisition of 49 per cent of the shares in Estonian Air.
2004	Incorporation of Scandinavian Airlines Sverige, SAS Braathens and Scandinavian Airlines Danmark.
2005	The Group sells European Aeronautical Group to Navtech Inc. The Group sells Jetpak Group to Polaris Private Equity and 67 per cent of SAS Component to Singapore Technologies Engineering. Furthermore Carlson Hotels acquires a 25 per cent stake in Rezidor SAS.
2006	Rezidor Hotel Group is listed on the Stockholm stock exchange and SAS sells its majority stake in the hotel group in connection thereto.
2007	SAS Flight Academy is sold, the remaining minority stake in the Rezidor Hotel Group is divested and SAS Braathens AS changes its name to SAS Scandinavian Airlines Norge AS.
2008	Datagraf acquires SAS Media. SAS Facility Management sold to Coor. SAS Group sells airBaltic to the management of the Company. SAS reopens route to Delhi.
2009	To facilitate the implementation of Core SAS a rights issue of appr SEK 6 billion was carried out.
2010	To further strengthen the financial preparedness and complete Core SAS a rights issue of appr SEK 5 billion was carried out.
2011	Rickard Gustafson became new CEO of SAS. The strategy plan 4Excellence was launched.
2012	The strategy plan 4Excellence Next Generation was launched. The strategy plan 4Excellence Next Generation was launched due to the need to improve profitability and secure long-term financial preparedness.
2013	The Group completed the sale of 80 per cent of Widerøe.

The Issuer

GENERAL CORPORATE AND GROUP INFORMATION

The Issuer's legal and commercial name is SAS AB (publ), and its Swedish Corporate ID No. is 556606-8499. The registered office of the Board is located in Stockholm, Sweden. The Issuer was incorporated in Sweden on 30 January 2001 and registered with the Swedish Companies Registration Office (*Bolagsverket*) on 23 February 2001. The Issuer is a public limited liability company (*publikt aktiebolag*) regulated by the Swedish Companies Act (*aktiebolagslagen (2005:551)*).

Under its current Articles of Association, the Issuer's share capital shall not be less than SEK 4,000,000,000 and not more than SEK 16,000,000,000, divided into not fewer than 200,000,000 and not more than 800,000,000 shares. The Issuer has one class of shares. The Issuer's share capital is SEK 6,612,900,000, represented by 329,000,000 shares. Each share has a quota value of SEK 20.10.

Since July 2001, the shares in the Issuer have been listed on the regulated market of NASDAQ OMX Stockholm under the short code SAS, with secondary listings on the regulated market of NASDAQ OMX Copenhagen under the short code SAS and on the regulated market of Oslo Børs under the short code SAS.

BOARD OF DIRECTORS, SENIOR MANAGEMENT AND AUDITOR

Board of Directors

The Board of the Issuer consists of seven members elected by the General Meeting, no deputies and three employee members, each with two personal deputies, who are elected by the SAS Group's employee groups in Denmark, Norway and Sweden in line with governing legislation and special agreements.

Name	Position
Fritz H. Schur	Chairman
Jacob Wallenberg	Member
Dag Mejdell	Member
Monica Caneman	Member
Lars-Johan Jarnheimer	Member
Birger Magnus	Member
Sanna Suvanto-Harsaae	Member
Ulla Gröntvedt	Employee representative
Anna-Lena Gustafsson	Employee representative
Asbjörn Wikestad	Employee representative
Erik Bohlin	Employee representative (deputy member)
Sven Cahier	Employee representative (deputy member)
Bo Nielsen	Employee representative (deputy member)
Jan Levi Skogvang	Employee representative (deputy member)
Rune Thuv	Employee representative (deputy member)
Per Weile	Employee representative (deputy member)

FRITZ H. SCHUR

Born 1951. Chairman of the Board since 2008, member of the Board since 2001.

Education: B. Sc. Economics and Business Administration.

Directorships: Chairman of the companies in the Fritz Schur Group, DONG Energy A/S, F. Uhrenholt Holding A/S, C.P. Dyvig & Co. A/S. Vice Chairman of Brd Klee A/S. Member of the board of WEPA Industrieholding SE.

JACOB WALLENBERG

Born 1956. Vice Chairman of the Board since 2001.

Education: B.Sc. Economics and MBA Wharton School, University of Pennsylvania.

Directorships: Chairman of Investor AB. Vice Chairman of Skandinaviska Enskilda Banken AB. Board member of ABB Ltd, Ericsson AB, Handelsaktiebolaget Nitton, Knut and Alice Wallenberg Foundation and Vinterkjukan Gård AB.

DAG MEJDELL

Born 1957. Second Vice Chairman of the Board since 2008.

Education: MBA, Norwegian School of Economics and Business Administration.

Directorships: President and CEO of Posten Norge AS. Chairman of Bring AS, Bring Citymail AB, Bring Citymail Sweden AB, Arbeidsgiverforeningen Spekter and International Post Corporation. Vice Chairman of the Board of EVRY ASA and Board member of Norsk Hydro ASA and IK Investment Partners Ltd.

MONICA CANEMAN

Born 1954. Member of the Board since 2010.

Education: MBA, Stockholm School of Economics.

Directorships: Chairman of the Fourth Swedish Pension Fund, Arion bank hf and BigBag AB. Board member of Storebrand ASA, Poolia AB, Monica Caneman Konsult AB, My Safety AB, Intermail A/S, and Schibsted Sverige AB.

LARS-JOHAN JARNHEIMER

Born 1960. Member of the Board since 2013.

Education: MBA, University of Lund and Växjö.

Directorships: Chairman of CDON Group AB, Eniro AB, Arvid Nordqvist HAB. Board member of Ingka Holding B.V, Egmont International Holding AS, Energibolaget i Sverige AB, SSRS Holding Aktiebolag and Varningsinfo i Sverige AB. Deputy board member of Jarnverken AB.

BIRGER MAGNUS

Born 1955. Member of the Board since 2013.

Education: MBA, INSEAD and M.Sc., University of Science and Technology.

Directorships: Chairman of Storebrand ASA, Hafslund ASA, Bmenu AS. Board member of Wevideo Inc, Kristian Gerhard Jebsen Group, Aschehoug AS, Aktiv mot Kreft and Harvard Business School Publishing.

SANNA SUVANTO-HARSAAE

Born 1966. Member of the Board since 2013.

Education: MBA, University of Lund.

Directorships: Chairman of Babysam AS, Sunset Boulevard AS, Health & Fitness Nordic AB, Best Friend AB. Board member of Paulig Oy, Clas Ohlson AB, and Upplands Motor AB.

*Employee Representatives***ULLA GRÖNTVEDT**

Born 1948. Employee representative Member of the Board since 2001.

Employed at Scandinavian Airlines System Denmark-Norway-Sweden.

ANNA-LENA GUSTAFSSON

Born 1959. Employee representative Member of the Board since 2011.

Employed at SAS AB.

ASBJÖRN WIKESTAD

Born 1948. Employee representative Member of the Board since 2013.

Employed at SAS Ground Handling Norway AS.

Deputy Employee Representatives

ERIK BOHLIN

Born 1954. Deputy employee representative.

SVEN CAHIER

Born 1951. Deputy employee representative.

BO NIELSEN

Born 1958. Deputy employee representative.

JAN LEVI SKOGVANG

Born 1959. Deputy employee representative.

RUNE THUV

Born 1954. Deputy employee representative.

PER WEILE

Born 1948. Deputy employee representative.

SENIOR MANAGEMENT

The Senior Management of the Group consists of a team of seven persons. The table below sets forth the name and current position of each member of the senior management.

Name	Position
Richard Gustafson	President and CEO
Henriette Fenger Ellekrog	Deputy President and Executive Vice President, Human Resources and Communication
Göran Jansson	Deputy President and CFO
Flemming J. Jensen	Executive Vice President Operations
Joakim Landholm	Executive Vice President Commercial
Mats Lönnkvist	Senior Vice President, General Counsel
Eivind Roald	Executive Vice President Sales & Marketing

RICHARD GUSTAFSON

Born 1964. President and CEO. Member of Group Management since 2011.

Education: M.Sc, Industrial Economics.

Previous positions: Various executive positions in GE Capital, both in Europe and the US and President of Codan/Trygg-Hansa.

External directorships: -

HENRIETTE FENGER ELLEKROG

Born 1964. Deputy President and Executive Vice President, Human Resources and Communication. Member of Group Management since 2007.

Education: Cand. ling. merc. degree from the Copenhagen Business School.

Previous positions: Various executive positions in TDC A/C, most recently as Senior Executive Vice President, Corporate HR and Chief of Staff. Prior to that, various positions and management posts at Mercuri Urval A/S and Peptech (Europe) A/S.

External directorships: Chairperson of the Swedish Aviation Industry Group, Board member of Svenskt Flyg, Daycatch A/S, Fonden før Dansk-Norsk Samarbejde, Advisory Board for women in management positions and the Boards of the Confederation of Danish Industry and the University of Copenhagen expertise panel.

GÖRAN JANSSON

Born 1958. Deputy President and CFO. Member of Group Management since 2011.

Education: Graduate in Business Administration from Stockholm University.

Previous positions: CFO and Deputy CEO of Assa Abloy.

External directorships: Chairman of nWise AB. Board member of Axis AB, SPP Liv Fondförsäkring AB, AAGOJA AB and GJS Turnaround AB.

FLEMMING J. JENSEN

Born 1959. Executive Vice President Operations. Member of Group Management since 2011.

Education: Pilot in the Danish Air Force.

Previous positions: A number of executive positions in SAS production including Chief Operating Officer Production Unit CPH, Chief Pilot and pilot.

External directorships: Board member of Industrial Employers in Copenhagen (IAK) and a member of the Board and Executive Committee of the Confederation of Danish Industry.

JOAKIM LANDHOLM

Born 1969. Executive Vice President Commercial. Member of Group Management since 2012.

Education: Master of Business Administration from the Stockholm School of Economics.

Previous positions: Chief Operating Officer at RSA Scandinavia which comprise Trygg-Hansa and Codan. Extensive background in management, strategy and analysis from GE Money Bank, Accenture and Swedbank.

External directorships: -

MATS LÖNNKVIST

Born 1955. Senior Vice President, General Counsel. Member of Group Management since 2009.

Education: Law degree from Uppsala University.

Previous positions: Various legal positions in the SAS Group and the law firm of Mannheimer & Zetterlöf 1984–1988.

External directorships: -

EIVIND ROALD

Born 1966. Executive Vice President Sales & Marketing. Member of Group Management 2012.

Education: Bachelor's degree from the Norwegian School of Management BI.

Previous positions: President of Hewlett Packard in Norway. 16 years of experience from companies as Accenture and Willi Railo Consulting with focus on the restructuring of sales and marketing functions.

External directorships: -

AUDITORS

PricewaterhouseCoopers AB (SE-113 97 Stockholm, Sweden) is the Issuer's auditor since the Annual General Meeting 2013. Bo Hjalmarsson, born 1960, is the auditor in charge. Bo Hjalmarsson is an authorized public accountant and member of FAR, the professional institute for accountants in Sweden.

Deloitte AB (P.O. Box 1329, SE-111 83 Stockholm, Sweden) was the Issuer's auditor for the period 2011 to 2013. Jan Palmqvist, born 1962, was the auditor in charge. Jan Palmqvist is an authorized public accountant and member of FAR, the professional institute for accountants in Sweden.

OTHER INFORMATION REGARDING THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Business address

The address for all Board members and members of the Senior Management is c/o SAS AB (publ), SE-195 87 Stockholm, Sweden.

Conflicts of interest

No member of the Board of Directors or Senior Management of the Issuer has any private interest that might conflict with the Issuer's interests.

The Guarantor

GENERAL

The Guarantor of the Notes is the SAS Consortium. The SAS Consortium's legal and commercial name is Scandinavian Airlines System Denmark - Norway – Sweden. The SAS Consortium is a consortium established through a consortium agreement originally dated 8 February 1951 as subsequently amended (the “**Consortium Agreement**”) among the three limited liability companies SAS Danmark A/S, SAS Norge AS and SAS Sverige AB (the “**Constituent Companies**”). The Constituent Companies are wholly owned subsidiaries of the Issuer.

The SAS Consortium is recognised as a legal entity of its own existing under the laws of Denmark, Norway and Sweden, with all the requisite power and authority to carry on its business as conducted, to sue and be sued and to execute, deliver and perform all of its obligations under each such jurisdiction. Under the Consortium Agreement, the Constituent Companies are jointly and severally liable as against third parties for the obligations and liabilities of the SAS Consortium. The business purpose of the SAS Consortium, its management structure and the rights and obligations of the Constituent Companies are governed by the terms of the Consortium Agreement.

The Consortium Agreement, the validity of which has been extended at certain intervals, is presently effective up to and including 30 September 2020. Not later than one year before expiration of the Consortium Agreement, the parties shall commence negotiations for continued co-operation. In the event that the Consortium Agreement expires on 30 September 2020 and it is not extended beyond that date, the Constituent Companies remain jointly and severally liable for the obligations and liabilities incurred by the SAS Consortium while the Consortium Agreement was still in force. Under the laws of Denmark, Norway and Sweden, the SAS Consortium as a consortium is not a separate taxable entity but its profits and losses are deemed to be the profits and losses of the three Constituent Companies in proportion to their respective capital interests in the Issuer. The participants in the SAS Consortium are divided with 2/7 held by SAS Danmark A/S, 2/7 held by SAS Norge AS and 3/7 held by SAS Sverige AB (publ). Each Constituent Company is taxable, under the tax laws and regulations applicable to it, on its proportionate share of the profits of the Issuer, whether or not distributed to it.

For the benefit of all existing and future creditors of the SAS Consortium and/or the Constituent Companies, SAS AB issued on 11 February 2004 an irrevocable undertaking (the “**Irrevocable Undertaking**”) guaranteeing the due fulfilment of all of the SAS Consortium's interest bearing liabilities, leasing obligations and other financial obligations, now existing or in the future arising, provided that any liabilities or obligations subordinated by contract against other creditors of the Guarantor shall remain subordinated on such same terms also against all creditors of SAS AB.

BUSINESS OVERVIEW

The main airline activities and assets of the Group are conducted and held by the Guarantor. The airline activities are described under the section “The Group's business structure” above.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT OF THE SAS CONSORTIUM

Board of Directors

Name	Position
Richard Gustafsson	Chairman
Henriette Fenger Elleskog	Member
Flemming J Jensen	Member
Joakim Landholm	Member
Mats Lönnkvist	Member
Eivind Roald	Member
Ullagreth Gröntvedt	Employee representative
Asbjörn Wikestad	Employee representative
Anna-Lena Gustafsson	Employee representative

Senior Management

Göran Jansson	President
---------------	-----------

For further details on the Board of Directors and Senior Management of the SAS Consortium, see section “The Issuer - Board of Directors, senior management and auditor”.

AUDITORS OF THE SAS CONSORTIUM

PricewaterhouseCoopers AB (SE-113 97 Stockholm, Sweden) is the Guarantor’s auditor since 2013. Bo Hjalmarsson, born 1960, is the auditor in charge. Bo Hjalmarsson is an authorized public accountant and member of FAR, the professional institute for accountants in Sweden.

Deloitte AB (P.O. Box 1329, SE-111 83 Stockholm, Sweden) was the Guarantor’s auditor for the period 2011 to 2013. Jan Palmqvist, born 1962, was the auditor in charge. Jan Palmqvist is an authorized public accountant and member of FAR, the professional institute for accountants in Sweden.

OTHER INFORMATION REGARDING THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Business address

The address for all Board members and members of the Senior Management is c/o SAS AB (publ), SE-195 87 Stockholm, Sweden.

Conflicts of interest

No member of the Board of Directors or the Senior Management of the Guarantor has any private interest that might conflict with the Issuer’s interests.

Legal considerations and supplementary information

AUTHORISATION AND RESPONSIBILITY

The Issuer has obtained all necessary resolutions, authorizations and approvals required in conjunction with the Notes and the performance of its obligations relating thereto. The issuance of the Initial Notes on 26 September 2013 was authorized by a resolution by the Board of the Issuer on 3 September 2013.

The Issuer accepts responsibility for the information contained in this Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. The Board of Directors of the Issuer is, to the extent provided by law, responsible for the information, relating to the Issuer, contained in this Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

LEGAL AND ARBITRATION PROCEEDINGS

The Group is involved in disputes, some of which will be settled in court. Provisions are made in cases where a probable and quantifiable risk of loss is judged to exist.

In November 2010, the European Commission decided to order SAS to pay fines of EUR 70.2 million for SAS Cargo. The fines were charged to Group earnings for the third quarter of 2010 in the amount of SEK 660 million and impacted upon the Group's liquidity in the first quarter of 2011. As a consequence of the European Commission's decision in the cargo investigation in November 2010, SAS and other airlines fined by the Commission are involved in various civil lawsuits in Europe (the UK, the Netherlands and Norway). SAS, which appealed the European Commission's decision, contests its responsibility in all of these legal processes. Further lawsuits by cargo customers cannot be ruled out and no provisions have been made.

In April 2010, 33 SAS pilots jointly submitted an application for a summons against SAS at the Stockholm City Court. In the application, the claimants seek to have certain terms of employment rendered invalid and adjusted, and also seek a declaratory claim for damages from SAS. The claimants are former employees of Swedish airline Linjeflyg, who were employed by SAS in conjunction with its acquisition of Linjeflyg in 1993. The claimants allege that the terms of employment are discriminatory and are in breach of EU law on free movement of labor. SAS, which disputes the claim in its entirety, considers the risk of a negative outcome to be limited and no provisions have been made. Since it is impossible to quantify the potential liability or outcome of the ongoing lawsuits above, no provisions have been made in SAS's financial statements with respect to the lawsuits. An unfavorable outcome in any of these disputes could have significantly negative effect on SAS's operations, financial position and earnings. In March the Stockholm City Court ruled in the Company's favour. The court's decision has been appealed by the claimants.

In June 2013, the European Commission and the EFTA Surveillance Authority decided to initiate an in-depth review of the three state shareholders' participation in SAS's renewal of a revolving credit facility (RCF) in November/December 2012 to determine whether it constitutes a government subsidy.

CERTAIN MATERIAL INTERESTS

Nordea and Danske Bank are Joint Coordinators in conjunction with the issuance of the Notes. The Joint Coordinators (and closely related companies) have provided, and may in the future provide, certain investment banking and/or commercial banking and other services to the Issuer and the Group for which they have received, or will receive, remuneration. Accordingly, conflicts of interest may exist or may arise as a result of the Joint Coordinators having previously engaged, or in the future engaging, in transactions with other parties, having multiple roles or carrying out other transactions for third parties.

TREND INFORMATION

There has been no material adverse change in the prospects of the Issuer since 15 February 2013 being the date of the Group's last published audited financial statements.

SIGNIFICANT CHANGES SINCE 4 SEPTEMBER 2013

Other than as listed below, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) or general affairs of the Issuer since 4 September 2013, being the date of publishing the latest interim report of the Group.

On 7 October 2013 the Group published its September traffic figures. The capacity growth during September was somewhat reduced compared with July and August as SAS adjusted its network and optimized it for the business market. The Group noted that competition remains intense and that overcapacity had increased on certain European markets. Further, in line with SAS guidance, currency adjusted yield (Scandinavian Airlines) in August 2013 was down 6.1 per cent and revenue per available seat-kilometer (“**RASK**”) was down 5.2 per cent versus previous year, due to the increased number of longer leisure routes during the holiday season.

On 7 November 2013 the Group published its October traffic figures. On European/Intrascandinavian routes, capacity increased 4 per cent as more leisure European routes were operated than last year. The demand did not absorb the added capacity. On domestic routes, traffic was down 0.2 per cent. Adjusted for the closure of Finnish domestic routes, the domestic traffic increased 0.8 per cent. In terms of market trends and yield development, the growth in the market had decreased since July with weakening demand and yield combined with intensified competition and over capacity on certain routes. Currency adjusted yield (Scandinavian Airlines) in September 2013 was down 3.9 per cent and RASK was down 7.4 per cent versus previous year, somewhat weaker than expected.

On 7 November the Group published the final capital gains result in connection with the sale of Widerøe and related aircraft, which was completed on 30 September 2013. The sale resulted in an additional capital gains loss in the 4th quarter of 2013 of SEK 98,000,000.

INCORPORATION BY REFERENCE

The following information has been incorporated into this Prospectus by reference and should be read as part of this Prospectus:

The Issuer

Annual Report 2011	As regards the audited consolidated financial information and audit report on pages 52 – 87 and 101.
Annual Report 2012	As regards the audited consolidated financial information and audit report on pages 42 – 78 and 89.
2013 Q3 Interim Report	As regards the consolidated financial information for the period 1 November – 31 July 2013 on pages 8 – 14 (including comparable numbers for the period 1 November – 31 July 2012).

The Guarantor

SAS Consortium Annual Report 2011

SAS Consortium Annual Report 2012

PRESENTATION OF FINANCIAL INFORMATION

THE ISSUER

This Prospectus contains the Group’s consolidated historical financial statements for 2011 and 2012 which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as adopted by the EU. This Prospectus also contains interim financial statements for the periods 1 November 2012 to 31 July 2013 and 1 November 2011 to 31 July 2012. The mentioned financial statements have been incorporated by reference into this prospectus.

With the exception of the Issuer’s consolidated historical financial statements for 2011 and 2012, no information in this Prospectus has been audited or reviewed by the Issuer’s auditor. Financial data in this Prospectus that have not been audited by the Issuer’s auditor stem from internal accounting and reporting systems.

THE GUARANTOR

Annual reports for the SAS Consortium are incorporated by reference to this Prospectus and are prepared in accordance with local GAAP and are therefore not prepared in accordance with international financial reporting standards subscribed by IFRS.

The principal accounting policies are prepared in accordance with a GAAP that are in all respects in accordance with IFRS as for measurement and recognition purposes, with the exemption for financial instruments (which for some purposes are recognized at cost, as explained in the section “Description of accounting principles” below). Please also note that presentations and disclosures in these annual reports are not in compliance with IFRS.

Please find below a description of the applied accounting principles (the local GAAP).

Description of accounting principles

Foreign currency translation

Transactions in currencies other than the entity’s functional currency (foreign currencies) are remeasured at the rates of exchange prevailing on the dates of the transactions. At each balance-sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance-sheet date. Non-monetary items that are measured in terms of cost in a foreign currency are not retranslated. Exchange differences arising from the retranslation are recognized as a gain or loss in the period in which they arise.

Financial instruments

Financial instruments are recognized in the consolidated balance sheet when the SAS Consortium becomes a party to the contractual provisions of the instrument and are then measured at amortized cost except for derivative financial instruments for foreign currency purposes.

Derivative financial instruments

The SAS Consortium holds various financial instruments to manage its exposure to foreign currency, interest-rate and fuel risks. A derivative that is designated as a hedging instrument in a cash-flow hedge for hedging interests cash payments and fuel purchase, are measured at amortized cost. A derivative that is held for manage exposure to foreign currency rates related to the financial net debt, is revaluated when changes in foreign exchange rates occurs.

Financial assets

Loan receivables and accounts receivable

Receivables in affiliated companies are categorized as loan receivables and accounts receivable and are measured at amortized cost.

Receivables and borrowings are measured at amortized cost using the effective interest method, where a discount or premium as well as cost and revenue related to the items are allocated over the contract terms using the effective interest method. The effective interest method is a method that makes the items amortized cost occur when using a present value computation of future cash flow.

Accounts receivable are categorized as loan receivables and accounts receivable. Since the term of accounts receivable is expected to be 13 days, the value of each receivable is carried at its nominal amount with no discount, which is deemed to be a good estimate of fair value. Accounts receivable are assessed individually for impairment and all impairment losses are recognized in profit or loss as other operating expenses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash deposits and liquid investments with maturities of three months or less that are readily convertible to known cash amounts and are subject to an insignificant risk of changes in value. The short-term investments and cash and bank balances items in the consolidated balance sheet comprise the SAS Consortium’s cash and cash equivalents. Deposits and blocked funds are categorized as loans and accounts receivable, and other investments are categorized as financial assets held for trading.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to their contractual provisions.

An equity instrument is any contract that represents a residual interest in the assets of the SAS Consortium after deducting its liabilities. The proceeds from equity instruments issued by the SAS Consortium are recognized less direct issue costs.

Financial liabilities represent contractual obligations and are recorded when the SAS Consortium becomes contractually liable.

Accounts payable

Accounts payable are categorized as other liabilities. Since the terms of accounts payable are expected to be short, the liabilities are carried at nominal amounts with no discounts, this is deemed to be a good approximation of the fair value of the accounts payable.

Borrowings

Long-term borrowings, i.e., liabilities with a tenor longer than one year, consist of interest-bearing liabilities to banks and credit institutions, bond issues and group internal liabilities. Short-term borrowings comprise the current portion of interest-bearing long-term borrowings, i.e., the portion of the loans that is to be amortized in the coming fiscal year, group internal liabilities, and other current interest-bearing liabilities with a remaining tenor of less than one year .

All borrowings are categorized as other liabilities and initially recorded at fair value less direct transaction costs. Thereafter, borrowings are measured at amortized cost using the effective interest method, with the exception of any long-term borrowings which are recognized as fair-value hedges.

The hedged risk related to long-term borrowings designated as fair-value hedges is measured at fair value.

Tangible fixed assets

Tangible fixed assets are recognized at cost less accumulated depreciation and any impairment. These assets are depreciated to their estimated residual values on a straight-line basis over their estimated useful lives. As the components of aircraft have varying useful lives, the SAS Consortium has separated the components for depreciation purposes.

Costs for routine aircraft maintenance as well as repair costs are expensed as incurred. Extensive modifications, including the obligatory major overhauls of engines, and improvements to fixed assets are capitalized and depreciated together with the asset to which the work is related over its remaining useful life. Investment in own and leased premises is amortized over their estimated useful lives, but not over a period exceeding the remaining leasing period for leased premises.

Income from the sale or disposal of a tangible fixed asset is calculated as the difference between the sales value and the carrying amount. The gain or loss that arises is recognized in profit or loss.

Depreciation is based on the following estimated periods of useful life:

Asset class Depreciation

<i>Asset</i>	<i>Depreciation</i>
Aircraft	20*
Spare equipment and spare parts	20*
Engine components (average)	8
Workshop and aircraft servicing equipment	5-10
Other equipment and vehicles	3-5
Buildings	5-50

*) Estimated residual value after a useful life of 20 years is 10%.

Leasing

The SAS Consortium has entered into finance and operating leasing contracts. Leasing contracts where the terms of the lease transfer substantially all the risks and benefits of the asset to SAS are recognized as finance leases. All other lease contracts are classified as operating leases.

The SAS Consortium as lessee

Finance leases – At the beginning of the leasing period, finance leases are recognized at the lower of the fair value of the lease's asset and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet under other loans. Lease payments are apportioned between finance charges and reduction of the lease obligation so that a constant rate of interest is recognized on the remaining balance of the liability. The useful life of the asset corresponds to the SAS Consortium's policy for owned assets.

Gains on the sale and leaseback of property and equipment that gave rise to finance leases are deferred and allocated over the lease term. Sale and leaseback agreements are classified according to the abovementioned principles for finance and operating leasing.

Operating leases – Fees payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also distributed on a straight-line basis over the lease term.

If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is implemented at fair value, the SAS Consortium recognizes any profit or loss immediately.

The SAS Consortium as lessor

Finance leases – Finance lease receivables are stated in the balance sheet at the net investment amount of the lease, which is calculated based upon the minimum lease payments and any residual value discounted at the interest rate implicit in the lease. Finance lease income is allocated to different accounting periods so as to reflect a constant periodic rate of return on the SAS Consortium's net investment outstanding in respect of the leases.

Operating leases – Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Intangible assets

Intangible assets comprise goodwill and capitalized costs for systems development. The SAS Consortium is not engaged in any research and development (R&D) activity.

Intangible assets are recognized in the balance sheet when:

- an identifiable, non-monetary asset exists
- it is probable that the future financial advantages that can be attributable to the asset will accrue to the company
- the cost of the asset can be calculated in a reliable manner.

Development costs that do not meet the criteria specified above are expensed in the period they arise.

Costs for systems development are recognized as an asset provided that they meet the criteria specified above. Capitalized development costs are amortized on a straight-line basis over the estimated useful life of the asset, which amounts to no more than five years. Amortization of capitalized development costs is included in the depreciation/ amortization item in the statement of income.

Emissions rights

Any emission rights received without the need for payment of any consideration from the respective countries' government agencies are recognized at their nominal amounts, which in practice means that the intangible asset and the prepaid income are valued at zero. Any emission rights purchased for own uses are recognized as intangible assets (classified as current assets) at cost after impairment.

A provision is recognized in the balance sheet commensurate to the extent that emission rights used correspond to emission rights held. This provision is measured at the cost of the emission rights held. The

provision is measured at the current market price with a corresponding cost in the statement of income commensurate to the extent the emission rights used exceed the amount of emission rights held.

Impairment of tangible and intangible assets with determinable useful lives

The SAS Consortium continuously evaluates whether any indications exist of a need for impairment of any tangible and intangible assets with determinable useful lives. If any such indication is identified, the recoverable amount of the asset (or cash generating unit, CGU) is calculated to determine the extent of any impairment loss. The recoverable amount is defined as the higher of an asset's fair value less selling costs and the value in use (VIU). If the estimated recoverable amount of the asset (or the CGU) is lower than its carrying amount, the carrying amount of the asset (or the CGU) is impaired. The recoverable amount is determined based on the type of asset. At each balance-sheet date, a review is conducted to assess for indications that any earlier impairment losses no longer exist or have improved. When such indications exist, the recoverable amount is recalculated and the carrying amount is increased to the lower of the recoverable amount and the carrying amount that the asset would have had if the previous impairment had not taken place.

Expendable spare parts and inventories

Expendable spare parts and inventories are carried at the lower of cost or net realizable value. Cost is calculated by application of the first in first out (FIFO) method. Some spare parts related to aircraft are valued collectively with the aircraft concerned according to the lower of cost or market value principle.

Provisions and contingent liabilities

Provisions are reported when the SAS Consortium identifies legal or informal commitments as a result of historic events, where the outcome is probable, and where the financial resources required to settle these commitments can be estimated with reasonable certainty.

A restructuring obligation is considered to have arisen and a provision for the obligation is recognized when the SAS Consortium has adopted a detailed and formal restructuring plan. The plan must have been communicated to affected parties and have been commenced or publicly announced.

Remuneration of employees

Pensions

The SAS Consortium has various pension plans for its employees. These vary considerably due to different legislation and agreements on occupational pension systems in the individual countries. For pension plans where the employer has accepted responsibility for a defined-contribution, the obligation to employees ceases when the contractual premiums have been paid. Where defined-benefit pensions have been agreed, the commitments do not cease until the contractual pensions have been paid. The SAS Consortium calculates its pension commitments for the defined-benefit pension plans based on estimated future final salary. An estimate of funded assets is made at the same time.

Pension costs for the year comprise the present value of pension earnings for the year plus interest on the obligation at the beginning of the year, less return on funded assets. Amortization of actuarial gains and losses and plan amendments is added to this total for certain pension plans. The SAS Consortium applies the "corridor approach" when recognizing actuarial gains and losses. Under the corridor approach, actuarial gains and losses outside the lower and upper limits of the corridor, which is calculated as 10% of the greater of the defined obligation as of that date or the fair value of plan assets, are recognized immediately. Actuarial gains and losses outside the corridor are amortized over a 15-year period, which corresponds to the average remaining employment period.

Plan amendments and deviations between anticipated and actual results for estimated pension commitments and funded assets are amortized over the average remaining working lives of the employees participating in the pension plan.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The SAS Consortium recognizes severance pay when such an obligation exists according to employment contracts or for termination as a result of an offer made to encourage voluntary redundancy.

Revenue recognition

Passenger revenue

Sales of passenger tickets are recorded as a short-term unearned transportation revenue liability on the consolidated balance sheet. Passenger revenue is recognized when SAS or another airline provides the transportation. Additionally, tickets that have not been utilized by the passenger and have expired are recognized as revenue. The SAS Consortium estimates unutilized tickets each period on the basis of historical utilization levels for unutilized tickets over the past two- or three-year period, and recognizes revenue and reduces the short-term unearned transportation revenue liability based on that estimate.

The SAS Consortium's Management periodically evaluates the estimated short-term unearned transportation revenue liability and records any resulting adjustments in its financial statements in the period in which the evaluations are completed. These adjustments relate primarily to refunds, exchanges, transactions with other airlines and other items for which final settlement occurs in periods subsequent to the sale of the related tickets at amounts other than the original sales price.

Charter revenue

The SAS Consortium operates aircraft on a charter basis for flights that take place outside normal schedules through a hiring arrangement with particular customers. Charter revenue, similar to passenger revenue, is recognized when transportation has been provided.

Mail and freight revenue

The SAS Consortium provides cargo services on both passenger planes and commercial cargo flights. This revenue is recognized as revenue when the air transportation is completed.

Interest income

Interest income is recognized in line with the effective interest method. Interest income primarily comprises interest income from bank accounts, receivables and interest-bearing financial instruments.

Other revenue

Sales of goods and other services are recognized as revenue when the goods are delivered or the service performed.

Loyalty program

The SAS Consortium operates a frequent flyer program, EuroBonus, through which customers can earn bonus points by flying with SAS and/or other Star Alliance companies or from purchases made from commercial partners such as car rental companies and credit card companies.

The awarding of loyalty points is considered a separately identifiable transaction in purchases of airline tickets. The portion of the ticket price allocated to loyalty points is measured at fair value and not recognized as revenue until the period in which the obligation is fulfilled.

Borrowing expenses

Borrowing expenses that arise in operations are expensed in the period in which they are incurred. Borrowing expenses on prepayments for aircraft not yet delivered are capitalized as part of the process of obtaining qualified production resources. If a decision is made to postpone deliveries of aircraft for which prepayments have been made, capitalization of borrowing expenses ceases. Amortization of capitalized borrowing expenses commences when aircraft are put into service, in accordance with the main principle for aircraft.

Taxes

The SAS Consortium is not subject to income taxes, therefore no income taxes are accounted for.

DOCUMENTS ON DISPLAY

Copies of the following documents are available at the Issuer's office, Kabinvägen 5, Stockholm-Arlanda, Sweden, during the validity period of this Prospectus (regular office hours):

the Issuer's Articles of Association;

the Consortium Agreement;

the Issuer's Annual Reports for the financial years 2011 and 2012 (including audit reports);

the Issuer's 2013 Q3 Interim Report (including review reports); and
the SAS Consortium's Annual Reports for the financial years 2011 and 2012 (including audit reports).

.

Terms and Conditions of the Notes



Terms and Conditions

SAS AB (publ)

Senior Unsecured Fixed Rate SEK Notes 2013/2017

ISIN SE0005423597

No action is being taken in any jurisdiction that would or is intended to permit a public offering of the Notes or the possession, circulation or distribution of any document or other material relating to the Issuer or the Notes in any jurisdiction other than Sweden, where action for that purpose is required. Each Noteholder must inform itself about, and observe, any applicable restrictions to the transfer of material relating to the Issuer or the Notes.

1. Definitions and Construction

1.1 Definitions

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

"**Account Operator**" means a bank or other party duly authorised to operate as an account operator pursuant to the Financial Instruments Accounts Act and through which a Noteholder has opened a Securities Account in respect of its Notes.

"**Accounting Principles**" means international financial reporting standards (IFRS) within the meaning of Regulation 1606/2002/EC (or as otherwise adopted or amended from time to time).

"**Adjusted Nominal Amount**" means the Total Nominal Amount, less the Nominal Amount of all Notes owned by a Group Company or an Affiliate, irrespective of whether such person is directly registered as owner of such Notes.

"**Affiliate**" means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

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

"**Agent**" means CorpNordic Sweden AB, Swedish Reg. No. 556625-5476, or another party replacing it, as Agent, in accordance with these Terms and Conditions.

"**Applicable Premium**" means the higher of:

- (a) 1.00 per cent. of the Nominal Amount; and
- (b) an amount equal to
 - (i) 102.25 per cent. of the Nominal Amount; plus
 - (ii) all remaining scheduled Interest payments on the Notes until the First Call Date,

discounted (for the time period starting from the relevant Redemption Date to the First Call Date) using a discount rate equal to the yield of the Swedish Government Bond Rate with a maturity date on or about the First Call Date plus 0.50 per cent., minus
 - (i) accrued but unpaid Interest up to the relevant Redemption Date; and
 - (ii) the Nominal Amount.

"**Ascend**" means Ascend Worldwide Group Holdings Limited.

"**Borrowings**" means any Financial Indebtedness provided by a bank, other financial institution, fund, trust or similar entity which is regularly engaged in or established for the purpose of providing term loans or working capital loans.

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

"**Business Day Convention**" means the first following day that is a Business Day.

"**Change of Control Event**" means that:

- (a) any person or group of persons (other than the Major Investors), acting in concert gains control of the Issuer;
- (b) the aggregate number of votes which might be cast at a general meeting of the shareholders of the Issuer held by one or more of the Danish, Norwegian or Swedish governments (directly or indirectly) is reduced below twenty-five (25) per cent.;
- (c) all shares of the Issuer cease to be listed on a Regulated Market;
- (d) the Issuer (directly or indirectly) ceasing to own hundred (100) per cent. of the participating shares in the SAS Consortium; or
- (e) the SAS Consortium enters into a transaction or a series of transactions for the disposal of all or substantially all of its assets.

For this purpose, "**control**" of the Issuer means:

- (a) the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to:
 - (i) cast, or control the casting of, more than fifty (50) per cent. of the maximum number of votes that might be cast at a general meeting of the shareholders of the Issuer;
 - (ii) appoint or remove all, or the majority, of the directors or other equivalent officers of the Issuer; or
 - (iii) give directions with respect to the operating and financial policies of the Issuer with which the board of directors of the Issuer is obliged to comply with; or
- (b) the holding of more than fifty (50) per cent. of the issued share capital of the Issuer (excluding any part of that issued share capital that carries no right to participate beyond a specific amount in a distribution of either profits or capital).

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

"**CSD**" means the Issuer's central securities depository and registrar in respect of the Notes, from time to time, initially Euroclear Sweden AB, Swedish Reg. No. 556112-8074, P.O. Box 191, 101 23 Stockholm, Sweden.

"**Debt Service Amount**" means an amount corresponding to the Interest payments falling due under the Notes in the immediately following twelve (12) month period.

"**Equity**" means the equity of the Group calculated in accordance with the Accounting Principles.

"**Event of Default**" means an event or circumstance specified in Clause 12(a).

"**Exchange Date**" has the meaning set forth in Clause 11.5(d).

"**Exchange Offer**" has the meaning set forth in Clause 11.5(b).

"**Final Maturity Date**" means 15 November 2017.

"**Finance Documents**" means these Terms and Conditions, the Guarantee and any other document designated by the Issuer and the Agent as a Finance Document.

"**Financial Indebtedness**" means:

- (a) moneys borrowed (including under any bank financing);
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialized equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of any bond or note or similar instrument;
- (d) the amount of any liability under any finance leases (a lease which in accordance with the Accounting Principles is treated as an asset and a corresponding liability);
- (e) receivables sold or discounted (other than on a non-recourse basis, provided that the requirements for de-recognition under the Accounting Principles are met);
- (f) any amount raised under any other transaction (including the obligation to pay deferred purchase price) having the commercial effect of a borrowing or otherwise being classified as borrowing under the Accounting Principles;
- (g) the marked-to-market value of derivative transactions entered into in connection with protection against or benefit from fluctuation in any rate or price (if any actual amount is due as a result of a termination or a close-out, such amount shall be used instead);
- (h) counter-indemnity obligations in respect of guarantees or other instruments issued by a bank or financial institution; and
- (i) (without double counting) liabilities under guarantees or indemnities for any of the obligations referred to in paragraphs (a) to (h) above.

"**Financial Instruments Accounts Act**" means the Swedish Financial Instruments Accounts Act (*lag (1998:1479) om kontoföring av finansiella instrument*).

"**First Call Date**" means 26 September 2016.

"**First Issue Date**" means 26 September 2013.

"**Force Majeure Event**" has the meaning set forth in Clause 23(a).

"**Group**" means the Issuer and its Subsidiaries (including the SAS Consortium) from time to time (each a "**Group Company**").

"**Guarantee**" means the guarantee issued by the SAS Consortium for the Issuer's payment obligations under the Notes and the Finance Documents (as documented in a separate guarantee agreement dated on or about the First Issue Date).

"**Holding Company**" means, in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary.

"**Initial Nominal Amount**" has the meaning set forth in Clause 2 (d).

"**Initial Notes**" means the Notes issued on the First Issue Date.

"**Insolvent**" means, in respect of a relevant person, that it is deemed to be insolvent, or admits inability to pay its debts as they fall due, in each case within the meaning of Chapter 2, Sections 7-9 of the Swedish Bankruptcy Act (*konkurslagen (1987:672)*) (or its equivalent in any other jurisdiction), suspends making payments on any of its debts or by reason of actual financial difficulties commences negotiations with its creditors (other than the Noteholders) with a view to rescheduling any of its indebtedness (including company reorganisation under the Swedish Company Reorganisation Act (*lag (1996:764) om företagsrekonstruktion*) (or its equivalent in any other jurisdiction)) or is subject to involuntary winding-up, dissolution or liquidation.

"**Interest**" means the interest on the Notes calculated in accordance with Clauses 8(a) to 8(c).

"**Interest Payment Date**" means 15 February, 15 May, 15 August and 15 November of each year or, to the extent such day is not a Business Day, the Business Day following from an application of the Business Day Convention. The first Interest Payment Date for the Notes shall be 15 February 2014 and the last Interest Payment Date shall be the relevant Redemption Date.

"**Interest Period**" means (i) in respect of the first Interest Period, the period from (but excluding) the First Issue Date to (and including) the first Interest Payment Date, and (ii) in respect of subsequent Interest Periods, the period from (but excluding) an Interest Payment Date to (and including) the next succeeding Interest Payment Date (or a shorter period if relevant). An Interest Period shall not be adjusted due to an application of the Business Day Convention.

"**Interest Rate**" means 9.00 per cent. *per annum*.

"**Issuer**" means SAS AB (publ), a public limited liability company incorporated under the laws of Sweden, with company registration number 556606-8499.

"**Issuing Agent**" means Nordea Bank AB (publ), or another party replacing it, as Issuing Agent, in accordance with these Terms and Conditions.

"**Liquid Assets**" means, at any time, (i) cash in hand held by any Group Company or with a reputable bank credited to an account in the name of any Group Company and which is available to be applied in payment of Interest (for the avoidance of doubt, not including cash subject to a pledge or similar arrangement (excluding right to set-off) or any amount standing on client accounts) and (ii) short-term liquid investments held by any Group Company or for the account of any Group Company that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and which (following conversion) is available to be applied in payment of Interest.

"Listing Failure Event" means (i) that the Notes are not listed on NASDAQ OMX Stockholm or another Regulated Market within six (6) months after the First Issue Date, or (ii) a de-listing is made to the contrary of Clause 11.8(b).

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

"Market Value" means (i) in relation to any aircraft, the Current Market Value (CMV) ascribed to the relevant aircraft by Ascend or another appraiser of international repute selected by the Issuer, adjusted to take into account the condition of the relevant aircraft, its engines and equipment and (ii) in relation to any other asset, the fair market value ascribed to the asset by the relevant parties in connection with the transaction (or in the absence of any such determination, the fair market value ascribed to that asset by the relevant Group Company (acting reasonably)).

"Material Adverse Effect" means any effect, event or matter which is materially adverse to:

- (a) the business, assets or the financial condition of the Group (as a whole) and the ability of the Issuer to perform its payment obligations under the Terms and Conditions; or
- (b) the validity or enforceability of the Finance Documents.

"Material Group Company" means the Issuer or any other Group Company (other than Wideroe Flyveselskap AS) representing more than five (5) per cent. of the Total Assets according to the latest consolidated audited annual financial statements of the Group.

"Moody's" means Moody's Investors Service Ltd.

"Net Disposal Proceeds" means the proceeds received in cash from any disposal less any costs relating to the disposal, any fees and any tax relating to the disposal.

"Nominal Amount" means in respect of each Note the Initial Nominal Amount, less the aggregate amount by which that Note has been redeemed in part.

"Noteholder" means the person who is registered on a Securities Account as direct registered owner (*ägare*) or nominee (*förvaltare*) with respect to a Note.

"Noteholders' Meeting" means a meeting among the Noteholders held in accordance with Clause 15 (*Noteholders' Meeting*).

"Note" means a debt instrument (*skuldförbindelse*) for the Nominal Amount and of the type set forth in Chapter 1 Section 3 of the Financial Instruments Accounts Act and which are governed by and issued under these Terms and Conditions, including the Initial Notes and any Subsequent Notes.

"Offer Period" has the meaning set forth in Clause 11.5(c).

"Permitted Security" means, in relation to any Group Company:

- (a) any netting or set-off arrangement entered into in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances;

- (b) any Security or payment or close out netting or set-off arrangement pursuant to any hedging transaction entered into by a Group Company for the purpose of (i) hedging any risk to which any Group Company is exposed in its ordinary course of business; or (ii) its interest rate or currency management operations which are carried out in the ordinary course of business and for non-speculative purposes only;
- (c) in relation to any cash pooling arrangements, any Security granted in favour of the financial institution operating such cash-pooling arrangements;
- (d) any Security incurred as a result of any Group Company acquiring another entity or asset provided that (i) the Security was in existence on the date of such acquisition, and (ii) the principal amount secured by such Security is not increased by that so secured and outstanding at the time of acquisition (other than, in the case of Security for a fluctuating balance facility, by way of utilisation of that facility within the limits applicable thereto at the time of acquisition, provided that such facility was not entered into in contemplation of such acquisition) and provided that, if such acquisition is made for the purpose of any Secured Asset Financing, such Secured Asset Financing must always comply with Clause 11.6(b);
- (e) any Security described in either paragraph (d) above following renewal or extension or refinancing or replacement of the Financial Indebtedness secured thereby, provided that there is no increase in the principal, capital or nominal amount thereof outstanding immediately prior to such refinancing;
- (f) any Security provided in connection with any Secured Asset Financing, provided that it meets the requirements set forth in Clause 11.6(b);
- (g) any Security provided over receivables in connection with sales, transfers or other disposals of receivables on recourse terms, provided that the maximum amount of receivables which are subject to such Security may at no time exceed an amount equivalent to 1.00 per cent. of the Group's consolidated turnover for the previous financial year; and
- (h) any Security or preferential arrangement not permitted by paragraphs (a) to (g) above, provided under one or several bank facilities or other financing arrangements, in aggregate securing a maximum Financial Indebtedness not at any time exceeding (i) up until completion of the disposal of the Wideroe Shares, SEK 3,000,000,000, and (ii) thereafter, SEK 2,300,000,000.

"**QIB**" means "Qualified Institutional Buyers" within the meaning of Rule 144A under the Securities Act in a transaction exempt from the registration requirements under the Securities Act.

"**Record Date**" means the fifth (5) Business Day prior to (i) an Interest Payment Date, (ii) a Redemption Date, (iii) a date on which a payment to the Noteholders is to be made under Clause 13 (*Distribution of Proceeds*), (iv) the date of a Noteholders' Meeting, or (v) another relevant date, or in each case such other Business Day falling prior to a relevant date if generally applicable on the Swedish bond market.

"**Redemption Date**" means the date on which the relevant Notes are to be redeemed or repurchased in accordance with Clause 9 (*Redemption and Repurchase of the Notes*).

"**Regulated Market**" means any regulated market (as defined in Directive 2004/39/EC on markets in financial instruments).

"**Restricted Disposal**" means a sale or other disposal of (i) all shares or other ownership interests (including by merger or demerger, as applicable) in any Material Group Company or (ii) all or substantially all of a Material Group Company's assets or operations, in each case to any person not being a Group Company wholly owned (directly or indirectly) by the Issuer.

"**SAS Consortium**" means Scandinavian Airlines System Denmark – Norway – Sweden.

"**Secured Asset Financing**" means any form of borrowing for the financing or refinancing of any asset or pool of assets used in the ordinary course of business of the Group where such asset(s) is specifically used as Security for such financing or refinancing and for which no other Security is provided by any Group Company, save for Security over contractual rights, insurances, lease arrangements, bank accounts and other assets or rights that are ancillary to the relevant financed or refinanced asset(s), including for the avoidance of doubt, the shares or other ownership interest in the relevant entity owning the asset(s) (when such entity is established or used for the sole purpose of the relevant financing arrangement).

"**Securities**" means any Financial Indebtedness which is in the form of or represented by any notes, bonds, debentures or other securities which have a final maturity of more than one year from the date of their issuance and which are, or can become, quoted or listed on or dealt in or traded on any recognised Securities exchange or other centrally organised or regulated Securities market, except for securities issued in connection with a Secured Asset Financing.

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

"**Securities Act**" means the U.S. Securities Act of 1933, as amended.

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

"**Standard & Poor**" means Standard & Poor's Financial Services LLC.

"**Subsequent Notes**" means any Notes issued after the First Issue Date on one or more occasions.

"**Subsidiary**" means, in relation to any person, any Swedish or foreign legal entity (whether incorporated or not), in respect of which such person, directly or indirectly, (i) owns shares or ownership rights representing more than fifty (50) per cent. of the total number of votes held by the owners, (ii) otherwise controls more than fifty (50) per cent. of the total number of votes held by the owners or (iii) has the power to appoint and remove all, or the majority of, the members of the board of directors or other governing body.

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

"**Total Assets**" means the consolidated book-value of all assets of the Group calculated in accordance with the Accounting Principles.

"**Total Nominal Amount**" means the total aggregate Nominal Amount.

"**US Dollars**" and "**USD**" means the lawful currency of the United States.

"**Wideroe Shares**" means 80 per cent. of the share capital in Wideroe Flyveselskap AS, incorporated in Norway with company number 917 330 557.

"**Written Procedure**" means the written or electronic procedure for decision making among the Noteholders in accordance with Clause 16 (*Written Procedure*).

1.2 Construction

- (a) Unless a contrary indication appears, any reference in these Terms and Conditions to:
 - (i) "assets" includes present and future properties, revenues and rights of every description;
 - (ii) any agreement or instrument is a reference to that agreement or instrument as supplemented, amended, novated, extended, restated or replaced from time to time;
 - (iii) a "regulation" includes any regulation, rule or official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;
 - (iv) an Event of Default is continuing if it has not been remedied or waived;
 - (v) a provision of law is a reference to that provision as amended or re-enacted; and
 - (vi) a time of day is a reference to Stockholm time.
- (b) When ascertaining whether a limit or threshold specified in Swedish Kronor or US Dollars has been attained or broken, an amount in another currency shall be counted on the basis of the rate of exchange for such currency against Swedish Kronor or US Dollars, as the case may be, for the previous Business Day, as published by the Swedish Central Bank (*Riksbanken*) on its website (www.riksbank.se). If no such rate is available, the most recently published rate shall be used instead.
- (c) A notice shall be deemed to be sent by way of press release if it is made available to the public within Sweden promptly and in a non-discriminatory manner.
- (d) No delay or omission of the Agent or of any Noteholder to exercise any right or remedy under the Finance Documents shall impair or operate as a waiver of any such right or remedy.

2. Status of the Notes

- (a) The Notes are denominated in Swedish Kronor and each Note is constituted by these Terms and Conditions. The Issuer undertakes to make payments in relation to the Notes and to otherwise comply with these Terms and Conditions.
- (b) By subscribing for Notes, each initial Noteholder agrees that the Notes shall benefit from and be subject to the Finance Documents and by acquiring Notes, each subsequent Noteholder confirms such agreement.
- (c) The maximum aggregate Initial Nominal Amount of the Notes on the First Issue Date shall be SEK 1,500,000,000.
- (d) Each Note shall have an initial nominal amount of SEK 1,000,000 (the "**Initial Nominal Amount**"). All Initial Notes are issued on a fully paid basis at an issue price of 99.128 per cent. of the Initial Nominal Amount.
- (e) Provided that no Event of Default is continuing or would result from such issue, the Issuer may, at one or several occasions, issue Subsequent Notes. Subsequent Notes shall benefit from and be subject to the Finance Documents, and, for the avoidance of doubt, the ISIN, the interest rate and the nominal amount and the final maturity applicable to the Initial Notes shall apply to Subsequent Notes. The price of the Subsequent Notes may be set at a discount or premium compared to the Nominal Amount.
- (f) The Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu* with all direct, unconditional, unsubordinated and unsecured obligations of the Issuer, except those obligations which are mandatorily preferred by law, and without any preference among them.
- (g) The payment obligations of the Issuer under the Notes and the Finance Documents are guaranteed by the SAS Consortium in accordance with the Guarantee.
- (h) No action is being taken in any jurisdiction that would or is intended to permit a public offering of the Notes or the possession, circulation or distribution of any document or other material relating to the Issuer or the Notes in any jurisdiction other than Sweden, where action for that purpose is required. Each Noteholder must inform itself about, and observe, any applicable restrictions to the transfer of material relating to the Issuer or the Notes.

3. Use of Proceeds

The proceeds from the issue of the Notes, less the costs and expenses incurred by the Issuer in connection with the issue of the Notes, shall be on-lent from the Issuer to the SAS Consortium and used by the SAS Consortium to refinance outstanding financial indebtedness and for general corporate purposes.

4. Transfer restrictions

The Notes are freely transferable but the Noteholders shall comply with purchase or transfer restrictions with regard to the Notes, as applicable from time to time under local laws to which such Noteholder may be subject (due to its nationality, its residency, its registered address or its place(s) for business or otherwise). Each Noteholder must ensure compliance with applicable local laws and regulations at their own cost and expense.

5. Notes in Book-Entry Form

- (a) The Notes will be registered for the Noteholders on their respective Securities Accounts and no physical notes will be issued. Accordingly, the Notes will be registered in accordance with the Financial Instruments Accounts Act. Registration requests relating to the Notes shall be directed to an Account Operator.
- (b) Those who according to assignment, Security, the provisions of the Swedish Children and Parents Code (*föräldrabalken (1949:381)*), conditions of will or deed of gift or otherwise have acquired a right to receive payments in respect of a Note shall register their entitlements to receive payment in accordance with the Financial Instruments Accounts Act.
- (c) The Issuer (and the Agent when permitted under the CSD's applicable regulations) shall be entitled to obtain information from the debt register (*skuldbok*) kept by the CSD in respect of the Notes. At the request of the Agent, the Issuer shall promptly obtain such information and provide it to the Agent.
- (d) For the purpose of or in connection with any Noteholders' Meeting or any Written Procedure, the Issuing Agent shall be entitled to obtain information from the debt register kept by the CSD in respect of the Notes.
- (e) The Issuer shall issue any necessary power of attorney to such persons employed by the Agent, as notified by the Agent, in order for such individuals to independently obtain information directly from the debt register kept by the CSD in respect of the Notes. The Issuer may not revoke any such power of attorney unless directed by the Agent or unless consent thereto is given by the Noteholders.

6. Right to Act on Behalf of a Noteholder

- (a) If any person other than a Noteholder wishes to exercise any rights under the Finance Documents, it must obtain a power of attorney or other proof of authorisation from the Noteholder or a successive, coherent chain of powers of attorney or proofs of authorisation starting with the Noteholder and authorising such person.
- (b) A Noteholder may issue one or several powers of attorney to third parties to represent it in relation to some or all of the Notes held by it. Any such representative may act independently under the Finance Documents in relation to the Notes for which such representative is entitled to represent the Noteholder

and may further delegate its right to represent the Noteholder by way of a further power of attorney.

- (c) The Agent shall only have to examine the face of a power of attorney or other proof of authorisation that has been provided to it pursuant to Clause 6(b) and may assume that it has been duly authorised, is valid, has not been revoked or superseded and that it is in full force and effect, unless otherwise is apparent from its face.

7. Payments in Respect of the Notes

- (a) Any payment or repayment under the Finance Documents, or any amount due in respect of a repurchase of any Notes, shall be made to such person who is registered as a Noteholder on the Record Date prior to an Interest Payment Date or other relevant due date, or to such other person who is registered with the CSD on such date as being entitled to receive the relevant payment, repayment or repurchase amount.
- (b) If a Noteholder has registered, through an Account Operator, that principal and interest shall be deposited in a certain bank account, such deposits will be effected by the CSD on the relevant payment date. In other cases, payments will be transferred by the CSD to the Noteholder at the address registered with the CSD on the Record Date. Should the CSD, due to a delay on behalf of the Issuer or some other obstacle, not be able to effect payments as aforesaid, the Issuer shall procure that such amounts are paid to the persons who are registered as Noteholders on the relevant Record Date as soon as possible after such obstacle has been removed.
- (c) If, due to any obstacle for the CSD, the Issuer cannot make a payment or repayment, such payment or repayment may be postponed until the obstacle has been removed. Interest shall accrue in accordance with Clause 8(d) during such postponement.
- (d) If payment or repayment is made in accordance with this Clause 7, the Issuer and the CSD shall be deemed to have fulfilled their obligation to pay, irrespective of whether such payment was made to a person not entitled to receive such amount.
- (e) The Issuer is not liable to gross-up any payments under the Finance Documents by virtue of any withholding tax, public levy or the similar.

8. Interest

- (a) Each Initial Note carries Interest at the Interest Rate from (but excluding) the First Issue Date up to (and including) the relevant Redemption Date. Any Subsequent Note will carry Interest at the Interest Rate from (but excluding) the Interest Payment Date falling immediately prior to its issuance up to (and including) the relevant Redemption Date.

- (b) Interest accrues during an Interest Period. Payment of Interest in respect of the Notes shall be made to the Noteholders on each Interest Payment Date for the preceding Interest Period.
- (c) Interest shall be calculated on the basis of a 360-day year comprised of twelve months of 30 days each (30/360-days basis) and, in case of an incomplete month, the actual number of days elapsed.
- (d) If the Issuer fails to pay any amount payable by it on its due date, default interest shall accrue on the overdue amount from (but excluding) the due date up to (and including) the date of actual payment at a rate which is two (2) per cent. higher than the Interest Rate. Accrued default interest shall not be capitalised. No default interest shall accrue where the failure to pay was solely attributable to the Agent or the CSD, in which case the Interest Rate shall apply instead.

9. Redemption and Repurchase of the Notes

9.1 Redemption at maturity

The Issuer shall redeem all, but not only some, outstanding Notes in full on the Final Maturity Date with an amount per Note equal to the Nominal Amount together with accrued but unpaid Interest. If the Final Maturity Date is not a Business Day, then the redemption shall occur on the first following Business Day.

9.2 Issuer's purchase of notes

The Issuer may, subject to applicable law, at any time and at any price purchase Notes on the market or in any other way. The Notes held by the Issuer may at the Issuer's discretion be retained, sold or cancelled by the Issuer.

9.3 Voluntary total redemption (call option)

- (a) The Issuer may redeem all, but not only some, outstanding Notes in full:
 - (i) any time prior to the First Call Date, at an amount per Note equal to one-hundred (100) per cent. of the Nominal Amount together with accrued but unpaid Interest, plus the Applicable Premium; and
 - (ii) any time from and including the First Call Date to, but excluding, the Final Maturity Date, at an amount per Note equal to 102.25 per cent. of the Nominal Amount, together with accrued but unpaid Interest.
- (b) Notwithstanding paragraph (a)(ii) above, the Issuer may redeem all, but not only some, outstanding Notes in full at any time from and including the first Business Day falling three (3) months prior to, but excluding, the Final Maturity Date at an amount per Note equal to one-hundred (100) per cent. of the Nominal Amount, together with accrued but unpaid Interest, provided that the redemption (in whole or in part) is or will be financed by way of an issue of Securities.
- (c) Redemption in accordance with Clause 9.3(a) and 9.3(b) shall be made by the Issuer giving not less than fifteen (15) Business Days' notice to the Noteholders

and the Agent. Any such notice is irrevocable but may, at the Issuer's discretion, contain one or more conditions precedent. Upon expiry of such notice and the fulfillment of the conditions precedent (if any), the Issuer is bound to redeem the Notes in full at the applicable amounts.

9.4 Early redemption due to illegality (call option)

- (a) The Issuer may redeem all, but not only some, of the outstanding Notes, at an amount per Note equal to the Nominal Amount together with accrued but unpaid Interest, on a date determined by the Issuer, if it is or becomes unlawful for the Issuer to perform its obligations under the Finance Documents.
- (b) The Issuer shall give notice of any redemption pursuant to Clause 9.4(a) no later than twenty (20) Business Days after having received actual knowledge of any event specified therein (after which time period such right shall lapse).
- (c) A notice of redemption in accordance with Clause 9.4(a) is irrevocable and, on the date specified in such notice, the Issuer is bound to redeem the Notes in full at the applicable amounts.

9.5 Mandatory repurchase due to a change of control event or listing failure event (put option)

- (a) Upon the occurrence of (i) a Change of Control Event or (ii) a Listing Failure Event, each Noteholder shall have the right to request that all, or only some, of its Notes be repurchased at a price per Note equal to 101 per cent. of the Nominal Amount together with accrued but unpaid Interest, during a period of thirty (30) days following a notice from the Issuer of the Change of Control Event or the Listing Failure Event pursuant to Clause 10.1(b) (after which time period such right shall lapse).
- (b) The notice from the Issuer pursuant to Clause 10.1(b) shall include instructions about the actions that a Noteholder needs to take if it wants Notes held by it to be repurchased.
- (c) If a Noteholder has so requested, and acted in accordance with the instructions in the notice from the Issuer, the Issuer shall repurchase the relevant Notes and the repurchase amount shall fall due no later than twenty (20) Business Days from the end of the period referred to in Clause 9.5(a).
- (d) The Issuer shall comply with the requirements of any applicable securities laws or regulations in connection with the repurchase of Notes. To the extent that the provisions of such laws and regulations conflict with the provisions in this Clause 9.5, the Issuer shall comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Clause 9.5 by virtue of the conflict.
- (e) Any Notes repurchased by the Issuer pursuant to this Clause 9.5 may at the Issuer's discretion be retained, sold or cancelled.

9.6 Mandatory redemption due to a restricted disposal

- (a) The Issuer shall procure that no less than ninety (90) per cent. of all Net Disposal Proceeds resulting from a Restricted Disposal are either:
 - (i) applied or reinvested or committed (under a binding contractual arrangement) to be applied or reinvested, by the relevant seller, in the purchase of assets to be used in line with the business of the Group or used for capital expenditures, in each case within 365 days of receipt of such Net Disposal Proceeds;
 - (ii) used to repay or prepay Financial Indebtedness (provided that such Financial Indebtedness repaid or prepaid may not be subsequently re-borrowed) owing by any Group Company no later than three (3) months after the expiry of the 365 day-period referred to in sub-paragraph (i); or
 - (iii) used to make a partial redemption of the Notes no later than on the first Interest Payment Date after the expiry of the time periods referred to in sub-paragraph (ii).
- (b) A partial redemption in accordance with Clause 9.6(a) shall reduce the Nominal Amount of each Note *pro rata* (rounded down to the nearest SEK 1,000) (the "**Redemption Amount**"). For the avoidance of doubt, a partial redemption shall not occur where the amount to be repaid *pro rata* per Note is less than SEK 1,000.
- (c) The redemption price per Note shall be 101 per cent. of the Nominal Amount plus accrued but unpaid interest on the redeemed amount.

10. Information to Noteholders

10.1 Information from the issuer

- (a) The Issuer will make the following information available to the Noteholders by way of press release and by publication on the website of the Group:
 - (i) as soon as the same become available, but in any event within four (4) months after the end of each financial year, its audited consolidated financial statements for that financial year;
 - (ii) as soon as the same become available, but in any event within two (2) months after the end of each quarter of its financial year, its unaudited consolidated financial statements or the year-end report (*bokslutskommuniké*) (as applicable) for such period;
 - (iii) as soon as practicable following an acquisition or disposal of Notes by a Group Company, the aggregate Nominal Amount held by Group Companies, or the amount of Notes cancelled by the Issuer; and

- (iv) any other information required by the Swedish Securities Markets Act (*Iag (2007:582) om värdepappersmarknaden*) and the rules and regulations of the Regulated Market on which the Notes are admitted to trading.
- (b) The Issuer shall immediately notify the Noteholders and the Agent upon becoming aware of the occurrence of a Change of Control Event or a Listing Failure Event. A notice may be given in advance of the occurrence of such event, conditioned upon the occurrence thereof.
- (c) If the Agent is investigating an event or circumstance which it reasonably believes is an Event of Default or which would (with the expiry of a grace period, the giving of notice, the making of any determination or any combination of any of the foregoing) constitute an Event of Default, the Issuer shall within 30 days from the Agent's request submit a compliance certificate to the Agent. Such compliance certificate shall be in a form agreed between the Issuer and the Agent and shall contain (i) a confirmation that no Event of Default has occurred (or if an Event of Default has occurred, what steps have been taken to remedy it), (ii) a confirmation that the Liquid Assets are equal to or exceeds the Debt Service Amount, and (iii) copies of any notices sent to the Regulated Market on which the Notes are listed.
- (d) The Issuer shall immediately notify the Agent (with full particulars) upon becoming aware of the occurrence of any event or circumstance which constitutes an Event of Default, or any event or circumstance which would (with the expiry of a grace period, the giving of notice, the making of any determination or any combination of any of the foregoing) constitute an Event of Default, and shall provide the Agent with such further information as it may reasonably request in writing following receipt of such notice. Should the Agent not receive such information, the Agent is entitled to assume that no such event or circumstance exists or can be expected to occur, provided that the Agent does not have actual knowledge of such event or circumstance.
- (e) The Issuer is only obliged to inform the Agent according to this Clause 10.1 if informing the Agent would not conflict with any applicable laws or the rules and regulations of a Securities market on which any securities of the Issuer is listed. If such a conflict would exist pursuant to the rules and regulation of such Securities market or otherwise, the Issuer shall however be obliged to either seek approval from the relevant Securities market or undertake other reasonable measures, including entering into a non-disclosure agreement with the Agent, in order to be able to timely inform the Agent according to this Clause 10.1.

10.2 Information from the agent

- (a) The Agent is entitled to disclose to the Noteholders any event or circumstance directly or indirectly relating to the Issuer or the Notes. Notwithstanding the foregoing, the Agent may, if it considers it to be beneficial to the interests of the Noteholders, delay disclosure or refrain from disclosing certain information, other than in respect of an Event of Default that has occurred and is continuing, and comply with a non-disclosure agreement entered into pursuant to Clause 10.1(e).

- (b) If a committee representing the Noteholders' interests under the Finance Documents has been appointed by the Noteholders in accordance with Clause 14 (*Decisions by Noteholders*), the members of such committee may agree with the Issuer not to disclose information received from any Group Company, provided that it, in the reasonable opinion of such members, is beneficial to the interests of the Noteholders. The Agent shall be a party to such agreement and receive the same information from the Issuer as the members of the committee.

10.3 Publication of finance documents

- (a) The latest version of these Terms and Conditions (including any document amending these Terms and Conditions) shall be available on the websites of the Group and the Agent.
- (b) The latest versions of the Finance Documents shall be available to the Noteholders at the office of the Agent during normal business hours.

11. General Undertakings

11.1 Nature of business

The Issuer shall procure that no substantial change is made to the general nature of the business carried on by the Group as of the Issue Date.

11.2 Distributions

- (a) The Issuer shall not:
 - (i) declare, make or pay any dividend or any other distribution in cash or in kind on or in respect of its share capital other than dividends or distributions (a) made in respect of any employee share purchase or share option scheme or (b) requested by a minority of shareholders in accordance with the Swedish Companies Act (*aktieföretagslagen (2005:551)*);
 - (ii) repurchase any of its own shares other than in connection with any employee share purchase or share option scheme; or
 - (iii) redeem its share capital or other restricted equity with repayment to its shareholders.
- (b) Notwithstanding paragraph (a), the Issuer may make such transfer of value to its shareholders in an aggregate amount in any financial year (including the transfer of value in question) not exceeding fifty (50) per cent. of the Group's consolidated net profit for the previous financial year, if at the time of the proposal or recommendation from the board of directors of the Issuer to resolve upon such transfer of value:
 - (i) no Event of Default is continuing; and

- (ii) the ratio of Equity to Total Assets pursuant to the most recently published financial statements of the Group is at least 35 per cent. (tested *pro forma* and calculated as if the transfer of value in question had already occurred).

11.3 Liquid assets

For so long as any Notes remain outstanding, the Issuer shall ensure that the total Liquid Assets at all times are equal to or exceeds the Debt Service Amount.

11.4 Disposal of assets

The Issuer shall not, and shall procure that no Material Group Company, make(s) a Restricted Disposal, unless such disposal is carried out at a price reflecting fair market value and on terms and conditions customary for such transaction and provided that it does not cause a Material Adverse Effect. The Issuer shall promptly after the completion of any Restricted Disposal notify the Agent and the Noteholders thereof and, upon request by the Agent (acting reasonably) provide the Agent with any relevant information relating to the transaction which the Agent deems necessary (acting reasonably) to monitor that the Issuer complies with its obligations under these Terms and Conditions with respect to the Restricted Disposal.

11.5 New securities

- (a) The Issuer shall not, and shall ensure that no other Group Company will issue any Securities ("**New Securities**") with a final maturity date prior to the Final Maturity Date, except:
 - (i) where such Securities are issued for the purpose of refinancing Securities with a maturity date prior to the Final Maturity Date; or
 - (ii) the Noteholders in connection with the issuance of such new Securities are offered a right to exchange all or some of the Notes held by such Noteholder against the New Securities.
- (b) In the case of an issuance pursuant to paragraph (a)(ii) above, the Issuer shall notify the Agent and send an exchange offer to all Noteholders, to exchange Notes for New Securities (an "**Exchange Offer**"). The Exchange Offer shall be at a price equal to:
 - (i) 100 per cent. of the Nominal Amount plus accrued but unpaid Interest, from the preceding Interest Payment Date up to (and including) the Exchange Date (irrespective of the trading price of the Notes at the date of the exchange); for exchange against
 - (ii) 100 per cent. of the nominal amount of the New Securities adjusted for any discount or premium applicable to the other investors in the New Securities and accrued but unpaid interest in respect of the New Securities up to (and including) the Exchange Date and be based on a reasonable exchange rate for Securities in different currencies.

- (c) The Issuer shall give notice of an Exchange Offer pursuant to paragraph (b) at the same time as the New Securities are issued to the new investors (the settlement date). The Exchange Offer shall be open for acceptance for a period of fifteen (15) Business Days following the submission of the Exchange Offer (the "**Offer Period**").
- (d) The Noteholders who accept the Exchange Offer may elect to exchange all or some of their Notes and shall notify the Agent of the number of Notes to be exchanged. The exchange date shall occur no later than ten (10) Business Days from the end of the Offer Period (the "**Exchange Date**").

11.6 Negative pledge

For as long as any Notes remain outstanding the Issuer shall not, and shall ensure that no other Group Company will:

- (a) create or have outstanding any Security on the whole or any part of its assets to secure any present or future Securities of any Group Company, unless simultaneously with, or prior to, the creation of such Security it has taken any and all action necessary to procure that such Security is extended equally and rateably to all amounts payable by the Issuer under the Notes;
- (b) create any Security in connection with any Secured Asset Financing, on terms where the committed Financial Indebtedness under such financing or refinancing arrangement exceeds 85 per cent. of the Market Value of the relevant underlying asset, in each case only calculated as of the date of such arrangement; or
- (c) create or have outstanding any Security on the whole or any part over its assets to secure any Borrowings, other than Permitted Security.

11.7 Maintaining the rating

The Issuer shall maintain a corporate rating with Standard & Poor or Moody's or any other rating agency of international repute.

11.8 Listing of the notes

- (a) The Issuer shall use its best efforts to ensure that the Notes are listed on NASDAQ OMX Stockholm or on another Regulated Market within two (2) months after the First Issue Date.
- (b) Following the listing, the Issuer shall take all actions on its part to maintain the listing as long as any Notes are outstanding, but, however, no longer than up to and including the last day on which the listing reasonably can, pursuant to the then applicable regulations of the Regulated Market and the CSD, subsist.

11.9 Undertakings relating to the agency agreement

- (a) The Issuer shall, in accordance with the Agency Agreement:
 - (i) pay fees to the Agent;

- (ii) indemnify the Agent for costs, losses and liabilities;
 - (iii) furnish to the Agent all information requested by or otherwise required to be delivered to the Agent; and
 - (iv) not act in a way which would give the Agent a legal or contractual right to terminate the Agency Agreement.
- (b) The Issuer and the Agent shall not agree to amend any provisions of the Agency Agreement without the prior consent of the Noteholders if the amendment would be detrimental to the interests of the Noteholders.

12. Events of Default and Acceleration of the Notes

- (a) The Agent is entitled to, and shall following a demand in writing from a Noteholder (or Noteholders) representing at least 33.33 per cent. of the Adjusted Nominal Amount (such demand may only be validly made by a person who is a Noteholder on the Business Day immediately following the day on which the demand is received by the Agent and shall, if made by several Noteholders, be made by them jointly) or following an instruction given pursuant to Clause 12(d), on behalf of the Noteholders (i) by notice to the Issuer, declare all, but not only some, of the outstanding Notes due and payable together with any other amounts payable under the Finance Documents, immediately or at such later date as the Agent determines, and (ii) exercise any or all of its rights, remedies, powers and discretions under the Finance Documents, if:
- (i) the Issuer does not pay on the due date any amount payable by it under the Finance Documents, unless the non-payment:
 - (A) is caused by technical or administrative error; and
 - (B) is remedied within three (3) Business Days (in the case of a failure to pay principal or interest) or five (5) Business Days (in the case of any other payment), in each case from the due date;
 - (ii) the Issuer does not comply with any terms or conditions of the Finance Documents to which it is a party (other than those terms referred to in paragraph (i) above), unless the non-compliance:
 - (A) is capable of remedy; and
 - (B) is remedied within fifteen (15) Business Days of the earlier of the Agent giving notice and the Issuer becoming aware of the non-compliance;
 - (iii) any Finance Document becomes invalid, ineffective or varied (other than in accordance with the provisions of the Finance Documents), and such invalidity, ineffectiveness or variation has a detrimental effect on the interests of the Noteholders;

- (iv) any Material Group Company is, or is deemed for the purposes of any applicable law to be, Insolvent;
 - (v) any attachment, sequestration, distress or execution, or any analogous process in any jurisdiction, affects any asset of a Material Group Company having an aggregate value of USD 10,000,000 and is not discharged within thirty (30) Business Days of such proceedings having commenced, provided that there shall not be an Event of Default for so long as such proceedings are being contested in good faith;
 - (vi) any Financial Indebtedness of any Group Company is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described), provided that no Event of Default will occur under this Clause 12 if the aggregate amount of Financial Indebtedness declared to be or otherwise becoming due and payable is less than USD 10,000,000;
 - (vii) the Issuer merges with any other person, or is subject to a demerger, with the effect that the Issuer is not the surviving entity; or
 - (viii) the licenses and operating permits of the Group to operate regular air traffic cease to be in full force and effect or is amended and such cessation or amendment has a detrimental effect on the interests of the Noteholders.
- (b) The Agent may not accelerate the Notes in accordance with Clause 12(a) by reference to a specific Event of Default if it is no longer continuing or if it has been decided, on a Noteholders Meeting or by way of a Written Procedure, to waive such Event of Default (temporarily or permanently).
 - (c) The Agent shall notify the Noteholders of an Event of Default within five (5) Business Days of the date on which the Agent received actual knowledge of that an Event of Default has occurred and is continuing. The Agent shall always be entitled to take the time necessary to consider whether an occurred event constitutes an Event of Default.
 - (d) If the Noteholders instruct the Agent to accelerate the Notes, the Agent shall promptly declare the Notes due and payable and take such actions as may, in the opinion of the Agent, be necessary or desirable to enforce the rights of the Noteholders under the Finance Documents, unless the relevant Event of Default is no longer continuing.
 - (e) If the right to accelerate the Notes is based upon a decision of a court of law or a government authority, it is not necessary that the decision has become enforceable under law or that the period of appeal has expired in order for cause of acceleration to be deemed to exist.
 - (f) In the event of an acceleration of the Notes in accordance with this Clause 12, the Issuer shall redeem all Notes at an amount equal to the redemption amount

specified in Clause 9.3 (*Voluntary total redemption (call option)*), as applicable considering when the acceleration occurs.

13. Distribution of Proceeds

- (a) All payments by the Issuer relating to the Notes and the Finance Documents, and all payments by the SAS Consortium under the Guarantee, following an acceleration of the Notes in accordance with Clause 12 (*Events of Default and Acceleration of the Notes*) shall be distributed in the following order of priority, in accordance with the instructions of the Agent:
- (i) first, in or towards payment *pro rata* of (i) all unpaid fees, costs, expenses and indemnities payable by the Issuer to the Agent in accordance with the Agency Agreement (other than any indemnity given for liability against the Noteholders), (ii) other costs, expenses and indemnities relating to the acceleration of the Notes, or the protection of the Noteholders' rights as may have been incurred by the Agent, (iii) any costs incurred by the Agent for external experts that have not been reimbursed by the Issuer in accordance with Clause 18.2(e), and (iv) any costs and expenses incurred by the Agent in relation to a Noteholders' Meeting or a Written Procedure that have not been reimbursed by the Issuer in accordance with Clause 14(c);
 - (ii) secondly, in or towards payment *pro rata* of accrued but unpaid Interest under the Notes (Interest due on an earlier Interest Payment Date to be paid before any Interest due on a later Interest Payment Date);
 - (iii) thirdly, in or towards payment *pro rata* of any unpaid principal under the Notes; and
 - (iv) fourthly, in or towards payment *pro rata* of any other costs or outstanding amounts unpaid under the Finance Documents.

Any excess funds after the application of proceeds in accordance with paragraphs (i) to (iv) above shall be paid to the Issuer.

- (b) If a Noteholder or another party has paid any fees, costs, expenses or indemnities referred to in Clause 13(a)(i), such Noteholder or other party shall be entitled to reimbursement by way of a corresponding distribution in accordance with Clause 13(a)(i).
- (c) Funds that the Agent receives (directly or indirectly) in connection with the acceleration of the Notes constitute escrow funds (*redovisningsmedel*) and must be held on a separate interest-bearing account on behalf of the Noteholders and the other interested parties. The Agent shall arrange for payments of such funds in accordance with this Clause 13 as soon as reasonably practicable.
- (d) If the Issuer or the Agent shall make any payment under this Clause 13, the Issuer or the Agent, as applicable, shall notify the Noteholders of any such payment at least fifteen (15) Business Days before the payment is made. Such notice shall

specify the Record Date, the payment date and the amount to be paid. Notwithstanding the foregoing, for any Interest due but unpaid the Record Date specified in Clause 7(a) shall apply.

14. Decisions by Noteholders

- (a) A request by the Agent for a decision by the Noteholders on a matter relating to the Finance Documents shall (at the option of the Agent) be dealt with at a Noteholders' Meeting or by way of a Written Procedure.
- (b) Any request from the Issuer or a Noteholder (or Noteholders) representing at least ten (10) per cent. of the Adjusted Nominal Amount (such request may only be validly made by a person who is a Noteholder on the Business Day immediately following the day on which the request is received by the Agent and shall, if made by several Noteholders, be made by them jointly) for a decision by the Noteholders on a matter relating to the Finance Documents shall be directed to the Agent and dealt with at a Noteholders' Meeting or by way a Written Procedure, as determined by the Agent. The person requesting the decision may suggest the form for decision making, but if it is in the Agent's opinion more appropriate that a matter is dealt with at a Noteholders' Meeting than by way of a Written Procedure, it shall be dealt with at a Noteholders' Meeting.
- (c) The Agent may refrain from convening a Noteholders' Meeting or instigating a Written Procedure if (i) the suggested decision must be approved by any person in addition to the Noteholders and such person has informed the Agent that an approval will not be given, or (ii) the suggested decision is not in accordance with applicable laws.
- (d) Only a person who is, or who has been provided with a power of attorney pursuant to Clause 6 (*Right to Act on Behalf of a Noteholder*) from a person who is, registered as a Noteholder:
 - (i) on the Record Date prior to the date of the Noteholders' Meeting, in respect of a Noteholders' Meeting, or
 - (ii) on the Business Day specified in the communication pursuant to Clause 16(c), in respect of a Written Procedure,may exercise voting rights as a Noteholder at such Noteholders' Meeting or in such Written Procedure, provided that the relevant Notes are included in the definition of Adjusted Nominal Amount.
- (e) The following matters shall require the consent of Noteholders representing at least eighty (80) per cent. of the Adjusted Nominal Amount for which Noteholders are voting at a Noteholders' Meeting or for which Noteholders reply in a Written Procedure in accordance with the instructions given pursuant to Clause 16(c):
 - (i) a change to the terms of any of Clause 2(a), and Clauses 2(f) to 2(h);

- (ii) a reduction of the premium payable upon the redemption or repurchase of any Note pursuant to Clause 9 (*Redemption and Repurchase of the Notes*);
 - (iii) a change to the Nominal Amount (other than in connection with a partial redemption) or the Interest Rate;
 - (iv) a change to the terms for the distribution of proceeds set out in Clause 13 (*Distribution of Proceeds*);
 - (v) a release or waiver of the Guarantee;
 - (vi) a change to the terms dealing with the requirements for Noteholders' consent set out in this Clause 14;
 - (vii) a change of issuer, an extension of the tenor of the Notes or any delay of the due date for payment of any principal or interest on the Notes;
 - (viii) a mandatory exchange of the Notes for other securities; and
 - (ix) early redemption of the Notes, other than upon an acceleration of the Notes pursuant to Clause 12 (*Events of Default and Acceleration of the Notes*) or as otherwise permitted or required by these Terms and Conditions.
- (f) Any matter not covered by Clause 14(e) shall require the consent of Noteholders representing more than 50 per cent. of the Adjusted Nominal Amount for which Noteholders are voting at a Noteholders' Meeting or for which Noteholders reply in a Written Procedure in accordance with the instructions given pursuant to Clause 16(c). This includes, but is not limited to, any amendment to, or waiver of, the terms of any Finance Document that does not require a higher majority (other than an amendment permitted pursuant to Clause 17(a)(i) or (17(a)(ii))), an acceleration of the Notes.
- (g) Quorum at a Noteholders' Meeting or in respect of a Written Procedure only exists if a Noteholder (or Noteholders) representing at least fifty (50) per cent. of the Adjusted Nominal Amount in case of a matter pursuant to Clause 14(e), and otherwise twenty (20) per cent. of the Adjusted Nominal Amount:
- (i) if at a Noteholders' Meeting, attend the meeting in person or by telephone conference (or appear through duly authorised representatives); or
 - (ii) if in respect of a Written Procedure, reply to the request.
- (h) If a quorum does not exist at a Noteholders' Meeting or in respect of a Written Procedure, the Agent or the Issuer shall convene a second Noteholders' Meeting (in accordance with Clause 15(a)) or initiate a second Written Procedure (in accordance with Clause 16(a)), as the case may be, provided that the relevant proposal has not been withdrawn by the person(s) who initiated the procedure

for Noteholders' consent. The quorum requirement in Clause 14(g) shall not apply to such second Noteholders' Meeting or Written Procedure.

- (i) Any decision which extends or increases the obligations of the Issuer or the Agent, or limits, reduces or extinguishes the rights or benefits of the Issuer or the Agent, under the Finance Documents shall be subject to the Issuer's or the Agent's consent, as appropriate. Any amendments to the Guarantee requires the consent of the SAS Consortium.
- (j) A Noteholder holding more than one Note need not use all its votes or cast all the votes to which it is entitled in the same way and may in its discretion use or cast some of its votes only.
- (k) The Issuer may not, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Noteholder for or as inducement to any consent under these Terms and Conditions, unless such consideration is offered to all Noteholders that consent at the relevant Noteholders' Meeting or in a Written Procedure within the time period stipulated for the consideration to be payable or the time period for replies in the Written Procedure, as the case may be.
- (l) A matter decided at a duly convened and held Noteholders' Meeting or by way of Written Procedure is binding on all Noteholders, irrespective of them being present or represented at the Noteholders' Meeting or responding in the Written Procedure. The Noteholders that have not adopted or voted for a decision shall not be liable for any damages that this may cause other Noteholders.
- (m) All costs and expenses incurred by the Issuer or the Agent for the purpose of convening a Noteholders' Meeting or for the purpose of carrying out a Written Procedure, including reasonable fees to the Agent, shall be paid by the Issuer.
- (n) If a decision shall be taken by the Noteholders on a matter relating to the Finance Documents, the Issuer shall promptly at the request of the Agent provide the Agent with a certificate specifying the number of Notes owned by Group Companies or (to the knowledge of the Issuer) Affiliates, irrespective of whether such person is directly registered as owner of such Notes. The Agent shall not be responsible for the accuracy of such certificate or otherwise be responsible to determine whether a Note is owned by a Group Company or an Affiliate.
- (o) Information about decisions taken at a Noteholders' Meeting or by way of a Written Procedure shall promptly be sent by notice to the Noteholders and published on the websites of the Group and the Agent, provided that a failure to do so shall not invalidate any decision made or voting result achieved. The minutes from the relevant Noteholders' Meeting or Written Procedure shall at the request of a Noteholder be sent to it by the Issuer or the Agent, as applicable.

15. Noteholders' Meeting

- (a) The Agent shall convene a Noteholders' Meeting by sending a notice thereof to each Noteholder no later than five (5) Business Days after receipt of a request

from the Issuer or the Noteholder(s) (or such later date as may be necessary for technical or administrative reasons).

- (b) Should the Issuer want to replace the Agent, it may convene a Noteholders' Meeting in accordance with Clause 15(a) with a copy to the Agent. After a request from the Noteholders pursuant to Clause 18.4(c), the Issuer shall no later than five (5) Business Days after receipt of such request (or such later date as may be necessary for technical or administrative reasons) convene a Noteholders' Meeting in accordance with Clause 15(a).
- (c) The notice pursuant to Clause 15(a) shall include (i) time for the meeting, (ii) place for the meeting, (iii) agenda for the meeting (including each request for a decision by the Noteholders) and (iv) a form of power of attorney. Only matters that have been included in the notice may be resolved upon at the Noteholders' Meeting. Should prior notification by the Noteholders be required in order to attend the Noteholders' Meeting, such requirement shall be included in the notice.
- (d) The Noteholders' Meeting shall be held no earlier than fifteen (15) Business Days and no later than thirty (30) Business Days from the notice.
- (e) Without amending or varying these Terms and Conditions, the Agent may prescribe such further regulations regarding the convening and holding of a Noteholders' Meeting as the Agent may deem appropriate. Such regulations may include a possibility for Noteholders to vote without attending the meeting in person.

16. Written Procedure

- (a) The Agent shall instigate a Written Procedure no later than five (5) Business Days after receipt of a request from the Issuer or the Noteholder(s) (or such later date as may be necessary for technical or administrative reasons) by sending a communication to each such person who is registered as a Noteholder on the Record Date prior to the date on which the communication is sent.
- (b) Should the Issuer want to replace the Agent, it may send a communication in accordance with Clause 16(a) to each Noteholder with a copy to the Agent.
- (c) A communication pursuant to Clause 16(a) shall include (i) each request for a decision by the Noteholders, (ii) a description of the reasons for each request, (iii) a specification of the Business Day on which a person must be registered as a Noteholder in order to be entitled to exercise voting rights, (iv) instructions and directions on where to receive a form for replying to the request (such form to include an option to vote yes or no for each request) as well as a form of power of attorney, and (v) the stipulated time period within which the Noteholder must reply to the request (such time period to last at least fifteen (15) Business Days from the communication pursuant to Clause 16(a)). If the voting shall be made electronically, instructions for such voting shall be included in the communication.
- (d) When the requisite majority consents of the total Adjusted Nominal Amount pursuant to Clauses 14(e) and 14(f) have been received in a Written Procedure,

the relevant decision shall be deemed to be adopted pursuant to Clause 14(e) or 14(f), as the case may be, even if the time period for replies in the Written Procedure has not yet expired.

17. Amendments and Waivers

- (a) The Issuer and the Agent (acting on behalf of the Noteholders) may agree to amend the Finance Documents or waive any provision in a Finance Document, provided that:
 - (i) such amendment or waiver is not detrimental to the interest of the Noteholders, or is made solely for the purpose of rectifying obvious errors and mistakes;
 - (ii) such amendment or waiver is required by applicable law, a court ruling or a decision by a relevant authority; or
 - (iii) such amendment or waiver has been duly approved by the Noteholders in accordance with Clause 14 (*Decisions by Noteholders*).
- (b) The consent of the Noteholders is not necessary to approve the particular form of any amendment to the Finance Documents. It is sufficient if such consent approves the substance of the amendment.
- (c) The Agent shall promptly notify the Noteholders of any amendments or waivers made in accordance with Clause 17(a), setting out the date from which the amendment or waiver will be effective, and ensure that any amendments to the Finance Documents are published in the manner stipulated in Clause 10.3 (*Publication of finance documents*). The Issuer shall ensure that any amendments to the Finance Documents are duly registered with the CSD and each other relevant organisation or authority.
- (d) An amendment to the Finance Documents shall take effect on the date determined by the Noteholders Meeting, in the Written Procedure or by the Agent, as the case may be.

18. Appointment and Replacement of the Agent

18.1 Appointment of agent

- (a) By subscribing for Notes, each initial Noteholder appoints the Agent to act as its agent in all matters relating to the Notes and the Finance Documents, and authorises the Agent to act on its behalf (without first having to obtain its consent, unless such consent is specifically required by these Terms and Conditions) in any legal or arbitration proceedings relating to the Notes held by such Noteholder. By acquiring Notes, each subsequent Noteholder confirms such appointment and authorisation for the Agent to act on its behalf.
- (b) Each Noteholder shall immediately upon request provide the Agent with any such documents, including a written power of attorney (in form and substance

satisfactory to the Agent), that the Agent deems necessary for the purpose of exercising its rights and/or carrying out its duties under the Finance Documents. The Agent is under no obligation to represent a Noteholder which does not comply with such request.

- (c) The Issuer shall promptly upon request provide the Agent with any relevant documents and other assistance (in form and substance satisfactory to the Agent, acting reasonably), that the Agent deems necessary for the purpose of exercising its rights and/or carrying out its duties under the Finance Documents.
- (d) The Agent is entitled to fees for its work and to be indemnified for costs, losses and liabilities on the terms set out in the Finance Documents and the Agency Agreement and the Agent's obligations as Agent under the Finance Documents are conditioned upon the due payment of such fees and indemnifications.
- (e) The Agent may act as agent or trustee for several issues of securities issued by or relating to the Issuer and other Group Companies notwithstanding potential conflicts of interest.

18.2 Duties of the agent

- (a) The Agent shall represent the Noteholders in accordance with the Finance Documents. However, the Agent is not responsible for the execution or enforceability of the Finance Documents.
- (b) When acting in accordance with the Finance Documents, the Agent is always acting with binding effect on behalf of the Noteholders. The Agent shall carry out its duties under the Finance Documents in a reasonable, proficient and professional manner, with reasonable care and skill.
- (c) The Agent is entitled to delegate its duties to other professional parties, but the Agent shall remain liable for the actions of such parties under the Finance Documents.
- (d) The Agent shall treat all Noteholders equally and, when acting pursuant to the Finance Documents, act with regard only to the interests of the Noteholders and shall not be required to have regard to the interests or to act upon or comply with any direction or request of any other person, other than as explicitly stated in the Finance Documents.
- (e) The Agent is entitled to engage external experts when carrying out its duties under the Finance Documents. The Issuer shall on demand by the Agent pay all reasonably incurred costs for external experts engaged after the occurrence of an Event of Default, or for the purpose of investigating or considering (i) an event which the Agent reasonably believes is or may lead to an Event of Default or (ii) a matter relating to the Issuer which the Agent reasonably believes may be detrimental to the interests of the Noteholders under the Finance Documents. Any compensation for damages or other recoveries received by the Agent from external experts engaged by it for the purpose of carrying out its duties under the

Finance Documents shall be distributed in accordance with Clause 13 (*Distribution of Proceeds*).

- (f) Notwithstanding any other provision of the Finance Documents to the contrary, the Agent is not obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation.
- (g) If in the Agent's reasonable opinion the cost, loss or liability which it may incur (including reasonable fees to the Agent) in complying with instructions of the Noteholders, or taking any action at its own initiative, will not be covered by the Issuer, the Agent may refrain from acting in accordance with such instructions, or taking such action, until it has received such funding or indemnities (or adequate Security has been provided therefore) as it may reasonably require.
- (h) The Agent shall give a notice to the Noteholders (i) before it ceases to perform its obligations under the Finance Documents by reason of the non-payment by the Issuer of any fee or indemnity due to the Agent under the Finance Documents or the Agency Agreement or (ii) if it refrains from acting for any reason described in Clause 18.2(g).

18.3 Limited liability for the agent

- (a) The Agent will not be liable to the Noteholders for damage or loss caused by any action taken or omitted by it under or in connection with any Finance Document, unless directly caused by its negligence or wilful misconduct. The Agent shall never be responsible for indirect loss.
- (b) The Agent shall not be considered to have acted negligently if it has acted in accordance with advice from or opinions of reputable external experts engaged by the Agent or if the Agent has acted with reasonable care in a situation when the Agent considers that it is detrimental to the interests of the Noteholders to delay the action in order to first obtain instructions from the Noteholders.
- (c) The Agent shall not be liable for any delay (or any related consequences) in crediting an account with an amount required pursuant to the Finance Documents to be paid by the Agent to the Noteholders, provided that the Agent has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by the Agent for that purpose.
- (d) The Agent shall have no liability to the Noteholders for damage caused by the Agent acting in accordance with instructions of the Noteholders given in accordance with Clause 14 (*Decisions by Noteholders*) or a demand by Noteholders given pursuant to Clause 12(a).
- (e) Any liability towards the Issuer which is incurred by the Agent in acting under, or in relation to, the Finance Documents shall not be subject to set-off against the obligations of the Issuer to the Noteholders under the Finance Documents.

18.4 Replacement of the agent

- (a) Subject to Clause 18.4(f), the Agent may resign by giving notice to the Issuer and the Noteholders, in which case the Noteholders shall appoint a successor Agent at a Noteholders' Meeting convened by the retiring Agent or by way of Written Procedure initiated by the retiring Agent.
- (b) Subject to Clause 18.4(f), if the Agent is Insolvent, the Agent shall be deemed to resign as Agent and the Issuer shall within ten (10) Business Days appoint a successor Agent which shall be an independent financial institution or other reputable company which regularly acts as agent under debt issuances.
- (c) A Noteholder (or Noteholders) representing at least ten (10) per cent. of the Adjusted Nominal Amount may, by notice to the Issuer (such notice may only be validly given by a person who is a Noteholder on the Business Day immediately following the day on which the notice is received by the Issuer and shall, if given by several Noteholders, be given by them jointly), require that a Noteholders' Meeting is held for the purpose of dismissing the Agent and appointing a new Agent. The Issuer may, at a Noteholders' Meeting convened by it or by way of Written Procedure initiated by it, propose to the Noteholders that the Agent be dismissed and a new Agent appointed.
- (d) If the Noteholders have not appointed a successor Agent within ninety (90) days after (i) the earlier of the notice of resignation was given or the resignation otherwise took place or (ii) the Agent was dismissed through a decision by the Noteholders, the Issuer shall appoint a successor Agent which shall be an independent financial institution or other reputable company which regularly acts as agent under debt issuances.
- (e) The retiring Agent shall, at its own cost, make available to the successor Agent such documents and records and provide such assistance as the successor Agent may reasonably request for the purposes of performing its functions as Agent under the Finance Documents.
- (f) The Agent's resignation or dismissal shall only take effect upon the appointment of a successor Agent and acceptance by such successor Agent of such appointment and the execution of all necessary documentation to effectively substitute the retiring Agent.
- (g) Upon the appointment of a successor, the retiring Agent shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of the Finance Documents and remain liable under the Finance Documents in respect of any action which it took or failed to take whilst acting as Agent. Its successor, the Issuer and each of the Noteholders shall have the same rights and obligations amongst themselves under the Finance Documents as they would have had if such successor had been the original Agent.
- (h) In the event that there is a change of the Agent in accordance with this Clause 18.4, the Issuer shall execute such documents and take such actions as the new Agent may reasonably require for the purpose of vesting in such new Agent

the rights, powers and obligation of the Agent and releasing the retiring Agent from its further obligations under the Finance Documents and the Agency Agreement. Unless the Issuer and the new Agent agrees otherwise, the new Agent shall be entitled to the same fees and the same indemnities as the retiring Agent.

19. Appointment and Replacement of the Issuing Agent

- (a) The Issuer appoints the Issuing Agent to manage certain specified tasks under these Terms and Conditions and in accordance with the legislation, rules and regulations applicable to and/or issued by the CSD and relating to the Notes.
- (b) The Issuing Agent may retire from its assignment or be dismissed by the Issuer, provided that the Issuer has approved that a commercial bank or securities institution approved by the CSD accedes as new Issuing Agent at the same time as the old Issuing Agent retires or is dismissed. If the Issuing Agent is Insolvent, the Issuer shall immediately appoint a new Issuing Agent, which shall replace the old Issuing Agent as issuing agent in accordance with these Terms and Conditions.

20. No Direct Actions by Noteholders

- (a) A Noteholder may not take any steps whatsoever against the Issuer to enforce or recover any amount due or owing to it pursuant to the Finance Documents, or to initiate, support or procure the winding-up, dissolution, liquidation, company reorganisation (*företagsrekonstruktion*) or bankruptcy (*konkurs*) (or its equivalent in any other jurisdiction) of the Issuer or the SAS Consortium in relation to any of the liabilities under the Finance Documents.
- (b) Clause 20(a) shall not apply if the Agent has been instructed by the Noteholders in accordance with the Finance Documents to take certain actions but fails for any reason to take, or is unable to take (for any reason other than a failure by a Noteholder to provide documents in accordance with Clause 18.1(b)), such actions within a reasonable period of time and such failure or inability is continuing. However, if the failure to take certain actions is caused by the non-payment by the Issuer of any fee or indemnity due to the Agent under the Finance Documents or the Agency Agreement or by any reason described in Clause 18.2(g), such failure must continue for at least forty (40) Business Days after notice pursuant to Clause 18.2(h) before a Noteholder may take any action referred to in Clause 20(a).
- (c) The provisions of Clause 20(a) shall not in any way limit an individual Noteholder's right to claim and enforce payments which are due to it under Clause 9.4 or other payments which are due by the Issuer to some but not all Noteholders.

21. Prescription

- (a) The right to receive repayment of the principal of the Notes shall be prescribed and become void ten (10) years from the Redemption Date. The right to receive payment of interest (excluding any capitalised interest) shall be prescribed and become void three (3) years from the relevant due date for payment. The Issuer is

entitled to any funds set aside for payments in respect of which the Noteholders' right to receive payment has been prescribed and has become void.

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

22. Notices and Press Releases

22.1 Notices

- (a) Any notice or other communication to be made under or in connection with the Finance Documents:
 - (i) if to the Agent, shall be given at the address registered with the Swedish Companies Registration Office on the Business Day prior to dispatch;
 - (ii) if to the Issuer, shall be given at the address specified on the website www.sasgroup.net on the Business Day prior to dispatch; and
 - (iii) if to the Noteholders, shall be given at their addresses as registered with the CSD, on the Record Date prior to dispatch, and by either courier delivery or letter for all Noteholders. A Notice to the Noteholders shall also be published on the websites of the Group and the Agent.
- (b) Any notice or other communication made by one person to another under or in connection with the Finance Documents shall be sent by way of courier, personal delivery or letter and will only be effective, in case of courier or personal delivery, when it has been left at the address specified in Clause 22.1(a) or, in case of letter, three (3) Business Days after being deposited postage prepaid in an envelope addressed to the address specified in Clause 22.1(a).
- (c) Failure to send a notice or other communication to a Noteholder or any defect in it shall not affect its sufficiency with respect to other Noteholders.

22.2 Press releases

- (a) Any notice that the Issuer or the Agent shall send to the Noteholders pursuant to Clauses 9.3 (*Voluntary total redemption (Call option)*), 9.4 (*Early redemption due to illegality (call option)*), 10.1(b), 11.5(c), 12(c), 14(o), 15(a), 16(a) and 17(c) shall also be published by way of press release by the Issuer or the Agent, as applicable.
- (b) In addition to Clause 22.2(a), if any information relating to the Notes or the Group contained in a notice the Agent may send to the Noteholders under these Terms and Conditions has not already been made public by way of a press release, the Agent shall before it sends such information to the Noteholders give the Issuer

the opportunity to issue a press release containing such information. If the Issuer does not promptly issue a press release and the Agent considers it necessary to issue a press release containing such information before it can lawfully send a notice containing such information to the Noteholders, the Agent shall be entitled to issue such press release.

23. Force Majeure and Limitation of Liability

- (a) Neither the Agent nor the Issuing Agent shall be held responsible for any damage arising out of any legal enactment, or any measure taken by a public authority, or war, strike, lockout, boycott, blockade or any other similar circumstance (a "**Force Majeure Event**"). The reservation in respect of strikes, lockouts, boycotts and blockades applies even if the Agent or the Issuing Agent itself takes such measures, or is subject to such measures.
- (b) The Issuing Agent shall have no liability to the Noteholders if it has observed reasonable care. The Issuing Agent shall never be responsible for indirect damage with exception of gross negligence and wilful misconduct.
- (c) Should a Force Majeure Event arise which prevents the Agent or the Issuing Agent from taking any action required to comply with these Terms and Conditions, such action may be postponed until the obstacle has been removed.
- (d) The provisions in this Clause 23 apply unless they are inconsistent with the provisions of the Financial Instruments Accounts Act which provisions shall take precedence.

24. Governing Law and Jurisdiction

- (a) These Terms and Conditions, and any non-contractual obligations arising out of or in connection therewith, shall be governed by and construed in accordance with the laws of Sweden.
- (b) The Issuer submits to the non-exclusive jurisdiction of the City Court of Stockholm (*Stockholms tingsrätt*).

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

Place:

Date: 23 September 2013

SAS AB (publ)

as Issuer

Name:

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

Place:

Date: 23 September 2013

CorpNordic Sweden AB

as Agent

Name:

Guarantee Agreement

between

SAS AB (publ)

as Issuer

Scandinavian Airlines System Denmark – Norway – Sweden

as Guarantor

and

CorpNordic Sweden AB

as Agent

relating to the SEK senior unsecured bonds issued by SAS AB (publ)

23 September 2013

This Guarantee Agreement (this "Agreement") is dated 23 September 2013 and made between:

- (a) **SAS AB (publ)**, a limited liability company incorporated in Sweden, with reg. no. 556606-8499 (the "**Issuer**");
- (b) **Scandinavian Airlines System Denmark – Norway – Sweden**, a consortium organised and existing under a consortium agreement with its principal offices at Kabinvägen, SE 190 60, Stockholm, Sweden, as guarantor (the "**Guarantor**"); and
- (c) **CorpNordic Sweden AB**, a limited liability company incorporated in Sweden, with reg. no. 556625-5476, as agent for the Noteholders (the "**Agent**").

Background

- A. In consideration of the Noteholders entering into the Finance Documents and purchasing Notes thereunder and to induce them to do so the Guarantor has agreed to enter into this Agreement in order to guarantee the Guaranteed Obligations (as defined below), on the terms and conditions set forth herein.
- B. This Agreement is entered into subject to the terms of the Terms and Conditions (as defined below).

1. Definitions and Construction

1.1 Definitions

"**Guarantee**" means the guarantee granted by the Guarantor pursuant to Clause 2 (*Guarantee*).

"**Guaranteed Obligations**" means all payment obligations of the Issuer under the Notes and the Finance Documents (including, for the avoidance of doubt, the payment obligations under the Agency Agreement), to which the Issuer is a party, towards the Noteholders and the Agent as referred to in Clause 2 (a) and (b) below.

"**Terms and Conditions**" means the terms and conditions for SAS AB (publ) senior unsecured bond issue 2013/2017 dated 23 September 2013 with ISIN: SE0005423597.

1.2 Construction

Unless otherwise defined in this Agreement, terms defined in the Terms and Conditions shall have the same meanings when used in this Agreement and the rules of construction set out in the Terms and Conditions shall apply also to this Agreement.

2. Guarantee

- (a) The Guarantor irrevocably and unconditionally jointly and severally guarantees, as principal obligor as for its own debt (*Sw. proprieborgen*), to each Noteholder, the Agent the full and punctual payment within applicable grace periods of all of the Issuer's payment obligations under the Finance Documents, including the payment of principal of, and premium, if any, and interest on the Notes when due, whether at maturity, by acceleration, by redemption or otherwise, and interest on any such obligation which is

overdue, and of all other monetary obligations of the Issuer to the Noteholders and the Agent under the Finance Documents.

- (b) The obligations of the Guarantor hereunder shall not be affected by:
 - (i) any extension or renewal or any rescission, waiver, amendment or modification of any of the terms or provisions of the Notes, any Finance Document or any other agreement;
 - (ii) any partial repayment of any amount owed by the Issuer under the Notes and the Finance Documents or any partial release of any obligations of the Issuer thereunder; or
 - (iii) any change in the ownership of the Guarantor.
- (c) The Guarantor further agrees that its Guarantee herein is a continuing guarantee and shall extend to the ultimate balance of the Guaranteed Obligations and shall continue to be effective or be reinstated in full force and effect, as the case may be, if at any time any payment, or any part thereof, by the Issuer to the Agent or any Noteholder of any Guaranteed Obligation, whether for principal or interest or otherwise, is rescinded or must otherwise be restored or returned, upon the bankruptcy, insolvency or reorganization of the Issuer or otherwise, by any Noteholder or the Agent to the Issuer or any custodian, trustee, administrator, liquidator or other similar official acting in relation to the Issuer or its property.
- (d) In furtherance of the foregoing and not in limitation of any other right which any Noteholder or the Agent has by law against the Guarantor by virtue hereof, upon the failure of the Issuer to pay the principal of or interest on any Guaranteed Obligation when and as the same shall become due, whether at maturity, by acceleration, by redemption or otherwise, or to perform or comply with any other Guaranteed Obligation, the Guarantor hereby undertakes to and shall, upon receipt of written demand by the Agent, forthwith pay, or cause to be paid, in cash, to the Noteholders or the Agent, an amount equal to the sum of the due and unpaid amount of all the Guaranteed Obligations.
- (e) The Guarantor agrees that it shall not be entitled to any right of subrogation or contribution in respect of any Guaranteed Obligations guaranteed hereby until payment in full of all Guaranteed Obligations.
- (f) Payments to be made by the Guarantor hereunder shall be made in immediately available funds in the same currency in which the corresponding obligations are payable by the Issuer to such account as the Agent may specify and shall be made without set off or counterclaim.
- (g) The Guarantor agrees to pay any and all costs and expenses (including reasonable legal fees) incurred by the Agent or any Noteholder in enforcing any rights under this Agreement.

3. Successors and Assigns

This Agreement shall be binding upon the Guarantor and its successors and assigns and shall ensure to the benefit of the successors and assigns of the Noteholders and the Agent and, in the event of any transfer or assignment of rights by any Noteholder or the Agent, the rights and privileges conferred upon that party in the Notes and the Finance Documents shall automatically extend to and be vested in such transferee or assignee, all subject to the Terms and Conditions.

4. No Waiver

Neither a failure nor a delay on the part of either, the Noteholders or the Agent in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise of any right, power or privilege. The rights, remedies and benefits of the Noteholders and the Agent herein expressly specified are cumulative and not exclusive of any other rights, remedies or benefits which either may have under this Agreement, by law or otherwise.

5. Modifications

No modification, amendment or waiver of any provision of this Agreement nor the consent to any departure by the Guarantor there from, shall in any event be effective unless the same shall be in writing and signed by the Agent, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on the Guarantor in any case shall entitle the Guarantor to any other or further notice or demand in the same, similar or other circumstances.

6. Release of the Guarantor

- (a) The Guarantor will be deemed released from all obligations under this Agreement without any further action required on the part of any Noteholder or the Agent upon the irrevocable discharge of the Guaranteed Obligations in full.
- (b) The Agent shall, at the sole cost and expense of the Issuer, and upon receipt at the request of the Agent of reasonable evidence that this Clause 6 have been complied with, deliver an appropriate instrument evidencing such release upon receipt of a director's certificate from the Issuer certifying the compliance with this Clause 6.

7. Severability

In case any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

8. Guarantee Limitations

The obligations and liabilities of the Guarantor shall not apply with respect to Notes held by the Issuer or any Affiliate of the Issuer. For the avoidance of doubt, the limitation set out in this Clause 8 shall not affect a Noteholder who has purchased Notes from the Issuer or any Affiliate of the Issuer.

9. Notices

Clause 23.1 (*Notices*) of the Terms and Conditions shall apply also to this Agreement.

10. Governing Law and Jurisdiction

- (a) This Agreement, and any non-contractual obligations arising out of or in connection therewith, shall be governed by and construed in accordance with the laws of Sweden.
- (b) Any dispute or claim arising in relation to this Agreement shall be determined by Swedish courts, with the District Court of Stockholm (Sw. *Stockholms tingsrätt*) as the court of first instance.

SAS AB (publ)

as Issuer

By:

By:

Scandinavian Airlines System Denmark – Norway – Sweden

as Guarantor

By:

By:

CorpNordic Sweden AB

as Agent, acting for itself and on behalf of the Noteholders

By:

By:

Addresses

THE ISSUER

SAS AB (publ)

Visiting address: Kabinvägen 5, Stockholm-Arlanda

Postal address: SE-195 87 Stockholm
Sweden

Telephone: +46 (0)8-7970000
www.sasgroup.net

LEGAL ADVISOR TO THE ISSUER

Mannheimer Swartling Advokatbyrå

P.O. Box 1711
SE-111 87 Stockholm
Sweden

www.mannheimerswartling.se

JOINT COORDINATORS

Nordea Bank AB (publ)

SE-103 25 Stockholm
Sweden

www.nordea.com

Danske Bank A/S

SE- 103 92 Stockholm
Sweden

www.danskebank.se

LEGAL ADVISOR TO THE JOINT COORDINATORS

Roschier Advokatbyrå

P.O. Box 7358
SE-103 90 Stockholm
Sweden

www.roschier.com

SAS AB (publ)
SE-195 87 Stockholm, Sweden
www.sasgroup.net